

LG.Philips LCD Co., Ltd.
Form 6-K
November 15, 2004
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 2004

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 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):

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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

Table of Contents

QUARTERLY REPORT

(From January 1, 2004 to September 30, 2004)

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.

QUARTERLY REPORT

(From January 1, 2004 to September 30, 2004)

To: Financial Supervisory Commission and Korea Stock Exchange

We hereby submit the Quarterly Report (From January 1, 2004 to September 30, 2004) of the 20th fiscal year in accordance with Item 3 of Article 186 of the Securities & Exchange Law.

Bon Joon Koo

Joint Representative Director,

Vice-Chairman and Chief Executive Officer

Ron H. Wirahadiraksa

Joint Representative Director,

Senior Executive Vice-President and Chief Financial Officer

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Dong Joo Kim

Vice President

Finance & Risk Management Department

Tel) 82-2-3777-0702

Table of Contents

Contents

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

| | |
|---|----|
| 1. <u>Overview</u> | |
| A. <u>Industry</u> | 1 |
| B. <u>Company</u> | 2 |
| 2. <u>Information Regarding Shares</u> | 3 |
| A. <u>Shareholder lists</u> | 3 |
| B. <u>Voting rights</u> | 4 |
| C. <u>Dividends</u> | 4 |
| 3. <u>Major Products and Materials</u> | 4 |
| A. <u>Major products from Q1 to Q3, 2004</u> | 4 |
| B. <u>Average price trends of major products</u> | 5 |
| C. <u>Major materials from Q1 to Q3, 2004</u> | 5 |
| D. <u>Price trends of major materials</u> | 5 |
| 4. <u>Production & Equipment</u> | 6 |
| A. <u>Production capacity and calculation</u> | 6 |
| B. <u>Production performance and working ratio</u> | 6 |
| C. <u>Investment plan</u> | 7 |
| 5. <u>Sales</u> | 7 |
| A. <u>Sales performance</u> | 7 |
| B. <u>Sales route and sales method</u> | 7 |
| 6. <u>Employees</u> | 8 |
| 7. <u>Financial Information</u> | 9 |
| A. <u>Financial highlights</u> | 9 |
| B. <u>R&D expense</u> | 10 |
| C. <u>Domestic credit rating</u> | 10 |
| D. <u>Remuneration for directors & executive officers in 2004</u> | 11 |
| 8. <u>Events after September 30, 2004</u> | 11 |

Attachment: 1. Korean GAAP Quarterly Non-consolidated Financial Statements
 2. U.S. GAAP Quarterly 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. Although there are high entry barriers due to its technology- and capital-intensive characteristics, as well as the significant investments required to achieve economies of scale, there is severe competition within the industry.

The demand for LCD panels for notebooks & monitors is closely related to the IT industry, and LCD TV will play a key role in the digital display area as digital TV market starts to grow. In addition, LCD panel markets for applications, such as medical applications and automobile navigation systems, are growing steadily.

(2) Cyclicalities

The TFT-LCD business has high cyclicalities as a capital intensive business. This industry experiences periodic cyclicalities caused by imbalances between demand and supply due to capacity expansion within the industry.

(3) Competitiveness

Core competitiveness includes new product design capability based on new technology application, timely investment, cost leadership and marketing capability to lead system makers.

Most importantly, cost leadership and stable and long-term relationships with customers are critical to secure profit even in a buyer's market.

(4) Sourcing material

Materials are sourced in-house(Color Filter) as well as from domestic and international vendors. However, domestic portion is expected to grow.

Raw materials shortage may arise due to capacity expansion within the industry as well as rapid demand increase of raw materials.

(5) Others

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Most TFT-LCD makers are located in Asia: (Major makers)

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

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

c. Japan: Sharp, Hitachi, etc.

d. China: SVA-NEC LCD, BOE-Hydis.

Table of Contents

B. Company

(1) Business overview

We entered the TFT-LCD business in 1998, became a Joint Venture between LG Electronics and Philips Electronics in 1999 and became the first company in the world to commence commercial production at a 4th generation fab (P3) in July 2000, followed by the world's first 5th generation fab (P4) in March 2002 to meet the demand for large-size monitors. In addition, we started mass production of the 6th generation fab (P6) in August 2004, which completed a full line-up of products in response to various customer demands.

(2) Market shares

World market share of large-size TFT LCD module (≥ 10) based on revenue as of the end of June 2004 is 19.9% according to DisplaySearch (3Q 2004 Report, for 2Q 2004).

World market share of LCD TV module based on revenue as of the end of June 2004 is 19.1% according to DisplaySearch (3Q 2004 Report, for 2Q 2004)

(3) Market characteristics

TFT-LCD manufacturers are vulnerable to cyclical market conditions. Intense competition and demand growth expectations may result in panel manufacturers investing in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities.

(4) New business and forecast

We currently operate six fabrication facilities, P1, P2, P3, P4, P5, and P6 located in Gumi, Korea, and two module assembly facilities located in Gumi, Korea and Nanjing, China.

In March 2004, we broke ground for a new TFT-LCD industrial complex to be developed in Paju, Korea, and construction of P7 is currently in progress.

Our strategy is to maintain a leading position in high value-added TFT-LCD products, such as aviation, medical equipment and industrial automation. In addition, we are planning to diversify markets through sales increase in rapidly growing products, such as Internet appliance, PDA and IMT 2000-related products.

Table of Contents

(5) Organization chart

- * CEO : Chief Executive Officer
- * CTO : Chief Technology Officer
- * CFO : Chief Financial Officer

2. Information Regarding Shares

A. Shareholder Lists

(1) Total stocks issued : 325,315,700 shares as of Sep. 30, 2004

(2) Principal shareholders and related parties

[Sep. 30, 2004]

(Unit: 1,000 common shares)

| Name | End of Dec. 2003 | Increase/Decrease | Sep. 30 2004 | Cause of change |
|---------|------------------|-------------------|---------------------|-------------------|
| LGE | 72,500 | 72,500 | 145,000 | |
| Philips | (50%) 72,500 | 72,500 | (44.57%) 145,000 | Stock split, etc. |
| | (50%) 145,000 | | (44.57%) 290,000 | |
| Total | (100%) | 145,000 | (89.14%) | |

* The number of shares and the ratio of shares have changed due to stock split on May 25, 2004 (from 10,000 won to 5,000 won) and IPO on July 23, 2004 followed by over-allotment option exercised on Aug 8, 2004.

(3) Shareholders who have shares over 5%

[Sep. 30, 2004]

(Unit : 1,000 shares)

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| <u>Rank</u> | <u>Name</u> | <u>Type of Stock</u> | <u>Number of shares</u> | <u>Ratio</u> |
|-------------|-------------|----------------------|-------------------------|--------------|
| 1. | LGE | Common Stock | 145,000 | 44.57% |
| 2. | Philips | Common Stock | 145,000 | 44.57% |
| | Total | | 290,000 | 89.14% |

Table of Contents

B. Voting rights

[Sep.30, 2004]

(Unit: share)

| <u>Description</u> | <u>Number of shares</u> |
|---|-------------------------|
| 1. Stocks with voting rights [A-B] | 325,315,700 |
| A. Total stocks issued | 325,315,700 |
| B. Stocks without voting rights | |
| 2. Stocks with restricted voting rights | |
| 3. Stocks with recovered voting rights | |
| Total voting right [1-2+3] | 325,315,700 |

C. Dividends

(1) Dividends during recent 5 fiscal years

[Par value: 5,000 Won]

(Unit: In millions of won)

| <u>Description</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Net income | 1,019,100 | 288,792 | -381,603 | 494,768 | 617,176 |
| Earnings per share(Won) | 3,514 | 996 | -1,316 | 1,706 | 3,184 |
| Retained earning for dividends | 1,307,892 | 288,792 | | 281,784 | 263,618 |
| Dividend Ratio | | | | 76.60% | 35.95% |
| A. Dividend per share(Won) | | | | | |
| B. Total Dividend Amount | | | | 379,000 | 221,860 |
| C. Dividend per Par Value(%) | | | | | |
| Net Capital per share (Won) | 9,980 | 6,435 | 5,444 | 6,760 | 9,431 |
| Ordinary income per share (Won) | 3,514 | 996 | -1,316 | 1,706 | 3,184 |

* Based on par value 5,000 won (Stock split from par value 10,000 won to par value 5,000 won per Share as of May 04)

* Retained earning for dividends is the amount before dividend

3. Major Products and Materials

A. Major products from Q1 to Q3, 2004

(Unit: In billions of won)

| Business area | Sales types | Items | Specific use | Major trademark | Sales(ratio) |
|----------------------|--------------------|--------------|--|------------------------|---------------------|
| | Export | TFT-LCD | Notebook, Monitor, TV | LG.Philips LCD | 6,093(98%) |
| TFT-LCD | Domestic | TFT-LCD | Applications Modules,etc. Notebook, Monitor, TV | LG.Philips LCD | 136(2%) |
| | | | Applications Modules,etc. | | |

Table of Contents

B. Average price trends of major products

(Unit: USD)

| <u>Description</u> | <u>2004(Q1-Q3)</u> | <u>2003</u> | <u>2002</u> |
|---------------------|--------------------|-------------|-------------|
| TFT-LCD panel(avg.) | 3,300 | 3,094 | 3,568 |

* Assumptions for calculations

Average price from Q1 to Q3 of 20th fiscal year (year 2004). (Average sales price/m²)

* Major factors contributing to price fluctuation

Prices are subject to change due to the fluctuation in market situation.

Increases in panel size & premium products

C. Major materials from Q1 to Q3, 2004

(Unit: In billions of won)

| <u>Business</u> | | | | <u>Purchase amount</u> | |
|-----------------|-----------------------|--------------|---------------------|------------------------|----------------|
| <u>area</u> | <u>Purchase types</u> | <u>Items</u> | <u>Specific use</u> | <u>(ratio)</u> | <u>Remarks</u> |
| TFT-LCD | Materials | Color Filter | LCD Panel | 180 (5%) | |
| | | Polarizer | Manufacturing | 382 (12%) | |
| | | PCB, etc. | | 2,691 (83%) | |
| Total | | | | 3,253 (100%) | |

D. Price trends of major materials

(Unit : Won)

| <u>Description</u> | <u>2004 (Q1-Q3)</u> | <u>2003</u> | <u>2002</u> |
|--------------------|-------------------------|-------------|-------------|
| Color Filter | 8,946 | 16,475 | 37,502 |
| Polarizer | 8,119 | 7,288 | 7,571 |
| PCB | 2,711 | 2,090 | 1,949 |

(1) Assumption for calculation

Average unit price of major raw materials

(2) Major factors contributing to price fluctuations

Prices vary according to difference between demand and supply.

Continuous cost reduction efforts by material vendors.

Table of Contents

4. Production and Equipment

A. Production capacity and calculation

1) Production capacity

(Unit : 1,000 glass sheets)

| <u>Business</u> | | | <u>2004</u> | | |
|-----------------|--------------|-----------------------|------------------------|-------------|-------------|
| <u>area</u> | <u>Items</u> | <u>Business place</u> | <u>(from Q1 to Q3)</u> | <u>2003</u> | <u>2002</u> |
| TFT-LCD | TFT-LCD | Gumi | 4,621 | 5,280 | 3,948 |

2) Calculation of Capacity

a. Method

(1) Assumptions for calculation

Based on optimal production capacity

Based on input

(2) Calculation method

Average of monthly input capacity for recent three months(3rdquarter)× given periods (9months)

b. Average working hours

Refer to B-(2)

B. Production performance and working ratio

(1) Production performance

(Unit : 1,000 glass sheets)

| <u>Business area</u> | <u>Items</u> | <u>Business place</u> | <u>2004 (from Q1 to Q3)</u> | <u>2003</u> | <u>2002</u> |
|----------------------|--------------|-----------------------|---------------------------------|-------------|-------------|
| TFT-LCD | TFT-LCD | Gumi | 4,372 | 3,674 | 2,764 |

(2) Working Ratio

(Unit: Hours)

| <u>Business place(area)</u> | <u>Maximum working hours of 2004 (from Q1 to Q3)</u> | <u>Real working hours of 2004 (from Q1 to Q3)</u> | <u>Average working ratio</u> |
|-----------------------------|--|---|----------------------------------|
| Gumi (TFT-LCD) | 6,576 (24HR. X 274Days) | 6,576 (24HR. X 274Days) | 100% |

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. | 02.4Q~ | Building/ Machinery, etc. | Capacity Expansion | 5,350 | 3,760 | 1,590 | |

(2) Investment Plan

(Unit: In billions of won)

| Business area | Project | Expected total investment | | Expected yearly investment | | | Investment effects | Remarks |
|----------------------|--------------------------|----------------------------------|---------------|-----------------------------------|-----------------|-------------|---------------------------|----------------|
| | | Assets | Amount | 2004 | 2005 | 2006 | | |
| TFT-LCD | New/ Expansion , etc. | Building/ Machinery, etc. | | 3,934 | 3,900 ~4,800 | | Capacity Expansion | |

*1. Expected investment in 2004 and 2005 is subject to change according to market environment and change, etc.

2. Investment during 2006 cannot be reasonably expected due to industry characteristics.

5. Sales

A. Sales performance

(Unit: In billions of won)

| <u>Business area</u> | <u>Sales types</u> | <u>Items</u> | 2004 | 2003 | 2002 | |
|----------------------|--------------------|--------------|------------------------|-------|-------|-------|
| | | | <u>(from Q1 to Q3)</u> | | | |
| TFT-LCD | Products, etc. | LCD | Export | 6,093 | 5,884 | 3,446 |
| | | | Domestic | 136 | 147 | 72 |
| | | Total | 6,229 | 6,031 | 3,518 | |

B. Sales route and sales method

(1) Sales organization

Departments such as Note book sales, Monitor sales, TV sales and applications including sales planning & administration department under Worldwide Sales EVP.

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

* There is a production subsidiary in Nanjing, China.

Table of Contents

(2) Sales route

LG.Philips LCD HQ & Nanjing subsidiary → Overseas subsidiaries (USA/Europe/Japan /Taiwan /Hong Kong/Shanghai) → Integrator, Branded customer → End user

LG.Philips LCD HQ& Nanjing subsidiary → Integrator, Branded customer → End user

(3) Sales method and condition

Direct sales & sales through overseas subsidiaries

(4) Sales strategy

Secure stable sales to major PC makers and consumer electronic makers in the world market, and maintain strong leadership in growing and high value added products such as large monitor market, growing LCD TV market, car navigation market, avionics, medical and factory automation.

Sales order from end users to overseas subsidiaries -> Information to HQ -> Scheduling the production plan -> Shipping products to subsidiaries -> Sales to end users by overseas subsidiaries.

6. Employees

[Sep. 30, 2004]

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

| Sex | Detail employees | | | | Total Salary from Q1 to Q3, 2004 | Per capita Salary | Average Service Period |
|--------|--------------------|----------------|--------|--------|-------------------------------------|----------------------|---------------------------|
| | Official Worker | Line Worker | Others | Total | | | |
| Male | 3,692 | 3,144 | | 6,836 | 168,589 | 28 | 4 |
| Female | 304 | 2,969 | | 3,273 | 53,705 | 19 | 2 |
| Total | 3,996 | 6,113 | | 10,109 | 222,294 | 25 | 3.4 |

Table of Contents**7. Financial Information**

A. Financial Highlights

(Unit: In millions of won)

| Description | 2004 | | | | |
|----------------------------|-----------------|-----------|-----------|-----------|-----------|
| | (from Q1 to Q3) | 2003 | 2002 | 2001 | 2000 |
| [Current assets] | 2,298,151 | 1,918,329 | 806,156 | 374,198 | 455,304 |
| Quick assets | 1,785,075 | 1,644,838 | 463,539 | 189,708 | 183,259 |
| Inventories | 513,076 | 273,491 | 342,617 | 184,490 | 272,045 |
| [Fixed assets] | 6,622,131 | 4,295,753 | 3,613,748 | 3,361,220 | 2,973,535 |
| Investments | 269,362 | 203,343 | 147,832 | 128,397 | 63,386 |
| Tangible assets | 6,161,330 | 3,874,428 | 3,210,884 | 2,937,209 | 2,584,643 |
| Intangible assets | 191,439 | 217,982 | 255,032 | 295,614 | 325,506 |
| Total Assets | 8,920,282 | 6,214,082 | 4,419,904 | 3,735,418 | 3,428,839 |
| [Current liabilities] | 1,580,281 | 2,044,005 | 1,117,066 | 904,952 | 1,204,805 |
| [Non-current liabilities] | 1,641,041 | 1,276,045 | 1,436,775 | 1,251,713 | 263,834 |
| Total Liabilities | 3,221,322 | 3,320,050 | 2,553,841 | 2,156,665 | 1,468,639 |
| [Capital Stock] | 1,626,579 | 1,450,000 | 1,450,000 | 1,450,000 | 1,450,000 |
| [Capital surplus] | 1,014,270 | | | | |
| Capital reserve | 1,014,270 | | | | |
| Asset revaluation reserve | | | | | |
| [Retained earnings] | 3,056,253 | 1,436,229 | 417,129 | 128,337 | 509,940 |
| [Capital adjustment] | 1,858 | 7,803 | Δ 1,066 | 416 | 260 |
| Total Shareholder s equity | 5,698,960 | 2,894,032 | 1,866,063 | 1,578,753 | 1,960,200 |
| Sales | 6,229,064 | 6,031,261 | 3,518,289 | 2,386,617 | 2,389,712 |
| Operating income | 1,707,259 | 1,113,793 | 273,881 | Δ 303,646 | 674,158 |
| Ordinary income | 1,663,477 | 1,009,731 | 293,249 | Δ 420,342 | 496,129 |
| Net income | 1,620,024 | 1,019,100 | 288,792 | Δ 381,603 | 494,768 |

Δ is minus.

(Based on Non-consolidated, Korean GAAP)

Table of Contents

B. R&D Expense

(1) Summary

(Unit: In millions of won)

| | | 2004 | | | Remarks |
|------------|--|-----------------|---------|---------|---------|
| Account | | (from Q1 to Q3) | 2003 | 2002 | |
| | Direct Material Cost | 145,549 | 141,614 | 77,051 | |
| | Direct Labor Cost | 13,210 | 14,421 | 10,480 | |
| | Depreciation Expense | 5,819 | 6,165 | 8,722 | |
| | Others | 10,011 | 9,186 | 5,525 | |
| | R&D Expense Total | 174,589 | 171,386 | 101,778 | |
| Accounting | Selling & Admin. | 29,040 | 29,812 | 24,772 | |
| Expense | Manufacturing Cost | | | | |
| allocation | R&D Expense / Sales ratio | 145,549 | 141,574 | 77,006 | |
| | [Total R&D Expense÷Sales for the period×100] | 2.80% | 2.84% | 2.89% | |

1) Design department expense was excluded in 2002

2) Royalty was not included

(2) R&D achievements

Application Model: Completed LH180Q01(first small-size transfective model) and 16 other models

NBPC Model: Completed LP171W02(Prism LGP applied model) and 30 other models

MNT Model: Completed LM201W01(for Apple) and 54 other models

TV Model: Completed LC260W01(for Matsushita) and 47 other models

C. Domestic Credit Rating

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| <u>Rating Date</u> | <u>Subject</u> | <u>Rating</u> | <u>Rating Agency</u> <u>(Rating range)</u> |
|--------------------|-------------------------|---------------|---|
| 2004.05.04 | Corporate Debenture | AA- | National Information & Credit Evaluation, Inc. (AAA ~ D) |
| 2004.05.03 | Commercial Paper | A1 | Korea Investors Service, Inc. (A1 ~ D) |
| 2004.04.29 | Corporate Debenture | AA- | Korea Investors Service, Inc. (AAA ~ D) |
| 2004.04.29 | Commercial Paper | A1 | National Information & Credit Evaluation, Inc. (A1 ~ D) |

Table of Contents

D. Remuneration for directors & executive officers in 2004

| <u>Classification</u> | <u>Approved amount in Shareholders Meeting</u> | <u>Per capita Average amount</u> |
|-----------------------------------|--|--------------------------------------|
| CEO(Bon Joon Koo) | | |
| CFO(Ron H. Wirahadiraksa) | | |
| Outside Director(Bart van Halder) | 2.5 billion won per annum | 310 million won per annum |
| Outside Director(In Goo Han) | | |
| Worldwide Sales/EVP(Duke M. Koo)* | | |
| Manufacturing/EVP(Ki Seon Park)* | | |
| CTO(Budiman Sastra)* | | |
| Marketing/EVP(Bruce I. Berkoff)* | | |
| Notes | 1) Special bonus was excluded 2) *Executive officers (not BOD members) 3) LPL does not pay remuneration to non-executive director except for outside directors | |

8. Events after September 30, 2004

- 2004.10. 8.: Issued U.S. dollar denominated floating rate notes (unregistered, non-guaranteed, and unsecured)

| <u>Class of Bonds</u> | <u>Aggregate Face Value</u> | | <u>Issuance Date</u> | <u>Maturity Date</u> | <u>Coupon Rate</u> | <u>Method of Principal Payment</u> |
|-------------------------|-----------------------------|-----------------------------|----------------------|----------------------|--------------------|--|
| | <u>USD (in million)</u> | <u>KRW (in million)</u> | | | | |
| The 3 rd FRN | US\$ 200 | (Won) 230,360 | 2004.10.08 | 2007.10.08 | 3M Libor + 0.6% | Bullet payment |

Table of Contents

LG.Philips LCD Co., Ltd.

Interim Non-Consolidated Financial Statements

September 30, 2004 and 2003

Table of Contents

LG.Philips LCD Co., Ltd.

Index

September 30, 2004 and 2003, and December 31, 2003

| | <u>Page(s)</u> |
|---|-----------------------|
| <u>Report of Independent Accountants</u> | 1 - 2 |
| Non-consolidated Financial Statements | |
| <u>Balance Sheets</u> | 3 |
| <u>Statements of Income</u> | 4 |
| <u>Statements of Cash Flows</u> | 5 - 6 |
| <u>Notes to Non-Consolidated Financial Statements</u> | 7 - 34 |

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, 2004 and the related non-consolidated statements of income and cash flows for the three-month periods and nine-month periods ended September 30, 2004 and 2003, 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, 2003 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 12, 2004. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2003, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2003.

Table of Contents

As discussed in Note 1 and 14, 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 gross proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares (ADSs) for gross proceeds of US\$748,800 thousand. In September 2004, pursuant to underwriting agreement dated July 15, 2004, the Company sold 1,715,700 shares of common stock in the form of ADSs for gross proceeds of US\$51,471 thousand. 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.

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 knowledgeable about Korean accounting principles or review standards and their application in practice.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

October 14, 2004

This report is effective as of October 14, 2004, 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, 2004 and December 31, 2003****(Unaudited)***(in millions of Korean Won)*

| | <u>2004</u> | <u>2003</u> |
|---|------------------------|------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 3) | (Won) 1,152,519 | (Won) 449,218 |
| Available-for-sale securities | 43 | 68 |
| Trade accounts and notes receivable, net (Notes 4, 5 and 19) | 517,702 | 1,057,366 |
| Inventories (Note 6) | 513,076 | 273,491 |
| Other accounts receivable, net (Notes 4 and 5) | 1,524 | 12,016 |
| Accrued income, net (Note 4) | 2,070 | 283 |
| Advance payments, net (Note 4) | 5,197 | 3,008 |
| Prepaid expenses | 25,101 | 22,431 |
| Prepaid value added tax | 48,780 | 82,332 |
| Others (Note 13) | 32,139 | 18,116 |
| Total current assets | 2,298,151 | 1,918,329 |
| Property, plant and equipment, net (Note 7) | | |
| | 6,161,330 | 3,874,428 |
| Long-term financial instruments (Note 3) | 16 | 16 |
| Equity-method investments (Note 8) | 41,778 | 36,572 |
| Non-current guarantee deposits | 18,932 | 16,564 |
| Long-term other accounts receivable, net (Note 4) | | 166 |
| Long-term prepaid expenses | 49,227 | 35,063 |
| Deferred income tax assets (Note 17) | 159,409 | 114,962 |
| Intangible assets (Note 9) | 191,439 | 217,982 |
| Total assets | (Won) 8,920,282 | (Won) 6,214,082 |
| Liabilities and Shareholders Equity | | |
| Current liabilities | | |
| Short-term borrowing (Note 10) | (Won) | (Won) 62 |
| Trade accounts and notes payable (Notes 5 and 19) | 415,798 | 380,113 |
| Other accounts payable (Note 5 and 19) | 970,150 | 1,014,745 |
| Advances received | 1,534 | 3,909 |
| Withholdings | 3,438 | 3,991 |
| Accrued expenses (Note 5) | 78,359 | 105,567 |
| Income tax payable (Note 17) | 77,692 | 39,553 |
| Current maturities of long-term debt (Note 10) | | 465,623 |
| Others (Note 13) | 33,310 | 30,442 |
| Total current liabilities | 1,580,281 | 2,044,005 |
| Debtures, net of current maturities and discounts on debtures (Note 11) | | |
| | 1,439,853 | 1,154,586 |
| Long-term debts, net of current maturities (Note 11) | 158,145 | 100,501 |
| Accrued severance benefits, net (Note 12) | 43,043 | 20,958 |

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| | | |
|--|-----------------|-----------------|
| Total liabilities | 3,221,322 | 3,320,050 |
| Commitments and contingencies (Note 13) | | |
| Shareholders' equity | | |
| Capital stock (Note 14) | | |
| Common stock, (Won)5,000 par value per share; 400 million shares authorized; 325 million and 290 million shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively | 1,626,579 | 1,450,000 |
| Capital surplus (Note 14) | 1,014,270 | |
| Retained earnings (Note 15) | 3,056,253 | 1,436,229 |
| Capital adjustments (Note 16) | 1,858 | 7,803 |
| Total shareholders' equity | 5,698,960 | 2,894,032 |
| Total liabilities and shareholders' equity | (Won) 8,920,282 | (Won) 6,214,082 |

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 Income****Three-Month and Nine-Month Periods Ended September 30, 2004 and 2003****(Unaudited)**

| | For the three-month | | For the nine-month | |
|---|---------------------|-----------------|--------------------|-----------------|
| | periods ended | | periods ended | |
| | September 30, | | September 30, | |
| <i>(in millions of Korean Won, except per share amounts)</i> | 2004 | 2003 | 2004 | 2003 |
| Sales (Notes 19 and 20) | (Won) 1,836,181 | (Won) 1,668,590 | (Won) 6,229,064 | (Won) 3,940,584 |
| Cost of sales (Note 19) | 1,542,111 | 1,240,412 | 4,355,386 | 3,280,271 |
| Gross profit | 294,070 | 428,178 | 1,873,678 | 660,313 |
| Selling and administrative expenses | 50,210 | 50,431 | 166,419 | 127,002 |
| Operating income | 243,860 | 377,747 | 1,707,259 | 533,311 |
| Non-operating income | | | | |
| Interest income | 5,130 | 2,320 | 12,687 | 4,289 |
| Foreign exchange gains (Note 13) | 3,046 | 8,134 | 81,163 | 48,708 |
| Gain on foreign currency translation (Note 13) | 19,136 | 52,176 | 28,654 | 52,176 |
| Gain on valuation of investments using the equity method of accounting (Note 8) | 6,471 | | 7,590 | |
| Gain on disposal of property, plant and equipment | 912 | 57 | 2,952 | 1,100 |
| Others | 1,924 | 9,554 | 7,740 | 14,977 |
| | 36,619 | 72,241 | 140,786 | 121,250 |
| Non-operating expenses | | | | |
| Interest expenses | 10,942 | 21,452 | 35,444 | 56,421 |
| Foreign exchange losses (Note 13) | 26,110 | 7,039 | 127,445 | 48,964 |
| Loss on foreign currency translation (Note 13) | 3,474 | 45,792 | 6,444 | 45,792 |
| Loss on valuation of investments using the equity method of accounting (Note 8) | | 15,155 | | 18,149 |
| Loss on disposal of property, plant and equipment | | 979 | 20 | 1,029 |
| Loss on disposal of accounts receivable | 2,898 | 1,279 | 4,837 | 5,147 |
| Loss on disposal of available-for-sale securities | | 1 | 20 | 308 |
| Donations | 11 | 112 | 10,357 | 264 |
| Others | 1 | 3 | 1 | 5 |
| | 43,436 | 91,812 | 184,568 | 176,079 |
| Income before income taxes | 237,043 | 358,176 | 1,663,477 | 478,482 |

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| | | | | | |
|--|-------|----------|---------------|-----------------|---------------|
| Income tax expense (benefit) (Note 17) | | (53,825) | 15,119 | 43,453 | 3,337 |
| Net income | (Won) | 290,868 | (Won) 343,057 | (Won) 1,620,024 | (Won) 475,145 |
| Ordinary income per share (Note 18) | (Won) | 920 | (Won) 1,183 | (Won) 5,422 | (Won) 1,638 |
| Earnings per share (Note 18) | (Won) | 920 | (Won) 1,183 | (Won) 5,422 | (Won) 1,638 |

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, 2004 and 2003****(Unaudited)**

| <i>(in millions of Korean Won)</i> | For the three-month periods ended September 30, | | For the nine-month periods ended September 30, | |
|---|--|----------------|---|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Cash flows from operating activities | | | | |
| Net income | (Won) 290,868 | (Won) 343,057 | (Won) 1,620,024 | (Won) 475,145 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | |
| Depreciation | 305,069 | 262,086 | 839,468 | 684,273 |
| Amortization of intangible assets | 11,156 | 10,973 | 33,223 | 32,845 |
| Provision for severance benefits | 5,667 | 5,964 | 26,193 | 17,165 |
| Gain on foreign currency translation, net | (12,748) | (12,181) | (25,215) | (8,276) |
| Loss on disposal of available-for-sale securities | | 1 | 20 | 308 |
| Gain (loss) on disposal of property, plant and equipment, net | (912) | 922 | (2,932) | (71) |
| Amortization of discount on debentures | 2,737 | 2,732 | 8,747 | 7,917 |
| Gain (loss) on valuation of investments using the equity method of accounting | (6,471) | 15,155 | (7,590) | 18,149 |
| Others | 2,605 | 7,012 | 16,593 | 13,773 |
| | <u>307,103</u> | <u>292,664</u> | <u>888,507</u> | <u>766,083</u> |
| Changes in operating assets and liabilities | | | | |
| Decrease (increase) in trade accounts and notes receivable | 545,468 | (367,538) | 543,138 | (424,212) |
| (Increase) decrease in inventories | (152,964) | (14,133) | (234,241) | 63,354 |
| Decrease (increase) in other accounts receivable | 1,285 | (6,029) | 10,492 | (7,278) |
| Increase in accrued income | (1,134) | (819) | (1,787) | (814) |
| Decrease (increase) in advance payments | 1,900 | (2,363) | (2,188) | (1,942) |
| Decrease in prepaid expenses | 7,219 | 4,901 | 8,088 | 12,036 |
| Decrease (increase) in prepaid value added tax | 12,532 | (4,930) | 33,551 | (9,947) |
| Decrease (increase) in other current assets | 4,311 | 7,060 | (8,537) | 9,902 |
| Decrease in long-term other accounts receivable | | 216 | 166 | 648 |
| Increase in long-term prepaid expenses | (21,987) | (3,861) | (24,923) | (12,032) |
| Increase in deferred income tax asset | (77,343) | (3,263) | (44,447) | (15,045) |
| Increase in trade accounts and notes payable | 36,794 | 70,526 | 35,386 | 121,395 |
| Increase (decrease) in other accounts payable | 87,960 | (80,141) | 121,864 | (152,300) |
| (Decrease) increase in advances received | (637) | 225 | (2,375) | (23,788) |
| Decrease in withholdings | (1,651) | (1,672) | (553) | (4,116) |
| Increase (decrease) in accrued expenses | 15,419 | 6,485 | (26,830) | (3,467) |
| Increase in income taxes payable | 14,615 | 18,382 | 38,139 | 18,382 |
| Decrease in other current liabilities | (20,547) | (8,210) | (19,260) | (9,158) |
| Accrued severance benefits transferred from affiliated company, net | 213 | 386 | 1,021 | 620 |

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| | | | | |
|---|------------------------|----------------------|------------------------|----------------------|
| Payment of severance benefits | (3,493) | (3,272) | (7,980) | (9,288) |
| Decrease in severance insurance deposit | 1,281 | 1,318 | 2,773 | 1,181 |
| Decrease in contribution to the National Pension Fund | 35 | 44 | 78 | 170 |
| | <u>449,276</u> | <u>(386,688)</u> | <u>421,575</u> | <u>(445,699)</u> |
| Net cash provided by operating activities | <u>(Won) 1,047,247</u> | <u>(Won) 249,033</u> | <u>(Won) 2,930,106</u> | <u>(Won) 795,529</u> |

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, 2004 and 2003****(Unaudited)**

| | For the three-month | | For the nine-month | |
|---|---------------------|---------------|--------------------|----------------|
| | periods ended | | periods ended | |
| | September 30, | | September 30, | |
| (in millions of Korean Won) | 2004 | 2003 | 2004 | 2003 |
| Cash flows from investing activities | | | | |
| Acquisition of equity-method investments | (Won) | (Won) | (Won) | (Won) (21,308) |
| Acquisition of available-for-sale securities | (42) | (7) | (152) | (969) |
| Proceeds from disposal of available-for-sale securities | | 13 | 157 | 1,045 |
| Payment of long-term loans | | | | (69) |
| Payment of non-current guarantee deposits | (1,071) | (7) | (3,076) | (2,607) |
| Proceeds from non-current guarantee deposits | | 9 | 709 | 56 |
| Proceeds from disposal of property, plant and equipment | 956 | 291 | 4,151 | 2,329 |
| Acquisition of property, plant and equipment | (1,394,434) | (390,019) | (3,304,529) | (702,914) |
| Acquisition of intangible assets | | | (32) | (2,537) |
| Net cash used in investing activities | (1,394,591) | (389,720) | (3,302,772) | (726,974) |
| Cash flows from financing activities | | | | |
| Proceeds from short-term borrowings | | | | 14,491 |
| Proceeds from issuance of debentures | | | 293,282 | |
| Repayment on current portion long-term debt | (161,350) | | (467,202) | |
| Proceeds from issuance of long-term debts | | 58,700 | 59,100 | 58,700 |
| Repayment of short-term borrowings | | (20,599) | (62) | (65,075) |
| Proceeds from issuance of common stock | 1,229,133 | | 1,229,133 | |
| Payment of stock issuance cost | (38,284) | | (38,284) | |
| Net cash provided by financing activities | 1,029,499 | 38,101 | 1,075,967 | 8,116 |
| Net increase (decrease) in cash and cash equivalents | 682,155 | (102,586) | 703,301 | 76,671 |
| Cash and cash equivalents | | | | |
| Beginning of the period | 470,364 | 238,339 | 449,218 | 59,082 |
| End of the period (Note 21) | (Won) 1,152,519 | (Won) 135,753 | (Won) 1,152,519 | (Won) 135,753 |

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, 2004 and 2003 and December 31, 2003****(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 the consideration 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 gross proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares (ADSs) for gross proceeds of US\$748,800 thousand. In September 2004, pursuant the underwriting agreement dated July 15, 2004, the Company sold 1,715,700 shares of common stock in the form of ADSs for gross proceeds of US\$51,471 thousand.

As of September 30, 2004, the Company's shareholders are as follows:

| | Number of Shares | Percentage of Ownership (%) |
|---------------------------------------|-----------------------------|--|
| LG Electronics Inc. | 145,000,000 | 44.57 |
| Koninklijke Philips Electronics N. V. | 145,000,000 | 44.57 |
| Others | 35,315,700 | 10.86 |
| | 325,315,700 | 100.00 |

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

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 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 in conformity with 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.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board (KASB) 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 Board. As SKFAS No. 2 through No. 9 became applicable to the Company on January 1, 2003, it adopted these statements in its financial statements for the year ended December 31, 2003.

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Further, as SKFAS No. 10 and SKFAS Nos. 12 and 13 became applicable to the Company on January 1, 2004, it adopted these Standards in its financial statements for the nine-month period ended September 30, 2004.

As a result of these changes, cost of sales and none-operating expense for the nine-month period ended September 30, 2004 have increased and decreased by (Won)95,440 million, compared to those which would have been reported under the previous accounting principles. These changes had no effect on ordinary income or net income.

Cash and Cash Equivalents

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

Revenue Recognition

Sales of manufactured products are recognized when significant risks and rewards of ownership of the goods are transferred to the buyer.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the receivables.

Inventories

The Company accounts for inventories under the provision of Statement of Korean Financial Accounting Standards No. 10, *Inventories*.

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for materials in-transit, which are stated at actual cost using the specific identification method. If the net realizable value of inventory is less than its cost, the carrying amount is reduced to the net realizable value. Any inventory valuation loss are added to the cost of sales and presented as a contra inventory account.

Investments in Affiliates and Other Investments

The Company accounts for equity and debt securities under the provision of Statement of Korean Financial Accounting Standards No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be divided into one of three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or

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premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at the reasonable interest rate determined considering the credit ratings provided by the independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the income statement when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities for the amortization of discounts or premiums.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

Investments in equity securities of companies, over which the Company exercises significant control or influence (controlled investees), are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share in the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over 20 years using the straight-line method.

Unrealized profit arising from sales by the Company to equity-method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity-method investees to the Company or sales between equity-method investees is also eliminated.

Foreign currency financial statements of equity method investees are translated into Korean Won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustment account, a component of shareholders' equity.

Property, Plant and Equipment

The cost of property, plant and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the premises and equipment for use, and the discounted estimated costs to remove, dismantle or restore property, plant and equipment at the end of the estimated useful lives of the related assets when those costs meet the conditions for the recognition of liabilities.

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as described below:

| | <u>Estimated useful lives</u> |
|-----------|-------------------------------|
| Buildings | 20 - 40 years |

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| | | |
|-------------------------------|----|----------|
| Structures | 20 | 40 years |
| Machinery and equipment | | 4 years |
| Vehicles | | 4 years |
| Tools, furniture and fixtures | | 4 years |

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, which enhance the value of the assets over their recently appraised value, are capitalized.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Intangible Assets

Intangible assets, comprising industrial property rights, rights to use electricity and gas supply facilities, rights to use the industrial water facility, and software costs, are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from four to ten years. Research and development costs are charged to current operations when incurred, and are included in operating expenses.

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the asset, net of accumulated amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Discounts on Debentures

Discounts on debentures are amortized over the repayment period of the debentures using the effective interest rate method. Amortization is included in interest expense.

Foreign Currency Translation

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Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the basic rates in effect at the balance sheet dates ((Won)1,152.7:US\$1 as of September 30, 2004; (Won)1,194.3:US\$1 as of December 31, 2003), and the resulting translation gains and losses are recognized in current operations.

Warranty Reserve

The Company provides a warranty relating to product defects for a specified period of time after sale. Estimated costs of product warranties are charged to cost at the time of sale and are included in the accompanying balance sheet as a warranty reserve.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

Accrued Severance Benefits

Employees and directors with one year or more of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has made deposits to the National Pension Fund in accordance with the National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of this deposit.

Accrued severance benefits are funded through a group severance insurance plan and are presented as a deduction from accrued severance benefits.

Sales or Discount of Accounts Receivable

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

Derivatives

The Company enters into derivative transactions to hedge against financial risks. Derivatives are classified into: cash flow hedges, hedges for fluctuations in fair market value caused by the changes in foreign exchange rates, and those acquired for profit. In case of cash flow hedges, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet. In the case of hedging for fluctuations in fair market value, unrealized holding gains and losses are recorded in the income statement. If the contract expires, the gains and losses from derivative transactions are presented in the income statement in case of hedges for fluctuations in fair market value and are offset against sales in case of cash flow hedging.

Income Taxes

The Company recognizes deferred income tax assets and liabilities, which represent temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are computed on such temporary differences, including available net operating loss carry-forwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred income tax assets are recognized when it is almost certain that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense computed under applicable tax regulations, and the changes in the balances of deferred income tax assets and liabilities during the period.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements**September 30, 2004 and 2003 and December 31, 2003****(Unaudited)**

Investment tax credits are accounted for by the flow-through method, whereby income taxes are reduced in the period the assets giving rise to such credits, are placed in service. To the extent such credits are not currently utilized, deferred income tax assets, subject to considerations on their recognition, are recognized for the carry-forward amount.

3. Cash and Cash Equivalents and Financial Instruments

Cash and cash equivalents and financial instruments as of September 30, 2004 and December 31, 2003 consist of the following:

| <i>(in millions)</i> | Annual interest | | | |
|---|--------------------|-----|------------------------|----------------------|
| | rate (%) as of | | | |
| | September 30, 2004 | | 2004 | 2003 |
| <u>Cash and cash equivalents</u> | | | | |
| Cash on hand | | | (Won) 7 | (Won) 3 |
| Checking accounts | | | 60 | 20 |
| Time deposits | 2.8 | 3.8 | 452,164 | 376,423 |
| Passbook accounts in foreign currency | 1.0 | 1.6 | 700,288 | 72,772 |
| | | | US\$ (605) | US\$ (60) |
| | | | JP¥ (230) | JP¥ (63) |
| | | | <u>1,152,519</u> | <u>449,218</u> |
| <u>Long-term financial instruments</u> | | | | |
| Guarantee deposit for checking accounts | 0.1 | 0.5 | 16 | 16 |
| | | | <u>(Won) 1,152,535</u> | <u>(Won) 449,234</u> |

As of September 30, 2004 and December 31, 2003, long-term financial instruments represent key money deposits required to maintain checking accounts and, accordingly, the withdrawal of such deposits is restricted.

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)****4. Receivables**

The Company's receivables, including trade accounts and notes receivable, as of September 30, 2004 and December 31, 2003, consist of the following:

| 2004 | | | | |
|-------------------------------------|------------------------|--|-----------------------------------|------------------------|
| <i>(in millions of Korean Won)</i> | Gross amount | Allowance for doubtful accounts | Discounts on present value | Carrying value |
| Trade accounts and notes receivable | (Won) 518,164 | (Won) 462 | (Won) 12 | (Won) 517,702 |
| Other accounts receivable | 1,804 | 268 | 12 | 1,524 |
| Accrued income | 2,091 | 21 | | 2,070 |
| Advance payments | 5,249 | 52 | | 5,197 |
| | (Won) 527,308 | (Won) 803 | (Won) 12 | (Won) 526,493 |
| 2003 | | | | |
| <i>(in millions of Korean Won)</i> | Gross amount | Allowance for doubtful accounts | Discounts on present value | Carrying value |
| Trade accounts and notes receivable | (Won) 1,061,336 | (Won) 3,970 | (Won) 74 | (Won) 1,057,366 |
| Other accounts receivable | 12,473 | 383 | 74 | 12,016 |
| Accrued income | 286 | 3 | | 283 |
| Advance payments | 3,038 | 30 | | 3,008 |
| Long-term other accounts receivable | 170 | 2 | 2 | 166 |
| | (Won) 1,077,303 | (Won) 4,388 | (Won) 76 | (Won) 1,072,839 |

As of September 30, 2004 and December 31, 2003, trade bills negotiated through banks but which have not yet matured, amounted to approximately (Won)527,281 million and (Won)117,991 million, respectively.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

5. Assets and Liabilities Denominated in Foreign Currencies

As of September 30, 2004 and December 31, 2003, monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the notes to financial statements, are as follows:

| <i>(in millions)</i> | 2004 | | 2003 | |
|-------------------------------------|--------------------------|---------------------------------|--------------------------|---------------------------------|
| | Korean Won Equivalent | Foreign Currency | Korean Won Equivalent | Foreign Currency |
| Trade accounts and notes receivable | (Won) 480,506 | US\$ 312 JP¥ 1,442 EUR 74 | (Won) 1,037,591 | US\$ 770 JP¥ 5,443 EUR 39 |
| Other accounts receivable | 567 | US\$ 1 JP¥ 15 | 5,332 | US\$ 4 JP¥ 51 |
| Trade accounts and notes payable | 160,742 | US\$ 51 JP¥ 9,778 | 187,091 | US\$ 43 JP¥ 12,247 |
| Other accounts payable | 120,348 | US\$ 21 JP¥ 8,862 EUR 3 | 89,521 | US\$ 12 JP¥ 6,728 EUR 1 |
| Accrued expenses | 9,929 | US\$ 9 | 18,521 | US\$ 16 |

6. Inventories

Inventories as of September 30, 2004 and December 31, 2003 consist of the following:

| <i>(in millions of Korean Won)</i> | 2004 | 2003 |
|------------------------------------|---------------|---------------|
| Finished products | (Won) 244,960 | (Won) 82,995 |
| Work-in-process | 108,464 | 77,454 |
| Raw materials | 113,644 | 82,975 |
| Supplies | 46,008 | 30,067 |
| | (Won) 513,076 | (Won) 273,491 |

As of September 30, 2004 and December 31, 2003, inventories, and property, plant and equipment are insured against fire and other casualty losses up to (Won)19,523,306 million and (Won)16,194,946 million, respectively.

Losses on valuation of inventories, of which cost is below net realizable value, for the nine-month periods ended September 30, 2004 and 2003 amounted to (Won)85,521 million and (Won)16,961 million, respectively.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

7. Property, Plant and Equipment

Changes in property, plant and equipment for the nine-month periods ended September 30, 2004 and 2003 are as follows:

| <i>(in millions of Korean Won)</i> | 2004 | | | | | |
|------------------------------------|---------------|---------------|---------------|-------------------------|--------------|------------------------|
| | Land | Buildings | Structures | Machinery and equipment | Tools | Furniture and fixtures |
| Balance as of January 1, 2004 | (Won) 88,669 | (Won) 501,119 | (Won) 119,013 | (Won) 2,056,822 | (Won) 17,751 | (Won) 70,708 |
| Acquisition during the period | | 5,188 | 206 | 9,838 | 2,055 | 25,295 |
| Capitalized interest | 55 | 2,773 | | 14,904 | | |
| Depreciation | | (22,983) | (4,272) | (771,424) | (7,268) | (32,573) |
| Disposal | | (88) | | (1,111) | | (19) |
| Transfer | 224,949 | 321,163 | (345) | 1,832,937 | 6,207 | 16,478 |
| Balance as of September 30, 2004 | (Won) 313,673 | (Won) 807,172 | (Won) 114,602 | (Won) 3,141,966 | (Won) 18,745 | (Won) 79,889 |
| Accumulated depreciation | (Won) | (Won) 113,295 | (Won) 18,379 | (Won) 3,933,747 | (Won) 40,750 | (Won) 127,346 |

| | 2004 | | | | |
|----------------------------------|-------------|-------------|----------------------|--------------------------|-----------------|
| | Vehicles | Trees | Machinery-in-transit | Construction-in-progress | Total |
| Balance as of January 1, 2004 | (Won) 2,587 | (Won) 1,529 | (Won) 28,521 | (Won) 987,709 | (Won) 3,874,428 |
| Acquisition during the period | 1,788 | | 1,160,482 | 1,908,767 | 3,113,619 |
| Capitalized interest | | | 3,864 | 4,382 | 25,978 |
| Depreciation | (948) | | | | (839,468) |
| Disposal | | | | | (1,218) |
| Transfer | 16 | | (426,109) | (1,987,305) | (12,009) |
| Balance as of September 30, 2004 | (Won) 3,443 | (Won) 1,529 | (Won) 766,758 | (Won) 913,553 | (Won) 6,161,330 |

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| | | | | | |
|--------------------------|-------------|-------|-------|-------|-----------------|
| Accumulated depreciation | (Won) 3,204 | (Won) | (Won) | (Won) | (Won) 4,236,721 |
|--------------------------|-------------|-------|-------|-------|-----------------|

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

| <i>(in millions of Korean Won)</i> | 2003 | | | | | |
|------------------------------------|--------------|---------------|---------------|----------------------------|--------------|---------------------------|
| | Land | Buildings | Structures | Machinery and equipment | Tools | Furniture and fixtures |
| Balance as of January 1, 2003 | (Won) 81,451 | (Won) 484,731 | (Won) 99,462 | (Won) 1,539,593 | (Won) 18,479 | (Won) 59,260 |
| Acquisition during the period | 92 | 746 | | 2,956 | 1,469 | 13,924 |
| Capitalized interest | | 1 | | 4,487 | | |
| Depreciation | | (18,728) | (4,146) | (628,561) | (6,334) | (25,890) |
| Disposal | | | | (871) | (355) | (43) |
| Transfer | 6,391 | 34,726 | 18,079 | 1,325,930 | 3,381 | 20,351 |
| Balance as of September 30, 2003 | (Won) 87,934 | (Won) 501,476 | (Won) 113,395 | (Won) 2,243,534 | (Won) 16,640 | (Won) 67,602 |
| Accumulated depreciation | (Won) | (Won) 84,347 | (Won) 12,106 | (Won) 2,970,153 | (Won) 31,650 | (Won) 87,079 |

| | 2003 | | | | |
|----------------------------------|-------------|-------------|--------------------------|------------------------------|-----------------|
| | Vehicles | Trees | Machinery- in-transit | Construction- in-progress | Total |
| Balance as of January 1, 2003 | (Won) 1,884 | (Won) 1,505 | (Won) 393,321 | (Won) 531,198 | (Won) 3,210,884 |
| Acquisition during the period | 370 | | 285,267 | 621,146 | 925,970 |
| Capitalized interest | | | 9 | 875 | 5,372 |
| Depreciation | (614) | | | | (684,273) |
| Disposal | | | | | (1,269) |
| Transfer | | 24 | (672,285) | (736,597) | |
| Balance as of September 30, 2003 | (Won) 1,640 | (Won) 1,529 | (Won) 6,312 | (Won) 416,622 | (Won) 3,456,684 |
| Accumulated depreciation | (Won) 2,209 | (Won) | (Won) | (Won) | (Won) 3,187,544 |

As of September 30, 2004 and December 31, 2003, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)114,802 million and (Won)76,476 million, respectively.

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The Company capitalizes the loss (gain) on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing the facilities and equipment. The total of both the capitalized loss on foreign currency rate changes and interest expenses for the nine-month periods ended September 30, 2004 and 2003 were (Won)25,978 million and (Won)5,372 million, respectively.

As of September 30, 2004 and 2003, net gain on foreign currency translation arising from foreign currency borrowings, which were deducted from capitalized interest expenses, were (Won)5,918 million and (Won)1,972 million, respectively.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

For the nine-month period ended September 30, 2004, the effects of capitalized interest expense on significant accounts in the balance sheet and statement of income as follows:

Balance sheet

| <i>(in millions of Korean Won)</i> | If interest expense is capitalized | | If interest expense is expensed as incurred | | Difference | |
|--|---------------------------------------|-----------------------------|--|-----------------------------|---------------------|-----------------------------|
| | Acquisition cost | Accumulated Depreciation | Acquisition cost | Accumulated Depreciation | Acquisition cost | Accumulated Depreciation |
| | Property, plant and equipment | (Won) 10,398,051 | (Won) 4,236,721 | (Won) 10,372,073 | (Won) 4,236,063 | (Won) 25,978 |

Statement of income

| <i>(in millions of Korean Won)</i> | If interest expense is capitalized | | If interest expense is expensed as incurred | | Difference | |
|------------------------------------|---------------------------------------|-----------|--|-----------|------------|----------|
| Depreciation | (Won) | 839,468 | (Won) | 838,810 | (Won) | 658 |
| Interest expense | | 35,444 | | 67,340 | | (31,896) |
| Foreign currency translation gain | | 28,654 | | 34,572 | | 5,918 |
| Net income | | 1,620,024 | | 1,594,704 | | (25,320) |

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements**

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

8. Equity-method Investments

Equity-method investments as of September 30, 2004 and December 31, 2003, consist of the following:

| 2004 | | | | | |
|------------------------------------|--|--------------------------------|---------------------|------------------------------|---------------------|
| <i>(in millions of Korean Won)</i> | No. of shares owned by the Company | Percentage of Ownership (%) | Acquisition cost | Market or net asset value | Carrying value |
| LG.Philips LCD, America | 5,000,000 | 100.0 | (Won) 6,082 | (Won) 9,995 | (Won) 9,995 |
| LG.Philips LCD, Germany | 960,000 | 100.0 | 1,252 | | |
| LG.Philips LCD, Japan | 1,900 | 100.0 | 1,088 | 4,240 | 4,240 |
| LG.Philips LCD, Taiwan | 11,549,994 | 100.0 | 6,076 | 10,284 | 10,284 |
| LG.Philips LCD, Nanjing | (*) | 100.0 | 36,987 | 9,028 | 9,028 |
| LG.Philips LCD, Hong Kong | 115,000 | 100.0 | 1,736 | 2,963 | 2,963 |
| LG.Philips LCD, Shanghai | (*) | 100.0 | 596 | 5,268 | 5,268 |
| | | | <u>(Won) 53,817</u> | <u>(Won) 41,778</u> | <u>(Won) 41,778</u> |
| 2003 | | | | | |
| <i>(in millions of Korean Won)</i> | No. of shares owned by the Company | Percentage of Ownership (%) | Acquisition cost | Market or net asset value | Carrying value |
| LG.Philips LCD, America | 5,000,000 | 100.0 | (Won) 6,082 | (Won) 6,840 | (Won) 6,840 |
| LG.Philips LCD, Germany | 960,000 | 100.0 | 1,252 | 568 | 568 |
| LG.Philips LCD, Japan | 1,900 | 100.0 | 1,088 | 1,788 | 1,788 |
| LG.Philips LCD, Taiwan | 11,549,994 | 100.0 | 6,076 | 5,861 | 5,861 |
| LG.Philips LCD, Nanjing | (*) | 100.0 | 36,987 | 21,515 | 21,515 |
| LG.Philips LCD, Hong Kong | 115,000 | 100.0 | 1,736 | | |
| LG.Philips LCD, Shanghai | (*) | 100.0 | 596 | | |
| | | | <u>(Won) 53,817</u> | <u>(Won) 36,572</u> | <u>(Won) 36,572</u> |

(*) No shares are issued according to the local laws and regulation.

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)**

The details of the equity method valuation for the nine-month periods ended September 30, 2004 and 2003 are as follows:

| | | 2004 | | | | | Balance as of |
|------------------------------------|--------------|------------------------|--------------------------|--------------------------|-------------------|-------------------|----------------------|
| <i>(in millions of Korean Won)</i> | | Balance as of | Acquisitions | Gain (loss) on | Retained | Capital | September 30, |
| | | January 1, 2004 | during the period | valuation of | earnings | adjustment | 2004 |
| | | Balance as of | Acquisitions | investments using | adjustment | Capital | September 30, |
| | | January 1, 2004 | during the period | equity method | adjustment | adjustment | 2004 |
| LG.Philips LCD, America | (Won) 6,840 | (Won) | (Won) | 3,493 | (Won) | (Won) (338) | (Won) 9,995 |
| LG.Philips LCD, Germany | 568 | | | (424) | | (144) | |
| LG.Philips LCD, Japan | 1,788 | | | 2,631 | | (179) | 4,240 |
| LG.Philips LCD, Taiwan | 5,861 | | | 4,807 | | (384) | 10,284 |
| LG.Philips LCD, Nanjing | 21,515 | | | (11,309) | | (1,178) | 9,028 |
| LG.Philips LCD, Hongkong | | | | 3,057 | | (94) | 2,963 |
| LG.Philips LCD, Shanghai | | | | 5,335 | | (67) | 5,268 |
| | (Won) 36,572 | (Won) | (Won) | 7,590 | (Won) | (Won) (2,384) | (Won) 41,778 |
| | | | | | | | |
| | | 2003 | | | | | Balance as of |
| <i>(in millions of Korean Won)</i> | | Balance as of | Acquisitions | Loss on | Retained | Capital | September 30, |
| | | January 1, | during the | valuation | earnings | adjustment | 2003 |
| | | 2003 | period | of investments | adjustment | adjustment | 2003 |
| | | Balance as of | during the | using equity | adjustment | adjustment | September 30, |
| | | January 1, | period | method | adjustment | adjustment | 2003 |
| LG.Philips LCD, America | (Won) 8,590 | (Won) | (Won) | (721) | (Won) | (Won) 48 | (Won) 7,917 |
| LG.Philips LCD, Germany | 1,368 | | | (1,520) | | 152 | |
| LG.Philips LCD, Japan | 2,188 | | | (1,916) | | (7) | 265 |
| LG.Philips LCD, Taiwan | 6,530 | | | (1,376) | | 43 | 5,197 |
| LG.Philips LCD, Nanjing | 17,817 | | 18,976 | (10,338) | | 266 | 26,721 |
| LG.Philips LCD, Hongkong | | | 1,736 | (1,759) | | 23 | |
| LG.Philips LCD, Shanghai | | | 596 | (519) | | | 77 |
| | (Won) 36,493 | (Won) | 21,308 | (Won) (18,149) | (Won) | (Won) 525 | (Won) 40,177 |
| | | | | | | | |

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

As of September 30, 2004 and 2003, elimination of unrealized gains or losses in the valuation of investments using the equity method is as follows:

| <i>(in millions of Korean Won)</i> | 2004 | | | 2003 | | |
|------------------------------------|-------------|-------------------------------------|-------------|----------------|-------------------------------------|----------------|
| | Inventories | Property, plant and equipment | Total | Inventories | Property, plant and equipment | Total |
| LG.Philips LCD, America | (Won) (474) | (Won) | (Won) (474) | (Won) (848) | (Won) | (Won) (848) |
| LG.Philips LCD, Germany | 4,342 | | 4,342 | (3,233) | | (3,233) |
| LG.Philips LCD, Japan | 201 | | 201 | (1,556) | | (1,556) |
| LG.Philips LCD, Taiwan | (1,060) | | (1,060) | (3,049) | | (3,049) |
| LG.Philips LCD, Nanjing | 3,041 | (2,779) | 262 | (3,948) | | (3,948) |
| LG.Philips LCD, Hongkong | (474) | | (474) | (5,845) | | (5,845) |
| LG.Philips LCD, Shanghai | 838 | | 838 | (875) | | (875) |
| | (Won) 6,414 | (Won) (2,779) | (Won) 3,635 | (Won) (19,354) | (Won) | (Won) (19,354) |

9. Intangible Assets

Changes in intangible assets for the nine-month periods ended September 30, 2004 and 2003 are as follows:

| <i>(in millions of Korean Won)</i> | 2004 | | | | |
|------------------------------------|---------------------------------|--|---|----------|-------|
| | Intellectual property rights | Rights for usage of electricity and gas supply facilities | Rights to industrial water facilities | Software | Total |

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| | | | | | |
|----------------------------------|---------------|-----------|--------------|-------------|---------------|
| Balance as of January 1, 2004 | (Won) 209,922 | (Won) 127 | (Won) 4,287 | (Won) 3,646 | (Won) 217,982 |
| Acquisition during the period | | 155 | 6,461 | 64 | 6,680 |
| Amortization | (30,818) | (15) | (547) | (1,843) | (33,223) |
| Balance as of September 30, 2004 | (Won) 179,104 | (Won) 267 | (Won) 10,201 | (Won) 1,867 | (Won) 191,439 |
| Accumulated amortization | (Won) 232,949 | (Won) 49 | (Won) 2,104 | (Won) 7,846 | (Won) 242,948 |

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

| <i>(in millions of Korean Won)</i> | 2003 | | | | |
|------------------------------------|------------------------------|---|---------------------------------------|-------------|---------------|
| | Intellectual property rights | Rights for usage of electricity and gas supply facilities | Rights to industrial water facilities | Software | Total |
| Balance as of January 1, 2003 | (Won) 246,054 | (Won) 126 | (Won) 2,775 | (Won) 6,076 | (Won) 255,031 |
| Acquisition during the period | 982 | 17 | 1,538 | | 2,537 |
| Amortization | (30,657) | (12) | (353) | (1,823) | (32,845) |
| Balance as of September 30, 2003 | (Won) 216,379 | (Won) 131 | (Won) 3,960 | (Won) 4,253 | (Won) 224,723 |
| Accumulated amortization | (Won) 162,200 | (Won) 35 | (Won) 2,601 | (Won) 3,572 | (Won) 168,408 |

The Company has classified the amortization as part of manufacturing overhead costs. Amortizations for the nine-month periods ended September 30, 2004 and 2003 amounted to (Won)33,223 million and (Won)32,845 million, respectively.

The details of intellectual property rights as of September 30, 2004 and December 31, 2003 are as follows:

| <i>(in millions of Korean Won)</i> | Description | Remaining | | |
|------------------------------------|-------------------------------------|---------------|---------------|---------|
| | | 2004 | 2003 | Period |
| Intellectual property rights | Patent relating to TFT-LCD business | (Won) 179,104 | (Won) 209,922 | 5 years |

The Company expensed research and development costs of (Won)174,589 million and (Won)109,043 million for the nine-month periods ended September 30, 2004 and 2003, respectively.

For the nine-month periods ended September 30, 2004 and 2003, the significant expenses, which are expected to have probable future economic benefits but expensed in the period they are incurred due to the uncertainty in the realization of such benefits, are as follows:

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(in millions of Korean Won)

| | <u>2004</u> | <u>2003</u> |
|---------------------------------------|---------------------|---------------------|
| Training expenses | (Won) 9,495 | (Won) 5,781 |
| Advertising expenses | 3,873 | 1,077 |
| Expenses for foreign market expansion | 4,283 | 3,382 |
| | <u>(Won) 17,651</u> | <u>(Won) 10,240</u> |

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

10. Short-Term Debts

Short-term borrowing as of September 30, 2004 and December 31, 2003 is as follows :

(in millions)

| Type of borrowing | Creditor | Annual interest rate (%) as of September 30, 2004 | 2004 | 2003 |
|-------------------|--------------|---|-------|----------|
| Usance | Chohung Bank | | (Won) | (Won) 62 |
| | | | | JP¥ (6) |
| | | | (Won) | (Won) 62 |

Current maturities of long-term debt as of September 30, 2004 and December 31, 2003 consist of the following:

| <i>(in millions)</i> | Creditor | Annual interest rates (%) as of September 30, 2004 | 2004 | 2003 |
|---|-----------------------------|--|-------|---------------|
| Long-term debt in Won currency debentures | Chohung Bank, and others | | (Won) | (Won) 300,000 |
| Long-term debt in foreign currency debentures | | | | 167,202 |
| | | | US\$ | (140) |
| Less : Discounts on debentures | | | | (1,579) |
| | | | (Won) | (Won) 465,623 |

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

11. Long-Term Debts

Long-term debts as of September 30, 2004 and December 31, 2003 consist of the following:

| <i>(in millions of Korean Won)</i> | Annual interest | | 2004 | 2003 |
|---|--------------------|-------------|------------------------|------------------------|
| | rates (%) as of | | | |
| | September 30, 2004 | | | |
| Won currency debentures : | | | | |
| Non-guaranteed, payable through 2009 | 5.0 | 6.0 | (Won) 1,050,000 | (Won) 1,050,000 |
| Less : Current maturities | | | | (300,000) |
| Discounts on debentures | | | (26,313) | (24,834) |
| | | | <u>1,023,687</u> | <u>725,166</u> |
| Foreign currency debentures : | | | | |
| Floating rate notes, payable through 2006 | 3M | Libor + 1.1 | 232,846 | 241,249 |
| Term notes, payable through 2006 | 3M | Libor +1.1 | 187,890 | 361,873 |
| Less : Current maturities | | | | (167,202) |
| Discount on debentures | | | (4,570) | (6,500) |
| | | | <u>416,166</u> | <u>429,420</u> |
| | | | <u>(Won) 1,439,853</u> | <u>(Won) 1,154,586</u> |
| Won currency loans : | | | | |
| General loans | 5.9 | 6.1 | (Won) 117,800 | (Won) 58,700 |
| Foreign currency loans : | | | | |
| General loans | 3M | Libor+1.1 | 40,345 | 41,801 |
| | | | <u>(Won) 158,145</u> | <u>(Won) 100,501</u> |

As of September 30, 2004 and December 31, 2003, U.S. dollar debentures amounted to US\$365 million and US\$505 million, respectively and U.S. dollar loans amounted to US\$ 35 million.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

The aggregate annual maturities of long-term debt outstanding as of September 30, 2004, exclusive of adjustments relating to discounts, are as follows:

(in millions of Korean Won)

| For the period ending September 30, | Won currency debentures | Won currency loans | Foreign currency debentures | Foreign currency loans | Total |
|--|-------------------------------|--------------------------|-----------------------------------|------------------------------|-----------------|
| 2006 | (Won) 200,000 | (Won) 29,416 | (Won) 210,368 | (Won) 20,172 | (Won) 459,956 |
| 2007 | | 39,267 | 210,368 | 20,173 | 269,808 |
| 2008 | 300,000 | 39,267 | | | 339,267 |
| 2009 and thereafter | 550,000 | 9,850 | | | 559,850 |
| | (Won) 1,050,000 | (Won) 117,800 | (Won) 420,736 | (Won) 40,345 | (Won) 1,628,881 |

12. Accrued Severance Benefits

Changes in accrued severance benefits for the nine-month periods ended September 30, 2004 and 2003 consist of the following:

(in millions of Korean Won)

| | 2004 | 2003 |
|--|--------------|--------------|
| Balance at the beginning of the period | (Won) 56,552 | (Won) 43,525 |
| Actual severance payments | (7,980) | (9,288) |
| Transferred from affiliated companies, net | 1,021 | 620 |
| Provision for severance benefits | 26,193 | 17,165 |
| | 75,786 | 52,022 |
| Cumulative deposits to the National Pension Fund | (735) | (788) |
| Severance insurance deposit | (32,008) | (24,894) |
| Balance at the end of the period | (Won) 43,043 | (Won) 26,340 |

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The severance benefits are funded at approximately 42.2% and 47.9% as of September 30, 2004 and 2003, respectively, through a severance insurance deposit for the payment of severance benefits, which is deducted from accrued severance benefit liabilities. The beneficiaries of the severance insurance deposit are the Company's employees.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

13. Commitments and Contingencies

As of September 30, 2004, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of September 30, 2004, the Company has a Revolving Credit Facility Agreement with Shinhan Bank and Hana Bank totaling (Won)200,000 million.

As of September 30, 2004, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US\$842 million. The Company has made agreements with several banks in relation to the opening of letters of credit amounting to US\$61 million. The related amounts of negotiated foreign currency receivables outstanding as of September 30, 2004 and December 31, 2003 amounted to (Won)527,281 million and (Won)117,991 million, respectively.

As of September 30, 2004, in relation to its TFT-LCD business, the Company has technical license agreements with Semiconductor Energy Laboratory Co., Ltd. and others.

The Company is involved in 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 TFD-LCDs. Subsequently, the Company filed a complaint against customers of Chunghwa Picture Tubes, which included 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 Chunghwa Picture Tubes' intellectual property and violation of U.S. antitrust laws. In May 2004, the Company filed a complaint against Tatung Co., parent company of Chunghwa Picture Tubes and ViewSonic Corp., claiming patent infringement on rear mountable liquid crystal display devices in United States District of Delaware and Patent County Court in the United Kingdom. And the Company filed a complaint against Chunghwa Picture Tubes in American Arbitration Association in connection with the ownership for patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

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

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)**

A summary of these contracts follows (in millions):

| <u>Contracting party</u> | <u>Selling position</u> | | <u>Buying position</u> | | <u>Contract foreign exchange rate</u> | <u>Maturity date</u> |
|--------------------------|-------------------------|-----|------------------------|-----------|--|-------------------------------------|
| HSBC and others | US\$ | 857 | (Won) | 1,004,323 | (Won)1,151.15:US\$1~ (Won)1,202.3:US\$1 | October 1, 2004 - May 11, 2005 |
| BNP Paribas and others | US\$ | 255 | JP¥ | 27,870 | JP¥103.34:US\$1~ JP¥111.52:US\$1 | October 1, 2004 - March 24, 2005 |

As of September 30, 2004, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)13,213 million and (Won)2,168 million, respectively. Total unrealized gains and losses of (Won)9,046 million and (Won)2,168 million, respectively, were charged to current operations for the nine-month period ended September 30, 2004, as these contracts did not meet the requirements for a cash flow hedge. Unrealized gains amounting to (Won)4,167 million, which were incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The hedged forecasted transactions are expected to occur on May 11, 2005 and the aggregate amount of all deferred gains recorded in capital adjustments, which is expected to be included in the determination of net income within a year from September 30, 2004, is (Won)4,167 million.

For the nine-month periods ended September 30, 2004 and 2003, the Company recorded realized exchange gains of (Won)28,545 million and (Won)17,763 million, respectively, on foreign currency forward contracts upon settlement, and for the nine-month periods ended September 30, 2004 and 2003, realized exchange losses amounted to (Won)40,487 million and (Won)8,057 million, respectively.

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

A summary of these contracts follows (in millions):

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| <u>Contracting party</u> | <u>Buying position</u> | | <u>Selling position</u> | <u>Contract foreign exchange rate</u> | <u>Maturity date</u> |
|--------------------------|------------------------|-----|-------------------------|---|-------------------------------|
| HSBC | US\$ | 210 | (Won) 247,818 | 3M Libor 3.43 3.60% | May 4, 2005 - May 11, 2005 |

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)**

As of September 30, 2004, unrealized losses of (Won)3,367 million were charged to current operations as these contracts did not meet the requirements for hedge accounting for financial statement purposes.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Company may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

14. Capital Stock

On March 19, 2004, at the Annual General Meeting, stockholders approved an increase of authorized shares from 200 million to 400 million and a stock split on a 2:1 basis effective on May 25, 2004. The number of issued common shares as of September 30, 2004 and 2003 are 325,315,700 and 290,000,000, respectively. The Company intends to use the proceeds of new shares to fund the capital expenditures associated with the construction of its seventh generation TFT LCD fabrication plant (P7) and other LCD facility in Korea.

Issuances and other movements in common stock in the nine-month periods ended September 30, 2004 and 2003 are as follows:

(in millions of Korean Won)

| Date of Issuance | Type | Par Value | Additional Paid-in Capital |
|-------------------------|--------------------------|------------------|-----------------------------------|
| January 1, 2003 | Beginning balance | (Won) 1,450,000 | (Won) |
| January 1, 2004 | Beginning balance | 1,450,000 | |
| July 22, 2004 | Issuance of common stock | 168,000 | 1,001,833 |
| September 7, 2004 | Issuance of common stock | 8,579 | 50,721 |
| | Stock issuance cost | | (38,284) |
| September 30, 2004 | | (Won) 1,626,579 | (Won) 1,014,270 |

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)****15. Retained Earnings**

Retained earnings as of September 30, 2004 and December 31, 2003 are as follows:

(in millions of Korean Won)

| | 2004 | 2003 |
|--------------------------------------|------------------------|------------------------|
| Legal reserve | (Won) 60,086 | (Won) 60,086 |
| Reserve for business rationalization | 68,251 | 68,251 |
| Unappropriated retained earnings | 2,927,916 | 1,307,892 |
| | (Won) 3,056,253 | (Won) 1,436,229 |

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company's shareholders.

Pursuant to the Tax Exemption and Reduction Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve was not available for dividends until December 11, 2002 when the related law was abolished, and this may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, through an appropriate approval by the Company's shareholders.

16. Capital Adjustments

Capital adjustments as of September 2004 and December 31, 2003 are as follows:

(in millions of Korean Won)

| | 2004 | 2003 |
|---|---------------|-------------|
| Foreign currency translation gain on the affiliates | (Won) (2,309) | (Won) 75 |
| Gain on valuation of derivative instruments | 4,167 | 7,728 |

(Won) 1,858

(Won) 7,803

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

17. Income Taxes

Income tax expense (benefit) for the nine-month periods ended September 30, 2004 and 2003 are as follows:

(in millions of Korean Won)

| | <u>2004</u> | <u>2003</u> |
|---------------------------|---------------------|--------------------|
| Current income taxes | (Won) 87,900 | (Won) 18,382 |
| Deferred income taxes | (44,447) | (15,045) |
| Income tax expense | (Won) 43,453 | (Won) 3,337 |

The income tax effect of temporary differences, including available net operating loss carry-forwards and tax credits, comprising the deferred income tax assets and liabilities as of September 30, 2004 and December 31, 2003, are as follows:

(in millions of Korean Won)

| | <u>2004</u> | <u>2003</u> |
|-------------------------------|----------------------|----------------------|
| Inventories | (Won) 4,619 | (Won) 4,538 |
| Investments | (85) | 2,900 |
| Accounts receivable | (55) | 1,892 |
| Other current assets | (21) | 702 |
| Property, plant and equipment | 23,680 | 10,934 |
| Warranty liabilities | 5,892 | 2,660 |
| Others | 220 | (1,178) |
| Tax credit carry-forward | 125,159 | 92,514 |
| | (Won) 159,409 | (Won) 114,962 |

Available tax credits as of September 30, 2004 amounted to (Won)139,066 million. Tax credits can be carried forward up to four years under the Corporate Income Tax Law in Korea.

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)**

The reconciliations from income before income taxes to income for tax purposes for the nine-month periods ended September 30, 2004 and 2003 are as follows:

(in millions of Korean Won)

| | 2004 | 2003 |
|---|------------------------|----------------------|
| Income before income taxes | (Won) 1,663,477 | (Won) 478,482 |
| Loss on valuation of inventories | 1,575 | (3,311) |
| Investment | (32,260) | 28,705 |
| Allowance for doubtful accounts | | 9,877 |
| Translation on adjustment debit or credit | (2,515) | 1,425 |
| Depreciation | 41,598 | 21,469 |
| Other current assets | 1,548 | 18,558 |
| Cost of sales | 2,174 | 18,574 |
| Others | | (163,773) |
| Taxable income | (Won) 1,675,597 | (Won) 410,006 |

The statutory income tax rate, including resident tax surcharges, applicable to the Company was approximately 29.7% in 2004 and 2003, and was amended to 27.5% effective for fiscal years beginning January 1, 2005 in accordance with the Corporate Income Tax Law enacted in December 2003.

Under the Foreign Investment Promotion Act of Korea, from September 1999, the Company is entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the succeeding three years.

The effective income tax rates applicable to the Company differs from the statutory income tax rate due to temporary differences in recognizing certain income and expenses for financial reporting and income tax purposes, and the tax exemption under the Foreign Investment Promotion Act of Korea. The effective tax rates of the Company for the nine-month periods ended September 30, 2004 and 2003 are 2.61% and 0.70%, respectively.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

18. Earnings Per Share

Earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period. Ordinary income per share is computed by dividing ordinary income allocated to common stock, which is net income 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 per share for the three-month and nine-month periods ended September 30, 2004 and 2003 is calculated as follows:

| | For the three-month | | For the nine-month | |
|---|---------------------|---------------|--------------------|---------------|
| | periods ended | | periods ended | |
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| <i>(in millions of Korean Won, except for per share amount)</i> | | | | |
| Net income as reported on the income statements | (Won) 290,868 | (Won) 343,057 | (Won) 1,620,024 | (Won) 475,145 |
| Weighted-average number of common shares outstanding | 316 | 290 | 299 | 290 |
| Earnings per share | (Won) 920 | (Won) 1,183 | (Won) 5,422 | (Won) 1,638 |

Earnings per share for the three-month period and nine-month period ended September 30, 2003 retroactively reflected the effect of the stock split (see Note 14).

The number of common shares outstanding for the year ended December 31, 2003 is not changed, except for retroactively reflected the effect of the stock split, and weighted-average number of common shares outstanding for the nine-month period ended September 30, 2004 is calculated as follows:

| Number of Shares | Number of Days Outstanding | Weighted Number of Shares |
|------------------|----------------------------|---------------------------|
|------------------|----------------------------|---------------------------|

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| | | | |
|---|--------------------|-----|-----------------------|
| Beginning number of common shares outstanding | 290,000,000 | 273 | 79,170,000,000 |
| Issuance of common stock for cash | 33,600,000 | 70 | 2,352,000,000 |
| Issuance of common stock for cash | 1,715,700 | 23 | 39,461,100 |
| | <u>325,315,700</u> | | <u>81,561,461,100</u> |

See Report of Independent Accountants.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****September 30, 2004 and 2003 and December 31, 2003****(Unaudited)**

Weighted average number of common shares outstanding :

81,561,461,100 shares ÷ 273 = 298,759,931 shares

Additionally, earnings per share after reflecting the effect of the stock split for the three-month periods ended June 30, 2004 and March 31, 2004 and for the year ended December 31, 2003 are as follows :

| | <u>June 30, 2004</u> | <u>March 31, 2004</u> | <u>December 31, 2003</u> |
|--------------------|----------------------|-----------------------|--------------------------|
| Earnings per share | (Won) 2,418 | (Won) 2,165 | (Won) 3,514 |

19. Transactions with Related Parties

Significant transactions which occurred in the normal course of business with related companies for the nine-month periods ended September 30, 2004 and 2003, and the related account balances outstanding as of September 30, 2004 and 2003, are summarized as follows:

(in millions of Korean Won)

| | <u>Sales (*)</u> | <u>Purchases (*)</u> | <u>Receivables</u> | <u>Payables</u> |
|--------------------------------------|------------------|----------------------|--------------------|-----------------|
| LG Electronics Inc. | (Won) 456,057 | (Won) 124,974 | (Won) 102,841 | (Won) 49,553 |
| LG Construction | | 590,932 | | 259,673 |
| LG Chem Ltd. | | 306,369 | | 29,654 |
| LG Philips LCD America, Inc. | 507,336 | | 16,553 | |
| LG Philips LCD Germany GmbH | 711,348 | | 69,481 | |
| LG Philips LCD Japan Co., Ltd. | 735,906 | | 59,380 | |
| LG Philips LCD Nanjing Co., Ltd. | 1,232,764 | 231 | 49,903 | |
| LG Philips LCD Shanghai Co., Ltd. | 604,097 | | 48,457 | |
| LG Philips LCD Hong Kong Co., Ltd. | 511,199 | | 40,841 | |
| LG Philips LCD Taiwan Co., Ltd. | 1,090,407 | 13 | 70,378 | |
| Philips | | 35,701 | 8 | 4,334 |
| LG International Japan Co., Ltd. | | 1,328,120 | | 134,080 |
| LG International America Co., Ltd. | | 158,330 | | 22,235 |
| LG International HK Co., Ltd. | 28,961 | 6 | 2,235 | |
| LG International Singapore Co., Ltd. | 51,174 | | | |

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| | | | | |
|------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| LG MRO Co., Ltd. | | 45,839 | | 19,409 |
| LG Micron Ltd. | | 65,234 | | 39,725 |
| LG CNS | | 46,953 | | 13,291 |
| Others | 32,075 | 126,016 | 28,440 | 21,439 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 2004 Total | (Won) 5,961,324 | (Won) 2,828,718 | (Won) 488,517 | (Won) 593,393 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 2003 Total | (Won) 1,589,030 | (Won) 439,905 | (Won) 763,995 | (Won) 754,764 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

(*) Includes sales and purchases of property, plant and equipment.

See Report of Independent Accountants.

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

September 30, 2004 and 2003 and December 31, 2003

(Unaudited)

20. Segment Information

The Company operates only one segment, the TFT-LCD division. Export sales represented more than 90% 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, 2004 and 2003.

(in millions of Korean Won)

| Sales | Domestic | Taiwan | Japan | America | China | Europe | Others | Total |
|-------|---------------|-----------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
| 2004 | (Won) 616,120 | (Won) 1,090,407 | (Won) 738,337 | (Won) 507,255 | (Won) 2,399,250 | (Won) 781,138 | (Won) 96,557 | (Won) 6,229,064 |
| 2003 | (Won) 680,570 | (Won) 897,172 | (Won) 581,545 | (Won) 294,287 | (Won) 918,408 | (Won) 424,047 | (Won) 144,555 | (Won) 3,940,584 |

21. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the nine-month periods ended September 30, 2004 and 2003 are as follows:

(in millions of Korean Won)

| | 2004 | 2003 |
|--|---------------|---------------|
| Other accounts payable arising from the purchase of property, plant and equipment | (Won) 717,889 | (Won) 729,847 |
| Increase in machinery and others arising from the completion of construction-in-progress | 1,987,305 | 736,597 |
| Increase in machinery arising from the receipt of machinery-in-transit | 426,109 | 672,285 |
| Increase in current portion of long-term debt | | 945,749 |

22. Subsequent Event

On October 8, 2004, the Company issued the 3rd floating rate notes amounting to US\$200 million bearing interest of 3M Libor plus 0.6% per annum. The notes will mature on October 8, 2007.

23. Reclassification of Prior Period Financial Statement Presentation

Certain amounts in the financial statements as of and for the three-month and nine-month periods ended September 30, 2003 have been reclassified to conform with the September 30, 2004 non-consolidated financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

See Report of Independent Accountants.

Table of Contents

The Company has engaged its independent registered public accounting firm to perform a review of the September 30, 2004 interim financial statements in accordance with SAS 100.

Table of Contents

| | Page(s) |
|--|----------------|
| Consolidated Financial Statements | |
| <u>Balance Sheets</u> | 2 |
| <u>Statements of Income</u> | 3 |
| <u>Statements of Changes in Stockholder s Equity</u> | 4 |
| <u>Statements of Cash Flows</u> | 5 |
| <u>Notes to Consolidated Financial Statements</u> | 6 - 9 |

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)*

| | <u>December 31, 2003</u> | <u>September 30, 2004</u> | <u>(Note 2)</u> <u>September 30, 2004</u> |
|--|--------------------------|---------------------------|--|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | (Won) 504,014 | (Won) 1,211,843 | \$ 1,051,947 |
| Accounts receivable, net | | | |
| Trade, net | 613,029 | 344,710 | 299,227 |
| Due from affiliates | 541,754 | 540,602 | 469,273 |
| Others, net | 4,984 | 5,442 | 4,724 |
| Inventories | 335,921 | 691,145 | 599,952 |
| Deferred income taxes | 11,617 | 12,197 | 10,588 |
| Prepaid expense | 23,197 | 27,834 | 24,161 |
| Prepaid value added tax | 90,085 | 52,016 | 45,153 |
| Other current assets | 21,695 | 33,276 | 28,885 |
| Total current assets | 2,146,296 | 2,919,065 | 2,533,910 |
| Long-term prepaid expenses | 35,063 | 49,364 | 42,851 |
| Property, plant and equipment, net | 3,974,315 | 6,360,059 | 5,520,885 |
| Deferred income taxes | 130,654 | 171,083 | 148,510 |
| Intangibles, net | 29,260 | 33,335 | 28,937 |
| Other assets | 27,399 | 90,652 | 78,691 |
| Total assets | (Won) 6,342,987 | (Won) 9,623,558 | \$ 8,353,784 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Current liabilities: | | | |
| Short-term borrowings | (Won) 159,189 | (Won) 632,052 | \$ 548,656 |
| Current portion of long-term debt | 466,486 | | |
| Trade accounts and notes payable | | | |
| Trade | 305,464 | 399,748 | 347,003 |
| Due to affiliates | 98,058 | 92,155 | 79,996 |
| Other accounts payable | | | |
| Others | 323,714 | 504,340 | 437,795 |
| Due to affiliates | 699,712 | 501,238 | 435,103 |
| Accrued expenses | 106,608 | 88,760 | 77,049 |
| Income taxes payables | 41,406 | 83,715 | 72,669 |
| Other current liabilities | 51,613 | 41,091 | 35,670 |
| Total current liabilities | 2,252,250 | 2,343,099 | 2,033,941 |
| Long-term debt, net of current portion | 1,318,581 | 1,657,916 | 1,439,163 |
| Accrued severance benefits, net | 20,965 | 46,249 | 40,147 |

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| | | | |
|---|-----------------|-----------------|--------------|
| Total liabilities | 3,591,796 | 4,047,264 | 3,513,251 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Capital stock | | | |
| Common stock : (Won)5,000 par value; authorized 400 million shares; issued and outstanding 290 and 325 million shares at December 31, 2003 and September 30, 2004, respectively | 1,450,000 | 1,626,579 | 1,411,961 |
| Capital Surplus | | 1,002,952 | 870,618 |
| Retained earnings | 1,297,355 | 2,945,489 | 2,556,848 |
| Accumulated other comprehensive income | 3,836 | 1,274 | 1,106 |
| Total stockholders' equity | 2,751,191 | 5,576,294 | 4,840,533 |
| Total liabilities and stockholders' equity | (Won) 6,342,987 | (Won) 9,623,558 | \$ 8,353,784 |

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

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

| | For the three month | | For the nine month | | 2004 (Note 2) |
|---|---------------------|---------------|--------------------|-----------------|------------------|
| | periods ended | | periods ended | | |
| | September 30, | | September 30, | | |
| | 2003 | 2004 | 2003 | 2004 | |
| Sales | | | | | |
| Related parties | (Won) 713,832 | (Won) 821,346 | (Won) 1,837,786 | (Won) 2,621,274 | \$ 2,275,411 |
| Others | 967,326 | 1,052,233 | 2,125,423 | 3,770,788 | 3,273,254 |
| | 1,681,158 | 1,873,579 | 3,963,209 | 6,392,062 | 5,548,665 |
| Cost of sales | 1,247,672 | 1,543,259 | 3,245,974 | 4,423,667 | 3,839,989 |
| Gross profit | 433,486 | 330,320 | 717,235 | 1,968,395 | 1,708,676 |
| Selling, general and administrative expenses | 50,065 | 65,609 | 144,428 | 222,809 | 193,411 |
| Operating income | 383,421 | 264,711 | 572,807 | 1,745,586 | 1,515,265 |
| Other income (expense) | | | | | |
| Interest income | 2,382 | 5,227 | 4,458 | 12,998 | 11,283 |
| Interest expense | (21,888) | (13,870) | (60,743) | (40,832) | (35,444) |
| Foreign exchange gain (loss), net | 39,115 | (6,002) | 40,774 | (18,047) | (15,666) |
| Others, net | 1,176 | 271 | 2,747 | 857 | 744 |
| Total other income (expense) | 20,785 | (14,374) | (12,764) | (45,024) | (39,083) |
| Income before income taxes | 404,206 | 250,337 | 560,043 | 1,700,562 | 1,476,182 |
| Provision (benefit) for income taxes | 17,048 | (47,557) | 33,442 | 52,428 | 45,510 |
| Net income | (Won) 387,158 | (Won) 297,894 | (Won) 526,601 | (Won) 1,648,134 | \$ 1,430,672 |
| Net income per common share | | | | | |
| Basic | (Won) 1,335 | (Won) 943 | (Won) 1,816 | (Won) 5,512 | \$ 4.78 |
| Diluted | (Won) 1,335 | (Won) 943 | (Won) 1,816 | (Won) 5,512 | \$ 4.78 |

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 | | Retained Earnings | Accumulated Other Comprehensive | | Total |
|--|--------------|-----------------|----------------------------|-----------------------|-------------------|---------------------------------|-----------------|-------|
| | Shares | Amount | Additional Paid-In Capital | Unearned Compensation | | Income (Loss) | | |
| Balance as of December 31, 2002 | 290,000,000 | (Won) 1,450,000 | (Won) | (Won) | (Won) 290,852 | (Won) (1,068) | (Won) 1,739,784 | |
| Comprehensive loss : | | | | | | | | |
| Net income | | | | | 526,601 | | 526,601 | |
| Cumulative translation adjustment | | | | | | (960) | (960) | |
| Total comprehensive loss | | | | | | | 525,641 | |
| Balance as of September 30, 2003 | 290,000,000 | (Won) 1,450,000 | (Won) | (Won) | (Won) 817,453 | (Won) (2,028) | (Won) 2,265,425 | |
| Balance as of December 31, 2003 | 290,000,000 | (Won) 1,450,000 | (Won) | (Won) | (Won) 1,297,355 | (Won) 3,836 | (Won) 2,751,191 | |
| Issuance of Common Stock | 35,315,700 | 176,579 | 1,014,270 | | | | 1,190,849 | |
| Unearned Compensation | | | | (11,923) | | | (11,923) | |
| Stock compensation expense | | | | 605 | | | 605 | |
| Comprehensive income : | | | | | | | | |
| Net income | | | | | 1,648,134 | | 1,648,134 | |
| Cumulative translation adjustment | | | | | | (2,388) | (2,388) | |
| Net unrealized gains on derivative, net of tax | | | | | | (174) | (174) | |
| Total comprehensive income | | | | | | | 1,645,572 | |

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| | | | | | | | |
|-------------------------------------|-------------|-----------------|-----------------|----------------|-----------------|-------------|-----------------|
| Balance as of September 30, 2004 | 325,315,700 | (Won) 1,626,579 | (Won) 1,014,270 | (Won) (11,318) | (Won) 2,945,489 | (Won) 1,274 | (Won) 5,576,294 |
|-------------------------------------|-------------|-----------------|-----------------|----------------|-----------------|-------------|-----------------|

(in thousands of US dollars) (Note 2)

| | Common Stock | | Capital Surplus | | Retained Earnings | Accumulated | Total |
|--|--------------|--------------|--------------------|-------------------------------|-------------------|-----------------------------------|--------------|
| | Shares | Amount | Additional Paid-In | Unearned Capital Compensation | | Other Comprehensive Income (Loss) | |
| Balance as of December 31, 2003 | 290,000,000 | \$ 1,258,681 | \$ | \$ | \$ 1,126,176 | \$ 3,330 | \$ 2,388,187 |
| Issuance of Common Stock | 35,315,700 | 153,280 | 880,443 | | | | 1,033,723 |
| Unearned Compensation | | | | (10,350) | | | (10,350) |
| Stock compensation expense | | | | 525 | | | 525 |
| Comprehensive income : | | | | | | | |
| Net income | | | | | 1,430,672 | | 1,430,672 |
| Cumulative translation adjustment | | | | | | (2,073) | (2,073) |
| Net unrealized gains on derivative, net of tax | | | | | | (151) | (151) |
| Total comprehensive income | | | | | | | 1,428,448 |
| Balance as of September 30, 2004 | 325,315,700 | \$ 1,411,961 | \$ 880,443 | \$ (9,825) | \$ 2,556,848 | \$ 1,106 | \$ 4,840,533 |

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, | | |
|---|---|--------------------|--------------------|
| | 2003 | 2004 | 2004 |
| | | | (Note 2) |
| Cash flows from operating activities: | | | |
| Net income | (Won) 526,601 | (Won) 1,648,134 | \$ 1,430,672 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 686,819 | 849,689 | 737,577 |
| Provision for severance benefits | 16,085 | 29,391 | 25,513 |
| Foreign exchange loss (gain), net | (1,330) | (28,993) | (25,168) |
| Amortization of intangible assets | 3,842 | 4,747 | 4,121 |
| Gain on disposal of property, plant and equipment, net | (62) | (104) | (90) |
| Amortization of debt issuance cost | 2,972 | 5,423 | 4,707 |
| Stock compensation expense | | 605 | 525 |
| Decrease (increase) in deferred income taxes assets, net | 15,430 | (41,621) | (36,129) |
| Others, net | 4,293 | (10,965) | (9,518) |
| Change in operating assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | (440,058) | 272,543 | 236,582 |
| Decrease (increase) in inventories | 43,691 | (349,880) | (303,715) |
| Decrease (increase) in other current assets | 1,853 | (50,078) | (43,470) |
| Increase in trade accounts and notes payable | 85,199 | 88,238 | 76,595 |
| (Decrease) increase in other accounts payable | (25,566) | 148,669 | 129,053 |
| Decrease in accrued expenses | (883) | (17,470) | (15,165) |
| (Decrease) increase in other current liabilities | (14,933) | 22,229 | 19,296 |
| Net cash provided by operating activities | 903,953 | 2,570,557 | 2,231,386 |
| Cash flows from investing activities: | | | |
| Purchase of property, plant and equipment | | | |
| Purchase from related parties | (690,636) | (2,254,925) | (1,957,400) |
| Purchase from others | (219,422) | (1,161,497) | (1,008,244) |
| Proceeds from sales of property, plant and equipment | 2,330 | 4,151 | 3,603 |
| Others, net | (12,911) | (2,272) | (1,972) |
| Net cash used in investing activities | (920,639) | (3,414,543) | (2,964,013) |
| Cash flows from financing activities: | | | |
| Proceeds from short-term borrowings | 8,091 | 472,863 | 410,471 |
| Proceeds from issuance of long-term debt | 112,117 | 352,391 | 305,895 |
| Repayment on long-term debt | | (467,202) | (405,557) |
| Proceeds from issuance of common stock | | 1,190,849 | 1,033,723 |

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| | | | |
|--|---------------|-----------------|--------------|
| Net cash provided by financing activities | 120,208 | 1,548,901 | 1,344,532 |
| Effect of exchange rate changes on cash and cash equivalents | 184 | 2,914 | 2,530 |
| Net increase in cash and cash equivalents | 103,706 | 707,829 | 614,435 |
| Cash and cash equivalents: | | | |
| Beginning of period | 70,306 | 504,014 | 437,512 |
| End of period | (Won) 174,012 | (Won) 1,211,843 | \$ 1,051,947 |

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, 2003 and 2004****1. Basis of presentation**

The accompanying unaudited interim consolidated financial statements of LG.Philips LCD Co., Ltd. (LPL), and its consolidated subsidiaries (hereinafter collectively referred to as the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial information and, accordingly, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2003. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

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) 1,152.0: US\$1, the US Federal Reserve Bank of New York noon buying exchange rate in effect on September 30, 2004. 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, 2003 and September 30, 2004 comprise the following:

| <i>(in millions of Korean Won)</i> | December 31, 2003 | September 30, 2004 |
|------------------------------------|------------------------------|-------------------------------|
| Finished products | (Won) 122,263 | (Won) 402,126 |
| Work in process | 88,744 | 110,119 |
| Raw materials | 124,914 | 178,900 |
| | (Won) 335,921 | (Won) 691,145 |

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2003 and 2004

4. Derivative Instruments and Hedging Activities

Derivatives for cash flow hedge

During the nine month period ended September 30, 2003, there were no derivatives designated as cash flow hedges, and during the period from October 1, 2003 to December 31, 2003, five foreign currency forward contracts were designated as cash flow hedges. For the nine month period ended September 30, 2004, all contracts of these cash flow hedges expired and realized exchange gains were recorded as an addition of sales. During the same period, the Company entered into two foreign currency forward contracts newly and designated as cash flow hedges. All cash flow hedges of the Company were fully effective and changes in the fair value of the derivatives, of (Won)4,167 million, were recorded in other comprehensive income. The deferred gains of (Won)4,167 million for derivatives designated as cash flow hedges are expected to be reclassified into earnings within the next twelve months.

Derivatives for trading

For the nine month periods ended September 30, 2003 and 2004, the Company recorded realized exchange gains of (Won)23,822 million and (Won)28,545 million and realized exchange losses of (Won)8,057 million and (Won)40,487 million, respectively, on derivative contracts designated for trading upon settlement.

In addition, for the nine month periods ended September 30, 2003 and 2004, the Company recorded unrealized gains of (Won)71,626 million and (Won)9,047 million and unrealized losses of (Won)25,853 million and (Won)5,535 million, respectively, relating to these derivative contracts designated for trading.

5. Stockholder s equity

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

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

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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. The 20% of the 20% of shares (345,600 shares) purchased by employees with loans from the Company is essentially a restricted stock award which vests over four years. Total compensation costs are accounted for unearned compensation , shown as a deduction of Capital Surplus, and it will be amortized during 4 year vesting period. During the nine month period ended September 30, 2004, the Company recorded compensation expense of (Won)605 million. The unearned compensation (Won)11,318 million are expected to be reclassified into earnings within the next forty-five months.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****September 30, 2003 and 2004****6. 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 Chunghwa Picture Tubes' intellectual property and violation of U.S. antitrust laws. In May 2004, the Company filed a complaint against Tatung Co., parent company of Chunghwa Picture Tubes and ViewSonic Corp claiming patent infringement on rear mountable liquid crystal display devices in United States District of Delaware and Patent County Court in the United Kingdom. And the Company filed a complaint against Chunghwa Picture Tubes in America Arbitration Association in connection with the proprietary for patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

7. Earnings Per Share

Earnings per share for the nine month periods ended September 30, 2003 and 2004 is calculated as follows:

(in millions of Korean Won, except for per share data)

| | <u>2003</u> | <u>2004</u> |
|--|--------------------|--------------------|
| Net income as reported on the income statements | (Won) 526,601 | (Won) 1,648,134 |
| Weighted-average number of common shares outstanding | 290 | 299 |
| Earnings per share | <u>(Won) 1,816</u> | <u>(Won) 5,512</u> |

8. Supplemental Cash Flows Information

Supplemental cash flows information for the nine month periods ended September 30, 2003 and 2004 is as follows:

(in millions of Korean Won)

| | <u>2003</u> | <u>2004</u> |
|---|---------------|---------------|
| Non-cash investing and financing activities: | | |
| Other accounts payable arising from the purchase of property, plant and equipment | (Won) 729,847 | (Won) 717,889 |

Table of Contents

LG. Philips LCD Co., Ltd.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2003 and 2004

9. Subsequent Events

On October 8, 2004, the Company issued the 3rd floating rate notes amounting to US\$ 200 million bearing interest of 3M Libor plus 0.6% per annum. The notes will mature on October 8, 2007.

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 15 , 2004

By: /s/ Ron H. Wirahadiraksa

(Signature)

Name: Ron H. Wirahadiraksa
Title: Joint Representative Director and
Chief Financial Officer