LG.Philips LCD Co., Ltd.
Form 6-K
November 14, 2006
**Table of Contents**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER**

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

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of November 2006**

# 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)**

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

Form 20-F __X__ Form 40-F _____

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

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

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

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

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

Yes _____ No __X__

**Table of Contents**

QUARTERLY REPORT

(From January 1, 2006 to September 30, 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.

**Contents**

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


| | | |
|---|---|---|
| 1. | Overview | 1 |
| | A. Industry | 1 |
| | B. Company | 3 |
| 2. | Information Regarding Shares | 5 |
| | A. Change in capital stock | 5 |
| | B. Convertible bonds | 6 |
| | C. Shareholder list | 6 |
| | D. Voting rights | 7 |
| | E. Dividends | 7 |
| 3. | Major Products and Materials | 8 |
| | A. Major products in 2006 (Q1 ~ Q3) | 8 |
| | B. Average selling price trend of major products | 8 |
| | C. Major materials | 8 |
| | D. Price trend of major materials | 8 |

**Table of Contents**


4. Production & Equipment 9
   A. Production capacity and calculation 9
   B. Production performance and working ratio 9
   C. Investment plan 10
5. Sales 10
   A. Sales performance 10
   B. Sales route and sales method 10
6. Directors & Employees 12
   A. Members of Board of Directors 12
   B. Committees of the Board of Directors 13
   C. Director & Officer Liability Insurance 13
   D. Employees 15
   E. Stock Option 16
7. Financial Information 17
   A. Financial highlights 17
   B. R&D expense 18
   C. Domestic credit rating 20
   D. Remuneration for directors in 2006 (Q1 ~ Q3) 20
   E. Derivative contracts 21
   F. Status of Equity Investment 22


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

Table of Contents

## 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 market. There is a competition between TFT-LCD and PDP technologies 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) Cyclicality

- The TFT-LCD business has high cyclicality 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.

1

**Table of Contents**

- 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. Recently, the domestic portion has grown 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, IPS-Alpha, etc.

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

Table of Contents

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 third quarter of 2006 increased by around 31% to KRW 2,730 billion compared to KRW 2,086 billion in the second quarter of 2006 and increased by 13% compared to KRW 2,416 billion in the third quarter of 2005.

- Due to the continuous fall in product prices, we incurred a non-consolidated operating loss of KRW 384 billion in the third quarter of 2006 compared to a non-consolidated operating loss of KRW 445 billion in the second quarter of 2006. We also incurred a non-consolidated net loss of KRW 321 billion in the third quarter of 2006 compared to a non-consolidated net loss of KRW 322 billion in the second quarter of 2006.

- 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 (≥ 10 ) based on revenue

| | Q2 2006 | 2005 | 2004 |
|---|---|---|---|
| Panel for Notebook Computer | 25.1% | 22.5% | 19.6% |
| Panel for Monitor | 15.7% | 22.5% | 22.6% |
| Panel for TV | 22.7% | 23.9% | 19.8% |
| Total | 20.0% | 22.2% | 20.9% |

* Source: DisplaySearch Q3 2006

Table of Contents

(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

- Due to our downward adjustment of 2006 capital expenditure, P7 is expected to reach a production capacity of 75,000 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 in the TFT-LCD market, and decided to invest in a multi-purpose generation 5.5 facility at P8 plant to meet our customer s forthcoming needs, particularly in the expanding wide format notebook and high-end monitor segments.

- 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 a production facility in Europe. We broke ground on the plant in June 2006 and expect to begin production - during the first half of 2007. In October 2006, we formed a strategic alliance with Toshiba Corporation whereby Toshiba would take a 19.9% equity participation in our subsidiary, a LCD module plant, in Poland currently under construction in Wroclaw, Poland and LG.Philips LCD Poland Sp. z o.o. would supply Toshiba with a quantity of LCD TV panels produced in the plant in Poland.

- In May 2006, we entered into an investment agreement with the Guangzhou Development District Administrative Committee to construct a module production plant in Guangzhou, China, and in August 2006, we established LG.Philips LCD Guangzhou Co., Ltd. which plant is under construction.

Table of Contents

(5) Organization chart as of September 30, 2006

- JRD : Joint Representative Director

- CEO : Chief Executive Officer

- CFO : Chief Financial Officer

- COO : Chief Operating Officer

- CTO : Chief Technology Officer

**2. Information Regarding Shares**

A. Change in Capital Stock

(Unit : KRW, Share)

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

* ADSs offering : 24,960,000 shares (US$30 per Share, US$15 per ADS) Offering of common stock : 8,640,000 shares (KRW34,500 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)

**Table of Contents**

B. Convertible Bonds

(Unit : USD, Share)

| Item | | Contents |
|---|---|---|
| Issuing Date | | April 19, 2005 |
| Maturity | | April 19, 2010 |
| (Redemption Date after Put Option Exercise) | | (October 19, 2007) |
| Face Amount | | 475,000,000 |
| Offering method | | Public Offering |
| Conversion period | | Convertible into shares of common stock in the period from June 27, 2005 to April 4, 2010 |
| Conversion price | | KRW 58,251 per share* |
| Conversion status | Number of shares already converted | None |
| | Number of convertible shares | 8,276,681 shares if all convertible bonds are converted* |
| Remarks | | - Registered form<br>- Listed on Singapore Exchange |

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

C. Shareholder List

(1) Total shares issued : 357,815,700 shares as of September 30, 2006

(2) Largest shareholder and related parties as of September 30, 2006

(Unit: share)

| Name | January 1, 2006 | Increase/Decrease | September 30, 2006 |
|---|---|---|---|
| LG Electronics | 135,625,000 (37.90)% | | 135,625,000 (37.90)% |
| Total | 135,625,000 (37.90)% | | 135,625,000 (37.90)% |

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

(Unit: share)

| Name | Type of Stock | Number of shares | Ratio |
|---|---|---|---|
| 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

Table of Contents

D. Voting rights as of September 30, 2006

(Unit: share)

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

E. Dividends

(1) Dividends during the recent 3 fiscal years

| Description | 2006 (Q1 ~ Q3) | 2005 | 2004 |
|---|---|---|---|
| Par value (Won) | 5,000 | 5,000 | 5,000 |
| Net income (Million Won) | (-)594,968 | 517,012 | 1,655,445 |
| Earnings per share (Won) | (-)1,663 | 1,523 | 5,420 |
| Retained earning for dividends (Million Won) | 2,885,381 | 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 is calculated by net income divided by weighted average number of common stock.

Table of Contents

**3. Major Products and Materials**

A. Major products in 2006 (Q1 ~ Q3)

(Unit: In billions of Won)

| Business area | Sales types | Items (Market) | Specific use | Major trademark | Sales (%) |
|---|---|---|---|---|---|
| TFT-LCD | Product/ Service/ Other Sales | TFT-LCD (Overseas) | Notebook Computer, Monitor, TV, Applications Panels, etc. | LG.Philips LCD | 6,589 (91.1)% |
| | | TFT-LCD (Korea*) | Notebook Computer, Monitor, TV, Applications Panels, etc. | LG.Philips LCD | 645 (8.9)% |
| Total | | | | | 7,234 (100)% |

* Local export was included.

B. Average selling price trend of major products

(Unit: USD / $m^2$)

| Description | 2006 Q3 | 2006 Q2 | 2006 Q1 |
|---|---|---|---|
| TFT-LCD panel | 1,430 | 1,598 | 1,953 |

* Half-finished products in cell format are excluded.
** Quarterly average selling price per square meter of net display area shipped
*** Consolidated basis

C. Major materials

(Unit: In billions of Won)

| Business area | Purchase types | Items | Specific use | Purchase amount (%) | Remarks |
|---|---|---|---|---|---|
| TFT-LCD | Materials | Glass | LCD Panel Manufacturing | 944 (20.0)% | Samsung Corning Precision Glass Co., Ltd., NEG, etc. |
| | | Back-Light | | 1,345 (28.5)% | Heesung Electronics Ltd., etc. |
| | | Polarizer | | 471 (10.0)% | LG Chem., etc. |
| | | Others | | 1,966 (41.5)% | |
| | Total | | | 4,726 (100.0)% | |

D. Price trend of major materials

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

8

Table of Contents

**4. Production and Equipment**

A. Production capacity and calculation

(1) Production capacity

(Unit : 1,000 Glass sheets)

| Business area | Items | Business place | 2006 (Q1 ~ Q3) | 2005 | 2004 |
|---|---|---|---|---|---|
| TFT-LCD | TFT-LCD | Gumi, Paju | 7,260 | 8,128 | 6,644 |

(2) Calculation of Capacity

a. Method

Assumptions for calculation

- Based on input glass

Calculation method

- Input capacity of recent month x given periods (9 months) in case of 2006 (Q1 ~ Q3)
- Average monthly input capacity for 4th quarter x given periods (12 months) in case of 2005 and 2004.

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 | 2006 (Q1 ~ Q3) | 2005 | 2004 |
|---|---|---|---|---|---|
| TFT-LCD | TFT-LCD | Gumi, Paju | 6,634 | 7,544 | 6,033 |

* Based on input glass

(2) Working Ratio *

(Unit: Hours)

| Business place (area) | Available working hours of 2006 (Q1 ~ Q3) | Real working hours of 2006 (Q1 ~ Q3) | Average working ratio |
|---|---|---|---|
| Gumi, Paju (TFT-LCD) | 6,552 (24 hours X 273 Days) | 6,552 (24 hours X 273 Days) | 100% |

* Working hours for R&D activities were included.

Table of Contents

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 |
|---|---|---|---|---|---|---|---|---|
| TFT-LCD | New / Expansion, etc. | Q3 04~ | Building/ Machinery, etc. | Capacity expansion | 7,050 | 5,160 | 1,890 | |

(2) Investment Plan (Consolidated basis)

(Unit: In billions of Won)

| Business area | Project | Expected yearly investment 2006 * | 2007 * | 2008 ** | Investment effects | Remarks |
|---|---|---|---|---|---|---|
| TFT-LCD | New / Expansion, etc. | 3,035 | 1,100 | | Capacity Expansion, etc. | |

* Expected investments in 2006 and in 2007 are subject to change depending on market environment.
** Expected investments in 2008 cannot be projected due to industry characteristics.

**5. Sales**

A. Sales performance

(Unit: In billions of Won)

| Business area | Sales types | Items (Market) | | 2006 (Q1 ~ Q3) | 2005 (Q1 ~ Q3) | 2005 |
|---|---|---|---|---|---|---|
| TFT-LCD | Products, etc. | TFT-LCD | Overseas | 6,589 | 5,659 | 8,114 |
| | | | Korea* | 645 | 556 | 776 |
| | | | Total | 7,234 | 6,215 | 8,890 |

* Local export was included.

B. Sales route and sales method

(1) Sales organization

- As of September 30, 2006, each of IT business unit, TV business unit, and Small & Medium Displays business unit has individual sales and customer support function.

- Sales subsidiaries in America, Germany, Japan, Taiwan and China (Hong Kong and Shanghai) perform sales activities in overseas countries and provide technical support to customers.

Table of Contents

(2) Sales route

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

- LG.Philips LCD HQ → 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 September 30, 2006

| Name | Date of Birth | Position | Principal Occupation |
|---|---|---|---|
| Bon Joon Koo | December 24, 1951 | Joint Representative Director, Vice-Chairman and Chief Executive Officer | |
| Ron H. Wirahadiraksa | June 10, 1960 | Joint Representative Director, President and Chief Financial Officer | |
| Hee Gook Lee | March 19, 1952 | Director | President and Chief Technology Officer of LG Electronics |
| Rudy Provoost | October 16, 1959 | Director | Chief Executive Officer of Philips Consumer Electronics and Member of Philips Group 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 Netherlands |
| Ingoo Han | October 15, 1956 | Outside Director | Professor, Graduate School of Management, Korea Advanced Institute of Science and Technology |
| Doug J. Dunn | May 5, 1944 | Outside Director | Member of Boards of Directors of ARM Holdings plc, STMicroelectronics N.V., Soitec Group, Optical Metrology Innovations and TomTom International BV |
| Dongwoo Chun | January 15, 1945 | Outside Director | Outside Director, Pixelplus |

Table of Contents

B. Committees of the Board of Directors

| Committee | Member |
|---|---|
| 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 September, 2006)

(Unit: USD)

| Name of insurance | Premium paid in Q3 2006 | Limit of liability | Remarks |
|---|---|---|---|
| Directors & Officers Liability Insurance | 1,500,000 | 100,000,000 | |

* In July 2006, LPL renewed director & officer liability insurance with coverage until July 2007.

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

- Joint Representative Directors approved the limit for liability, coverage and premiums.

(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)

**Table of Contents**

(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;

- 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 ;

- 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.

Table of Contents

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 and 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 September 30, 2006) (Unit: person, in millions of Won)

| | Details of employees | | | | | Per | |
|---|---|---|---|---|---|---|---|
| | Office | Line | | | Total Salary | Capita | Average Service |
| Sex | Worker | Worker | Others | Total | in 2006 (Q1 ~ Q3) | Salary | Year |
| Male | 5,580 | 5,610 | | 11,190 | 331,512 | 30 | 4.1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Female | 459 | 5,150 | 5,609 | 118,814 | 21 | 2.2 |
| Total | 6,039 | 10,760 | 16,799 | 450,326 | 27 | 3.4 |

* Directors and executive officers are excluded.

Table of Contents

E. Stock Option

The following table sets forth certain information regarding our stock option plan as of September 30, 2006.

| | | Exercise Period | | | Number of | Number of | Number of |
|---|---|---|---|---|---|---|---|
| Executive Officers | Grant Date | From | To | Exercise Price | Granted Options | Exercised Options | Exercisable Options |
| 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)

| Description | 2006 (Q1 ~ Q3) | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Current Assets | 2,641,140 | 3,196,934 | 2,638,616 | 1,918,329 | 806,156 |
| Quick Assets | 1,914,223 | 2,725,169 | 2,170,617 | 1,644,838 | 463,539 |
| Inventories | 726,917 | 471,765 | 467,999 | 273,491 | 342,617 |
| Fixed Assets | 10,325,876 | 9,798,981 | 6,960,077 | 4,295,753 | 3,613,748 |
| Investments | 1,012,131 | 660,628 | 409,955 | 203,343 | 147,832 |
| Tangible Assets | 9,142,075 | 8,988,459 | 6,366,651 | 3,874,428 | 3,210,884 |
| Intangible Assets | 171,670 | 149,894 | 183,471 | 217,982 | 255,032 |
| Total Assets | 12,967,016 | 12,995,915 | 9,598,693 | 6,214,082 | 4,419,904 |
| Current Liabilities | 2,168,009 | 2,594,282 | 1,900,765 | 2,044,005 | 1,117,066 |
| Non-current Liabilities | 3,727,446 | 2,726,036 | 1,925,286 | 1,276,045 | 1,436,775 |
| Total Liabilities | 5,895,455 | 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 | 2,275,172 | 2,279,250 | 1,012,271 | | |
| Retained Earnings | 3,013,718 | 3,608,686 | 3,091,674 | 1,436,229 | 417,129 |
| Capital Adjustment | (-)6,408 | (-)1,418 | 42,118 | 7,803 | (-)1,066 |
| Total Shareholder s Equity | 7,071,561 | 7,675,597 | 5,772,642 | 2,894,032 | 1,866,063 |
| Sales Revenues | 7,233,521 | 8,890,155 | 8,079,891 | 6,031,261 | 3,518,289 |
| Operating Income | (-)794,370 | 447,637 | 1,640,708 | 1,086,517 | 215,724 |
| Ordinary Income | (-)816,570 | 367,281 | 1,683,067 | 1,009,731 | 293,249 |
| Net Income | (-)594,968 | 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.

Table of Contents

B. R&D Expense

(1) Summary

(Unit: In millions of Won)

| Account | | 2006 (Q1 ~ Q3) | 2005 | 2004 | Remarks |
|---|---|---|---|---|---|
| Direct Material Cost | | 208,010 | 253,930 | 170,051 | |
| Direct Labor Cost | | 65,108 | 72,142 | 58,202 | |
| Depreciation Expense | | 14,987 | 11,710 | 11,078 | |
| Others | | 24,777 | 23,979 | 13,874 | |
| R&D Expense Total | | 312,882 | 361,761 | 253,205 | |
| Accounting | Selling & Administrative Expenses | 56,166 | 55,057 | 43,095 | |
| Treatment | Manufacturing Cost | 256,716 | 306,704 | 210,110 | |
| R&D Expense / Sales Ratio | | 4.33% | 4.07% | 3.13% | |
| [Total R&D Expense/Sales for the period×100] | | | | | |

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

(2) R&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

- 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)

**Table of Contents**

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 Technology.

[Achievement in 2006]

10) Development of High Brightness/Color gamut 17-inch wide slim LCD for Notebook Computer

- Slim model (10t→7t), featuring 500nit, NTSC 72%

- 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

- S-IPS Mode, sRGB, Realization of DCR 3000:1 by Backlight Control, Brightness 300nit

14) Ultra-slim TFT-LCD development for mobile phones

- Realization of 1.3t by reducing light guide plate & glass thickness

15) The fast response 2.0 TFT-LCD development for mobile phones

- Realization of high quality image by new liquid crystal development (25ms→16ms)

16) Wide Color Gamut 30 Wide TFT-LCD Monitor Development

- Realization of 92% high color gamut by Application of WCG CCFL

**Table of Contents**

C. Domestic Credit Rating

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

D. Remuneration for directors in 2006 (Q1 ~ Q3)

(Unit: In millions of Won)

| Classification | Salary Paid | Approved Salary at Shareholders Meeting | Per Capita Average Salary Paid | Remarks |
|---|---|---|---|---|
| Inside Directors (4 persons) | 1,008 | 13,400 | 252 | |
| Outside Directors (5 persons) | 210 | | 42 | Audit committee consists of three outside directors. |

Table of Contents

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$ 2,467 | (Won) 2,374,463 | (Won) 925.22:US$1 ~ (Won) 1,050.20:US$1 | October 2, 2006 ~ September 6, 2007 |
| SHINHAN BANK and others | EUR 210 | (Won) 253,779 | (Won) 1,164.28:EUR1 ~ (Won) 1,277.94:EUR1 | October 11, 2006 ~ June 13, 2007 |
| HSBC and others | (Won) 316,558 | JP¥ 37,100 | (Won) 8.153:JP¥1 ~ (Won) 9.362:JP¥1 | October 2, 2006 ~ June 12, 2007 |
| CITI and others | US$ 82 | JP¥ 9,500 | JP¥114.00:US$1 ~ JP¥116.06:US$1 | October 16, 2006 ~ February 14, 2007 |

(2) Cross Currency Swap

(Unit: In millions )

| Contracting party | Contract Amount | | Contract interest rate | Maturity date |
|---|---|---|---|---|
| ABN AMRO and others | Buying position | US$ 250 | 3 Month Libor | October 12, 2006 ~ August 29, 2011 |
| | Selling position | (Won) 252,065 | 4.15% ~ 4.54% | |

(3) Interest Rate Swap

(Unit: In millions )

| Contracting party | Contract Amount | Contract interest rate | | Maturity date |
|---|---|---|---|---|
| Standard Chartered First Bank Korea | US$ 150 | Floating Rate Receipt | 6 Month Libor | May 21, 2009 ~ May 24, 2010 |
| | | Fixed Rate Payment | 5.375% ~ 5.644% | |

**Table of Contents**

(4) Currency Option

(Unit: In millions )

| | USD Put Option | | USD Call Option | | | |
|---|---|---|---|---|---|---|
| Contracting party | Buying Position | | Selling Position | | Strike Price | Maturity date |
| Korea Development Bank and others | US$ | 50 | US$ | 100 | (Won) 957.30:US$1 ~ (Won) 966.50:US$1 | May 21, 2007 ~ June 21, 2007 |

F. Status of Equity Investment as of September 30, 2006

| 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. ** | 769,040 | 769,040 | 100% |
| LG.Philips LCD Guangzhou Co., Ltd. | * | * | 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.

** On October 26, 2006, we injected the paid-in capital of US$ 18,000,000 into LG.Philips LCD Poland Sp. z o.o. and our ownership ratio thereafter remained 100%.

Table of Contents

## LG.Philips LCD Co., Ltd.

**Interim Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

Table of Contents

## LG.Philips LCD Co., Ltd.

**Index**

**September 30, 2006 and 2005**


| | Page(s) |
|---|---|
| **Report of Independent Accountants** | 1 2 |
| **Non-Consolidated Financial Statements** | |
| Balance Sheets | 3 |
| Statements of Operations | 4 |
| Statements of Cash Flows | 5 6 |
| Notes to Non-Consolidated Financial Statements | 7 21 |

Table of Contents

**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 September 30, 2006, and the related non-consolidated statements of operations and cash flows for the three-month and nine-month periods ended September 30, 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.

Samil Pricewaterhouse Cooper is the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refer to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Table of Contents

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.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

October 27, 2006

This report is effective as of October 27, 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**

**September 30, 2006 and December 31, 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | (Won) 333,690 | (Won) 1,465,025 |
| Available-for-sale securities | 23 | 354 |
| Trade accounts and notes receivable, net (Notes 8 and 11) | 1,370,920 | 1,034,196 |
| Inventories, net (Note 4) | 726,917 | 471,765 |
| Other accounts receivable, net (Note 11) | 20,181 | 15,751 |
| Accrued income, net | 657 | 1,369 |
| Advanced payments, net | 2,591 | 5,959 |
| Prepaid expenses | 39,127 | 20,532 |
| Prepaid value added tax | 42,319 | 102,094 |
| Deferred income tax assets (Note 9) | 35,501 | 4,647 |
| Others (Note 8) | 69,214 | 75,242 |
| Total current assets | 2,641,140 | 3,196,934 |
| Property, plant and equipment, net | 9,142,075 | 8,988,459 |
| Long-term financial instruments (Note 3) | 16 | 16 |
| Equity-method investments | 338,669 | 213,968 |
| Non-current guarantee deposits | 17,333 | 24,000 |
| Long-term prepaid expenses | 138,657 | 83,023 |
| Deferred income tax assets (Note 9) | 517,456 | 339,621 |
| Intangible assets, net | 171,670 | 149,894 |
| Total assets | (Won) 12,967,016 | (Won) 12,995,915 |
| **Liabilities and Shareholders Equity** | | |
| Current liabilities | | |
| Trade accounts and notes payable (Note 11) | (Won) 874,036 | (Won) 563,874 |
| Other accounts payable (Note 11) | 869,734 | 1,445,471 |
| Advances received | 852 | 609 |
| Withholdings | 3,972 | 12,004 |
| Accrued expenses | 116,848 | 73,772 |
| Ramp up costs (Note 4) | | 19,499 |
| Warranty reserve | 21,958 | 16,023 |
| Current maturities of debentures and long-term debts (Note 5) | 240,849 | 429,352 |
| Others (Note 8) | 39,760 | 33,678 |
| Total current liabilities | 2,168,009 | 2,594,282 |
| Income (loss) before income tax benefit | | |
| Debentures, net of current maturities and discounts on debentures (Note 6) | 2,795,742 | 2,385,272 |
| Income tax benefit | 860,218 | 297,577 |

| | | |
|---|---|---|
| Accrued severance benefits, net | 71,486 | 43,187 |
| Total liabilities | 5,895,455 | 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 | 1,789,079 | 1,789,079 |
| Capital surplus | 2,275,172 | 2,279,250 |
| Retained earnings | 3,013,718 | 3,608,686 |
| Capital adjustments | (6,408) | (1,418) |
| Total shareholders equity | 7,071,561 | 7,675,597 |
| Total liabilities and shareholders equity | (Won) 12,967,016 | (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 and Nine-Month Periods Ended September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won, except per share amounts)*

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| **Sales (Notes 11 and 12)** | (Won) 2,729,486 | (Won) 2,416,322 | (Won) 7,233,521 | (Won) 6,215,168 |
| **Cost of sales (Note 11)** | 3,017,868 | 2,069,988 | 7,684,498 | 5,837,207 |
| Gross profit (loss) | (288,382) | 346,334 | (450,977) | 377,961 |
| **Selling and administrative expenses** | 96,065 | 103,586 | 343,393 | 268,725 |
| Operating income (loss) | (384,447) | 242,748 | (794,370) | 109,236 |
| **Non-operating income** | | | | |
| Interest income | 4,586 | 15,085 | 21,876 | 35,639 |
| Rental income | 1,850 | 25 | 5,893 | 25 |
| Foreign exchange gain | 22,096 | 72,041 | 136,329 | 131,559 |
| Gain on foreign currency translation | 25,321 | 28,209 | 53,322 | 28,209 |
| Gain on valuation of equity method investments | 29,810 | 1,401 | 79,921 | 2,906 |
| Gain on disposal of property, plant and equipment | 396 | 16 | 486 | 2,012 |
| Others | 4,933 | 3,597 | 24,061 | 11,025 |
| | 88,992 | 120,374 | 321,888 | 211,375 |
| **Non-operating expenses** | | | | |
| Interest expenses | 39,563 | 25,866 | 110,599 | 73,124 |
| Foreign exchange losses | 23,657 | 63,524 | 174,255 | 138,931 |
| Loss on foreign currency translation | 26,090 | 36,446 | 26,120 | 31,700 |
| Donations | 288 | 750 | 1,542 | 843 |
| Loss on disposal of accounts receivable | 5,256 | 1,566 | 8,319 | 6,519 |
| Loss on disposal of available-for-sale securities | 118 | | 153 | |
| Loss on valuation of equity method investments | 35,525 | 13,680 | 4,006 | 10,309 |
| Loss on disposal of property, plant and equipment | | 79 | 1,046 | 101 |
| Ramp up costs (Note 4) | | 7,147 | 18,043 | 7,147 |
| Others | | | 5 | |
| | 130,497 | 149,058 | 344,088 | 268,674 |
| Income (loss) before income tax benefit | (425,952) | 214,064 | (816,570) | 51,937 |
| Income tax benefit | (104,986) | (12,863) | (221,602) | (137,227) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net income (loss) | (Won) | (320,966) | (Won) | 226,927 | (Won) | (594,968) | (Won) | 189,164 |
| Basic ordinary income (loss) per share (Note 10) | (Won) | (897) | (Won) | 651 | (Won) | (1,663) | (Won) | 568 |
| Basic earnings (loss) per share (Note 10) | (Won) | (897) | (Won) | 651 | (Won) | (1,663) | (Won) | 568 |
| Diluted ordinary income (loss) per share (Note 10) | (Won) | (897) | (Won) | 649 | (Won) | (1,663) | (Won) | 568 |
| Diluted earnings (loss) per share (Note 10) | (Won) | (897) | (Won) | 649 | (Won) | (1,663) | (Won) | 568 |

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 and Nine-Month Periods Ended September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Cash flows from operating activities** | | | | |
| Net income (loss) | (Won) (320,966) | (Won) 226,927 | (Won) (594,968) | (Won) 189,164 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation | 638,832 | 429,051 | 1,830,776 | 1,226,943 |
| Amortization of intangible assets | 12,416 | 10,830 | 37,094 | 33,493 |
| Provision for severance benefits | 7,953 | 8,374 | 39,338 | 34,930 |
| Loss (gain) on foreign currency translation, net | 761 | 10,990 | (34,548) | 7,563 |
| Loss (gain) on disposal of property, plant and equipment, net | (395) | 63 | 560 | (1,911) |
| Amortization of discount on debentures | 8,858 | 9,025 | 27,042 | 20,394 |
| Loss (gain) on valuation of investments using the equity-method of accounting, net | 5,715 | 12,279 | (75,915) | 7,404 |
| Stock compensation cost | | (204) | | 35 |
| Others | 8,821 | 3,802 | 21,429 | 8,628 |
| | 682,961 | 484,210 | 1,845,776 | 1,337,479 |
| Changes in operating assets and liabilities | | | | |
| Increase in trade accounts and notes receivable | (431,846) | (81,592) | (348,135) | (402,864) |
| Decrease (increase) in inventories | 102,959 | (34,827) | (255,153) | (24,410) |
| (Increase) decrease in other accounts receivable | (8,520) | 312 | (4,473) | 1,145 |
| Decrease in accrued income | 387 | 952 | 712 | 166 |
| Decrease in advance payments | 1,171 | 2,886 | 3,368 | 4,140 |
| Decrease (increase) in prepaid expenses | 32,680 | 16,588 | (2,412) | 16,954 |
| Decrease (increase) in prepaid value added tax | 22,036 | (8,298) | 59,775 | (4,314) |
| Decrease in other current assets | 2,232 | 6,150 | 23,726 | 67,837 |
| Increase in long-term prepaid expenses | (29,172) | (24,787) | (71,816) | (41,665) |
| Increase in deferred income tax | (104,985) | (18,624) | (221,602) | (142,989) |
| Increase in trade accounts and notes payable | 340,725 | 74,934 | 315,223 | 118,641 |
| (Decrease) increase in other accounts payable | (45,474) | 54,355 | (105,943) | 67,344 |
| (Decrease) increase in advances received | (2,688) | 749 | 243 | 1,146 |
| (Decrease) increase in withholdings | (2,626) | (769) | (8,033) | 43 |
| Increase (decrease) in accrued expenses | 44,192 | 1,946 | 43,076 | (55,483) |
| Increase (decrease) in income taxes payable | | 1,055 | (19,499) | (73,525) |
| Decrease in product warranty | (5,119) | (4,353) | (15,340) | (11,186) |
| Decrease in other current liabilities | (29,378) | (38,972) | (5,289) | (40,016) |

| | | | | |
|---|---|---|---|---|
| Accrued severance benefits transferred from affiliated company, net | | 524 | 2,947 | 1,329 |
| Payments of severance benefits | (1,182) | (5,910) | (24,035) | (14,861) |
| Decrease in severance insurance deposit | 223 | 2,558 | 10,025 | 6,043 |
| (Increase) decrease in contribution to National Pension Fund | (13) | 28 | 24 | 67 |
| | (114,398) | (55,095) | (622,611) | (526,458) |
| Net cash provided by operating activities | 247,597 | 656,042 | 628,197 | 1,000,185 |

Table of Contents

## LG.Philips LCD Co., Ltd.

**Non-Consolidated Statements of Cash Flows**

**Three-Month and Nine-Month Periods Ended September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Cash flows from investing activities** | | | | |
| Acquisition of equity-method investments | (Won) (99,856) | (Won) (22,300) | (Won) (99,856) | (Won) (22,967) |
| Acquisitions of available-for-sale securities | (8) | (23) | (53) | (229) |
| Proceeds from disposal of available-for-sale securities | | | 349 | |
| Proceeds from non-current guarantee deposits | 461 | 2 | 11,183 | 27 |
| Payments of non-current guarantee deposits | (48) | | (4,633) | (4,960) |
| Acquisitions of property, plant and equipment | (739,430) | (1,348,374) | (2,502,760) | (2,702,281) |
| Proceeds from disposal of property, plant and equipment 926 | 245 | 1,710 | 2,722 | |
| Acquisition of intangible assets | (1,478) | (5,712) | (5,363) | (8,021) |
| Dividends from equity-method investments | 37,643 | | 37,643 | |
| Net cash used in investing activities | (801,790) | (1,376,162) | (2,561,780) | (2,735,709) |
| **Cash flows from financing activities** | | | | |
| Repayment on current portion of long-term debts | (219,633) | | (229,417) | |
| Proceeds from issuance of long-term debts | 387,616 | 59,843 | 632,065 | 161,743 |
| Proceeds from issuance of debentures | | | 399,600 | 873,684 |
| Proceeds from issuance of common stock | | 1,401,179 | | 1,401,179 |
| Net cash provided by financing activities | 167,983 | 1,461,022 | 802,248 | 2,436,606 |
| Net increase (decrease) in cash and cash equivalents | (386,210) | 740,902 | (1,131,335) | 701,082 |
| **Cash and cash equivalents** | | | | |
| Beginning of the period | 719,900 | 1,235,169 | 1,465,025 | 1,274,989 |
| End of the period | (Won) 333,690 | (Won) 1,976,071 | (Won) 333,690 | (Won) 1,976,071 |

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.**

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 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$748,800,000.

**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.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 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. 18 through 20 became applicable for the Company on January 1, 2006, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2006.

**3. Financial Instruments**

As of September 30, 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 September 30, 2006 and December 31, 2005, consist of the following:

| *(in millions of Korean won)* | **2006** | **2005** |
|---|---|---|
| Finished products | (Won) 406,540 | (Won) 191,918 |
| Work-in-process | 229,596 | 131,483 |
| Raw materials | 137,316 | 124,999 |
| Supplies | 90,618 | 59,750 |
| | 864,070 | 508,150 |
| Less : Valuation loss | (137,153) | (36,385) |
| | (Won) 726,917 | (Won) 471,765 |

For the nine-month period ended September 30, 2006, the Company recorded ramp-up costs of (Won)18,043 million to counter the unusual low volume of production.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**5. Current Maturities of Long-Term Debts**

Current maturities of long-term debts as of September 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| Type of borrowing | Creditor | Annual interest rates (%) as of September 30, 2006 | 2006 | 2005 |
|---|---|---|---|---|
| Long-term Korean won loans | Korea Export-Import Bank | 5.9 - 6.1 | (Won) 39,267 | (Won) 29,417 |
| Long-term Korean won debentures | | | | 200,000 |
| Long-term foreign currency loans of US$ 8 million | The Korea Development Bank | 3M Libor + 1.0 | 7,087 | |
| Long-term foreign currency loans of US$ 6 million | Korea Export-Import Bank | 6M Libor + 1.2 | 5,668 | |
| Long-term foreign currency loans of US$ 17.5 million | Woori Bank | 3M Libor + 1.0 | 16,534 | 17,727 |
| Long-term foreign currency debentures of US$ 182.5 million | | 3M Libor + 1.0 | 172,426 | 184,872 |
| | | | 240,982 | 432,016 |
| Less : Discounts on debentures | | | (133) | (2,664) |
| | | | (Won) 240,849 | (Won) 429,352 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

## 6. Long-Term Debts

Long-term debts as of September 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| Type of borrowing | Annual interest rates (%) as of September 30, 2006 | 2006 | 2005 |
|---|---|---|---|
| **Won currency debentures** | | | |
| Non-guaranteed, payable through 2010 | 3.5 5.0 | (Won) 1,550,000 | (Won) 1,750,000 |
| Private debentures, payable through 2011 | 5.3 5.9 | 600,000 | 200,000 |
| Less : Current maturities | | | (200,000) |
| Discounts on debentures | | (21,695) | (28,120) |
| | | 2,128,305 | 1,721,880 |
| **Foreign currency debentures** | | | |
| Floating rate notes, payable through 2007 | 3M Libor + 0.6 - 3M Libor + 1.0 | 284,385 | 304,913 |
| Term notes, payable through 2006 | 3M Libor +1.0 | 77,001 | 82,559 |
| | | 361,386 | 387,472 |
| Less : Current maturities | | (172,426) | (184,872) |
| Discount on debentures | | (1,142) | (1,960) |
| | | 187,818 | 200,640 |
| **Convertible bonds**[1] | | | |
| US dollar-denominated bonds, payable through 2010 | | 483,780 | 483,780 |
| Add : Call premium | | 84,613 | 84,613 |
| Less : Discount on debentures | | (2,289) | (2,724) |
| Conversion adjustment | | (86,485) | (102,917) |
| | | 479,619 | 462,752 |
| **Total debentures** | | (Won) 2,795,742 | (Won) 2,385,272 |
| **Won currency loans** | | | |
| General loans | 3.5 6.1 | (Won) 252,769 | (Won) 126,420 |
| Less : Current maturities | | (39,267) | (29,417) |

| | | | | | |
|---|---|---|---|---|---|
| | | | 213,502 | | 97,003 |
| **Foreign currency loans** | | | | | |
| General loans | 3M Libor+0.35, 3M Libor+0.47, 3M Libor+0.99, 3M Libor+1.0, 3M Libor+1.35, 6M Libor+0.41, 6M Libor+1.2 | | 676,005 | | 218,301 |
| Less : Current maturities | | | (29,289) | | (17,727) |
| | | | 646,716 | | 200,574 |
| **Total long-term loans** | | (Won) | 860,218 | (Won) | 297,577 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

[1]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 September 30, 2006, the number of non-converted common shares is 8,276,681.

As of September 30, 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$ 716 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 with the exercise price of (Won) 44,260 per share. 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. The exercise price has been subsequently adjusted from (Won) 44,260 to (Won) 44,050 per share 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:

| | Number of shares under SARs |
|---|---|
| Option granted as of April, 7, 2005 | 450,000 |
| Options canceled [1] | 40,000 |
| Balance, September 30, 2006 | 410,000 |
| Exercise price per share | (Won) 44,050 |

[1]Options canceled due to the retirement of an executive officer in 2005.

The Company did not recognize any compensation costs as market price is below the exercise price as of September 30, 2006.

See Report of Independent Accountants

11

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**8. Commitments and Contingencies**

As of September 30, 2006, the Company has bank overdraft agreements with various banks up to (Won)59,000 million.

As of September 30, 2006, the Company has revolving credit facility agreements 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 September 30, 2006, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities for up to an aggregate of US$1,150 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 September 30, 2006, is (Won)390,759 million (December 31, 2005 : (Won)303,904 million).

As of September 30, 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.

The Company entered 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$ 2,467 | (Won)2,374,463 | (Won)925.22:US$1-<br>(Won)1,050.20:US$1 | Oct 2, 2006 -<br>Sep 6, 2007 |
| Shinhan Bank and others | EUR 210 | (Won)253,779 | (Won)1,164.28:EUR1-<br>(Won)1,277.94:EUR1 | Oct 11, 2006 -<br>June 13, 2007 |
| HSBC and others | (Won)316,558 | JP¥ 37,100 | (Won)8.1530:JP¥1-<br>(Won)9.3620:JP¥1 | Oct 2, 2006 -<br>June 12, 2007 |
| Citibank and others | US$ 82 | JP¥ 9,500 | JP¥114.00:US$1-<br>JP¥116.06:US$1 | Oct 16, 2006 -<br>Feb 14, 2007 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

As of September 30, 2006, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)54,869 million and (Won)20,834 million, respectively. Total unrealized gains and losses of (Won)2,379 million and (Won)2,835 million, respectively, were charged to operations for the nine-month period ended September 30, 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 September 6, 2007. The aggregate amount of all deferred gains and losses of (Won)52,490 million and (Won)17,999 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 September 30, 2006.

For the nine-month period ended September 30, 2006, the Company recorded realized gains of (Won)201,617 million (2005: (Won)85,384 million) on foreign currency forward contracts upon settlement, and realized losses of (Won)61,892 million (2005: (Won)56,250 million).

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.

A summary of these contracts follows :

*(in millions)*

| Contracting party | Buying position | Selling position | Contract foreign exchange rate | Maturity date |
|---|---|---|---|---|
| ABN AMRO and others | US$ 250 | | 3M Libor | October 12, 2006 - August 29, 2011 |
| | | (Won) 252,065 | 4.15% - 4.54% | |

As of September 30, 2006, unrealized losses of (Won)12,530 million were charged to loss on valuation.

For the nine-month period ended September 30, 2006, the Company recorded realized gains of (Won)(83) million (2005 : (Won)219 million) and realized losses of (Won)15,024 million (2005: (Won)9,473 million) on cross-currency swap contracts upon settlement.

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

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

A summary of these contracts follows :

*(in millions)*

| Contracting party | USD Put buying | USD Call selling | Strike price | Maturity date |
|---|---|---|---|---|
| KDB and others | US$ 50 | US$ 100 | (Won) 957.30:US$1-<br>(Won) 966.50:US$1 | May 21, 2007 -<br>June 21, 2007 |

As of September 30, 2006, unrealized gains of (Won)708 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

The Company entered into interest rate swap contracts to manage the exposure to changes in interest rates related to floating rate notes.

A summary of these contracts follows :

*(in millions)*

| Contracting party | Contract Amount | Contract foreign exchange rate | | Maturity date |
|---|---|---|---|---|
| SC First Bank | US$ 150 | Accept floating rate | 6M Libor | May 21, 2009 -<br>May 24, 2010 |
| | | Pay fix rate | 5.375% - 5.644% | |

As of September 30, 2006, unrealized losses of (Won)2,554 million were charged to capital adjustments, as these contracts fulfill the requirements for hedge accounting for financial statement purposes.

The Company is facing several legal proceedings and claims arising from 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 the 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 in Los Angeles, 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 June 2006, the American Arbitration Association decided in favor of the Company.

See Report of Independent Accountants

14

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

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 County 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 County 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 Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. In July 2006, the Jury in Delaware issued a verdict that Chunghwa Picture Tubes had willfully infringed a patent owned by the Company, and awarded US $52.4 million in damages to the Company.

On September 20, 2005, the U.S District Court for the Central District of California dismissed some of the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the Court granted the Company s motion to include the dismissed claims in the case against Tatung and other defendants.

In January 2006, New Medium Technology LLC, AV Technologies LLC, IP Innovation LLC, and Technology Licensing Corporation filed a complaint against the Company in the United States District Court for the Northern District of Illinois.

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.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**9. Deferred income tax assets (Liabilities)**

Deferred income tax assets (liabilities) as of September 30, 2006 and December 31, 2005, consist of the following :

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| Inventories | (Won) 27,186 | (Won) 8,354 |
| Investments | (16,134) | 7,584 |
| Other current assets (liabilities) | 2,730 | (4,133) |
| Property, plant and equipment | 34,265 | 34,403 |
| Tax credit carryforwards | 421,667 | 292,976 |
| Deferred income taxes added to shareholders equity | (17,543) | (4,631) |
| Net loss carryforwards | 208,897 | |
| Others | 17,506 | 9,715 |
| | 678,574 | 344,268 |
| Less: Valuation allowance | (125,617) | |
| | (Won) 552,957 | (Won) 344,268 |

As the Company anticipates that all tax benefits from the loss carryforwards and tax credits would not be fully realized, a valuation allowance amounting to (Won)125,617 million has been provided as of September 30, 2006.

**10. 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.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

Earnings (loss) per share for the three-month and nine-month periods ended September 30, 2006 and 2005, is calculated as follows:

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

| | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| Net income (loss) as reported on the statements of operations | (Won) (320,967) | (Won) 226,927 | (Won) (594,968) | (Won) 189,164 |
| Weighted-average number of common shares outstanding | 358 | 349 | 358 | 333 |
| Earnings (loss) per share | (Won) (897) | (Won) 651 | (Won) (1,663) | (Won) 568 |

The Company has issued no diluted securities until convertible bonds were issued on April 19, 2005. Diluted loss per share is identical to basic loss per share and diluted ordinary loss per share to basic ordinary loss per share as the Company recorded net loss and ordinary loss during the three-month period and nine-month periods ended September 30, 2006.

Additionally, diluted earnings per share is identical to basic earnings per share and diluted ordinary income per share to basic ordinary income per share as convertible bonds have no dilutive effect for nine-month period ended September 30, 2005. The diluted earnings per share and diluted ordinary income per share for three-month period ended September 30, 2005, is \649.

Dilutive earnings per share for the three-month period ended September 30, 2005, is as follows:

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

| | September 30, 2005 |
|---|---|
| Net income allocated to common stock | (Won) 226,927 |
| Add : Interest expense on convertible bonds[1] | 4,533 |
| Diluted net income allocated to common stock | 231,460 |
| Weighted average number of common shares and diluted securities outstanding during the year | 357 |
| Diluted earnings per share [2] | (Won) 649 |

[1]Tax effect was deducted.

[2]Convertible bonds have no dilutive effect as these amounts exceed basic earnings per share.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

Additionally, earnings (loss) per share for the three-month period ended June 30, 2006 and for the year ended December 31, 2005, are as follows:

| | June 30, 2006 | December 31, 2005 |
|---|---|---|
| Basic earnings (loss) per share | (Won) (766) | (Won) 1,523 |
| Diluted earnings (loss) per share | (Won) (766) | (Won) 1,523 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**11. Related Party Transactions**

The Company s ultimate parent company is LG Corporation, while its parent is LG Electronics Inc., which is responsible for the consolidated financial statements.

Significant transactions which occurred in the ordinary course of business with related companies for the nine-month periods ended September 30, 2006 and 2005, and the related account balances outstanding as of September 30, 2006 and December 31, 2005, are summarized as follows:

*(in millions of Korean won)*

| | Sales [1] | | Purchases [1] | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Parent companies** | | | | |
| LG Electronics Inc.-domestic | (Won) 353,257 | (Won) 284,781 | (Won) 121,195 | (Won) 118,895 |
| LG Electronics Inc.-overseas | 301,753 | 61,689 | | 2 |
| Philips-domestic | | | 31,545 | 122 |
| Philips-overseas | 346 | | 25,274 | 34,260 |
| **Company that has significant influence over the Company** | | | | |
| LG Corporation | | | 9,327 | 7,939 |
| **Overseas subsidiaries** | | | | |
| LG.Philips LCD America, Inc. | 700,188 | 560,268 | 3 | 2 |
| LG.Philips LCD Taiwan Co., Ltd. | 1,159,108 | 565,339 | 47 | |
| LG.Philips LCD Japan Co., Ltd. | 893,430 | 600,001 | 4 | |
| LG.Philips LCD Germany GmbH. | 1,207,074 | 690,373 | 5 | 8,079 |
| LG.Philips LCD Nanjing Co., Ltd. | 988,363 | 2,170,908 | 83,496 | 1,115 |
| LG.Philips LCD Shanghai Co.,Ltd. | 649,596 | 574,139 | 15 | |
| LG.Philips LCD Hongkong Co., Ltd. | 452,740 | 352,543 | 2 | |
| LG.Philips LCD Poland Sp. zo.o. | 231 | | | |
| **Equity-method investee** | | | | |
| Paju Electric Glass Co., Ltd. | 6 | | 96,552 | |
| **Other related parties** | | | | |
| LG Chem Ltd. | | | 422,597 | 283,647 |
| LG International domestic | 3 | 417 | 15,166 | 2,665 |
| LG International overseas | 118,120 | 68,922 | 777,136 | 897,127 |
| Serveone | 281 | | 130,853 | 94,093 |
| Micron Ltd. | 139 | | 77,620 | 86,270 |
| LG CNS | 5 | | 76,592 | 75,181 |
| Others | 22,923 | 53,231 | 128,567 | 38,117 |
| Total | (Won) 6,847,563 | (Won) 5,982,611 | (Won) 1,995,996 | (Won) 1,647,514 |

[1] Includes sales of (Won)788 million and purchases of property, plant and equipment of (Won)774,536 million.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | Receivables | | Payables | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Parent companies** | | | | |
| LG Electronics Inc.-domestic | (Won) 128,233 | (Won) 27,383 | (Won) 21,991 | (Won) 66,251 |
| LG Electronics Inc.-overseas | 129,071 | 40,773 | | 370 |
| Philips-domestic | | | 5,359 | 291 |
| Philips-overseas | 56 | 171 | 2,007 | 4,244 |
| **Company that has significant influence over the Company** | | | | |
| LG Corporation | 2,395 | 10,970 | | 1,692 |
| **Overseas subsidiaries** | | | | |
| LG.Philips LCD America, Inc. | 123,405 | 22,683 | | |
| LG.Philips LCD Taiwan Co., Ltd. | 178,988 | 53,521 | 3 | 1 |
| LG.Philips LCD Japan Co., Ltd. | 57,700 | 130,090 | 12 | 1 |
| LG.Philips LCD Germany GmbH. | 521,090 | 103,637 | 4 | 8,886 |
| LG.Philips LCD Nanjing Co., Ltd. | 26,941 | 375,158 | 20,011 | 3,068 |
| LG.Philips LCD Shanghai Co.,Ltd. | 132,752 | 202,329 | | |
| LG.Philips LCD Hongkong Co., Ltd. | 44,735 | 45,863 | 54 | 48 |
| LG.Philips LCD Poland Sp. zo.o. | 1,241 | 1 | | |
| **Equity-method investee** | | | | |
| Paju Electric Glass Co., Ltd. | | | 18,491 | |
| **Other related parties** | | | | |
| LG Chem Ltd. | | | 112,071 | 44,602 |
| LG International domestic | 3 | 11 | 4,084 | 986 |
| LG International overseas | 904 | 3,114 | 156,234 | 191,252 |
| Serveone | 2,373 | | 27,884 | 36,792 |
| Micron Ltd. | | | 32,222 | 55,234 |
| LG CNS | | | 6,058 | 32,127 |
| Others | 9,212 | 21,409 | 55,458 | 9,791 |
| Total | (Won) 1,359,099 | (Won) 1,037,113 | (Won) 461,943 | (Won) 455,636 |

Key management¹compensation costs for the nine-month period ended September 30, 2006, are as follows:

*(in millions of Korean won)*

| | |
|---|---|
| Officers salaries | (Won) 1,218 |
| Post-retirement benefits | 301 |

| | |
|---|---|
| | (Won) 1,519 |

[1]Key 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.

See Report of Independent Accountants

Table of Contents

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

**Notes to Non-Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**12. Segment Information**

The Company operates only one segment, the TFT-LCD division whose export sales represent 91 % of total sales.

The following is a summary of operations by country based on the location of the customers for the nine-month periods ended September 30, 2006 and 2005.

*(in millions of Korean won)*

| Sales | Domestic | Taiwan | Japan | America | China | Europe | Others | Total |
|---|---|---|---|---|---|---|---|---|
| 2006 | (Won) 644,409 | (Won) 1,159,052 | (Won) 896,483 | (Won) 700,507 | (Won) 2,178,699 | (Won) 1,297,249 | (Won) 357,122 | (Won) 7,233,521 |
| 2005 | (Won) 556,487 | (Won) 565,375 | (Won) 600,004 | (Won) 560,644 | (Won) 3,107,185 | (Won) 710,640 | (Won) 114,833 | (Won) 6,215,168 |

See Report of Independent Accountants

Table of Contents

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

**Consolidated Balance Sheets**

**September 30, 2006 and December 31, 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | (Won) 471,747 | (Won) 1,579,452 |
| Available-for-sale securities | 23 | 354 |
| Trade accounts and notes receivable, net (Notes 8 and 11) | 1,330,539 | 1,266,899 |
| Inventories, net (Note 4) | 1,148,286 | 690,785 |
| Other accounts receivable, net (Note 11) | 86,968 | 66,203 |
| Accrued income, net | 657 | 1,369 |
| Advance payments, net | 3,761 | 5,994 |
| Prepaid expenses | 40,088 | 21,603 |
| Prepaid value added tax | 82,415 | 131,230 |
| Deferred income tax assets (Note 9) | 36,331 | 5,373 |
| Other current assets | 70,464 | 76,806 |
| Total current assets | 3,271,279 | 3,846,068 |
| Property, plant and equipment, net | 9,578,309 | 9,199,599 |
| Long-term financial instruments (Note 3) | 16 | 16 |
| Available-for-sale securities | 1 | 1 |
| Equity method investments | 17,858 | 14,156 |
| Non-current guarantee deposits | 22,308 | 28,070 |
| Long-term prepaid expenses | 138,734 | 83,112 |
| Deferred income tax assets (Note 9) | 524,535 | 343,754 |
| Intangible assets, net | 181,576 | 159,306 |
| Total assets | (Won) 13,734,616 | (Won) 13,674,082 |
| **Liabilities and Shareholders Equity** | | |
| Current liabilities | | |
| Short-term borrowings (Note 5) | (Won) 421,158 | (Won) 308,969 |
| Trade accounts and notes payable (Note 11) | 881,443 | 693,588 |
| Other accounts payable (Note 11) | 975,858 | 1,474,556 |
| Advances received | 68,980 | 58,431 |
| Withholdings | 4,750 | 12,055 |
| Accrued expenses | 102,349 | 69,968 |
| Income tax payable | 6,080 | 21,788 |
| Current maturities of long-term debts (Note 6) | 251,563 | 440,840 |
| Warranty reserve | 27,331 | 24,947 |
| Other current liabilities | 45,056 | 33,693 |
| Total current liabilities | 2,784,568 | 3,138,835 |
| Debentures, net of current maturities and discounts on debentures (Note 6) | 2,795,742 | 2,385,272 |
| Long-term debt, net of current maturities (Note 6) | 1,010,933 | 430,697 |

| | | |
|---|---|---|
| Accrued severance benefits, net | 71,521 | 43,206 |
| Long-term accrued expenses | 265 | |
| Deferred income tax liabilities | 26 | 475 |
| Total liabilities | 6,663,055 | 5,998,485 |
| 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 | 1,789,079 | 1,789,079 |
| Capital surplus | 2,275,172 | 2,279,250 |
| Retained earnings | 3,013,718 | 3,608,686 |
| Capital adjustments | (6,408) | (1,418) |
| Total shareholders equity | 7,071,561 | 7,675,597 |
| Total liabilities and shareholders equity | (Won) 13,734,616 | (Won) 13,674,082 |

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

See Report of Independent Accountants

Table of Contents

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

**Consolidated Statements of Operations**

**Nine-Month Periods Ended September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won, except per share amounts)*

| | 2006 | 2005 |
|---|---|---|
| **Sales (Notes 11 and 12)** | (Won) 7,558,906 | (Won) 7,112,883 |
| **Cost of sales (Note 11)** | 7,842,081 | 6,638,041 |
| Gross profit (loss) | (283,175) | 474,842 |
| **Selling and administrative expenses** | 419,275 | 339,529 |
| Operating income (loss) | (702,450) | 135,313 |
| **Non-operating income** | | |
| Interest income | 23,536 | 36,487 |
| Rental income | 5,893 | 25 |
| Foreign exchange gain | 228,071 | 200,758 |
| Gain on foreign currency translation | 61,395 | 44,220 |
| Gain on disposal of property, plant and equipment | 488 | 49 |
| Gain on valuation of equity method investments | 3,775 | |
| Others | 18,831 | 9,133 |
| | 341,989 | 290,672 |
| **Non-operating expenses** | | |
| Interest expenses | 125,759 | 78,675 |
| Foreign exchange losses | 260,161 | 218,702 |
| Loss on foreign currency translation | 30,348 | 47,315 |
| Donations | 1,549 | 844 |
| Loss on disposal of accounts receivable | 11,798 | 12,871 |
| Loss on valuation of equity method investments | | 135 |
| Loss on disposal of property, plant and equipment | 1,054 | 119 |
| Loss on disposal of available-for-sale securities | 35 | |
| Ramp up cost (Note 4) | 18,043 | 7,147 |
| Others | 429 | 34 |
| | 449,176 | 365,842 |
| Income(loss) before income tax benefit | (809,637) | 60,143 |
| Income tax benefit | (214,669) | (129,043) |
| Net income (loss) | (Won) (594,968) | (Won) 189,186 |
| Ordinary income(loss) per share (Note 10) | (Won) (1,663) | (Won) 568 |

| | | | | |
|---|---|---|---|---|
| Earnings(loss) per share (Note 10) | (Won) | (1,663) | (Won) | 568 |
| Diluted ordinary income(loss) per share (Note 10) | (Won) | (1,663) | (Won) | 568 |
| Diluted earnings(loss) per share (Note 10) | (Won) | (1,663) | (Won) | 568 |

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

See Report of Independent Accountants

Table of Contents

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

**Consolidated Statements of Cash Flows**

**Nine-Month Periods Ended September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income(loss) | (Won) (594,968) | (Won) 189,186 |
| | | |
| Adjustments to reconcile net income(loss) to net cash provided by operating activities | | |
| Depreciation | 1,878,125 | 1,254,722 |
| Amortization of intangible assets | 37,954 | 34,225 |
| Provision for severance benefits | 39,364 | 34,950 |
| Loss(gain) on foreign currency translation, net | (38,476) | 6,484 |
| Loss on disposal of available-for-sale securities | 35 | |
| Gain on disposal of property, plant and equipment, net | 566 | 70 |
| Amortization of discount on debentures | 27,042 | 20,394 |
| Loss(gain) on valuation of equity method investments | (3,775) | 135 |
| Stock compensation cost | | 35 |
| Others | 30,979 | 16,321 |
| | | |
| | 1,971,814 | 1,367,336 |
| | | |
| Changes in operating assets and liabilities | | |
| Increase in trade accounts and notes receivable | (74,461) | (404,252) |
| Decrease(increase) in inventories | (457,501) | 80,406 |
| Decrease(increase) in other accounts receivable | (20,808) | 6,638 |
| Decrease in accrued income | 712 | 166 |
| Decrease in advance payments | 2,232 | 3,951 |
| Decrease(increase) in prepaid expenses | (2,303) | 16,783 |
| Decrease(increase) in prepaid value added tax | 48,815 | (15,212) |
| Increase in current deferred income tax assets | (36,352) | (14,940) |
| Decrease in other current assets | 24,060 | 68,789 |
| Increase in long-term prepaid expenses | (71,805) | (41,759) |
| Increase in non-current deferred income tax assets | (188,300) | (128,701) |
| Increase in trade accounts and notes payable | 193,604 | 150,432 |
| Increase(decrease) in other accounts payable | (59,042) | 60,744 |
| Increase in advances received | 10,435 | 69,783 |
| Increase(decrease) in withholdings | (7,304) | 296 |
| Increase(decrease) in accrued expenses | 32,381 | (62,940) |
| Increase in long-term accured expenses | 265 | |
| Decrease in income taxes payable | (15,708) | (69,696) |
| Decrease in warranty reserve | (28,477) | (14,788) |
| Decrease in other current liabilities | (9) | (40,026) |
| Accrued severance benefits transferred from affiliated company, net 2,947 | 1,329 | |
| Payment of severance benefits | (24,044) | (14,886) |
| Decrease in severance insurance deposits | 10,025 | 6,043 |
| Decrease in contributions to the National Pension Fund | 24 | 67 |
| Increase(decrease) in deferred income tax liabilities | (449) | 26 |

| | | |
|---|---|---|
| Increase(decrease) in consolidation adjustments, net | (22,148) | 4,383 |
| | (683,211) | (337,364) |
| Net cash provided by operating activities | 693,635 | 1,219,158 |

Table of Contents

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

**Consolidated Statements of Cash Flows**

**Nine-Month Periods Ended September 30, 2006 and 2005**

**(Unaudited)**

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Acquisition of equity-method investments | (Won) | (Won) (2,683) |
| Acquisition of available-for-sale securities | (53) | (231) |
| Proceeds from disposal of available-for-sale securities | 349 | |
| Proceeds from non-current guarantee deposits | 10,277 | 158 |
| Payments of non-current guarantee deposits | (4,632) | (4,960) |
| Acquisition of property, plant and equipment | (2,745,098) | (2,786,520) |
| Proceeds from disposal of property, plant and equipment | 1,736 | 2,727 |
| Acquisition of intangible assets | (5,363) | (10,149) |
| Increase in other current assets | (7) | (11) |
| Net cash used in investing activities | (2,742,791) | (2,801,669) |
| **Cash flows from financing activities** | | |
| Repayment of short-term borrowings | | (134,606) |
| Proceeds from short-term borrowings | 112,626 | |
| Repayment of current maturities of long-term debts | (240,312) | (5,872) |
| Proceeds from issuance of debentures | 399,600 | 873,684 |
| Proceeds from issuance of long-term debts | 669,537 | 216,343 |
| Proceeds from issuance of common stock | | 1,401,179 |
| Net cash provided by financing activities | 941,451 | 2,350,728 |
| Net increase(decrease) in cash and cash equivalents | (1,107,705) | 768,217 |
| **Cash and cash equivalents** | | |
| Beginning of the period | 1,579,452 | 1,361,239 |
| End of the period | (Won) 471,747 | (Won) 2,129,456 |

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

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

## 1. The Companies

The accompanying consolidated financial statements include the accounts of LG. Philips LCD Co., Ltd. (the Controlling Company ) and its consolidated subsidiaries. The general information on the Controlling Company and its consolidated subsidiaries is described below.

### The Controlling Company

LG.Philips LCD Co., Ltd. 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 ) in 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$ 748,800,000.

### Consolidated Subsidiaries

Consolidated subsidiaries as of September 30, 2006, are as follows:

| | Total issued and outstanding shares | No. of shares owned by the Controlling Company | Percentage of Ownership (%) |
|---|---|---|---|
| **Overseas Subsidiaries** | | | |
| 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. | 11,550,000 | 11,549,994 | 100 |
| LG.Philips LCD Nanjing Co., Ltd. | [1] | [1] | 100 |
| LG.Philips LCD Hong Kong Co., Ltd. | 115,000 | 115,000 | 100 |
| LG.Philips LCD Shanghai Co., Ltd. | [1] | [1] | 100 |
| LG.Philips LCD Poland Sp.zo.o. | 769,040 | 769,040 | 100 |
| LG.Philips LCD Guangzhou Co.,Ltd | [1] | [1] | 100 |

[1]No shares have been issued in accordance with the local laws and regulations.

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

The primary business activities of the consolidated subsidiaries are as follows:

(1) LG.Philips LCD America, Inc. (LPLA)

LPLA was incorporated in California, U.S.A. in September 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of September 30, 2006 and December 31, 2005, its capital stock amounted to US$ 5 million and is wholly owned by LG.Philips LCD Co., Ltd.

(2) LG.Philips LCD Japan Co., Ltd. (LPLJ)

LPLJ was incorporated in Tokyo, Japan in October 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of September 30, 2006 and December 31, 2005, its capital stock amounted to JP¥ 95 million and is wholly owned by LG.Philips LCD Co., Ltd.

(3) LG.Philips LCD Germany GmbH (LPLG)

LPLG was incorporated in Düsseldorf, Germany in November 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of September 30, 2006 and December 31, 2005, its capital stock amounted to EUR 1 million and is wholly owned by LG.Philips LCD Co., Ltd.

(4) LG.Philips LCD Taiwan Co., Ltd. (LPLT)

LPLT was incorporated in Taipei, Taiwan in April 1999, to sell TFT-LCD products and its shares were acquired by the Company in May 2000. As of September 30, 2006 and December 31, 2005, its capital stock amounted to NTD 116 million and is wholly owned by LG.Philips LCD Co., Ltd.

(5) LG.Philips LCD Nanjing Co., Ltd. (LPLNJ)

LPLNJ was incorporated in Nanjing, China in July 2002, to manufacture and sell TFT-LCD products. As of September 30, 2006 and December 31, 2005, its capital stock amounted to CNY 1,380 million and CNY 1,069 million is wholly owned by LG. Philips LCD Co., Ltd.

(6) LG.Philips LCD Hong Kong Co., Ltd. (LPLHK)

LPLHK was incorporated in Hong Kong in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of September 30, 2006 and December 31, 2005, its capital stock amounted to HK$ 12 million and is wholly owned by LG.Philips LCD Co., Ltd.

(7) LG.Philips LCD Shanghai Co., Ltd. (LPLSH)

LPLSH was incorporated in Shanghai, China in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of September 30, 2006 and December 31, 2005, its capital stock amounted to CNY 4 million and is wholly owned by LG.Philips LCD Co., Ltd.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

(8) LG.Philips LCD Poland Sp. zo.o. (LPLWR)

LPL Poland was incorporated in Poland on September 6, 2005, to manufacture and sell the TFT-LCD products of LG. Philips LCD Co., Ltd. As of September 30, 2006 and December 31, 2005, its capital stock amounted to (Won)23,965 million and (Won) 16 million is 100% owned by LG. Philips LCD Co., Ltd.

(9) LG.Philips LCD Guangzhou Co., Ltd. (LPLGZ)

LPL Guangzhou was incorporated in Guangzhou, China on June 30, 2006, to manufacture and sell the TFT-LCD products of LG. Philips LCD Co., Ltd. As of September 30, 2006, its capital stock amounted to CNY 316 million and is 100% owned by LG. Philips LCD Co., Ltd.

**Equity-method investee**

The primary business activity of the equity-method investee follows:

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

PEG was incorporated in Paju, Korea in January 2005, to produce electric glass. As of September 30, 2006 and December 31, 2005, its capital stock amounted to (Won)36,000 million and 40% shares of PEG are owned by LG.Philips LCD Co., Ltd.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**Consolidated Subsidiaries**

A summary of financial data of the consolidated subsidiaries, prior to the elimination of intercompany transactions, follows:

**Condensed Balance Sheets**

*(in millions of Korean won)*

| | LG.Philips LCD America, Inc. | LG.Philips LCD Germany GmbH | LG.Philips LCD Japan Co., Ltd. | LG.Philips LCD Taiwan Co., Ltd. | LG.Philips LCD Nanjing Co., Ltd. |
|---|---|---|---|---|---|
| Current assets | (Won) 195,912 | (Won) 539,815 | (Won) 105,180 | (Won) 306,368 | (Won) 95,284 |
| Non-current assets | 4,410 | 1,246 | 984 | 3,662 | 375,688 |
| Total assets | (Won) 200,322 | (Won) 541,061 | (Won) 106,164 | (Won) 310,030 | (Won) 470,972 |
| Current liabilities | (Won) 191,518 | (Won) 535,215 | (Won) 101,203 | (Won) 293,254 | (Won) 118,538 |
| Non-current liabilities | | | 35 | | 150,715 |
| Total liabilities | 191,518 | 535,215 | 101,238 | 293,254 | 269,253 |
| Capital stock | 6,082 | 1,252 | 1,088 | 4,189 | 177,854 |
| Retained earnings | 4,907 | 4,944 | 5,088 | 15,437 | 43,916 |
| Capital adjustments | (2,185) | (350) | (1,250) | (2,850) | (20,051) |
| Total shareholders equity | 8,804 | 5,846 | 4,926 | 16,776 | 201,719 |
| Total liabilities and shareholders equity | (Won) 200,322 | (Won) 541,061 | (Won) 106,164 | (Won) 310,030 | (Won) 470,972 |

*(in millions of Korean won)*

| | LG. Philips LCD HongKong Co., Ltd. | LG. Philips LCD Shanghai Co., Ltd. | LG. Philips LCD Poland Sp. zo.o. | LG.Philips LCD Guangzhou Co., Ltd | Total |
|---|---|---|---|---|---|
| Current assets | (Won) 173,506 | (Won) 276,854 | (Won) 11,038 | (Won) 37,500 | (Won) 1,741,457 |
| Non-current assets | 394 | 243 | 75,431 | 190 | 462,248 |
| Total assets | (Won) 173,900 | (Won) 277,097 | (Won) 86,469 | (Won) 37,690 | (Won) 2,203,705 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Current liabilities | (Won) | 168,101 | (Won) | 273,626 | (Won) | 66,166 | (Won) | 112 | (Won) 1,747,733 |
| Non-current liabilities | | 25 | | | | 265 | | | 151,040 |
| Total liabilities | | 168,126 | | 273,626 | | 66,431 | | 112 | 1,898,773 |
| Capital stock | | 1,736 | | 596 | | 23,965 | | 38,264 | 255,026 |
| Retained earnings | | 4,719 | | 3,426 | | (3,791) | | (221) | 78,425 |
| Capital adjustments | | (681) | | (551) | | (136) | | (465) | (28,519) |
| Total shareholders equity | | 5,774 | | 3,471 | | 20,038 | | 37,578 | 304,932 |
| Total liabilities and shareholders equity | (Won) | 173,900 | (Won) | 277,097 | (Won) | 86,469 | (Won) | 37,690 | (Won) 2,203,705 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**Condensed Statements of Operations**

*(in millions of Korean won)*

| | LG.Philips LCD, America, Inc. | LG.Philips LCD, Germany GmbH | LG.Philips LCD, Japan Co., Ltd. | LG.Philips LCD, Taiwan Co., Ltd. | LG.Philips LCD, Nanjing Co., Ltd. |
|---|---|---|---|---|---|
| Sales | (Won) 745,137 | (Won) 1,098,207 | (Won) 925,782 | (Won) 1,948,838 | (Won) 1,624,861 |
| Cost of sales | 734,514 | 1,082,807 | 917,096 | 1,926,340 | 1,574,211 |
| Gross profit | 10,623 | 15,400 | 8,686 | 22,498 | 50,650 |
| Selling and administrative expenses | 8,483 | 7,930 | 5,748 | 6,723 | 42,383 |
| Operating income (loss) | 2,140 | 7,470 | 2,938 | 15,775 | 8,267 |
| Non-operating income (expense) | (1,368) | (2,426) | (622) | (7,930) | 252 |
| Ordinary income (loss) | 772 | 5,044 | 2,316 | 7,845 | 8,519 |
| Income tax expense | 309 | 2,454 | 1,169 | 2,167 | (34) |
| Net income (loss) | (Won) 463 | (Won) 2,590 | (Won) 1,147 | (Won) 5,678 | (Won) 8,553 |

*(in millions of Korean won)*

| | LG. Philips LCD HongKong Co., Ltd. | LG. Philips LCD Shanghai Co., Ltd. | LG. Philips LCD Poland Sp. zo.o. | LG.Philips LCD Guangzhou Co., Ltd | Total |
|---|---|---|---|---|---|
| Sales | (Won) 727,409 | (Won) 765,302 | (Won) 2 | (Won) | (Won) 7,835,538 |
| Cost of sales | 719,952 | 759,219 | | | 7,714,139 |
| Gross profit | 7,457 | 6,083 | 2 | | 121,399 |
| Selling and administrative expenses | 5,115 | 5,542 | 5,497 | 221 | 87,642 |
| Operating income (loss) | 2,342 | 541 | (5,495) | (221) | 33,757 |
| Non-operating income (expense) | 499 | 831 | 1,711 | | (9,053) |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ordinary income (loss) | | 2,841 | | 1,372 | | (3,784) | | (221) | | 24,704 |
| Income tax expense | | 389 | | 481 | | | | | | 6,935 |
| Net income (loss) | (Won) | 2,452 | (Won) | 891 | (Won) | (3,784) | (Won) | (221) | (Won) | 17,769 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company and its consolidated subsidiaries (collectively referred to as the consolidated companies ) in the preparation of the accompanying consolidated financial statements, are the same as those followed by the Company in its preparation of annual consolidated financial statements and are summarized below.

**Basis of Consolidated 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 consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language 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 and results of operations, is not presented in the accompanying 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.

**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. 18 through 20 became applicable to the Company on January 1, 2006, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2006.

**3. Financial Instruments**

As of September 30, 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.

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**4. Inventories**

Inventories as of September 30, 2006 and December 31, 2005, consist of the following:

| *(in millions of Korean won)* | 2006 | 2005 |
|---|---|---|
| Finished products | (Won) 837,983 | (Won) 355,532 |
| Work-in-process | 229,596 | 170,775 |
| Raw materials | 137,909 | 142,717 |
| Supplies | 91,583 | 66,142 |
| | 1,297,071 | 735,166 |
| Less : Valuation loss | (148,785) | (44,381) |
| | (Won) 1,148,286 | (Won) 690,785 |

For the nine-month period ended September 30, 2006, the Company recorded ramp-up cost of (Won)18,043 million to counter the unusual low volume of production.

**5. Short-Term Borrowings**

Short-term borrowings as of September 30, 2006 and December 31, 2005, are as follows:

*(in millions of Korean won)*

| | Creditor | Annual interest rates (%) as of September 30, 2006 | 2006 | 2005 |
|---|---|---|---|---|
| Documents against acceptance of US$ 413 million (2005 : US$ 300 million) | Woori Bank and others | 3M Libor + 0.5-07 | (Won) 390,759 | (Won) 303,904 |
| General loans | Mizuho Bank and others | Tibor+0.4<br>Libor+0.5 - 0.7<br>Euribor+0.7 | | |
| of US$ 15 million, JP¥ 1,250 million EUR 2 million, PLN11 million (2005 : US$ 5 million) | | | 30,399 | 5,065 |
| | | | (Won) 421,158 | (Won) 308,969 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**6. Long-Term Debts**

Long-term debts as of September 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| | Annual interest rates (%) as of September 30, 2006 | 2006 | 2005 |
|---|---|---|---|
| **Won currency debentures** | | | |
| Non-guaranteed, payable through 2010 | 3.5 - 5.0 | (Won) 1,550,000 | (Won) 1,750,000 |
| Private debentures, payable through 2011 | 5.3 - 5.9 | 600,000 | 200,000 |
| Less : Current maturities | | | (200,000) |
| Discounts on debentures | | (21,695) | (28,120) |
| | | 2,128,305 | 1,721,880 |
| **Foreign currency debentures** | | | |
| Floating rate notes, payable through 2007 | 3ML+0.6-3ML+1.0 | 284,385 | 304,913 |
| Term notes, payable in 2006 | 3ML+1.0 | 77,001 | 82,559 |
| | | 361,386 | 387,472 |
| Less: Current maturities | | (172,426) | (184,872) |
| Discount on debentures | | (1,142) | (1,960) |
| | | 187,818 | 200,640 |
| **Convertible bonds[1]** | | | |
| US dollar-denominated bonds, payable through 2010 | | 483,780 | 483,780 |
| Add : Call premium | | 84,613 | 84,613 |
| Less : Discount on debentures | | (2,289) | (2,724) |
| Conversion adjustment | | (86,485) | (102,917) |
| | | 479,619 | 462,752 |
| **Total debentures** | | (Won) 2,795,742 | (Won) 2,385,272 |
| **Won currency loans** | | | |
| General loans | 5.9 - 6.1 | (Won) 88,383 | (Won) 117,800 |
| | 5.34 | 150,000 | |
| | 3.50 | 14,386 | 8,620 |

| | | | |
|---|---|---|---|
| Less : Current maturities | | (39,267) | (29,417) |
| | | 213,502 | 97,003 |
| **Foreign currency loans** | | | |
| General loans | 5.2 - 6.1 | 161,429 | 144,607 |
| | 3ML+1.0 | 16,534 | 17,727 |
| | 6ML+0.41, 3ML+0.47 | 377,920 | |
| | 6ML+1.2 | 45,351 | 48,624 |
| | 3ML+1.35 | 94,480 | 101,300 |
| | 3ML+0.99 | 47,240 | 50,650 |
| | 3ML+0.35 | 94,480 | |
| Less : Current maturities | | (40,003) | (29,214) |
| | | 797,431 | 333,694 |
| **Total long-term loans** | | (Won) 1,010,933 | (Won) 430,697 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

[1]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 September 30, 2006, the number of non-converted common shares is 8,276,681.

As of September 30, 2006, the foreign currency debentures denominated in U.S. dollars amount to US$ 383 million (December 31, 2005 : US$ 383 million), while the foreign currency loans denominated in U.S. dollars and Chinese yuan renminbi amounted to US$ 854 million and CNY 260 million (December 31, 2005 : US$ 326 million and CNY 263 million), respectively.

Current maturities of long-term debts as of September 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| Type of borrowing | Annual interest rate (%) as of September 30, 2006 | 2006 | 2005 |
|---|---|---|---|
| Long -term Korean won loans | 5.9-6.1 | (Won) 39,267 | (Won) 29,417 |
| Long-term Korean won debentures | 6.0 | | 200,000 |
| Long-term foreign currency loans of US$ 43 million (2005: US$ 28 million) | 3ML+1.0, 6ML+1.2, 6.04 | 40,003 | 29,215 |
| Long-term foreign currency debentures of US$ 182 million (2005: US$ 183 million) | 3ML+1.0 | 172,426 | 184,872 |
| | | 251,696 | 443,504 |
| Less : Discount on debentures | | (133) | (2,664) |
| | | (Won) 251,563 | (Won) 440,840 |

See Report of Independent Accountants

15

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**7. Stock Appreciation Plan**

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) for certain executives with the exercise price of (Won) 44,260 per share. 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. The exercise price has been subsequently adjusted from (Won) 44,260 to (Won) 44,050 per share 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:

| | Number of shares under SARs |
|---|---|
| Option granted as of April, 7, 2005 | (Won) 450,000 |
| Options canceled [1] | 40,000 |
| Balance, September 30, 2006 | (Won) 410,000 |
| Exercise price per share | (Won) 44,050 |

[1]Options canceled due to the retirement of an executive officer in 2005.

The Company did not recognize any compensation costs as market price is below the exercise price as of September 30, 2006.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**8. Commitments and Contingencies**

As of September 30, 2006, the Controlling Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of September 30, 2006, the Controlling Company has revolving credit facility agreements with several banks totaling (Won)300,000 million and US$100 million (December 31, 2005: (Won)450,000 million and US$100 million).

LG. Philips LCD America Inc. entered into a line of credit agreement, for 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¥1,300 million and NTD68 million, respectively, relating to their local tax payments.

As of September 30, 2006, the Controlling Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US$1,150 million. The Controlling Company has agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US$145 million. The amount of negotiated foreign currency receivables outstanding as of September 30, 2006, is (Won)390,759 million (December 31, 2005: (Won)303,904 million). As of September 30, 2006, LG. Philips LCD Shanghai Co., Ltd. has an agreement with Standard Chartered Bank in relation to the selling of account receivables up to an aggregate of US$ 200 million and LG. Philips LCD Taiwan Co., Ltd. has agreements with China Trust Bank and Taishin Bank in relation to the selling of account receivables up to an aggregate of US$ 250 million. The amount of sold account receivables not matured is (Won)19,922 million for LG. Philips LCD Shanghai Co., Ltd. and (Won)79,629 million for LG. Philips LCD Taiwan Co., Ltd. as of September 30, 2006.

In September 2004, the Company entered into a five-year accounts receivable securitization program (the Program ) with a financial institution. The Program allows the Company to sell, on a revolving basis, an undivided interest up to US$450 million in eligible accounts receivables of four subsidiaries, namely, LG.Philips LCD America ( LPLA ), LG.Philips LCD Germany ( LPLG ), LG.Philips LCD Taiwan ( LPLT ) and LG.Philips LCD Japan ( LPLJ ), while retaining a subordinated interest in a portion of the receivables. The eligible receivables of LPLA and LPLG are sold without legal recourse to third party conduits through LG. Philips LCD America Finance Corporation, a qualifying bankruptcy-remote special purpose entity, which is wholly owned by LPLA but is not consolidated for financial reporting purposes. The eligible receivables of LPLT and LPLJ are sold without legal recourse to third party conduits through ABN AMRO Taipei Branch and ABN AMRO Tokyo Branch, respectively.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

As of September 30, 2006, the outstanding balance of securitized accounts receivable held by the third party conduits totaled (Won)354,205 million (December 31, 2005: (Won)272,571 million), of which the Company s subordinated retained interest was (Won) 69,335 million (December 31, 2005 : (Won)52,532 million). Accordingly, (Won) 284,870 million (December 31, 2005: (Won)220,039 million) of accounts receivable balances, net of applicable allowances, was removed from the consolidated balance sheet at September 30, 2006. Losses including the loss on sale of receivables, various program and facility fees associated with the Program totaled approximately (Won)11,173 million for the nine-month period ended September 30, 2006.

As of September 30, 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.

The Controlling Company entered 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$ 2,467 | (Won)2,374,463 | (Won)925.22:US$1-(Won)1,050.20:US$1 | October 2, 2006 - September 6, 2007 |
| Shinhan Bank and others | EUR 210 | (Won)253,779 | (Won)1,164.28:EUR1-(Won)1,277.94:EUR1 | October 11, 2006 - June 13, 2007 |
| HSBC and others | (Won)316,558 | JP¥ 37,100 | (Won)8.1530:JP¥1-(Won)9.3620:JP¥1 | October 2, 2006 - June 12, 2007 |
| Citibank and others | US$ 82 | JP¥ 9,500 | JP¥114.000:US$1-JP¥116.060:US$1 | October 16, 2006 - February 14, 2007 |

As of September 30, 2006, the Controlling Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)54,869 million and (Won)20,834 million, respectively. Total unrealized gains and losses of (Won)2,379 million and (Won)2,835 million, respectively, were charged to operations for the nine-month period ended September 30, 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 September 6, 2007. The aggregate amount of all deferred gains and losses of (Won)52,490 million and (Won)17,999 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 September 30, 2006.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

For the nine-month period ended September 30, 2006, the Company recorded realized gains of (Won)201,617 million (2005: (Won)85,384 million) on foreign currency forward contracts upon settlement, and realized losses of (Won)61,892 million (2005: (Won)56,250 million).

The Controlling 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.

A summary of these contracts follows :

*(in millions)*

| Contracting party | Buying position | Selling position | Contract foreign exchange rate | Maturity date |
|---|---|---|---|---|
| ABN AMRO and others | US$250 | | 3M Libor | October 12, 2006 - August 29, 2011 |
| | | (Won) 252,065 | 4.15% - 4.54% | |

As of September 30, 2006, unrealized losses of (Won)12,530 million were charged to loss on valuation.

For the nine-month period ended September 30, 2006, the Company recorded realized gains of (Won)(83) million (2005: (Won)219 million) and realized losses of (Won)15,024 million (2005: (Won)9,473 million) on cross-currency swap contracts upon settlement.

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

A summary of these contracts follows:

*(in millions)*

| Contracting party | USD Put buying | USD Call selling | Strike price | Maturity date |
|---|---|---|---|---|
| KDB and others | US$ 50 | US$ 100 | (Won) 957.30:US$1-(Won) 966.50:US$1 | May 21, 2007 - June 21, 2007 |

As of September 30, 2006, unrealized gains of (Won)708 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

The Controlling Company entered into interest rate swap contracts to manage the exposure to changes in interest rates related to floating rate notes.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

A summary of these contracts follows:

*(in millions)*

| Contracting party | Contract amount | Contract foreign exchange rate | | Maturity date |
|---|---|---|---|---|
| SC First Bank | US$ 150 | Accept floating rate | 6M Libor | May 21, 2009 - May 24, 2010 |
| | | Pay fix rate | 5.375% - 5.644% | |

As of September 30, 2006, unrealized losses of (Won)2,554 million were charged to capital adjustment, as these contracts fulfill the requirements for hedge accounting for financial statement purposes.

The Controlling Company is facing several legal proceedings and claims arising from the ordinary course of business. In August 2002, the Controlling 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 Controlling Company filed a complaint against the 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 Controlling Company in the United States District Court under the Central District of California for alleged infringement of certain patents and violation of U.S. antitrust laws. The Controlling Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In June 2006, the American Arbitration Association decided in favor of the Company.

In May 2004, the Controlling 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 Controlling 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 Controlling Company appealed the decision at the Court of Appeals.

In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Controlling Company. On May 13, 2005, the Controlling 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. In July 2006, the Jury in Delaware issued a verdict that Chunghwa Picture Tubes had willfully infringed a patent owned by the Company, and awarded US$52.4 million in damages to the Company.

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

On September 20, 2005, the United States District Court under 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 Court granted the Controlling Company s motion to include the dismissed claims in the case against Tatung and other defendants.

In January 2006, New Medium Technology LLC, AV Technologies LLC, IP Innovation LLC, and Technology Licensing Corporation filed a complaint against the Controlling Company in the United States District Court for the Northern District of Illinois.

The Controlling 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 Controlling Company s financial condition, results of operations or cash flows.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

**9. Deferred Income Tax Assets (Liabilities)**

Deferred income tax assets (liabilities) as of September 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| Inventories | (Won) 28,868 | (Won) 8,570 |
| Other current assets (liabilities) | 2,730 | (4,133) |
| Property, plant and equipment | 39,423 | 34,762 |
| Tax credit carryforwards | 421,667 | 292,976 |
| Deferred income taxes added to shareholders equity | (17,543) | (4,631) |
| Net loss carryforwards | 208,897 | |
| Others | 2,415 | 21,108 |
| | 686,457 | 348,652 |
| Less: Valuation allowance | (125,617) | |
| | (Won) 560,840 | (Won) 348,652 |

As the Company anticipates that all tax benefits from the loss carryforwards and tax credits would not be fully realized, a valuation allowance amounting to (Won)125,617 million has been provided as of September 30, 2006.

**10. 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 nine-month periods ended September 30, 2006 and 2005, are calculated as follows:

*(in millions, except per share amounts)*

| | 2006 | 2005 |
|---|---|---|
| Net income (loss) as reported on the statements of operations | (Won) (594,968) | (Won) 189,186 |
| Weighted-average number of common shares outstanding | 358 | 333 |
| Earnings(loss) per share | (Won) (1,663) | (Won) 568 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

The Company has issued no diluted securities until convertible bonds were issued on April 19, 2005. Diluted loss per share is identical to basic loss per share and diluted ordinary loss per share to basic ordinary loss per share as the Company recorded net loss and ordinary loss during the nine-month periods ended September 30, 2006. Additionally, diluted earnings per share is identical to basic earnings per share and diluted ordinary income per share to basic ordinary income per share as convertible bonds have no dilutive effect for nine-month period ended September 30, 2005

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

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

**11. Related Party Transactions**

The Controlling Company s ultimate parent is LG Corporation, while its parent company is LG Electronics Inc., which is responsible for the consolidated financial statements.

Significant transactions which occurred in the ordinary course of business with related companies for the nine-month periods ended September 30, 2006 and 2005, and the related account balances outstanding as of September 30, 2006 and December 31, 2005, are summarized as follows:

**Between LG.Philips LCD and consolidated subsidiaries**

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| Sales[1] | (Won) 6,050,730 | (Won) 5,513,571 |
| Purchases[1] | 83,572 | 9,196 |
| Accounts receivable[2] | 1,477,610 | 1,237,187 |
| Accounts payable[2] | 20,084 | 12,004 |

[1]Includes sales and purchases of property, plant and equipment.

[2]Includes other accounts receivable and other accounts payable.

**Between consolidated subsidiaries**

*(in millions of Korean won)*

| | 2006 | 2005 |
|---|---|---|
| Accounts receivable and payable | (Won) 19,164 | (Won) 571,104 |
| Sales and purchases | 1,388,502 | 2,734,639 |

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

In the normal course of business, the Company purchases raw materials from, and sells its products to, shareholder companies and other companies within the LG Group. Such transactions and the related accounts receivable and payable, excluding consolidated subsidiaries, for the nine-month periods ended September 30, 2006 and 2005, and as of September 30, 2006 and December 31, 2005, are summarized as follows:

*(in millions of Korean won)*

| | Sales[1] | | Purchases [1] | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Parents companies** | | | | |
| LG Electronics Inc | (Won) 1,296,209 | (Won) 1,340,684 | (Won) 121,267 | (Won) 118,912 |
| Philips | 898,952 | 964,794 | 56,819 | 34,382 |
| **Company that has significant influence over the Company** | | | | |
| LG Corporation | | | 9,327 | 7,939 |
| **Equity-method investee** | | | | |
| Paju Electric Glass Co., Ltd. | 6 | | 96,552 | |
| **Other related parties** | | | | |
| LG Chem Ltd. | | | 517,710 | 451,017 |
| LG International | 625,652 | 420,874 | 918,447 | 960,466 |
| Serveone | 281 | | 130,632 | 94,093 |
| Micron Ltd. | 139 | | 77,620 | 86,270 |
| LG CNS | 5 | | 87,076 | 79,372 |
| Others | 30,247 | 53,603 | 92,022 | 38,118 |
| Total | (Won) 2.851,491 | (Won) 2,779,955 | (Won) 2,107,693 | (Won) 1,870,569 |

*(in millions of Korean won)*

| | Receivables | | Payables | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| **Parent companies** | | | | |
| LG Electronics Inc. | (Won) 401,740 | (Won) 219,327 | (Won) 22,065 | (Won) 66,751 |
| Philips | 160,643 | 176,599 | 7,446 | 4,548 |
| **Company that has significant influence over the Company** | | | | |
| LG Corporation | 2,395 | 10,970 | | 1,692 |
| **Equity-method investee** | | | | |
| Paju Electric Glass Co., Ltd. | | | 18,491 | |
| **Other related parties** | | | | |
| LG Chem Ltd. | | | 137,415 | 72,319 |
| LG International | 39,637 | 47,515 | 196,353 | 198,422 |
| Serveone | 2,373 | | 27,884 | 36,792 |

| | | | | |
|---|---|---|---|---|
| Micron Ltd. | | | 32,222 | 55,234 |
| LG CNS | | | 7,664 | 32,370 |
| Others | 9,274 | 22,320 | 30,117 | 9,790 |
| Total | (Won) 616,062 | (Won) 476,731 | (Won) 479,657 | (Won) 477,918 |

[1] Includes sale of property, plant and equipment amounting to (Won)788 million

[1] Includes purchases of property, plant and equipment amounting to (Won)774,536 million.

See Report of Independent Accountants

Table of Contents

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

**Notes to Consolidated Financial Statements**

**September 30, 2006 and 2005**

**(Unaudited)**

Key management[1] compensation costs for the nine-month period ended September 30, 2006, are as follows:

*(in millions for Korean won)*

| | |
|---|---|
| Officers salaries | (Won) 1,218 |
| Post-retirement benefits | 301 |
| | (Won) 1,519 |

[1]Key management herein refers to the directors who have significant control and responsibilities on the Controlling Company s operations and business. Total ceiling for compensation for such directors in 2006 is (Won)13.4 billion.

**12. Segment Information**

The Company operates only one segment, the TFT-LCD division whose export sales represent about 92% of total sales for nine-month period ended September 30, 2006.

The following is a summary of operations by country based on the location of the customers for the nine-month periods ended September 30, 2006 and 2005:

*(in millions of Korean won)*

| Sales | Domestic | Asia | America | Europe | Others | Total |
|---|---|---|---|---|---|---|
| 2006 | (Won) 619,800 | (Won) 4,644,432 | (Won) 744,019 | (Won) 1,188,072 | (Won) 362,583 | (Won) 7,558,906 |
| 2005 | (Won) 669,325 | (Won) 4,783,256 | (Won) 696,580 | (Won) 961,058 | (Won) 2,664 | (Won) 7,112,883 |

See Report of Independent Accountants

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 | | September 30, 2006 | | September 30, 2006 |
| **Assets** | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | (Won) | 1,579,452 | (Won) | 471,747 | $ | 498,675 |
| Accounts receivable, net | | | | | | |
| Trade, net | | 790,168 | | 714,477 | | 755,261 |
| Due from affiliates | | 476,731 | | 616,062 | | 651,228 |
| Others, net | | 66,202 | | 86,968 | | 91,932 |
| Inventories | | 689,577 | | 1,147,575 | | 1,213,081 |
| Deferred income taxes | | 5,414 | | 39,175 | | 41,411 |
| Prepaid expense | | 23,467 | | 42,962 | | 45,414 |
| Prepaid value added tax | | 131,230 | | 82,415 | | 87,119 |
| Other current assets | | 84,524 | | 74,904 | | 79,180 |
| Total current assets | | 3,846,765 | | 3,276,285 | | 3,463,301 |
| Long-term prepaid expenses | | 83,112 | | 138,734 | | 146,653 |
| Property, plant and equipment, net | | 9,234,104 | | 9,663,242 | | 10,214,844 |
| Deferred income taxes | | 357,453 | | 525,661 | | 555,667 |
| Intangibles, net | | 43,374 | | 45,380 | | 47,970 |
| Other assets | | 51,746 | | 46,306 | | 48,949 |
| Total assets | (Won) | 13,616,554 | (Won) | 13,695,608 | $ | 14,477,384 |
| **Liabilities and Stockholders Equity** | | | | | | |
| Current liabilities | | | | | | |
| Short-term borrowings | (Won) | 308,969 | (Won) | 421,158 | $ | 445,199 |
| Current portion of long-term debt | | 442,140 | | 251,695 | | 266,062 |
| Trade accounts and notes payable | | | | | | |
| Trade | | 577,755 | | 653,666 | | 690,979 |
| Due to affiliates | | 115,833 | | 227,777 | | 240,779 |
| Other accounts payable | | | | | | |
| Others | | 1,121,042 | | 726,291 | | 767,749 |
| Due to affiliates | | 353,514 | | 249,567 | | 263,813 |
| Accrued expenses | | 69,968 | | 102,349 | | 108,191 |
| Income taxes payables | | 21,788 | | 5,872 | | 6,207 |
| Other current liabilities | | 133,950 | | 152,156 | | 160,841 |
| Total current liabilities | | 3,144,959 | | 2,790,531 | | 2,949,820 |
| Long-term debt, net of current portion | | 2,851,353 | | 3,801,984 | | 4,019,011 |
| Long-term accrued expense | | 2,833 | | 4,039 | | 4,270 |
| Accrued severance benefits, net | | 43,207 | | 71,521 | | 75,604 |
| Total liabilities | | 6,042,352 | | 6,668,075 | | 7,048,705 |

| | | | |
|---|---|---|---|
| Commitments and contingencies (Note 7) | | | |
| 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 September 30, 2006 | 1,789,078 | 1,789,078 | 1,891,203 |
| Capital Surplus | 2,243,800 | 2,246,253 | 2,374,475 |
| Retained earnings | 3,542,691 | 2,994,673 | 3,165,613 |
| Accumulated other comprehensive income | (1,367) | (2,471) | (2,612) |
| Total stockholders equity | 7,574,202 | 7,027,533 | 7,428,679 |
| Total liabilities and stockholders equity | (Won) 13,616,554 | (Won) 13,695,608 | $ 14,477,384 |

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 per share amount)*

| | For the three month periods ended September 30, | | For the nine month periods ended September 30, | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2005 | 2006 | 2006 (Note 2) |
| **Sales** | | | | | |
| Related parties | (Won) 1,068,773 | (Won) 1,056,727 | (Won) 2,779,955 | (Won) 2,851,491 | $ 3,014,261 |
| Others | 1,671,734 | 1,716,047 | 4,332,928 | 4,707,415 | 4,976,126 |
| | 2,740,507 | 2,772,774 | 7,112,883 | 7,558,906 | 7,990,387 |
| **Cost of sales** | 2,364,366 | 3,008,521 | 6,613,579 | 7,834,173 | 8,281,367 |
| Gross profit | 376,141 | (235,747) | 499,304 | (275,267) | (290,980) |
| **Selling, general and administrative expenses** | 137,490 | 141,829 | 350,047 | 434,860 | 459,683 |
| **Operating income (loss)** | 238,651 | (377,576) | 149,257 | (710,127) | (750,663) |
| Other income (expense) | | | | | |
| Interest income | 15,446 | 5,151 | 36,487 | 23,536 | 24,879 |
| Interest expense | (27,451) | (43,979) | (81,149) | (117,672) | (124,389) |
| Foreign exchange gain (loss), net | (9,568) | 5,123 | (33,016) | 35,701 | 37,739 |
| Rental income | | 1,850 | | 5,893 | 6,229 |
| Others, net | (1,021) | 1,491 | (527) | 13,974 | 14,771 |
| Total other income (expense) | (22,594) | (30,364) | (78,205) | (38,568) | (40,771) |
| Income before income taxes (loss) | 216,057 | (407,940) | 71,052 | (748,695) | (791,434) |
| Provision (benefit) for income taxes | (21,952) | (100,449) | (110,882) | (200,677) | (212,132) |
| Net income (loss) | (Won) 238,009 | (Won) (307,491) | (Won) 181,934 | (Won) (548,018) | $ (579,302) |
| Net income (loss) per common share | | | | | |
| Basic | (Won) 682 | (Won) (860) | (Won) 546 | (Won) (1,532) | $ (1.62) |
| Diluted | (Won) 677 | (Won) (860) | (Won) 546 | (Won) (1,532) | $ (1.62) |

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 | | | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-In Capital | Unearned Compensation | Retained Earnings | Income (Loss) | Total |
| Balance as of December 31, 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 Common Stock | 32,500,000 | 162,499 | 1,238,679 | | | | 1,401,178 |
| Unearned Compensation | | | | | | | |
| Stock compensation expense | | | | 2,597 | | | 2,597 |
| Comprehensive income : | | | | | | | |
| Net income | | | | | 181,934 | | 181,934 |
| Cumulative translation adjustment, net of tax | | | | | | 6,321 | 6,321 |
| Net unrealized gains on derivative, net of tax | | | | | | (72,153) | (72,153) |
| Total comprehensive income | | | | | | | 116,102 |
| Balance as of September 30, 2005 | 357,815,700 | (Won) 1,789,078 | (Won) 2,250,950 | (Won) (7,734) | (Won) 3,182,976 | (Won) (32,092) | (Won) 7,183,178 |
| Balance as of December 31, 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 |
| Stock compensation expense | | | | 2,453 | | | 2,453 |
| Comprehensive income : | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Net loss | | | | | (548,018) | | | (548,018) |
| Cumulative translation adjustment, net of tax | | | | | | (16,867) | | (16,867) |
| Net unrealized gains on derivative, net of tax | | | | | | 15,763 | | 15,763 |
| Total comprehensive income | | | | | | | | (549,122) |
| Balance as of September 30, 2006 | 357,815,700 | (Won) 1,789,078 | (Won) 2,251,112 | (Won) (4,859) | (Won) 2,994,673 | (Won) (2,471) | (Won) | 7,027,533 |

*(in thousands of US dollars) (Note 2)*

| | Common Stock | | Capital Surplus | | | Accumulated | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Additional Paid-In Capital | Unearned Compensation | Retained Earnings | Other Comprehensive Income (Loss) | Total |
| Balance as of December 31, 2005 | 325,315,700 | $ 1,891,203 | $ 2,379,611 | $ (7,729) | $ 3,744,915 | $ (1,445) | $ 8,006,555 |
| Stock compensation expense | | | | 2,593 | | | 2,593 |
| Comprehensive income : | | | | | | | |
| Net loss | | | | | (579,302) | | (579,302) |
| Cumulative translation adjustment, net of tax | | | | | | (17,830) | (17,830) |
| Net unrealized gains on derivative, net of tax | | | | | | 16,663 | 16,663 |
| Total comprehensive income | | | | | | | (580,469) |
| Balance as of September 30, 2006 | 325,315,700 | $ 1,891,203 | $ 2,379,611 | $ (5,136) | $ 3,165,613 | $ (2,612) | $ 7,428,679 |

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 nine month periods ended September 30, | | |
|---|---|---|---|
| | 2005 | 2006 | 2006 (Note 2) |
| **Cash flows from operating activities:** | | | |
| Net income (loss) | (Won) 181,934 | (Won) (548,018) | $ (579,300) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 1,255,835 | 1,886,696 | 1,994,393 |
| Provision for severance benefits | 34,949 | 39,364 | 41,611 |
| Foreign exchange loss (gain), net | 15,071 | (67,867) | (71,741) |
| Amortization of intangible assets | 5,242 | 4,978 | 5,262 |
| Loss on disposal of property, plant and equipment, net | 70 | 567 | 599 |
| Amortization of debt issuance cost | 4,291 | 3,379 | 3,572 |
| Decrease in deferred income taxes assets, net | (137,008) | (210,804) | (222,837) |
| Others, net | 52,858 | 26,633 | 28,151 |
| Change in operating assets and liabilities: | | | |
| Increase in accounts receivable | (456,946) | (74,461) | (78,711) |
| Decrease (increase) in inventories | 80,273 | (457,998) | (484,142) |
| Decrease (increase) in other current assets | 92,080 | (25,863) | (27,339) |
| Increase in trade accounts and notes payable | 148,897 | 173,454 | 183,355 |
| Increase (Decrease) in other accounts payable | 58,293 | (59,042) | (62,412) |
| (Decrease) increase in accrued expenses | (62,940) | 52,531 | 55,530 |
| Decrease in other current liabilities | (55,811) | (49,898) | (52,746) |
| Net cash provided by operating activities | 1,217,088 | 693,651 | 733,245 |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | | | |
| Purchase from related parties | (706,699) | (774,536) | (818,748) |
| Purchase from others | (2,079,821) | (1,970,561) | (2,083,045) |
| Proceeds from sales of property, plant and equipment | 2,726 | 1,736 | 1,835 |
| Purchase of intangible assets | (10,147) | (5,363) | (5,669) |
| Others, net | (7,727) | 5,933 | 6,272 |
| Net cash used in investing activities | (2,801,668) | (2,742,791) | (2,899,355) |
| **Cash flows from financing activities:** | | | |
| Proceeds (repayment on) from short-term borrowings | (134,606) | 112,626 | 119,055 |
| Proceeds from issuance of long-term debt | 1,090,026 | 1,069,136 | 1,130,165 |
| Repayment on long-term debt | (5,872) | (240,312) | (254,030) |
| Proceeds from issuance of common stock | 1,401,180 | | |
| Net cash provided by financing activities | 2,350,728 | 941,450 | 995,190 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Effect of exchange rate changes on cash and cash equivalents | | 2,069 | | (15) | | (16) |
| Net increase (decrease) in cash and cash equivalents | | 768,217 | | (1,107,705) | | (1,170,936) |
| **Cash and cash equivalents:** | | | | | | |
| Beginning of period | | 1,361,239 | | 1,579,452 | | 1,669,611 |
| End of period | (Won) | 2,129,456 | (Won) | 471,747 | $ | 498,675 |

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)**

**September 30, 2006 and 2005**

**1. Basis of presentation**

The accompanying unaudited interim consolidated financial statements and related notes should be read in conjunction with the Consolidated Financial Statements of LG.Philips LCD Co., Ltd. ( LPL ), and its consolidated subsidiaries (hereinafter collectively referred to as the Company ) and related 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 statement of results for these interim periods. The results of operations for the nine months ended September 30, 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)946.0: US$1, the US Federal Reserve Bank of New York noon buying exchange rate in effect on September 29, 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 September 30, 2006 comprise the following:

*(in millions of Korean won)*

| | December 31, 2005 | September 30, 2006 |
|---|---|---|
| Finished products | (Won) 328,823 | (Won) 732,141 |
| Work in process | 166,839 | 198,242 |
| Raw materials | 193,915 | 217,192 |
| | (Won) 689,577 | (Won) 1,147,575 |

**4. Derivative Instruments and Hedging Activities**

**Derivatives for cash flow hedge**

During the nine month periods ended September 30, 2005 and 2006, 339 and 407 foreign currency forward contracts were designated as cash flow hedges, respectively. During the nine month periods ended September 30, 2005 and 2006, these cash flow hedges were fully effective and changes in the fair value of the derivatives, of (Won)(25,294) million and (Won)34,491 million, were recorded in other comprehensive income. The deferred gains of (Won)34,491 million for derivatives designated as cash flow hedges are expected to be reclassified into earnings within the next twelve months.

6

Table of Contents

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

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

**September 30, 2006 and 2005**

**Derivatives for trading**

For the nine month periods ended September 30, 2005 and 2006, the Company recorded realized exchange gains of (Won)25,336 million and (Won)65,266 million and realized exchange losses of (Won)47,803 million and (Won)35,066 million, respectively, on derivative contracts designated for trading upon settlement.

In addition, for the nine month periods ended September 30, 2005 and 2006, the Company recorded unrealized gains of (Won)5,452 million and (Won)3,087 million and unrealized losses of (Won)25,337 million and (Won)17,919 million, respectively, relating to these derivative contracts designated for trading.

**5. Stockholder s equity**

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).

The Company intends to use the proceeds of these sales to fund the capital expenditures associated with the construction of its seventh generation TFT-LCD fabrication plant ( P7 ) and other LCD facility in Korea.

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 Korean Securities and Exchange Act. Employees purchased the shares through ESOA with the loan provided by the Company at the initial public offering price ((Won)34,500) and put under 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 nine month period ended September 30, 2006, the Company recorded compensation expense of (Won)2,453 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.

Table of Contents

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

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

**September 30, 2006 and 2005**

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

*(in millions of Korean won)*

| | | September 30, 2006 |
|---|---|---|
| Cost of goods sold | (Won) | 553 |
| Selling general and administrative | | 388 |
| Income tax benefits | | (396) |
| Total stock-based compensation expense | | 545 |

There were no capitalized stock-based compensation costs at September 30, 2006

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).

**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. In June 2006, the American Arbitration Association decided in favor of the Company. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. On May 13, 2005, the Company also

Table of Contents

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

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

**September 30, 2006 and 2005**

filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs in the United States District of Delaware. On July 27, 2006, the United States District of Delaware jury acknowledged the patent infringement charges against Chungwha Picture Tubes with damage of US$52.4 million. 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 refilled the above complaint including the side mounting patents. On January 9, 2006, New Medium Technologies, AV Technologies, IP Innovation and Technology Licensing filed a suit in the Northern District Court of Illinois Eastern Division, charging the Company of violating patents regarding the space scan modulation of displays.

The Company s management does not expect the outcome in any of these legal proceedings, individually or collectively, to have a 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 September 30, 2006. The Company has a zero balance with respect to these facilities at September 30, 2006.

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¥1,300 million and NTD 68 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)39,721 million and (Won)21,637 million for the nine month periods ended September 30, 2005 and September 30, 2006 respectively.

Table of Contents

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

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

**September 30, 2006 and 2005**

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

Net income (loss) per share for the nine month periods ended September 30, 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) 181,934 | (Won) (548,018) |
| Weighted-average number of common shares outstanding | 333 | 358 |
| Net income (loss) per share | (Won) 546 | (Won) (1,532) |

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 nine month periods ended September 30, 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) 1,313,703 | (Won) 663,569 |

Table of Contents

**SIGNATURES**

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

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

Date: November 14, 2006

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