

LG.Philips LCD Co., Ltd.  
Form 6-K  
May 15, 2006  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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REPORT OF FOREIGN PRIVATE ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2006

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## LG.Philips LCD Co., Ltd.

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

## Edgar Filing: LG.Philips LCD Co., Ltd. - Form 6-K

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

Yes ☐ No ☒

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QUARTERLY REPORT

(From January 1, 2006 to March 31, 2006)

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

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

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

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**(All information is presented on a non-consolidated Korean GAAP basis)**

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Attachment: 1. Korean GAAP Non-consolidated Financial Statements  
2. U.S. GAAP Consolidated Financial Statements

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### **1. Overview**

#### **A. Industry**

##### **(1) Industry characteristics and growth potential**

- TFT-LCD technology is one of the most widely used technologies in the manufacture of flat panel displays and the demand for flat panel displays is growing rapidly. The flat panel display industry is characterized by high entry barriers due to rapidly evolving technology, capital-intensive characteristics, and the significant investments required to achieve economies of scale, among other factors. There is strong competition between a limited number of players within the industry and production capacity in the industry, including ours, is being continually increased.
- The demand for LCD panels for Notebook Computers & Monitors has been closely related to the IT industry cycle. The demand for LCD panels for TVs is growing with the start of HDTV broadcasting and as LCD TV is anticipated to play a key role in the digital display area. We expect competition between TFT-LCD and PDP technologies to intensify in the area of large flat TV products. In addition, LCD panel markets for applications, such as mobile phones, PDAs, medical applications and automobile navigation systems, among others, are growing steadily.
- The average selling prices of our display panels have declined in general and are expected to continually decline with time irrespective of industry-wide fluctuations as a result of, among other factors, technology advances and cost reductions.

##### **(2) Cyclicalities**

- The TFT-LCD business has high cyclicalities as well as being a capital intensive business. In spite of the increase in demand for products, this industry has experienced periodic volatility caused by imbalances between demand and supply due to capacity expansion within the industry.
- Intense competition and expectations of demand growth may lead panel manufacturers to invest in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities.
- During such surges in capacity growth, our customers can exert and have exerted strong downward pricing pressure, resulting in sharp declines in average selling prices and significant fluctuations in our gross margins. Conversely, demand surges and fluctuations in the supply chain can lead to price increases.

##### **(3) Competitiveness**

- Our ability to compete successfully depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, success of our end-brand customers in marketing their brands and products, component and raw material supply costs, foreign exchange rate and general economic and industry conditions.



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- Core competitiveness includes technology leadership, capability to design new products and premium products, timely investment in advanced fabs, cost leadership through application of large production lines, innovation of process and productivity, and collaborative customer relationships.
- Most importantly, cost leadership and stable and long-term relationships with customers are critical to secure profit even in a buyer's market.
- A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would thus result in reduced sales.
- Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain the experienced key staffs and highly skilled line operators.

### (4) Sourcing material

- Materials are sourced in-house (color filters) as well as from domestic and overseas vendors. However, recently, the domestic portion is growing due to the active participation of domestic vendors.
- The shortage of raw materials may arise temporarily due to the rapid increase in demand for raw materials resulting from capacity expansion in the TFT-LCD industry.
- We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors.

### (5) Others

- Most TFT-LCD panel makers are located in Asia.

a. Korea: LG.Philips LCD, Samsung Electronics (including Joint Venture between Samsung Electronics and Sony Corporation), BOE-Hydis

b. Taiwan: AU Optronics, Chi Mei Optoelectronics, CPT, QDI, etc.

c. Japan: Sharp, Hitachi, etc.

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



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## B. Company

## (1) Business overview

- We started the TFT-LCD business in 1998. We currently operate seven fabrication facilities located in Gumi and Paju, Korea and four module facilities located in Gumi & Paju, Korea and Nanjing, China.
- We became the first LCD maker in the world which commenced commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002, and we started mass production at our 6th generation fab (P6) in August 2004, which allows us to produce LCD panels for large TVs and monitors. Following mass production at our 7th generation fab (P7) in January 2006, we became a panel maker who operates both 6th and 7th generation lines, which we believe will strengthen our position as a leader in the LCD TV market.
- Non-consolidated sales revenue in the first quarter of 2006 decreased by 10% to KRW 2,418 billion from KRW 2,675 billion in the fourth quarter of 2005 and increased by 37% compared to KRW 1,770 billion in the first quarter of 2005. The sequential decline in sales in the first quarter of 2006 was mainly the result of strong Korean Won and declines in both demand and average selling price of Notebook Computers and Monitor panel segments.
- Non-consolidated operating profit in the first quarter of 2006 decreased by 90% to KRW 35 billion from KRW 339 billion in the fourth quarter of 2005, and non-consolidated net income in the first quarter of 2006 decreased by 86% to KRW 48 billion from KRW 328 billion in the fourth quarter of 2005.
- Business area of the company for disclosure is limited to LCD business.

## (2) Market shares

- World wide market share of large-size TFT-LCD panels ( $\geq 10$  ") based on revenue

|                             | 2005  | 2004  |
|-----------------------------|-------|-------|
| Panel for Notebook Computer | 22.5% | 19.6% |
| Panel for Monitor           | 22.5% | 22.6% |
| Panel for TV                | 23.9% | 19.8% |
| Total                       | 22.2% | 20.9% |

\* Source: DisplaySearch Q1 2006

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(3) Market characteristics

- Due to the recent high growth in the display appliance market for the flat display format, the scale of the LCD market is growing at a rapid rate, resulting in expansion of the market centered mainly in America, Japan, Europe and China.

(4) New business

- P7, the 7th generation fab, located in our Paju display cluster in Korea, started mass production in January 2006. P7 is scheduled to reach a production capacity of 45,000 input glass sheets per month by the second quarter of 2006 and is expected to reach its initial design capacity of 90,000 input glass sheets per month by the end of 2006.
- We have commenced building construction of P8 at our Paju display cluster in Korea in anticipation of growth of TFT-LCD market.
- In September 2005, we entered into an agreement to build a back-end module production plant in Wroclaw, Poland, becoming the first global LCD industry player to commence such production in Europe. We plan to break ground on the plant in 2006 and expect to begin production during the first half of 2007. The Polish plant is expected to have an initial capacity of 3 million modules per year. We are going to invest a total of EUR 429 million in the plant by 2011, at which time it is scheduled to reach its design capacity of 11 million units per year.

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## (5) Organization chart

- JRD : Joint Representative Director

- CEO : Chief Executive Officer

- CFO : Chief Financial Officer

- COO : Chief Operating Officer

- CTO : Chief Technology Officer

- CMSO: Chief Marketing Sales Officer

**2. Information Regarding Shares**

## A. Change in Capital Stock

(Unit : KRW, Share)

|              |                          | Change of Number of | Face amount |
|--------------|--------------------------|---------------------|-------------|
| Date         | Descriptions             | Common Shares       | per share   |
| Jul 23, 2004 | Initial Public Offering* | 33,600,000          | 5,000       |
| Sep 8, 2004  | Over-allotment Option**  | 1,715,700           | 5,000       |
| Jul 27, 2005 | Follow-on Offering***    | 32,500,000          | 5,000       |

\* ADSs offering : 24,960,000 shares (US\$ 30 per Share, US\$ 15 per ADS) Offering of common stock : 8,640,000 shares (KRW 34,500 per Share)

\*\* Pursuant to underwriters' exercise of over-allotment option (US\$ 30 per Share, US\$ 15 per ADS)

\*\*\* ADSs offering (US\$ 42.64 per Share, US\$ 21.32 per ADS)

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### B. Convertible Bonds

(Unit : US\$, Share)

| Item              | Contents  |
|-------------------|---|
| Issuing Date      | April 19, 2005  |
| Maturity          | April 19, 2010  |
| Face Amount       | 475,000,000   |
| Offering method   | Public Offering   |
| Conversion period | Convertible into shares of common stock in the period<br>from June 27, 2005 to April 4, 2010  |
| Conversion price  | KRW 58,251 per share*   |
| Conversion status | Number of shares already converted<br>None  |
| Remarks           | Number of convertible shares<br>8,276,681 shares if all convertible bonds are converted*<br>- Registered form<br><br>- Listed on Singapore Exchange |

\* Conversion price was adjusted from KRW 58,435 to KRW 58,251 and convertible shares was adjusted from 8,250,620 to 8,276,681 according to follow-on offering as of Jul 27, 2005.

### C. Shareholder List

(1) Total shares issued : 357,815,700 shares as of March 31, 2006

(2) Largest shareholder and related parties as of March 31, 2006

(Unit: share)

| Name           | January 1, 2006      | Increase/Decrease | March 31, 2006       |
|----------------|----------------------|-------------------|----------------------|
| LG Electronics | 135,625,000 (37.90)% |                   | 135,625,000 (37.90)% |
| Total          | 135,625,000 (37.90)% |                   | 135,625,000 (37.90)% |

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(3) Shareholders who own 5% or more of our shares as of December 31, 2005

(Unit: share)

| <b>Name</b>         | <b>Type of Stock</b> | <b>Number of shares</b> | <b>Ratio</b> |
|---------------------|----------------------|-------------------------|--------------|
| LG Electronics      | Common Stock         | 135,625,000             | 37.90%       |
| Philips Electronics | Common Stock         | 117,625,000             | 32.87%       |
| Citibank N.A.*      | Common Stock         | 36,518,569              | 10.21%       |
| Total               |                      | 289,768,569             | 80.98%       |

\* ADSs Depositary

D. Voting rights as of December 31, 2005

(Unit: share)

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

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## E. Dividends

## (1) Dividends during the recent 3 fiscal years

| Description                                  | Q1 2006   | 2005      | 2004      |
|--|-----------|-----------|-----------|
| Par value (Won)                              | 5,000     | 5,000     | 5,000     |
| Net income (Million Won)                     | 47,518    | 517,012   | 1,655,445 |
| Earnings per share (Won)                     | 133       | 1,523     | 5,420     |
| Retained earning for dividends (Million Won) | 3,527,867 | 3,480,349 | 2,963,337 |
| Total cash dividend amount (Million Won)     |           |           |           |
| Total stock dividend amount (Million Won)    |           |           |           |
| Cash dividend payout ratio (%)               |           |           |           |
| Cash dividend yield (%)                      |           |           |           |
| Stock dividend yield (%)                     |           |           |           |
| Cash dividend per share (Won)                |           |           |           |
| Stock dividend per share (Won)               |           |           |           |

\* Earnings per share are calculated based on par value of 5,000 Won.  
 (Stock split was made from par value of 10,000 Won to par value of 5,000 Won per share as of May 25, 2004.)

\* Retained earning for dividends is the amount before dividends are paid.

\* Earnings per share was calculated by net income divided by weighted average number of common stock.

**3. Major Products and Materials**

## A. Major products in Q1 2006

(Unit: In billions of Won)

| Business area | Sales types      | Items (Market)     | Specific use   | Major trademark | Sales (%)     |
|---------------|------------------|--------------------|--|-----------------|---------------|
| TFT-LCD       | Product/Service/ | TFT-LCD (Overseas) | Notebook Computer, Monitor, TV Applications Panels, etc. | LG.Philips LCD  | 2,241 (92.7)% |
|               | Other Sales      | TFT-LCD (Korea*)   | Notebook Computer, Monitor, TV Applications Panels, etc. | LG.Philips LCD  | 177 (7.3)%    |
| Total         |                  |                    |  |                 | 2,418 (100)%  |

\* Local export was included.

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## B. Average selling price trend of major products

| Description   | Q1 2006 | 2005  | (Unit: USD / m <sup>2</sup> ) |
|---------------|---------|-------|-------------------------------|
|               |         |       | 2004                          |
| TFT-LCD panel | 2,064   | 2,247 | 3,066                         |

\* Half-finished products in cell format are excluded.

## (1) Assumptions for calculations

- Average quarterly selling price per panel

## (2) Major factors contributing to price fluctuation

- Price change due to fluctuation in market
- Price change due to change in model mix

## C. Major materials

|          |                 |            |                         |                | (Unit: In billions of Won)                           |
|----------|-----------------|------------|-------------------------|----------------|--|
| Business | Purchase amount |            |                         |                |  |
| area     | Purchase types  | Items      | Specific use            | (%)            | Remarks  |
| TFT-LCD  | Materials       | Glass      | LCD Panel Manufacturing | 299 (20.9)%    | Samsung Corning Precision Glass Co., Ltd., NEG, etc. |
|          |                 | Back-Light |                         | 369 (25.7)%    | Heesung Electronics Ltd., etc.                       |
|          |                 | Polarizer  |                         | 134 (9.3)%     | LG Chem., etc.                                       |
|          |                 | Others     |                         | 633 (44.1)%    |  |
|          | Total           |            |                         | 1,435 (100.0)% |  |

## D. Price trend of major materials

|             |         |        |        | (Unit : Won) |
|-------------|---------|--------|--------|--------------|
| Description | Q1 2006 | 2005   | 2004   |              |
| Glass       | 81,613  | 82,944 | 76,080 |              |
| Back-Light  | 58,336  | 46,020 | 35,800 |              |
| Polarizer   | 8,302   | 8,386  | 8,256  |              |

(1) Assumption for calculation

- Average unit price of major raw materials

(2) Major factors contributing to price fluctuations

- Difference between demand and supply
- Change in size of raw materials and changes in quantity
- Continuous cost reduction efforts by key vendors



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### 4. Production and Equipment

#### A. Production capacity and calculation

##### (1) Production capacity

(Unit : 1,000 Glass sheets)

| Business area | Items   | Business place | Q1 2006 | 2005  | 2004  |
|---------------|---------|----------------|---------|-------|-------|
| TFT-LCD       | TFT-LCD | Gumi, Paju     | 2,241   | 8,128 | 6,644 |

##### (2) Calculation of Capacity

###### a. Method

Assumptions for calculation

- Based on input glass

Calculation method

- Average monthly input capacity for March of 2006 x given periods (3 months)

###### b. Average working hours

- Refer to B-(2)

#### B. Production performance and working ratio

##### (1) Production performance

(Unit: 1,000 Glass sheets)

| Business area | Items   | Business place | Q1 2006 | 2005  | 2004  |
|---------------|---------|----------------|---------|-------|-------|
| TFT-LCD       | TFT-LCD | Gumi, Paju     | 2,159   | 7,544 | 6,033 |

\* Based on input glass

(2) Working Ratio

|                       | (Unit: Hours)           |                    |               |
|-----------------------|-------------------------|--------------------|---------------|
|                       | Available working hours | Real working hours | Average       |
| Business place (area) | of Q1 2006              | of Q1 2006         | working ratio |
| Gumi, Paju (TFT-LCD)  | 2,160                   | 2,160              | 100%          |
|                       | (24hour. X 90Days)      | (24hour. X 90Days) |               |

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## C. Investment plan

## (1) Investment in progress

(Unit: In billions of Won)

| Business area | Description              | Investment period |     | Investment Assets               | Investment effect     | Total investment | Already invested | To be invested | Remarks |
|---------------|--------------------------|-------------------|-----|---------------------------------|-----------------------|------------------|------------------|----------------|---------|
|               |                          | Q1                | 04~ | Building/<br>Machinery,<br>etc. | Capacity<br>expansion |                  |                  |                |         |
| TFT-LCD       | New /<br>Expansion, etc. |                   |     |                                 |                       | 7,500            | 5,200            | 2,300          |         |

## (2) Investment Plan (Consolidated basis)

(Unit: In billions of Won)

| Business area | Project                     | Expected yearly investment |        |        | Investment effects             | Remarks |
|---------------|-----------------------------|----------------------------|--------|--------|--------------------------------|---------|
|               |                             | 2006<br>*                  | 2007** | 2008** |                                |         |
| TFT-LCD       | New /<br>Expansion,<br>etc. | 4,230                      |        |        | Capacity<br>Expansion,<br>etc. |         |

\* Expected investments in 2006 are subject to change depending on market environment, etc.

\*\* Expected investment in 2007 and 2008 cannot be projected due to industry characteristics.

## 5. Sales

## A. Sales performance

(Unit: In billions of Won)

| Sales         |                   |                |          |         |         |       |
|---------------|-------------------|----------------|----------|---------|---------|-------|
| Business area | types             | Items (Market) |          | Q1 2006 | Q1 2005 | 2005  |
| TFT-LCD       | Products,<br>etc. | TFT-LCD        | Overseas | 2,241   | 1,581   | 8,114 |
|               |                   |                | Korea*   | 177     | 189     | 776   |
|               |                   |                | Total    | 2,418   | 1,770   | 8,890 |

\* Local export was included.

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### B. Sales route and sales method

#### (1) Sales organization

- Sales departments for Notebook Computer, Monitor and TV, qualification department and sales planning & administration department are grouped under the Chief Marketing Sales Officer. Sales department for Application and Customer Service department for Application are in the Application Division.
- Sales subsidiaries in America, Germany, Japan, Taiwan and China (Hong Kong, Shanghai) perform sales activities in overseas countries and provide technical support to customers.

\*We have a back-end manufacturing subsidiary in Nanjing, China and we entered into investment agreement with Polish Government to build a back-end module production plant in Wroclaw, Poland .

#### (2) Sales route

- LG.Philips LCD HQ & Overseas manufacturing subsidiary, etc. → Overseas subsidiaries (USA/Europe/Japan/Taiwan/Hong Kong/Shanghai), etc. → System integrators, Branded customers → End users
- LG.Philips LCD HQ & Overseas manufacturing subsidiary, etc. → System integrators, Branded customers → End users

#### (3) Sales methods and conditions

- Direct sales & sales through overseas subsidiaries, etc.

#### (4) Sales strategy

- To secure stable sales to major PC makers and the leading consumer electronics makers globally
- To increase sales of premium Notebook Computer products, to strengthen sales of the larger size and high-end Monitor segment and to lead the large and wide LCD TV market
- To diversify our market in the application segment, including products such as mobile phone, automobile navigation systems, aircraft instrumentation and medical diagnostic equipment, etc.

**Table of Contents****6. Directors & Employees****A. Members of Board of Directors as of March 31, 2006**

| <b>Name</b>             | <b>Date of Birth</b> | <b>Position</b>   | <b>Principal Occupation</b>   |
|-------------------------|----------------------|---|---|
| Bon Joon Koo            | December 24, 1951    | Joint Representative<br>Director,<br>Vice-Chairman and<br>Chief Executive Officer |   |
| Ron H.<br>Wirahadiraksa | June 10, 1960        | Joint Representative<br>Director, President and<br>Chief Financial Officer        |   |
| Hee Gook Lee            | March 19, 1952       | Director  | President and Chief Technology Officer of<br>LG Electronics   |
| Rudy Provoost*          | October 16, 1959     | Director  | Chief Executive Officer of Philips Consumer<br>Electronics and Member of Philips Group<br>Management Committee  |
| Bongsung Oum            | March 2, 1952        | Outside Director  | Chairman, KIBNET Co., Ltd.  |
| Bart van Halder         | August 17, 1947      | Outside Director  | Member of Boards of Directors of Cosun u.a. and Air Traffic Control in the<br>Netherlands   |
| Ingoo Han               | October 15, 1956     | Outside Director  | Professor, Graduate School of Management, Korea Advanced Institute of<br>Science and Technology   |
| Doug J. Dunn            | May 5, 1944          | Outside Director  | Member of Boards of Directors of ARM Holdings plc,<br>STMicroelectronics N.V., Soitec Group, Optical Metrology<br>Innovations and TomTom International BV |
| Dongwoo Chun            | January 15, 1945     | Outside Director  | Outside Director, Pixelplus   |

\* Appointed on February 28, 2006

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### B. Committees of the Board of Directors

| <b>Committee</b>   | <b>Member</b>   |
|--|---|
| Audit Committee  | Mr. Bongsung Oum, Mr. Bart van Halder, Mr. Ingoo Han      |
| Remuneration Committee   | Mr. Rudy Provoost, Mr. Hee Gook Lee, Mr. Doug J. Dunn,    |
|  | Mr. Dongwoo Chun  |
| Outside Director Nomination and Corporate Governance Committee | Mr. Rudy Provoost, Mr. Hee Gook Lee, Mr. Bart van Halder, |
|  | Mr. Dongwoo Chun  |

### C. Director & Officer Liability Insurance

#### (1) Overview of Director & Officer Liability Insurance (as of March 31, 2006)

(Unit: USD)

| <b>Name of insurance</b>                 | <b>Premium paid in Q1 2006</b> | <b>Limit of liability</b> | <b>Remarks</b> |
|--|--------------------------------|---------------------------|----------------|
| Directors & Officers Liability Insurance |                                | 100,000,000               |                |

\* Premium of USD 2,623,000 was paid on July 2005 for Director & Officer Liability Insurance with coverage until July 2006.

#### (2) The approval procedure for the Director & Officer Liability Insurance

- Joint Representative Directors approved the limit of liability, coverage and premium.(Reported to Board of Directors)

#### (3) The insured

1. LG Philips LCD Co., Ltd. and its subsidiaries and their respective Directors and Officers
2. Duly elected or appointed Directors or Officers, past and new Directors and Officers during the policy period
3. The estates and heirs of deceased Directors or Officers, and the legal representatives of Directors or Officers in the event of their incompetence, insolvency or bankruptcy (only if the Directors or Officers were employed at the time the acts were committed)

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### (4) The Covered Risks

1. The Loss for shareholders or 3rd party, arising from any alleged Wrongful Act of director or officer of the company in their respective capacities, in spite of their fiduciary duties
  - a. Wrongful Act means any breach of duty, neglect, error, misstatement, misleading statement, omission, or act by the Directors or Officers
  - b. Loss means damages, judgments, settlements and Defense Costs

### 2. Coverage for security holder derivative action & security claims

The Loss arising out of any security holder derivative action is paid in accordance with Security Holder Derivative Action Inclusion Clause . Securities Loss, incurred on account of a Securities Claim against the Directors, Officers and/or the Company is covered. (Except for exclusions)

### (5) Exclusions

1. General Exclusions (any loss related to following items)
  - Any illegal gaining of personal profit, dishonest or criminal act;
  - Remuneration payment to the Insureds without the previous approval of the stockholders, which payment was illegal;
  - Profits in fact made from the purchase or sale of securities of the Company using non- public information in an illegal manner;
  - Payment of commissions, gratuities, benefits or any other favor provided to political group, government official, director, officer, employee or any person having an ownership interest in any customers of the company or their agent(s), representative(s) or member(s) of their family or any other entity(ies) with which they are affiliated.
  - Wrongful Acts alleged in any claim which has been reported under any policy of which this policy is a renewal or replacement;
  - Any pending or prior litigation as of the inception date of this policy, or derived from the same facts as alleged in such pending or prior litigation, etc. ;
  - Wrongful Act which Insured knew or should reasonably have foreseen at the inception date of this policy;

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- Pollutants, contamination;
- Act or omission as directors or officers of any other entity other than the Company;
- Nuclear material, radioactive contamination;
- Bodily injury, disease, death or emotional distress of any person, or damage to tangible property, loss of use of property, or injury from oral or written publication of a libel or slander, or material that violates a person's right of privacy ;



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- Any alleged Wrongful Act of any Subsidiary of which the insured did not own more than 50% of stock either directly or indirectly through its Subsidiaries.

### 2. Special Exclusions (any loss related to following items)

- Punitive Damage
- Nuclear Energy Liability
- Mutual claim between Insureds
- Claim of 15% Closely Held entity
- Claim of Regulator
- Professional Service liability
- SEC (Securities Exchange Commission) 16(b)
- ERISA (Employee Retirement Income Security Act)
- The so called Year 2000 Problem
- War & Terrorism
- Asbestos/Mould liability
- Patent / Copyright liability, etc.

### D. Employees

(as of March 31, 2006)

(Unit: person, in millions of Won)

| Sex | Details of employees |       | Quarterly<br>Total Salary | Per<br>Capita<br>Salary | Average Service<br>Year |
|-----|----------------------|-------|---------------------------|-------------------------|-------------------------|
|     | Others               | Total |                           |                         |                         |

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|        | Office<br>Worker | Line<br>Worker |        |         |    |     |
|--------|------------------|----------------|--------|---------|----|-----|
| Male   | 5,522            | 5,510          | 11,032 | 107,082 | 10 | 3.6 |
| Female | 470              | 5,333          | 5,803  | 39,425  | 7  | 1.8 |
| Total  | 5,992            | 10,843         | 16,835 | 146,507 | 9  | 3.0 |

\* Directors and Executive officers are excluded.

E. Stock Option

The following table sets forth certain information regarding our stock option plan as of March 31, 2006.

| Executive Officers   | Grant Date    | Exercise Period |               | Exercise<br>Price | Number of<br>Granted<br>Options | Number of<br>Exercised<br>Options | Number of<br>Exercisable<br>Options |
|----------------------|---------------|-----------------|---------------|-------------------|---------------------------------|-----------------------------------|-------------------------------------|
|                      |               | From            | To            |                   |                                 |                                   |                                     |
| Ron H. Wirahadiraksa | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 100,000                         | 0                                 | 100,000                             |
| Ki Seon Park         | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 70,000                          | 0                                 | 70,000                              |
| Duke M. Koo          | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 40,000                              |
| Budiman Sastra       | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 40,000                              |
| Won Wook Kim         | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 40,000                              |
| Woo Shik Kim         | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 40,000                              |
| Sang Deog Yeo        | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 40,000                              |
| Jae Geol Ju          | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050      | 40,000                          | 0                                 | 40,000                              |
| Total                |               |                 |               |                   | 410,000                         |                                   | 410,000                             |

**Table of Contents****7. Financial Information****A. Financial Highlights (Based on Non-consolidated, Korean GAAP)**

(Unit: In millions of Won)

| <b>Description</b>         | <b>Q1 2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|----------------------------|----------------|-------------|-------------|-------------|-------------|
| [Current Assets]           | 3,134,435      | 3,196,934   | 2,638,616   | 1,918,329   | 806,156     |
| Quick Assets               | 2,460,893      | 2,725,169   | 2,170,617   | 1,644,838   | 463,539     |
| Inventories                | 673,542        | 471,765     | 467,999     | 273,491     | 342,617     |
| [Fixed Assets]             | 9,993,063      | 9,798,981   | 6,960,077   | 4,295,753   | 3,613,748   |
| Investments                | 729,147        | 660,628     | 409,955     | 203,343     | 147,832     |
| Tangible Assets            | 9,122,773      | 8,988,459   | 6,366,651   | 3,874,428   | 3,210,884   |
| Intangible Assets          | 141,143        | 149,894     | 183,471     | 217,982     | 255,032     |
| Total Assets               | 13,127,498     | 12,995,915  | 9,598,693   | 6,214,082   | 4,419,904   |
| [Current Liabilities]      | 2,516,308      | 2,594,282   | 1,900,765   | 2,044,005   | 1,117,066   |
| [Non-current Liabilities]  | 2,859,027      | 2,726,036   | 1,925,286   | 1,276,045   | 1,436,775   |
| Total Liabilities          | 5,375,335      | 5,320,318   | 3,826,051   | 3,320,050   | 2,553,841   |
| [Capital Stock]            | 1,789,079      | 1,789,079   | 1,626,579   | 1,450,000   | 1,450,000   |
| [Capital Surplus]          | 2,278,415      | 2,279,250   | 1,012,271   |             |             |
| [Retained Earnings ]       | 3,656,204      | 3,608,686   | 3,091,674   | 1,436,229   | 417,129     |
| [Capital Adjustment]       | 28,465         | (-)1,418    | 42,118      | 7,803       | (-)1,066    |
| Total Shareholder s Equity | 7,752,163      | 7,675,597   | 5,772,642   | 2,894,032   | 1,866,063   |
| Sales Revenues             | 2,417,673      | 8,890,155   | 8,079,891   | 6,031,261   | 3,518,289   |
| Operating Income           | 35,265         | 447,637     | 1,640,708   | 1,086,517   | 215,724     |
| Ordinary Income            | 12,201         | 367,281     | 1,683,067   | 1,009,731   | 293,249     |
| Net Income                 | 47,518         | 517,012     | 1,655,445   | 1,019,100   | 288,792     |

\* For the purpose of comparison, Financial Statements for FY 2003 & 2002 were reclassified according to changes in the Statements of Korean Financial Accounting Standards.

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## B. R&amp;D Expense

## (1) Summary

(Unit: In millions of Won)

| Account   | Q1 2006 | 2005    | 2004    | Remarks |
|---|---------|---------|---------|---------|
| Direct Material Cost                              | 70,254  | 253,930 | 170,051 |         |
| Direct Labor Cost                                 | 21,071  | 72,142  | 58,202  |         |
| Depreciation Expense                              | 4,581   | 11,710  | 11,078  |         |
| Others  | 8,178   | 23,979  | 13,874  |         |
| R&D Expense Total                                 | 104,084 | 361,761 | 253,205 |         |
| Accounting      Selling & Administrative Expenses | 17,857  | 55,057  | 43,095  |         |
| Treatment      Manufacturing Cost                 | 86,227  | 306,704 | 210,110 |         |
| R&D Expense / Sales Ratio                         |         |         |         |         |
| [Total R&D Expense/Sales for the period×100]      | 4.31%   | 4.07%   | 3.13%   |         |

\* Capex for R&D, Manufacturing Cost for R&D test run are excluded.

## (2) R&amp;D achievements

[Achievement in 2004]

## 1) Development of 20.1-inch AMOLED

- Joint development of 20.1-inch AMOLED with LG Electronics
- Development of world's largest 20.1-inch wide AMOLED based on LTPS technology

## 2) Development of copper bus line

- Next generation LCD technology to significantly improve brightness, definition and resolution, etc.

## 3) Development and mass production of world's largest TFT-LCD panel for Full-HD TV (55-inch) in October 2004.

- Stitch Lithography and Segmented Circuit Driving to cope with large-size LCD Panel
- Achievement of High Contrast Ratio and Fast Response Time through new technologies

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- Application of innovative panel technology to solve the weak point (gravity/touch stains) of large size
- 4) Development of Ultra High Resolution Product (30-inch)
  - World's 1st success in mass production of LCM applying Cu Line(source & gate Area)
  - Achievement of Ultra High Resolution (2560x1600 : 101ppi)

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- 5) Development of the world's lowest power-consumption, 32-inch Wide LCD TV Model
  - Development of the world's lowest power consumption, under 90W model (EEFL applied)
  - High Contrast Ratio, Fast Response Time (DCR + ODC applied)

[Achievement in 2005]
- 6) Development of High Luminance and High Color Gamut 17-inch wide LCD Panel for Notebook Computer
  - World's 1st 500nit luminance and 72% color gamut in 17-inch wide for Notebook Computer
  - Development of 6200nit luminance backlight
- 7) Development of world's largest 10.1-inch Flexible Display
  - Joint development with E-ink Corporation
- 8) 37-inch, 42-inch, 47-inch Full-HD Model Development, applying Low Resistance Line (Copper bus Line)
  - World's 1st mass production of copper bus line Model
  - Realize Full HD Resolution (1920x1080)
- 9) 37-inch wide LCD Model development which is world's best in power consumption
  - The lowest power consumption of below 120W (applying EEFL)
  - High Contrast Ratio, Fast Response Time with DCR, ODC Tech.

[Achievement in 2006]
- 10) Development of High Brightness/Color gamut 17-inch wide slim LCD for Notebook
  - Slim model (10t→7t), featuring 500nit, NTSC 72%

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- Development of Slim and High Brightness Backlight
- 11) World's largest size 100-inch TFT-LCD development
- High quality image without noise or signal distortion, applying low resistance copper bus line
  - High dignity picture for Full HDTV
- 12) 32-inch/42-inch HCFL Scanning Backlight applied LCD TV Model Development
- Realization of MBR (Motion Blur Reduction) by application of Backlight Scanning Technology
  - Lamp Quantity Reduction by HCFL (Hot Cathode Fluorescent Lamp) Application
- 13) World's Largest 20.1-inch TFT-LCD for Notebook Computer Development
- Accomplishment of Brightness 300nit, Color Gamut 45%

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### C. Domestic Credit Rating

|                        |                 | Credit | Rating Agency                                  |
|------------------------|-----------------|--------|--|
| Subject                | Month of Rating | Rating | (Rating range)                                 |
| Corporate<br>Debenture | April 2004      | AA-    | Korea Investors Service, Inc.                  |
|                        | May 2004        | AA-    |  |
|                        | November 2004   | AA-    | National Information & Credit Evaluation, Inc. |
|                        | March 2005      | AA-    |  |
|                        | June 2005       | AA-    | (AAA ~ D)                                      |
|                        | April 2004      | A1     | Korea Investors Service, Inc.                  |
| Commercial<br>Paper    | May 2004        | A1     | National Information & Credit Evaluation, Inc. |
|                        | November 2004   | A1     | (A1 ~ D)                                       |
|                        | June 2005       | A1     | National Information & Credit Evaluation, Inc. |
|                        |                 |        |  |
|                        | January 2006    | A1     | (A1 ~ D)                                       |

### D. Remuneration for directors in Q1 2006

(Unit: In millions of Won)

| Classification    | Salary<br>Paid | Approved Salary at   | Per Capita Average | Remarks   |
|-------------------|----------------|----------------------|--------------------|---|
|                   |                | Shareholders Meeting | Salary Paid        |   |
| Inside Directors  | 312            |                      | 78                 |   |
| (4 persons)       |                | 13,400               |                    |   |
| Outside Directors | 69             |                      | 14                 | Audit committee consists of three<br>outside directors. |
| (5 persons)       |                |                      |                    |   |
|                   |                | 20                   |                    |   |



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## E. Derivative contracts

## (1) Foreign currency forward contracts

(Unit: In millions )

| Contracting party   | Selling position | Buying position | Contract foreign exchange rate               | Maturity date            |
|---------------------|------------------|-----------------|--|--------------------------|
| HSBC and others     | US\$ 3,363       | (Won) 3,367,051 | (Won) 956.50:US\$1 ~<br>(Won) 1,052.70:US\$1 | 2006.4.3 ~<br>2007.3.28  |
| CITI and others     | EUR 163          | (Won) 195,600   | (Won) 1,149.37:EUR1 ~<br>(Won) 1,329.79:EUR1 | 2006.4.10 ~<br>2007.3.20 |
| ABN Amro and others | (Won) 277,505    | JP¥ 30,700      | (Won) 8.3240:JP¥1 ~<br>(Won) 9.5670:JP¥1     | 2006.4.3 ~<br>2006.12.1  |
| Korea Exchange Bank |                  |                 |  |                          |
| and others          | US\$ 221         | JP¥ 25,700      | JP¥ 114.73:US\$1 ~<br>JP¥ 117.78:US\$1       | 2006.4.14 ~<br>2006.6.30 |

## (2) Cross Currency Swap

(Unit: In millions )

| Contracting party | Contract Amount  | Contract interest rate      | Maturity date |
|-------------------|------------------|-----------------------------|---------------|
| ABN Amro and      | Buying position  | US\$ 380 3 Month Libor      | 2006.5.17 ~   |
| others            | Selling position | (Won) 392,780 3.25% ~ 4.40% | 2006.12.8     |

## F. Status of Equity Investment

| Company                            | Total issued and outstanding shares | Number of shares owned by us | Ownership ratio |
|------------------------------------|-------------------------------------|------------------------------|-----------------|
| LG.Philips LCD America, Inc.       | 5,000,000                           | 5,000,000                    | 100%            |
| LG.Philips LCD Japan Co., Ltd.     | 1,900                               | 1,900                        | 100%            |
| LG.Philips LCD Germany GmbH        | 960,000                             | 960,000                      | 100%            |
| LG.Philips LCD Taiwan, Co., Ltd.   | 11,549,994                          | 11,549,994                   | 100%            |
| LG.Philips LCD Nanjing Co., Ltd.   | (*)                                 | (*)                          | 100%            |
| LG.Philips LCD Hong Kong Co., Ltd. | 115,000                             | 115,000                      | 100%            |
| LG.Philips LCD Shanghai Co., Ltd.  | (*)                                 | (*)                          | 100%            |
| LG.Philips LCD Poland Sp. z o.o.   | 500                                 | 500                          | 100%            |
| Paju Electric Glass Co., Ltd.      | 3,600,000                           | 1,440,000                    | 40%             |

\* No shares have been issued in accordance with the local laws and regulations.



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**LG.Philips LCD Co., Ltd.**

**Interim Non-Consolidated Financial Statements**

**March 31, 2006 and 2005, and December 31, 2005**

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**LG.Philips LCD Co., Ltd.**

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**March 31, 2006 and 2005, and December 31, 2005**

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| <b><u>Balance Sheets</u></b>                                 | <b>3</b>       |
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**Report of Independent Accountants**

To the Board of Directors and Shareholders of

LG.Philips LCD Co., Ltd.

We have reviewed the accompanying non-consolidated balance sheet of LG.Philips LCD Co., Ltd. (the Company) as of March 31, 2006 and the related non-consolidated statements of operations and cash flows for the three-month periods ended March 31, 2006 and 2005, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG.Philips LCD Co., Ltd. as of December 31, 2005 and the related non-consolidated statements of operations, appropriations of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated January 20, 2006. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2005, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2005.

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Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or review standards and their application in practice.

Seoul, Korea

April 14, 2006

This report is effective as of April 14, 2006, 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 financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Balance Sheets****March 31, 2006 and December 31, 2005****(Unaudited)***(in millions of Korean won)*

|  | 2006             | 2005             |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| Current assets   |                  |                  |
| Cash and cash equivalents  | (Won) 1,009,393  | (Won) 1,465,025  |
| Available-for-sale securities  | 370              | 354              |
| Trade accounts and notes receivable, net (Notes 8 and 10)                  | 1,197,953        | 1,034,196        |
| Inventories, net (Note 4)  | 673,542          | 471,765          |
| Other accounts receivable, net (Note 10)                                   | 9,607            | 15,751           |
| Accrued income, net  | 1,374            | 1,369            |
| Advanced payments, net   | 2,074            | 5,959            |
| Prepaid expenses   | 72,636           | 20,532           |
| Prepaid value added tax  | 47,183           | 102,094          |
| Deferred income tax assets   | 4,762            | 4,647            |
| Others (Note 8)  | 115,541          | 75,242           |
| Total current assets   | 3,134,435        | 3,196,934        |
| Property, plant and equipment, net   | 9,122,773        | 8,988,459        |
| Long-term financial instruments (Note 3)                                   | 16               | 16               |
| Equity-method investments  | 219,013          | 213,968          |
| Non-current guarantee deposits   | 28,578           | 24,000           |
| Long-term prepaid expenses   | 119,168          | 83,023           |
| Deferred income tax assets   | 362,372          | 339,621          |
| Intangible assets, net   | 141,143          | 149,894          |
| Total assets   | (Won) 13,127,498 | (Won) 12,995,915 |
| <b>Liabilities and Shareholders' Equity</b>                                |                  |                  |
| Current liabilities  |                  |                  |
| Trade accounts and notes payable (Note 10)                                 | (Won) 612,112    | (Won) 563,874    |
| Other accounts payable (Note 10)   | 1,322,863        | 1,445,471        |
| Advances received  | 3,305            | 609              |
| Withholdings   | 7,799            | 12,004           |
| Accrued expenses   | 54,735           | 73,772           |
| Income tax payable   | 14,256           | 19,499           |
| Warranty reserve   | 17,732           | 16,023           |
| Current maturities of debentures and long-term debts (Note 5)              | 432,576          | 429,352          |
| Others (Note 8)  | 50,930           | 33,678           |
| Total current liabilities  | 2,516,308        | 2,594,282        |
| Debentures, net of current maturities and discounts on debentures (Note 6) | 2,385,741        | 2,385,272        |
| Long-term debts, net of current maturities (Note 6)                        | 420,420          | 297,577          |
| Accrued severance benefits, net  | 52,855           | 43,187           |

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Long-term accrued expenses (Note 7)

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|                   |           |           |
|-------------------|-----------|-----------|
| Total liabilities | 5,375,335 | 5,320,318 |
|-------------------|-----------|-----------|

Commitments and contingencies (Note 8)

|  |           |           |
|--|-----------|-----------|
| Shareholders' equity   |           |           |
| Capital stock  |           |           |
| Common stock, (Won)5,000 par value per share; 400 million shares authorized ; 358 million shares issued and outstanding (2005 : 358 million) | 1,789,079 | 1,789,079 |
| Capital surplus  | 2,278,415 | 2,279,250 |
| Retained earnings  | 3,656,204 | 3,608,686 |
| Capital adjustments  | 28,465    | (1,418)   |
| Total shareholders' equity   | 7,752,163 | 7,675,597 |

|  |                  |                  |
|--|------------------|------------------|
| Total liabilities and shareholders' equity | (Won) 13,127,498 | (Won) 12,995,915 |
|--|------------------|------------------|

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Accountants



**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Operations****Three-Month Periods Ended March 31, 2006 and 2005****(Unaudited)***(in millions of Korean won, except per share amounts)*

|   | <b>2006</b>     | <b>2005</b>     |
|---|-----------------|-----------------|
| <b>Sales (Notes 10 and 11)</b>                    | (Won) 2,417,673 | (Won) 1,770,308 |
| <b>Cost of sales (Notes 10)</b>                   | 2,273,977       | 1,858,130       |
| Gross profit (loss)                               | 143,696         | (87,822)        |
| <b>Selling and administrative expenses</b>        | 108,431         | 74,575          |
| Operating income (loss)                           | 35,265          | (162,397)       |
| <b>Non-operating income</b>                       |                 |                 |
| Interest income                                   | 9,967           | 8,837           |
| Foreign exchange gains                            | 53,708          | 24,569          |
| Gain on foreign currency translation              | 38,091          | 30,118          |
| Gain on valuation of equity-method investments    | 19,212          | 14,832          |
| Gain on disposal of property, plant and equipment |                 | 1,206           |
| Others  | 6,470           | 3,160           |
|   | 127,448         | 82,722          |
| <b>Non-operating expenses</b>                     |                 |                 |
| Interest expenses                                 | 35,734          | 19,297          |
| Foreign exchange losses                           | 73,215          | 33,265          |
| Loss on foreign currency translation              | 23,241          | 28,168          |
| Loss on disposal of property, plant and equipment | 1,045           | 14              |
| Loss on disposal of accounts receivable           | 176             | 1,961           |
| Loss on valuation of equity-method investments    | 5,970           | 166             |
| Ramp up costs                                     | 10,939          |                 |
| Others  | 192             | 10              |
|   | 150,512         | 82,881          |
| Income (loss) before income tax benefit           | 12,201          | (162,556)       |
| Income tax benefit                                | (35,317)        | (83,726)        |
| Net income (loss)                                 | (Won) 47,518    | (Won) (78,830)  |
| Ordinary income (loss) per share (Note 9)         | (Won) 133       | (Won) (242)     |
| Earnings (loss) per share (Note 9)                | (Won) 133       | (Won) (242)     |
| Diluted ordinary income (loss) per share (Note 9) | (Won) 133       | (Won) (242)     |

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|  |       |     |       |       |
|--|-------|-----|-------|-------|
| Diluted earnings (loss) per share (Note 9) | (Won) | 133 | (Won) | (242) |
|--|-------|-----|-------|-------|

The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Accountants

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows****Three-Month Periods Ended March 31, 2006 and 2005****(Unaudited)***(in millions of Korean won)*

|   | 2006         | 2005           |
|---|--------------|----------------|
| <b>Cash flows from operating activities</b>   |              |                |
| Net income (loss)   | (Won) 47,518 | (Won) (78,830) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities |              |                |
| Depreciation  | 603,802      | 395,136        |
| Amortization of intangible assets   | 10,984       | 11,313         |
| Provision for severance benefits  | 15,638       | 11,759         |
| Gain on foreign currency translation, net   | (15,840)     | (3,177)        |
| Loss (Gain) on disposal of property, plant and equipment, net                                     | 1,045        | (1,192)        |
| Amortization of discount on debentures  | 9,043        | 3,401          |
| Gain on valuation of equity-method investments  | (13,242)     | (14,666)       |
| Provision for warranty reserve  | 6,593        | 1,310          |
| Stock compensation costs  | 11           |                |
|   | 618,034      | 403,884        |
| Changes in operating assets and liabilities   |              |                |
| Increase in trade accounts and notes receivable   | (163,627)    | (259,208)      |
| (Increase) decrease in inventories  | (201,778)    | 20,589         |
| Decrease (increase) in other accounts receivable  | 6,142        | (2,779)        |
| Increase in accrued income  | (4)          | (1,978)        |
| Decrease in advance payments  | 3,884        | 4,144          |
| Increase in prepaid expenses  | (50,483)     | (3,315)        |
| Decrease (increase) in prepaid value added tax  | 54,911       | (8,287)        |
| Increase in current deferred income tax   | (13,157)     | (33,823)       |
| Decrease in other current assets  | 21,584       | 40,314         |
| Increase in long-term prepaid expenses  | (37,656)     | (19,934)       |
| Increase in non-current deferred income tax   | (27,027)     | (41,273)       |
| Increase in trade accounts and notes payable  | 48,693       | 10,489         |
| (Increase) decrease in other accounts payable   | (31,498)     | 28,568         |
| Increase in advances received   | 2,696        | 421            |
| (Decrease) increase in withholdings   | (4,206)      | 649            |
| Decrease in accrued expenses  | (19,037)     | (66,701)       |
| Decrease in income taxes payable  | (5,244)      | (35,452)       |
| Decrease in warranty reserve  | (4,884)      | (3,031)        |
| Decrease in other current liabilities   | (1,469)      | (13,098)       |
| Accrued severance benefits transferred from affiliated company                                    | 1,262        | 528            |
| Payments of severance benefits  | (13,058)     | (2,118)        |
| Accrued severance benefits transferred to affiliated company                                      |              | (245)          |
| Decrease in severance insurance deposit   | 5,825        | 437            |
| Decrease (increase) in contribution to National Pension Fund                                      | 1            | (4)            |

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|   |           |           |
|---|-----------|-----------|
|   | (428,130) | (385,107) |
| Net cash provided by (used in) operating activities | 237,422   | (60,053)  |

The accompanying notes are an integral part of these non-consolidated financial statements.

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**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows****Three-Month Periods Ended March 31, 2006 and 2005****(Unaudited)***(in millions of Korean won)*

|   | <b>2006</b>      | <b>2005</b>      |
|---|------------------|------------------|
| <b>Cash flows from investing activities</b>                 |                  |                  |
| Acquisition of equity-method investments                    | (Won)            | (Won) (667)      |
| Acquisitions of available-for-sale securities               | (15)             | (201)            |
| Proceeds from non-current guarantee deposits                | 5                |                  |
| Payments of non-current guarantee deposits                  | (4,692)          | (1,161)          |
| Acquisitions of property, plant and equipment               | (826,603)        | (423,426)        |
| Proceeds from disposal of property, plant and equipment     |                  | 1,664            |
| Acquisition of intangible assets                            | (1,966)          | (2,309)          |
| <b>Net cash used in investing activities</b>                | <b>(833,271)</b> | <b>(426,100)</b> |
| <b>Cash flows from financing activities</b>                 |                  |                  |
| Proceeds from borrowing of long-term debt                   | 150,000          | 101,900          |
| Proceeds from issuance of debentures                        |                  | 393,021          |
| Repayment of current maturities of long-term debts          | (9,783)          |                  |
| <b>Net cash provided by financing activities</b>            | <b>140,217</b>   | <b>494,921</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(455,632)</b> | <b>8,768</b>     |
| <b>Cash and cash equivalents</b>                            |                  |                  |
| Beginning of the period                                     | 1,465,025        | 1,274,989        |
| End of the period   | (Won) 1,009,393  | (Won) 1,283,757  |

The accompanying notes are an integral part of these non-consolidated financial statements.

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### **LG. Philips LCD Co., Ltd.**

### **Notes to Non-Consolidated Financial Statements**

**March 31, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

#### **1. The Company**

LG.Philips LCD Co., Ltd. (the Company) was incorporated in 1985 under the Commercial Code of the Republic of Korea and commenced the manufacturing and sale of Thin Film Transistor Liquid Crystal Display ( TFT LCD ) from 1999. On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. ( Philips ) and the Company entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name from LG LCD CO., Ltd. to LG.Philips LCD Co., Ltd. effective August 27, 1999 and on August 31, 1999, the Company issued new shares of common stock to Philips for proceeds of (Won)725,000 million.

In July 2004, pursuant to Securities Registration Statement filed on July 16, 2004, with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$748,800 thousand.

#### **2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company in the preparation of its interim non-consolidated financial statements are same as those followed by the company in its preparation of annual non-consolidated financial statements and are summarized below:

#### **Basis of Financial Statement Presentation**

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language(Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

#### **Accounting Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)****Application of the Statements of Korean Financial Accounting Standards**

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 15 through 17 became applicable for the Company on January 1, 2005, the Company adopted these Standards in its financial statements for the three-month period ended March 31, 2005.

And as SKFAS Nos. 18 through 20 became effective for the Company on January 1, 2006, the Company adopted these Standards in its financial statements for the three-month period ended March 31, 2006.

**3. Financial Instruments**

As of March 31, 2006 and December 31, 2005, long-term financial instruments represent key money deposits required to maintain checking accounts and, accordingly, the withdrawal of such deposits is restricted.

**4. Inventories**

Inventories as of March 31, 2006 and December 31, 2005, consist of the following:

| <i>(in millions of Korean won)</i> | <b>2006</b>   | <b>2005</b>   |
|------------------------------------|---------------|---------------|
| Finished products                  | (Won) 405,864 | (Won) 191,918 |
| Work-in-process                    | 173,965       | 131,483       |
| Raw materials                      | 132,269       | 124,999       |
| Supplies                           | 61,167        | 59,750        |
|                                    | 773,265       | 508,150       |
| Less : Valuation loss              | (99,723)      | (36,385)      |
|                                    | (Won) 673,542 | (Won) 471,765 |

For the three-month period ended March 31, 2006, the Company recorded ramp-up costs of (Won)10,939 million to counter the unusually low volume of production.

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)****5. Current Maturities of Long-Term Debts**

Current maturities of long-term debts as of March 31, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| Type of borrowing  | Creditor                       | Annual interest<br>rates (%) as of |               |               |
|--|--------------------------------|------------------------------------|---------------|---------------|
|  |                                | March 31, 2006                     | 2006          | 2005          |
| Long-term<br>Korean won loans                                | Korea<br>Export-Import<br>Bank | 5.9-6.1                            | (Won) 39,267  | (Won) 29,417  |
| Long-term<br><br>Korean won debentures                       |                                | 6.0                                | 200,000       | 200,000       |
| Long-term<br>foreign currency loans of US\$ 18 million       | Woori Bank                     | 3M Libor + 1.1                     | 17,062        | 17,727        |
| Long-term<br>foreign currency debentures of US\$ 183 million |                                | 3M Libor + 1.1                     | 177,937       | 184,872       |
|  |                                |                                    | 434,266       | 432,016       |
| Less : Discounts on debentures                               |                                |                                    | (1,690)       | (2,664)       |
|  |                                |                                    | (Won) 432,576 | (Won) 429,352 |

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

March 31, 2006 and 2005, and December 31, 2005

(Unaudited)

**6. Long-Term Debts**

Long-term debts as of March 31, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| Type of borrowing                                 | Annual interest rates (%) as of March 31, 2006 | 2006            | 2005            |
|---|--|-----------------|-----------------|
| <b>Won currency debentures</b>                    |  |                 |                 |
| Non-guaranteed, payable through 2010              | 3.5 6.0  | (Won) 1,750,000 | (Won) 1,750,000 |
| Private debentures, payable in 2010               | 5.89   | 200,000         | 200,000         |
| Less : Current maturities                         |  | (200,000)       | (200,000)       |
| Discounts on debentures                           |  | (25,888)        | (28,120)        |
|   |  | 1,724,112       | 1,721,880       |
| <b>Foreign currency debentures</b>                |  |                 |                 |
| Floating rate notes, payable through 2007         | 3M Libor + 0.6,<br>3M Libor + 1.1              | 293,475         | 304,913         |
| Term notes, payable through 2006                  | 3M Libor + 1.1                                 | 79,462          | 82,559          |
|   |  | 372,937         | 387,472         |
| Less : Current maturities                         |  | (177,937)       | (184,872)       |
| Discount on debentures                            |  | (1,691)         | (1,960)         |
|   |  | 193,309         | 200,640         |
| <b>Convertible bonds<sup>1</sup></b>              |  |                 |                 |
| US dollar-denominated bonds, payable through 2010 |  | 483,780         | 483,780         |
| Add : Call premium                                |  | 84,613          | 84,613          |
| Less : Current maturities                         |  |                 |                 |
| Discount on debentures                            |  | (2,580)         | (2,724)         |
| Conversion adjustment                             |  | (97,493)        | (102,917)       |
|   |  | 468,320         | 462,752         |
|   |  | (Won) 2,385,741 | (Won) 2,385,272 |
| <b>Won currency loans</b>                         |  |                 |                 |
| General loans                                     | 5.34 6.1                                       | (Won) 258,017   | (Won) 117,800   |
|   | 3.75   | 8,620           | 8,620           |
| Less : Current maturities                         |  | (39,267)        | (29,417)        |
|   |  | 227,370         | 97,003          |

|                               |                |          |               |
|-------------------------------|----------------|----------|---------------|
| <b>Foreign currency loans</b> |                |          |               |
| General loans                 | 3M Libor+1.1,  | 210,112  | 218,301       |
|                               | 3M Libor+0.99, |          |               |
|                               | 3M Libor+1.35, |          |               |
|                               | 6M Libor+1.2   |          |               |
| Less : Current maturities     |                | (17,062) | (17,727)      |
|                               |                | 193,050  | 200,574       |
|                               | (Won)          | 420,420  | (Won) 297,577 |

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### **LG. Philips LCD Co., Ltd.**

#### **Notes to Non-Consolidated Financial Statements**

#### **March 31, 2006 and 2005, and December 31, 2005**

#### **(Unaudited)**

<sup>1</sup>On April 19, 2005, the Company issued US dollar-denominated convertible bonds totaling US\$475 million, with a zero coupon rate. On or after June 27, 2005 through April 4, 2010, the bonds are convertible into common shares at a conversion price of (Won)58,251 per share of common stock, subject to adjustment based on certain events. The bonds will mature in five years from the issue date and will be repaid at 117.49 % of their principal amount at maturity. The bondholders have a put option to be repaid at 108.39 % of their principal amount on October 19, 2007. As of March 31, 2006, the number of non-converted common shares is 8,276,681.

As of March 31, 2006, foreign currency debentures denominated in U.S. dollars amount to US\$ 383 million (December 31, 2005 : US\$ 383 million) and foreign currency loans denominated in U.S. dollars amount to US\$ 215 million (December 31, 2005 : US\$ 215 million).

#### **7. Stock Appreciation Plan**

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) for certain executives. Under the terms of this plan, executives, upon exercising their SARs, are entitled to receive cash equal to the excess of the market price of the Company's common stock over the exercise price of (Won) 44,050 per share. The exercise price decreased from (Won) 44,260 to (Won) 44,050 due to the additional issuance of common stock in 2005. These SARs are exercisable on or after April 8, 2008, through April 7, 2012. Additionally, when the increase rate of the Company's 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 can be exercised.

The options activity under the SARs since April 7, 2005 is as follows:

|                                     | <b>Number of<br/>shares<br/>under SARs</b> |
|-------------------------------------|--|
| Option granted as of April, 7, 2005 | 450,000                                    |
| Options canceled <sup>1</sup>       | 40,000                                     |
| <b>Balance, March 31, 2006</b>      | <b>410,000</b>                             |
| <br>Exercise price                  | <br>(Won) 44,050                           |

<sup>1</sup>Options canceled due to the retirement of an executive officer in 2005.

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)**

The compensation costs recognized for the three-month period ended March 31, 2006 and after April 1, 2006, are as follows:

*(in millions of Korean won)*

|   | <b>Compensation<br/>costs</b> |
|---|-------------------------------|
| Before January 1, 2006 <sup>1</sup>       | (Won)                         |
| Three-month period ended March 31, 2006   | 11                            |
| April 1, 2006 and thereafter <sup>2</sup> | 12                            |
| Total                                     | (Won) 23                      |

<sup>1</sup> The Company did not recognize any compensation costs in 2005 as market price is below the exercise price as of December 31, 2005.

<sup>2</sup> As of April 7, 2005, (Won)12 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over the next 12 months of residual contract service periods.

**8. Commitments and Contingencies**

As of March 31, 2006, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of March 31, 2006, the Company has a revolving credit facility agreement with several banks totaling (Won)300,000 million and US\$100 million (December 31, 2005 : (Won)450,000 million and US\$100 million).

As of March 31, 2006, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US\$1,175 million. The Company has agreements with several banks in relation to the opening of letters of credit amounting to (Won) 90,000 million and US\$145 million. The amount of negotiated foreign currency receivables outstanding as of March 31, 2006, is (Won)217,901 million (December 31, 2005 : (Won)303,904 million).

As of March 31, 2006, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi and others, and has trademark license agreements with LG Corporation and Philips Electronics.

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)**

The Company enters into foreign currency forward contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. The use of foreign currency forward contracts allows the Company to reduce its exposure to the risk that the eventual Korean won cash outflows resulting from operating expenses, capital expenditures, purchasing of materials and debt service will be adversely affected by changes in exchange rates.

A summary of these contracts follows :

(in millions)

| Contracting party    | Selling position | Buying position | Contract foreign exchange rate            | Maturity date                       |
|----------------------|------------------|-----------------|---|-------------------------------------|
| HSBC and others      | US\$ 3,363       | (Won)3,367,051  | (Won)956.50:US\$1-<br>(Won)1,052.70:US\$1 | April 3, 2006 -<br>March 28, 2007   |
| Citi bank and others | EUR 163          | (Won)195,600    | (Won)1,149.37:EUR1-<br>(Won)1,329.79:EUR1 | April 10, 2006 -<br>March 20, 2007  |
| ABN AMRO and others  | (Won)277,505     | JP¥ 30,700      | (Won)8.3240:JP¥1-<br>(Won)9.5670:JP¥1     | April 3, 2006 -<br>December 1, 2006 |
| KEB and others       | US\$ 221         | JP¥ 25,700      | JP¥114.73:US\$1-<br>JP¥117.78:US\$1       | April 14, 2006 -<br>June 30, 2006   |

As of March 31, 2006, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)100,323 million and (Won)28,907 million, respectively. Total unrealized gains and losses of (Won)9,207 million and (Won)5,688 million, respectively, were charged to operations for the three-month period ended March 31, 2006, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The forecasted hedged transactions are expected to occur on March 28, 2007. The aggregate amount of all deferred gains and losses of (Won)91,116 million and (Won)23,219 million, respectively, recorded net of tax under capital adjustments, are expected to be included in the determination of gain and loss within a year from March 31, 2006.

For the three-month period ended March 31, 2006, the Company recorded realized gains of (Won)64,842 million (2005: (Won)27,311 million) on foreign currency forward contracts upon settlement, and for the three-month period ended March 31, 2006, realized losses amounted to (Won)15,872 million (2005: (Won)2,563 million).

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)**

The Company entered into cross-currency swap contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy and to manage the exposure to changes in interest rates related to floating rate notes. These transactions do not meet the requirements for hedge accounting for financial statement purposes. Therefore, the resulting realized and unrealized gains or losses, measured by quoted market prices, are recognized in current operations as gains or losses as the exchange rates change.

A summary of such contracts follows:

(in millions)

| Contracting party | Buying position | Selling position | Contract foreign exchange rate | Maturity date                      |
|-------------------|-----------------|------------------|--------------------------------|------------------------------------|
| HSBC and others   | US\$ 380        |                  | 3M Libor                       | May 17, 2006 -<br>December 8, 2006 |
|                   |                 | (Won)392,780     | 3.25% -4.40%                   |                                    |

As of March 31, 2006, unrealized gains and losses of (Won)(561) million and (Won)14,362 million, respectively, were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

For the three-month period ended March 31, 2006, the Company recorded realized gains of (Won)(414) million (2005 : nil) and realized losses of (Won)1,555 million (2005: (Won)4,505 million) on cross-currency swap contracts upon settlement.

The Company is subject to several legal proceedings and claims arising in the ordinary course of business. In August 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs. Subsequently the Company filed a complaint against customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TpV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court for the Central District of California for alleged infringement of certain patents and violation of U.S. antitrust laws. The Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In May 2004, the Company filed a complaint against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp. and others, claiming patent infringement of rear mountable liquid crystal display devices in the United States District of Delaware and the Patent Country Court in the United Kingdom. On November 28, 2005, the Company lost its patent infringement case against Tatung Company and ViewSonic Corp. at first instance in Patent Country Court in United Kingdom. On March 13, 2006, the Company appealed the decision at the Court of Appeals. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)**

Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005, the United States District Court for the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the Company has revised its claim and has refiled the above complaint including the side mounting patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

**9. Earnings Per Share**

Earnings (loss) per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Ordinary income (loss) per share is computed by dividing ordinary income (loss) allocated to common stock, which is net income (loss) allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the period.

Earnings (loss) per share for the three-month periods ended March 31, 2006 and 2005, is calculated as follows:

*(in millions, except per share amounts)*

|   | <b>2006</b> |             | <b>2005</b> |             |
|---|-------------|-------------|-------------|-------------|
| Net income (loss) as reported on the statements of operations | (Won)       | 47,518      | (Won)       | (78,830)    |
| Weighted-average number of common shares outstanding          |             | 357,815,700 |             | 325,315,700 |
| Earnings (loss) per share                                     | (Won)       | 133         | (Won)       | (242)       |

The Company has issued no diluted securities until the Company issued convertible bonds on April 19, 2005. Diluted earnings per share is identical to basic earnings per share and diluted ordinary income per share to basic ordinary income per share as convertibles bonds have no dilutive effect for the three-month period ended March 31, 2006.

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**LG. Philips LCD Co., Ltd.**

**Notes to Non-Consolidated Financial Statements**

**March 31, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

Dilutive effect for the three-month period ended March 31, 2006, is as follows:

*(in millions, except for per share amount)*

|   |              |
|---|--------------|
| Net income allocated to common stock  | (Won) 47,518 |
| Add : Interest expense on convertible bonds <sup>1</sup>                                      | 4,250        |
| Diluted net income allocated to common stock  | 51,768       |
| Weighted average number of common shares and diluted securities outstanding during the period | 366          |
| Diluted earnings per share <sup>2</sup>   | (Won) 141    |

<sup>1</sup>Net of the (Won)1,317 million tax effect

<sup>2</sup>Convertible bonds have no dilutive effect as these amounts exceed basic earnings per share.

Additionally, earnings per share for the year ended December 31, 2005, were as follows:

|                            | <b>Year ended</b>   |
|----------------------------|---------------------|
|                            | <b>December 31,</b> |
|                            | <b>2005</b>         |
| Basic earnings per share   | (Won) 1,523         |
| Diluted earnings per share | (Won) 1,523         |

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)****10. Related Party Transactions**

The ultimate parent company is LG Corporation and the parent company of the Company is LG Electronics Inc., which is responsible for the consolidated financial statements.

Significant transactions which occurred in the normal course of business with related companies for the three-month periods ended March 31, 2006 and 2005, and the related account balances outstanding as of March 31, 2006 and December 31, 2005 are summarized as follows:

(in millions of Korean won)

|  | Sales                  |                        | Purchases <sup>1</sup> |                      |
|--|------------------------|------------------------|------------------------|----------------------|
|  | 2006                   | 2005                   | 2006                   | 2005                 |
| <b>Parent companies</b>  |                        |                        |                        |                      |
| LG Electronics Inc.-domestic                                   | (Won) 97,543           | (Won) 102,976          | (Won) 28,537           | (Won) 30,739         |
| LG Electronics Inc.-overseas                                   | 63,485                 | 20,566                 |                        |                      |
| Philips-domestic   |                        |                        | 858                    | 27                   |
| Philips-overseas   |                        |                        | 9,490                  | 15,707               |
| <b>Company that has significant influence over the Company</b> |                        |                        |                        |                      |
| LG Corporation   |                        |                        | 2,806                  | 2,284                |
| <b>Overseas subsidiaries</b>                                   |                        |                        |                        |                      |
| LG.Philips LCD America, Inc.                                   | 266,586                | 207,365                |                        |                      |
| LG.Philips LCD Taiwan Co., Ltd.                                | 231,004                | 160,526                | 7                      |                      |
| LG.Philips LCD Japan Co., Ltd.                                 | 315,680                | 151,510                |                        |                      |
| LG.Philips LCD Germany GmbH.                                   | 388,778                | 225,973                | 1,737                  | 3,403                |
| LG.Philips LCD Nanjing Co., Ltd.                               | 616,327                | 532,559                | 819                    | 479                  |
| LG.Philips LCD Shanghai Co., Ltd.                              | 204,068                | 176,875                |                        |                      |
| LG.Philips LCD Hongkong Co., Ltd.                              | 117,733                | 93,137                 |                        |                      |
| LG.Philips LCD Poland Sp. z o.o.                               |                        |                        |                        |                      |
| <b>Equity-method investee</b>                                  |                        |                        |                        |                      |
| Paju Electric Glass Co., Ltd.                                  | 6                      |                        | 13,861                 |                      |
| <b>Other related parties</b>                                   |                        |                        |                        |                      |
| LG Chem Ltd.   |                        |                        | 128,473                | 83,716               |
| LG International domestic                                      |                        |                        | 1,683                  | 536                  |
| LG International overseas                                      | 9,754                  | 2,747                  | 335,721                | 234,277              |
| Serveone   | 12                     |                        | 44,904                 | 19,291               |
| Micron Ltd.  |                        |                        | 28,192                 | 27,399               |
| LG CNS   |                        |                        | 26,788                 | 14,688               |
| Others   | 15,089                 | 25,237                 | 29,347                 | 843                  |
| <b>Total</b>   | <b>(Won) 2,326,065</b> | <b>(Won) 1,699,471</b> | <b>(Won) 653,223</b>   | <b>(Won) 433,389</b> |

<sup>1</sup> Includes purchases of property, plant and equipment amounting to (Won)332,285 million.

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****March 31, 2006 and 2005, and December 31, 2005****(Unaudited)***(in millions of Korean won)*

|  | Receivables            |                        | Payables             |                      |
|--|------------------------|------------------------|----------------------|----------------------|
|  | 2006                   | 2005                   | 2006                 | 2005                 |
| <b>Parent companies</b>  |                        |                        |                      |                      |
| LG Electronics Inc.-domestic                                   | (Won) 34,903           | (Won) 27,383           | (Won) 33,120         | (Won) 66,251         |
| LG Electronics Inc.-overseas                                   | 55,726                 | 40,773                 | 370                  | 370                  |
| Philips-domestic   |                        |                        | 708                  | 291                  |
| Philips-overseas   | 262                    | 171                    | 3,906                | 4,244                |
| <b>Company that has significant influence over the Company</b> |                        |                        |                      |                      |
| LG Corporation   | 12,997                 | 10,970                 | 2,049                | 1,692                |
| <b>Overseas subsidiaries</b>                                   |                        |                        |                      |                      |
| LG.Philips LCD America, Inc.                                   | 56,835                 | 22,683                 |                      |                      |
| LG.Philips LCD Taiwan Co., Ltd.                                | 88,974                 | 53,521                 | 16                   | 1                    |
| LG.Philips LCD Japan Co., Ltd.                                 | 98,132                 | 130,090                | 152                  | 1                    |
| LG.Philips LCD Germany GmbH.                                   | 216,760                | 103,637                | 10,619               | 8,886                |
| LG.Philips LCD Nanjing Co., Ltd.                               | 408,363                | 375,158                | 439                  | 3,068                |
| LG.Philips LCD Shanghai Co., Ltd.                              | 130,145                | 202,329                |                      |                      |
| LG.Philips LCD Hongkong Co., Ltd.                              | 73,932                 | 45,863                 | 48                   | 48                   |
| LG.Philips LCD Poland Sp. z o.o.                               | 1                      | 1                      |                      |                      |
| <b>Equity-method investee</b>                                  |                        |                        |                      |                      |
| Paju Electric Glass Co., Ltd.                                  | 7                      |                        | 10,149               |                      |
| <b>Other related parties</b>                                   |                        |                        |                      |                      |
| LG Chem Ltd.   |                        |                        | 50,101               | 44,602               |
| LG International domestic                                      |                        | 11                     | 1,214                | 986                  |
| LG International overseas                                      | 7,205                  | 3,114                  | 207,267              | 191,252              |
| Serveone   | 2,373                  |                        | 45,654               | 36,792               |
| Micron Ltd.  |                        |                        | 46,733               | 55,234               |
| LG CNS   |                        |                        | 22,100               | 32,127               |
| Others   | 19,234                 | 21,409                 | 12,795               | 9,791                |
| <b>Total</b>   | <b>(Won) 1,205,849</b> | <b>(Won) 1,037,113</b> | <b>(Won) 447,440</b> | <b>(Won) 455,636</b> |

Significant management<sup>1</sup>compensation costs for the three-month period ended March 31, 2006, are as follows:*(in millions of Korean won)*

|                              |           |
|------------------------------|-----------|
| Short-term employee salaries | (Won) 381 |
| Post-retirement benefits     | 70        |
| Stock-based compensation     | 3         |

(Won) 454

<sup>1</sup>Management refers to the directors who have significant control and responsibilities on the Company's operations and business. Total ceiling for compensation for such directors in 2006 is (Won)13.4 billion.

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**LG. Philips LCD Co., Ltd.**

**Notes to Non-Consolidated Financial Statements**

**March 31, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**11. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represents 93 % of total sales.

The following is a summary of operations by country based on the location of the customers for the three-month periods ended March 31, 2006 and 2005.

*(in millions of Korean won)*

| <b>Sales</b> | <b>Domestic</b> | <b>Taiwan</b> | <b>Japan</b>  | <b>America</b> | <b>China</b>  | <b>Europe</b> | <b>Others</b> | <b>Total</b>    |
|--------------|-----------------|---------------|---------------|----------------|---------------|---------------|---------------|-----------------|
| 2006         | (Won) 176,391   | (Won) 231,016 | (Won) 319,504 | (Won) 266,659  | (Won) 937,132 | (Won) 424,201 | (Won) 62,770  | (Won) 2,417,673 |
| 2005         | (Won) 189,172   | (Won) 160,528 | (Won) 151,512 | (Won) 207,548  | (Won) 796,075 | (Won) 236,428 | (Won) 29,045  | (Won) 1,770,308 |

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**Table of Contents****LG.Philips LCD Co., Ltd.****Consolidated Balance Sheets****(Unaudited)***(in millions of Korean won, and thousands of US dollars, except for share data)*

|   | (Note 2)                |                         |                      |
|---|-------------------------|-------------------------|----------------------|
|   | December 31, 2005       | March 31, 2006          | March 31, 2006       |
| <b>Assets</b>                               |                         |                         |                      |
| Current assets                              |                         |                         |                      |
| Cash and cash equivalents                   | (Won) 1,579,452         | (Won) 1,060,124         | \$ 1,091,336         |
| Accounts receivable, net                    |                         |                         |                      |
| Trade, net                                  | 790,168                 | 692,232                 | 712,613              |
| Due from affiliates                         | 476,731                 | 541,357                 | 557,296              |
| Others, net                                 | 66,202                  | 57,815                  | 59,517               |
| Inventories                                 | 689,577                 | 1,075,895               | 1,107,572            |
| Deferred income taxes                       | 5,414                   | 13,822                  | 14,229               |
| Prepaid expense                             | 23,467                  | 74,846                  | 77,050               |
| Prepaid value added tax                     | 131,230                 | 76,120                  | 78,361               |
| Other current assets                        | 84,524                  | 120,173                 | 123,710              |
| <b>Total current assets</b>                 | <b>3,846,765</b>        | <b>3,712,384</b>        | <b>3,821,684</b>     |
| Long-term prepaid expenses                  | 83,112                  | 119,251                 | 122,762              |
| Property, plant and equipment, net          | 9,234,104               | 9,374,754               | 9,650,766            |
| Deferred income taxes                       | 357,453                 | 360,354                 | 370,964              |
| Intangibles, net                            | 43,374                  | 43,693                  | 44,979               |
| Other assets                                | 51,746                  | 55,617                  | 57,255               |
| <b>Total assets</b>                         | <b>(Won) 13,616,554</b> | <b>(Won) 13,666,053</b> | <b>\$ 14,068,410</b> |
| <b>Liabilities and Stockholders' Equity</b> |                         |                         |                      |
| Current liabilities                         |                         |                         |                      |
| Short-term borrowings                       | (Won) 308,969           | (Won) 242,833           | \$ 249,982           |
| Current portion of long-term debt           | 442,140                 | 444,501                 | 457,588              |
| Trade accounts and notes payable            |                         |                         |                      |
| Trade                                       | 577,755                 | 610,936                 | 628,923              |
| Due to affiliates                           | 115,833                 | 120,074                 | 123,609              |
| Other accounts payable                      |                         |                         |                      |
| Others                                      | 1,121,042               | 1,008,305               | 1,037,992            |
| Due to affiliates                           | 353,514                 | 348,229                 | 358,482              |
| Accrued expenses                            | 69,968                  | 45,927                  | 47,279               |
| Income taxes payables                       | 21,788                  | 18,529                  | 19,075               |
| Other current liabilities                   | 133,950                 | 159,304                 | 163,994              |
| <b>Total current liabilities</b>            | <b>3,144,959</b>        | <b>2,998,638</b>        | <b>3,086,924</b>     |
| Long-term debt, net of current portion      | 2,851,353               | 2,944,286               | 3,030,972            |
| Long-term accrued expense                   | 2,833                   | 3,943                   | 4,059                |
| Accrued severance benefits, net             | 43,207                  | 52,884                  | 54,441               |
| <b>Total liabilities</b>                    | <b>6,042,352</b>        | <b>5,999,751</b>        | <b>6,176,396</b>     |

Commitments and contingencies

|   |                  |                  |               |
|---|------------------|------------------|---------------|
| Stockholders' equity  |                  |                  |               |
| Capital stock   |                  |                  |               |
| Common stock : (Won)5,000 par value; authorized 400 million shares; issued and outstanding 358 million shares at December 31, 2005 and March 31, 2006 | 1,789,078        | 1,789,078        | 1,841,752     |
| Capital Surplus   | 2,243,800        | 2,244,851        | 2,310,944     |
| Retained earnings   | 3,542,691        | 3,603,857        | 3,709,962     |
| Accumulated other comprehensive income  | (1,367)          | 28,516           | 29,356        |
| Total stockholders' equity  | 7,574,202        | 7,666,302        | 7,892,014     |
| Total liabilities and stockholders' equity  | (Won) 13,616,554 | (Won) 13,666,053 | \$ 14,068,410 |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****LG.Philips LCD Co., Ltd.****Consolidated Statements of Operations****(Unaudited)***(in millions of Korean won, and thousands of US dollars, except for share amount)*

|   | <b>For the three month periods ended March 31,</b> |               |                 |
|---|--|---------------|-----------------|
|   | <b>2005</b>  | <b>2006</b>   | <b>2006</b>     |
|   |  |               | <b>(Note 2)</b> |
| <b>Sales</b>  |  |               |                 |
| Related parties                                     | (Won) 802,998                                      | (Won) 940,698 | \$ 968,394      |
| Others  | 1,261,048  | 1,530,438     | 1,575,497       |
|   | 2,064,046  | 2,471,136     | 2,543,891       |
| <b>Cost of sales</b>                                | 2,090,143  | 2,295,316     | 2,362,895       |
| Gross profit (loss)                                 | (26,097)   | 175,820       | 180,996         |
| <b>Selling, general and administrative expenses</b> | 99,409   | 130,296       | 134,132         |
| <b>Operating income (loss)</b>                      | (125,506)  | 45,524        | 46,864          |
| <b>Other income (expense)</b>                       |  |               |                 |
| Interest income                                     | 8,991  | 10,452        | 10,760          |
| Interest expense                                    | (22,820)   | (35,886)      | (36,943)        |
| Foreign exchange gain (loss), net                   | (8,651)  | 17,721        | 18,243          |
| Others, net   | 179  | 2,832         | 2,915           |
| Total other income (expense)                        | (22,301)   | (4,881)       | (5,025)         |
| Income before income tax expense (loss)             | (147,807)  | 40,643        | 41,839          |
| Income tax expense (benefit)                        | (53,298)   | (20,523)      | (21,127)        |
| <b>Net income (loss)</b>                            | (Won) (94,509)                                     | (Won) 61,166  | \$ 62,966       |
| <b>Net income (loss) per common share</b>           |  |               |                 |
| Basic   | (Won) (291)  | (Won) 171     | \$ 0.18         |
| Diluted   | (Won) (291)  | (Won) 171     | \$ 0.18         |

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents****LG.Philips LCD Co., Ltd.****Consolidated Statements of Changes in Stockholders' Equity****(Unaudited)***(in millions of Korean won)*

|  | Common Stock |                 | Capital Surplus<br>Additional<br>Paid-In |                          | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total           |
|--|--------------|-----------------|--|--------------------------|----------------------|--|-----------------|
|  | Shares       | Amount          | Capital                                  | Unearned<br>Compensation |                      |  |                 |
| Balance as of<br>December 31,<br>2004                            | 325,315,700  | (Won) 1,626,579 | (Won) 1,012,271                          | (Won) (10,331)           | (Won) 3,001,042      | (Won) 33,740   | (Won) 5,663,301 |
| Issuance of<br>Common Stock,<br>net of issuance<br>cost          | 32,500,000   | 162,499         | 1,238,841                                |                          |                      |  | 1,401,340       |
| Unearned<br>Compensation<br>Stock<br>compensation<br>expense     |              |                 |  | 3,019                    |                      |  | 3,019           |
| Comprehensive<br>income :  |              |                 |  |                          |                      |  |                 |
| Net income   |              |                 |  |                          | 541,649              |  | 541,649         |
| Cumulative<br>translation<br>adjustment                          |              |                 |  |                          |                      | 1,441  | 1,441           |
| Net unrealized<br>gains (losses) on<br>derivative, net of<br>tax |              |                 |  |                          |                      | (36,548)   | (36,548)        |
| Total<br>comprehensive<br>income                                 |              |                 |  |                          |                      |  | 506,542         |
| Balance as of<br>December 31,<br>2005                            | 357,815,700  | (Won) 1,789,078 | (Won) 2,251,112                          | (Won) (7,312)            | (Won) 3,542,691      | (Won) (1,367)  | (Won) 7,574,202 |
| Issuance of<br>Common Stock,<br>net of issuance<br>cost          |              |                 |  |                          |                      |  |                 |
| Unearned<br>Compensation<br>Stock<br>compensation<br>expense     |              |                 |  | 1,051                    |                      |  | 1,051           |

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|   |          |          |
|---|----------|----------|
| Comprehensive income :                                  |          |          |
| Net income  | 61,166   | 61,166   |
| Cumulative translation adjustment                       | (11,639) | (11,639) |
| Net unrealized gains (losses) on derivative, net of tax | 41,522   | 41,522   |
| Total comprehensive income                              |          | 91,049   |

|                              |             |                 |                 |               |                 |              |                 |
|------------------------------|-------------|-----------------|-----------------|---------------|-----------------|--------------|-----------------|
| Balance as of March 31, 2006 | 357,815,700 | (Won) 1,789,078 | (Won) 2,251,112 | (Won) (6,261) | (Won) 3,603,857 | (Won) 28,516 | (Won) 7,666,302 |
|------------------------------|-------------|-----------------|-----------------|---------------|-----------------|--------------|-----------------|

(in thousands of US dollars) (Note 2)

|                                 | Common Stock |              | Capital Surplus            |                       | Retained Earnings | Accumulated Other Comprehensive Income | Total        |
|---------------------------------|--------------|--------------|----------------------------|-----------------------|-------------------|--|--------------|
|                                 | Shares       | Amount       | Additional Paid-In Capital | Unearned Compensation |                   |  |              |
| Balance as of December 31, 2005 | 357,815,700  | \$ 1,841,752 | \$ 2,317,389               | \$ (7,527)            | \$ 3,646,996      | \$ (1,407)                             | \$ 5,487,341 |

|   |  |  |  |       |        |          |          |
|---|--|--|--|-------|--------|----------|----------|
| Issuance of Common Stock, net of issuance cost          |  |  |  |       |        |          |          |
| Unearned Compensation Stock compensation expense        |  |  |  | 1,082 |        |          | 1,082    |
| Comprehensive income :                                  |  |  |  |       |        |          |          |
| Net income  |  |  |  |       | 62,966 |          | 62,966   |
| Cumulative translation adjustment                       |  |  |  |       |        | (11,982) | (11,982) |
| Net unrealized gains (losses) on derivative, net of tax |  |  |  |       |        | 42,745   | 42,745   |
| Total comprehensive income                              |  |  |  |       |        |          | 93,729   |

|                              |             |              |              |            |              |           |              |
|------------------------------|-------------|--------------|--------------|------------|--------------|-----------|--------------|
| Balance as of March 31, 2006 | 357,815,700 | \$ 1,841,752 | \$ 2,317,389 | \$ (6,445) | \$ 3,709,962 | \$ 29,356 | \$ 7,892,014 |
|------------------------------|-------------|--------------|--------------|------------|--------------|-----------|--------------|

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents****LG.Philips LCD Co., Ltd.****Consolidated Statements of Cash Flows****(Unaudited)***(in millions of Korean won, and thousands of US dollars)*

|   | For the three month periods ended March 31, 2006 |              |                  |
|---|--|--------------|------------------|
|   | 2005   | 2006         | 2006<br>(Note 2) |
| <b>Cash flows from operating activities:</b>                                      |  |              |                  |
| Net income (loss)   | (Won) (94,509)                                   | (Won) 61,166 | \$ 62,966        |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |              |                  |
| Depreciation  | 403,022  | 618,269      | 636,472          |
| Provision for severance benefits  | 11,759   | 15,650       | 16,111           |
| Foreign exchange (gain) loss, net   | (248)  | (37,022)     | (38,112)         |
| Amortization of intangible assets   | 1,885  | 1,597        | 1,644            |
| Loss on disposal of property, plant and equipment                                 | 12   | 1,045        | 1,076            |
| Amortization of debt issuance cost  | 1,193  | 1,253        | 1,290            |
| Increase in deferred income taxes assets, net                                     | (58,753)   | (27,791)     | (28,609)         |
| Others, net   | 2,204  | 9,288        | 9,561            |
| Change in operating assets and liabilities:                                       |  |              |                  |
| (Increase) decrease in accounts receivable  | (276,512)  | 34,424       | 35,438           |
| (Increase) decrease in inventories  | 67,245   | (386,318)    | (397,692)        |
| Decrease in other current assets  | 76,522   | 501          | 516              |
| (Decrease) increase in trade accounts and notes payable                           | 29,659   | 39,137       | 40,289           |
| Increase in other accounts payable  | 28,588   | (35,182)     | (36,218)         |
| Decrease in accrued expenses  | (61,876)   | (22,304)     | (22,961)         |
| Decrease in other current liabilities   | (47,032)   | (12,550)     | (12,919)         |
| Net cash provided by operating activities   | 83,159   | 261,163      | 268,852          |
| <b>Cash flows from investing activities:</b>                                      |  |              |                  |
| Purchase of property, plant and equipment   |  |              |                  |
| Purchase from related parties   | (181,518)  | (332,285)    | (342,068)        |
| Purchase from others  | (268,304)  | (506,382)    | (521,291)        |
| Proceeds from sales of property, plant and equipment                              | 1,664  |              |                  |
| Acquisition of intangible assets  | (2,161)  | (1,649)      | (1,698)          |
| Others, net   | (2,354)  | (4,543)      | (4,677)          |
| Net cash used in investing activities   | (452,673)  | (844,859)    | (869,734)        |
| <b>Cash flows from financing activities:</b>                                      |  |              |                  |
| Proceeds from short-term borrowings   | (149,999)  | (66,137)     | (68,084)         |
| Proceeds from issuance of long-term debt  | 516,445  | 146,148      | 150,451          |
| Repayment on long-term debt   | (5,872)  | (15,324)     | (15,775)         |
| Payment of debt issuance cost   | (1,458)  |              |                  |
| Net cash provided by financing activities   | 359,116  | 64,687       | 66,592           |
| Effect of exchange rate changes on cash and cash equivalents                      | (349)  | (319)        | (328)            |

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|   |                 |                 |              |
|---|-----------------|-----------------|--------------|
| Net increase in cash and cash equivalents | (10,747)        | (519,328)       | (534,618)    |
| <b>Cash and cash equivalents:</b>         |                 |                 |              |
| Beginning of year                         | 1,361,239       | 1,579,452       | 1,625,954    |
| End of year                               | (Won) 1,350,492 | (Won) 1,060,124 | \$ 1,091,336 |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****March 31, 2005 and 2006****1. Basis of presentation**

The accompanying unaudited interim consolidated financial statements of LG.Philips LCD Co., Ltd. ( LPL ), and its consolidated subsidiaries (hereinafter collectively referred to as the Company ) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) regarding interim financial information and, accordingly, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2005. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

**2. United States dollar amounts**

The Company operates primarily in Korea and its financial accounting records are maintained in Korean Won. The US dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Korean Won amounts are expressed in US dollars at the rate of (Won)971.40 : US\$1, the US Federal Reserve Bank of New York noon buying exchange rate in effect on March 31, 2006. The US dollar amounts are unaudited and are not presented in accordance with generally accepted accounting principles in either Korea or the United States of America, and should not be construed as a representation that the Korean Won amounts shown could be converted, realized or settled in US dollars at this or any other rate.

**3. Inventories**

Inventories at December 31, 2005 and March 31, 2006 comprise the following:

*(in millions of Korean won)*

|                   | <b>December 31, 2005</b> |         | <b>March 31, 2006</b> |           |
|-------------------|--------------------------|---------|-----------------------|-----------|
| Finished products | (Won)                    | 328,823 | (Won)                 | 692,101   |
| Work in process   |                          | 166,839 |                       | 180,901   |
| Raw materials     |                          | 193,915 |                       | 202,893   |
|                   | (Won)                    | 689,577 | (Won)                 | 1,075,895 |

## **Table of Contents**

### **LG. Philips LCD Co., Ltd.**

### **Notes to Consolidated Financial Statements (Unaudited)**

### **March 31, 2005 and 2006**

## **4. Derivative Instruments and Hedging Activities**

### **Derivatives for cash flow hedge**

During the three month periods ended March 31, 2005 and 2006, 163 and 395 foreign currency forward contracts were designated as cash flow hedges, respectively. During the three month periods ended March 31, 2005 and 2006, these cash flow hedges were fully effective and changes in the fair value of the derivatives, of (Won)46,234 million and (Won)67,897 million, were recorded in other comprehensive income. The deferred gains of (Won)67,897 million for derivatives designated as cash flow hedges are expected to be reclassified into losses within the next twelve months.

### **Derivatives for trading**

For the three month periods ended March 31, 2005 and 2006, the Company recorded realized exchange gains of (Won)8,318 million and (Won)31,838 million and realized exchange losses of (Won)7,068 million and (Won)3,163 million, respectively, on derivative contracts designated for trading upon settlement.

In addition, for the three month periods ended March 31, 2005 and 2006, the Company recorded unrealized gains of (Won)7,905 million and (Won)8,646 million and unrealized losses of (Won)22,143 million and (Won)20,050 million, respectively, relating to these derivative contracts designated for trading.

## **5. Stockholders equity**

On March 19, 2004, at the Annual General Meeting, stockholders approved an increase of authorized shares from 200 million to 400 million and a stock split on a 2:1 basis effective on May 25, 2004. The number of issued common shares as of December 31, 2004 and 2005 are 325,315,700 and 357,815,700 respectively. These financial statements retroactively reflect the impact of the stock split.

In July 2004, pursuant to a Securities Registration Statement filed on July 16, 2004 with the Korea Exchange, the Company sold 8,640,000 shares of common stock for gross proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary shares ( ADSs ) for gross proceeds of US \$748,800 thousands.

In September 2004, pursuant to the underwriting agreement dated July 15, 2004 , the Company sold an additional 1,715,700 shares of common stock in the form of ADSs for gross proceeds of US \$51,471 thousands.

In July 2005, pursuant to a Form F-1 registration statement filed on July 22, 2005 with the U.S. Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of ADSs for gross proceed of US \$1,189,656 thousands ((Won)1,220,706 million).

In July 2005, pursuant to the underwriting agreement dated July 21, 2005, the Company sold 4,600,000 shares of common stock in the form of ADSs for gross proceeds of US \$196,144 thousands ((Won)201,263 million).

On May 21, 2004, employees of the Company formed an employee stock ownership association, ( ESOA ), which has the right to purchase on behalf of its membership up to 20% (1,728,000 shares) of shares offered publicly in Korea, pursuant to the Korean Securities and Exchange Act.





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Employees purchased the shares through the ESOA with loans provided by the Company at the initial public offering price ((Won)34,500) and put under each individual employee's account. 20% of the 20% of shares (345,600 shares) purchased by employees with loans from the Company is accounted for as a restricted stock award which vests over four years. Unearned compensation, shown as a deduction of Capital Surplus, will be amortized over the 4 year vesting period. During the three month period ended March 31, 2006, the Company recorded compensation expense of (Won)1,049 million.

**6. Stock Appreciation Plan**

Effective January 1, 2005, the company adopted the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123(R), Share-Based Payment ( SFAS 123(R) ). SFAS 123(R) establishes accounting for stock-based awards exchanged for employee services. SFAS No. 123(R) requires that an award that is classified as a liability to be initially measured at its grant date fair value and remeasured at fair value at the end of each reporting period until the award is settled or expires. The measurement is based on the current stock price and other relevant factors. The difference between the fair value amounts is recognized as compensation expense during the requisite service period, based on the percentage of the requisite service that the employee has rendered as of that date. In accordance with SFAS No. 123(R), compensation expense is remeasured at each reporting date, based on the fair value of the award, and is recognized as expense over the employee requisite service period.

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) for selected management employees. Under the terms of this plan, management, on exercise, receive cash equal to the amount that the market price of the Company's common stock exceeds the strike price ((Won)44,050) of the SARs. The vesting period is two years starting from the grant date, and exercisable period is April 08, 2008 through April 07, 2012.

The following table shows total stock-based compensation expense included in the consolidated statement of operations:

*(in millions of Korean won)*

|   | <b>March 31, 2006</b> |            |
|---|-----------------------|------------|
| Cost of goods sold                            | (Won)                 | 429        |
| Selling general and administrative            |                       | 587        |
| Income tax benefits                           |                       | (269)      |
| <b>Total stock-based compensation expense</b> | <b>(Won)</b>          | <b>747</b> |

There were no capitalized stock-based compensation costs at March 31, 2006.

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The following tables summarize option activity under the SARs for the three month period ended March 31, 2006:

(in Korean won)

|                               | Weighted-average<br>exercise price | Number of shares<br>under option | Weighted average<br>remaining<br>contractual life<br>(in years) |
|-------------------------------|------------------------------------|----------------------------------|---|
| Balance at December 31, 2005  | (Won) 44,050                       | 410,000                          |   |
| Options granted               |                                    |                                  |   |
| Options exercised             |                                    |                                  |   |
| Options canceled/expired      |                                    |                                  |   |
| Balance at March 31, 2006     | (Won) 44,050                       | 410,000                          | 6   |
| Exercisable at March 31, 2006 | (Won)                              |                                  |   |

In connection with the adoption of SFAS 123(R), the company assessed its valuation technique and related assumptions. The company estimates the fair value of stock options using a Black-Scholes valuation model, consistent with the provisions of SFAS 123(R) and Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 107. Key input assumptions used to estimate the fair value of stock options include the grant price of the award, the expected option term, volatility of the company's stock, the risk-free rate and the company's dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by selected managements who receive SARs, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the company under SFAS 123(R).

The fair value of SARs was estimated using a Black-Scholes valuation model with the following assumptions:

|  | March 31, 2006 |
|--|----------------|
| Option term (years) <sup>1</sup>                 | 5              |
| Volatility <sup>2</sup>                          | 39.92%         |
| Risk-free interest rate (Korean government bond) | 5.13%          |
| Dividend yield                                   | 0%             |
| Weighted average fair value per option granted   | (Won)18,779    |

<sup>1</sup> The option term is the number of years that the company estimates that options will be outstanding prior to settlement.

<sup>2</sup> Measured using historical weekly price changes of the Company's stock over the respective term of the option.

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### **LG. Philips LCD Co., Ltd.**

#### **Notes to Consolidated Financial Statements (Unaudited)**

#### **March 31, 2005 and 2006**

#### **7. Commitments and Contingencies**

The Company is subject to several legal proceedings and claims arising in the ordinary course of business. In August 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs. Subsequently the Company filed a complaint against customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TpV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court for the Central District of California for alleged infringement of certain patents and violation of U.S. antitrust laws. In May 2004, the Company filed a complaint against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp. and others, claiming patent infringement of rear mountable liquid crystal display devices in the United States District of Delaware and the Patent Country Court in the United Kingdom. The Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. On November 28, 2005, the Company lost its patent infringement case against Tatung Company and ViewSonic Corp. at first instance in Patent Country Court in United Kingdom, and the Company is preparing the appeal against the decision of U.K. Court. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company.

On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005 the United States District Court for the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the Company has revised its claim and has refiled the above complaint including the side mounting patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company sells a significant portion of products based on non-binding long-term supply agreements to LGE and Philips, who are currently the largest shareholders of the Company. These agreements are for three-year terms, with automatic renewals. These agreements expired in 2004. The Company has reentered into a formal master agreement with Philips.

As of December 31, 2004, the Company has a trademark license agreement with LG Corporation and Philips Electronics. Under this agreement, the Company has to pay some portion of revenue as a license fee. This agreement is for three-year terms and shall expire at the end of year 2007.

The Company has bank overdraft agreements with various banks amounting to (Won)59,000 million and has a Revolving Credit Facility Agreements with Shinhan Bank and others amounting to (Won)300,000 million and US\$100 million at March 31, 2006. The Company has a zero balance with respect to these facilities at March 31, 2006.

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LG. Philips LCD America, Inc. has entered into a line of credit agreement, up to US \$10 million with Comerica Bank. LG. Philips LCD Japan Co., Ltd. And LG.Philips LCD Taiwan Co., Ltd. are provided with repayment guarantees from Mitsubishi UFJ Bank and ABN AMRO Bank amounting to JP¥1,000 million and NTD 40 million relating to its local tax payments.

As of December 31, 2004, in relation to its TFT-LCD business, the Company has technical license agreements with Semiconductor Energy Laboratory Co., Ltd. and others. The licensing agreements generally require royalty payments based on a specific percentage of sales. Costs are accrued by the Company as the sales of the specified products are made. Royalty expenses charged to cost of sales under these licensing agreements totaled (Won)9,335 million and (Won)6,858 million for the three month periods ended March 31, 2005 and March 31, 2006 respectively.

**8. Net Income (Loss) Per Share**

Net income (loss) per share for the three month periods ended March 31, 2005 and 2006 is calculated as follows:

*(In millions, except for per share amount)*

|  | 2005           | 2006         |
|--|----------------|--------------|
| Net income (loss) as reported on the income statements | (Won) (94,509) | (Won) 61,166 |
| Weighted-average number of common shares outstanding   | 325            | 358          |
| Net income (loss) per share                            | (Won) (291)    | (Won) 171    |

Convertible bonds, which have a potentially dilutive effect by decreasing net income allocated to common stock, were excluded from the computation of diluted EPS since they did not have a dilutive effect.

**9. Supplemental Cash Flows Information**

Supplemental cash flows information for the three month periods ended March 31, 2005 and 2006 is as follows:

*(in millions of Korean won)*

|   | 2005            | 2006            |
|---|-----------------|-----------------|
| Non-cash investing and financing activities:                                      |                 |                 |
| Other accounts payable arising from the purchase of property, plant and equipment | (Won) 1,256,153 | (Won) 1,017,116 |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

Date: May 15, 2006

By: /s/ Ron H. Wirahadiraksa  
(Signature)  
Name: Ron H. Wirahadiraksa  
Title: Joint Representative Director /  
President & Chief Financial Officer