

LG.Philips LCD Co., Ltd.  
Form 6-K  
February 20, 2007  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 6-K**

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**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of February 2007**

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

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

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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

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**Submission of Audit Report**

1. Name of external auditor :Samil Accounting Corporation
2. Date of receiving audit report :February 20, 2007
3. Auditor's opinion

	<b>FY 2006</b>	<b>FY 2005</b>
Audit Report on Consolidated Financial Statements	Unqualified	Unqualified
Audit Report on Non-consolidated Financial Statements	Unqualified	Unqualified

4. Financial Highlights of Consolidated Financial Statements  
(Unit: KRW M, Korean GAAP, Consolidated)

<b>Items</b>	<b>FY 2006</b>	<b>FY 2005</b>
Total Assets	13,487,787	13,674,082
Total Liabilities	6,598,111	5,998,485
Total Shareholders' Equity	6,889,676	7,675,597
Capital Stock	1,789,079	1,789,079
Revenues	10,624,200	10,075,580
Operating Income	(-)879,038	469,697
Ordinary Income	(-)1,021,476	368,695
Net Income	(-)769,313	517,012
Total Shareholders' Equity / Capital Stock	385.1%	429.0%

5. Financial Highlights of Non-consolidated Financial Statements  
(Unit: KRW M, Korean GAAP, Non-consolidated)

<b>Items</b>	<b>FY 2006</b>	<b>FY 2005</b>
Total Assets	12,815,847	12,995,915
Total Liabilities	5,926,171	5,320,318
Total Shareholders' Equity	6,889,676	7,675,597
Capital Stock	1,789,079	1,789,079
Revenues	10,200,660	8,890,155
Operating Income	(-)945,208	447,637
Ordinary Income	(-)1,024,369	367,281
Net Income	(-)769,313	517,012
Total Shareholders' Equity / Capital Stock	385.1%	429.0%

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

**Subsidiaries**

**Consolidated Financial Statements**

**December 31, 2006 and 2005**

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

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(Yongsan P.O. Box 266, 140-600)

**Report of Independent Auditors**

To the Shareholders and Board of Directors of

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

We have audited the accompanying consolidated balance sheets of LG.Philips LCD Co., Ltd. and its subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG.Philips LCD Co., Ltd. and its subsidiaries as of December 31, 2006 and 2005, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated 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 audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

February 13, 2007

This report is effective as of February 13, 2007, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit 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. and Subsidiaries****Consolidated Balance Sheets****December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	(Won) 954,362	(Won) 1,579,452
Available-for-sale securities	23	354
Trade accounts and notes receivable, net (Notes 4, 5 and 21)	859,300	1,266,899
Inventories, net (Note 6)	1,052,705	690,785
Other accounts receivable, net (Notes 4, 5 and 21)	112,182	66,203
Accrued income, net (Note 4)	850	1,369
Advance payments, net (Note 4)	7,050	5,994
Prepaid expenses	23,536	21,603
Prepaid value added tax	93,058	131,230
Deferred income tax assets (Note 19)	677	5,373
Other current assets (Note 15)	50,884	76,806
<b>Total current assets</b>	<b>3,154,627</b>	<b>3,846,068</b>
Property, plant and equipment, net (Note 8)	9,428,046	9,199,599
Long-term financial instruments (Note 3)	13	16
Available-for-sale securities	1	1
Equity method investment (Note 7)	19,284	14,156
Non-current guarantee deposits	22,454	28,070
Long-term prepaid expenses	138,051	83,112
Deferred income tax assets (Note 19)	601,485	343,754
Intangible assets, net (Note 9)	123,826	159,306
<b>Total assets</b>	<b>(Won) 13,487,787</b>	<b>(Won) 13,674,082</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities		
Short-term borrowings (Note 10)	(Won) 250,105	(Won) 308,969
Trade accounts and notes payable (Notes 5 and 21)	949,436	693,588
Other accounts payable (Notes 5 and 21)	1,249,405	1,474,556
Advances received (Note 5)	45,785	58,431
Withholdings	25,376	12,055
Accrued expenses (Note 5)	55,867	69,968
Income tax payable (Note 19)	4,658	21,788
Current maturities of long-term debts (Note 10)	563,630	440,840
Warranty reserve	31,261	24,947
Other current liabilities (Note 15)	33,266	33,693
<b>Total current liabilities</b>	<b>3,208,789</b>	<b>3,138,835</b>
Debentures, net of current maturities and discounts on debentures (Note 11)	2,319,391	2,385,272
Long-term debts, net of current maturities (Note 11)	987,597	430,697
Accrued severance benefits, net (Note 13)	81,885	43,206
Long-term accrued expenses	430	
Deferred income tax liabilities (Note 19)	19	475
<b>Total liabilities</b>	<b>6,598,111</b>	<b>5,998,485</b>



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Commitments and contingencies (Note 15)		
Shareholders' equity		
Capital stock (Note 16)		
Common stock, (Won)5,000 par value per share; 400 million shares authorized ; 358 million shares issued and outstanding	1,789,079	1,789,079
Capital surplus (Note 17)	2,275,172	2,279,250
Retained earnings (Note 17)	2,839,373	3,608,686
Capital adjustments (Note 18)	(13,948)	(1,418)
Total shareholders' equity	6,889,676	7,675,597
Total liabilities and shareholders' equity	(Won) 13,487,787	(Won) 13,674,082

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Operations****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won, except per share amounts)</i>	<b>2006</b>	<b>2005</b>
<b>Sales (Notes 21 and 23)</b>	(Won) 10,624,200	(Won) 10,075,580
<b>Cost of sales (Note 21)</b>	10,932,316	9,094,711
Gross profit (loss)	(308,116)	980,869
<b>Selling and administrative expenses</b>	570,922	511,172
Operating income (loss)	(879,038)	469,697
<b>Non-operating income</b>		
Interest income	29,309	50,622
Rental income	7,811	207
Foreign exchange gains (Note 15)	306,132	273,790
Gain on foreign currency translation (Note 15)	62,576	68,520
Gain on disposal of property, plant and equipment	488	128
Gain on valuation of equity method investment (Note 7)	5,128	
Others	32,799	22,786
	444,243	416,053
<b>Non-operating expenses</b>		
Interest expenses	179,199	104,928
Foreign exchange losses (Note 15)	344,941	334,330
Loss on foreign currency translation (Note 15)	20,341	38,481
Loss on disposal of accounts receivable	20,778	16,858
Loss on valuation of equity method investment (Note 7)		244
Loss on disposal of property, plant and equipment	1,062	572
Loss on disposal of available-for-sale securities	35	
Loss on disposal of investments	118	
Donations	1,837	2,319
Ramp up cost (Note 6)	18,043	18,928
Others	327	395
	586,681	517,055
Income (loss) before income taxes	(1,021,476)	368,695
Income tax benefit (Note 19)	252,163	148,317
Net income (loss)	(Won) (769,313)	(Won) 517,012
Ordinary income (loss) per share (Note 20)	(Won) (2,150)	(Won) 1,523
Earnings (loss) per share (Note 20)	(Won) (2,150)	(Won) 1,523
Diluted ordinary income (loss) per share (Note 20)	(Won) (2,150)	(Won) 1,523

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Diluted earnings (loss) per share (Note 20)	(Won)	(2,150)	(Won)	1,523
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The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Shareholders' Equity****Years Ended December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Retained Earnings</b>	<b>Capital Adjustments</b>	<b>Total</b>
Balance as of January 1, 2005	(Won) 1,626,579	(Won) 1,012,271	(Won) 3,091,674	(Won) 42,117	(Won) 5,772,641
Issuance of common stock	162,500	1,266,979			1,429,479
Net income			517,012		517,012
Changes in capital adjustments				(43,535)	(43,535)
Balance as of December 31, 2005	1,789,079	2,279,250	3,608,686	(1,418)	7,675,597
Net loss			(769,313)		(769,313)
Changes in capital surplus		(4,078)			(4,078)
Changes in capital adjustments				(12,530)	(12,530)
Balance as of December 31, 2006	(Won) 1,789,079	(Won) 2,275,172	(Won) 2,839,373	(Won) (13,948)	(Won) 6,889,676

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Cash Flows****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Net income (loss)	(Won) (769,313)	(Won) 517,012
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	2,593,439	1,746,901
Amortization of intangible assets	45,410	45,421
Provision for severance benefits	55,183	43,851
Gain on foreign currency translation, net	(52,233)	(34,462)
Loss on disposal of available-for-sale securities	35	
Loss on disposal of investments	118	
Gain on disposal of property, plant and equipment, net	574	444
Amortization of discount on debentures	35,615	29,891
Loss (gain) on valuation of equity method investments	(5,128)	244
Others	46,013	28,909
	2,719,026	1,861,199
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	409,123	(398,445)
Decrease (increase) in inventories	(361,919)	114,503
Decrease (increase) in other accounts receivable	(46,148)	(2,415)
Decrease in accrued income	519	101
Decrease (increase) in advance payments	(1,056)	3,832
Decrease (increase) in prepaid expenses	23,549	16,566
Decrease (increase) in prepaid value added tax	38,172	(35,634)
Decrease in other current assets	25,793	67,891
Decrease in long-term other accounts receivable		1
Increase in long-term prepaid expenses	(80,420)	(43,016)
Increase in current deferred income tax assets	50	(8,011)
Increase in non-current deferred income tax assets	(259,346)	(172,265)
Increase in trade accounts and notes payable	256,642	122,926
Increase in other accounts payable	22,767	218,698
Increase (decrease) in advances received	(12,777)	56,179
Increase in unearned revenues	7,055	
Increase in withholdings	13,322	5,927
Decrease in accrued expenses	(14,101)	(49,896)
Decrease in income taxes payable	(17,131)	(54,815)
Decrease in warranty reserve	(39,699)	(23,179)
Decrease in other current liabilities	(8,293)	(54,133)
Decrease in deferred income tax liabilities	(456)	
Increase in long-term accrued expenses	430	
Accrued severance benefits transferred from affiliated company, net	3,531	2,484
Payment of severance benefits	(33,932)	(16,306)
Decrease (increase) in severance insurance deposits	13,829	(18,817)
Decrease in contributions to the National Pension Fund	68	29
Increase in consolidation adjustments, net	(23,785)	(2,000)

	(84,213)	(269,795)
Net cash provided by operating activities	1,865,500	2,108,416

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statement of Cash Flows****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from investing activities</b>		
Acquisition of equity-method investments	(Won) (14,400)	(Won) (14,400)
Acquisition of available-for-sale securities	(53)	(339)
Proceeds from disposal of long-term financial instruments	3	
Proceeds from disposal of available-for-sale securities	349	
Proceeds from non-current guarantee deposits	10,138	2
Payments of non-current guarantee deposits	(4,640)	(4,732)
Acquisition of property, plant and equipment	(3,075,985)	(4,166,151)
Proceeds from disposal of property, plant and equipment	11,252	461
Acquisition of intangible assets	(8,251)	(12,704)
Increase in other current assets	(8)	(11)
<b>Net cash used in investing activities</b>	<b>(3,067,195)</b>	<b>(4,197,874)</b>
<b>Cash flows from financing activities</b>		
Repayment of short-term borrowings	(58,307)	(173,004)
Repayment of current maturities of long-term debts	(442,848)	(212,931)
Proceeds from issuance of debentures	399,600	1,073,684
Proceeds from issuance of long-term debts	678,160	218,580
Proceeds from issuance of common stock		1,401,342
<b>Net cash provided by financing activities</b>	<b>576,605</b>	<b>2,307,671</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(625,090)</b>	<b>218,213</b>
<b>Cash and cash equivalents (Note 24)</b>		
Beginning of the year	1,579,452	1,361,239
End of the year	(Won) 954,362	(Won) 1,579,452

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****1. The Companies**

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

**The Controlling Company**

LG.Philips LCD Co., Ltd. was incorporated in 1985 as the original name of LG Soft, Ltd., 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 (Won)725,000 million and Philips acquired a 50% interest in LG LCD Co., Ltd.

The Controlling Company listed its shares with the Korea Stock Exchange and with the US Securities and Exchange Commission in July, 2004. In July 2005, pursuant to a Form F-1 Registration statement filed on July 22, 2005, with the US Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$ 1, 189,656 thousand. In addition, pursuant to the Underwriting Agreement dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$ 196,144 thousand.

As of December 31, 2006, the Company s shareholders are as follows:

	Number of Shares	Percentage of Ownership (%)
LG Electronics Inc.	135,625,000	37.9
Koninklijke Philips Electronics N. V.	117,625,000	32.9
Others	104,565,700	29.2
	357,815,700	100.0



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****Consolidated Subsidiaries**

Consolidated subsidiaries as of December 31, 2006, are as follows:

	Total issued and outstanding shares	No. of shares owned by the Controlling Company	Percentage of Ownership (%)
<b>Overseas Subsidiaries</b>			
LG.Philips LCD America, Inc.	5,000,000	5,000,000	100
LG.Philips LCD Japan Co., Ltd.	1,900	1,900	100
LG.Philips LCD Germany GmbH	960,000	960,000	100
LG.Philips LCD Taiwan Co., Ltd.	11,550,000	11,549,994	100
LG.Philips LCD Nanjing Co., Ltd.	1	1	100
LG.Philips LCD Hong Kong Co., Ltd.	115,000	115,000	100
LG.Philips LCD Shanghai Co., Ltd.	1	1	100
LG.Philips LCD Poland Sp.z o.o.	2,385,900	2,385,900	100
LG.Philips LCD Guangzhou Co., Ltd.	1	1	100

<sup>1</sup> No shares have been issued in accordance with the local laws and regulations.  
The primary business activities of the consolidated subsidiaries are as follows:

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

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

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

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

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

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

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

LPLT was incorporated in Taipei, Taiwan, in April 1999, to sell TFT-LCD products and its shares were acquired by the Company in May 2000. As of December 31, 2006 and 2005, its capital stock amounted to NTD116 million.



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

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

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

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

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

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

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

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

(8) LG.Philips LCD Poland Sp. z o.o.(LPL Poland)

LPL Poland was incorporated in Poland on September 6, 2005, to manufacture and sell the TFT-LCD products of LG. Philips LCD Co., Ltd. As of December 31, 2006, its capital stock amounted to PLN 238,590,000 (2005: PLN 50,000), and is wholly owned by LG. Philips LCD Co., Ltd.

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

LPLGZ was incorporated in Guangzhou, China, on June 30, 2006, to manufacture and sell the TFT LCD products of LG. Philips LCD Co., Ltd. As of December 31, 2006, its capital stock amounted to CNY 318 million and is wholly owned by LG. Philips LCD Co., Ltd.

**Equity-method investments**

The primary business activities of the equity-method investments are as follows:

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

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****Consolidated Subsidiaries**

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

**Condensed Balance Sheets**

	LG.Philips LCD		LG.Philips LCD		LG.Philips LCD	
<i>(in millions of Korean won)</i>	America, Inc.	Germany GmbH	Japan.Co., Ltd.	Taiwan Co., Ltd.	Nanjing Co., Ltd.	
Current assets	(Won) 85,901	(Won) 361,469	(Won) 90,473	(Won) 328,203	(Won) 76,262	
Non-current assets	5,366	1,797	1,045	3,731	369,940	
Total assets	(Won) 91,267	(Won) 363,266	(Won) 91,518	(Won) 331,934	(Won) 446,202	
Current liabilities	(Won) 81,858	(Won) 359,202	(Won) 86,925	(Won) 319,534	(Won) 80,490	
Non-current liabilities			34		157,057	
Total liabilities	81,858	359,202	86,959	319,534	237,547	
Capital stock	6,082	1,252	1,088	4,189	177,854	
Retained earnings	5,672	3,057	4,812	10,906	51,571	
Capital adjustments	(2,345)	(245)	(1,341)	(2,695)	(20,770)	
Total shareholders equity	9,409	4,064	4,559	12,400	208,655	
Total liabilities and shareholders equity	(Won) 91,267	(Won) 363,266	(Won) 91,518	(Won) 331,934	(Won) 446,202	

	LG. Philips LCD		LG. Philips LCD		LG. Philips LCD	
<i>(in millions of Korean won)</i>	HongKong Co., Ltd.	Shanghai Co., Ltd.	Poland Sp z o.o.	Guangzhou Co., Ltd.	Total	
Current assets	(Won) 174,257	(Won) 248,379	(Won) 32,110	(Won) 25,941	(Won) 1,422,995	
Non-current assets	356	216	200,616	11,670	594,737	
Total assets	(Won) 174,613	(Won) 248,595	(Won) 232,726	(Won) 37,611	(Won) 2,017,732	
Current liabilities	(Won) 168,580	(Won) 244,628	(Won) 166,489	(Won) 720	(Won) 1,508,426	
Non-current liabilities	19		431		157,541	
Total liabilities	168,599	244,628	166,920	720	1,665,967	
Capital stock	1,736	596	76,590	38,264	307,651	
Retained earnings	5,040	3,936	(10,360)	(957)	73,677	
Capital adjustments	(762)	(565)	(424)	(416)	(29,563)	

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Total shareholders equity	6,014	3,967	65,806	36,891	351,765
Total liabilities and shareholders equity	(Won) 174,613	(Won) 248,595	(Won) 232,726	(Won) 37,611	(Won) 2,017,732

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****Condensed Statements of Income**

<i>(in millions of Korean won)</i>	<b>LG.Philips LCD, America, Inc.</b>	<b>LG.Philips LCD, Germany GmbH</b>	<b>LG.Philips LCD, Japan Co., Ltd.</b>	<b>LG.Philips LCD, Taiwan Co., Ltd.</b>	<b>LG.Philips LCD, Nanjing Co., Ltd.</b>
Sales	(Won) 1,035,463	(Won) 1,653,550	(Won) 1,190,264	(Won) 2,749,688	(Won) 1,688,227
Cost of sales	1,019,704	1,636,554	1,180,483	2,727,103	1,615,202
Gross profit	15,759	16,996	9,781	22,585	73,025
Selling and administrative expenses	11,054	11,074	8,120	9,937	57,928
Operating income	4,705	5,922	1,661	12,648	15,097
Non-operating income (expense)	(2,707)	(4,572)	305	(10,834)	
Ordinary income	1,998	1,350	1,966	1,814	15,097
Income tax expense (benefit)	771	647	1,095	667	(1,113)
Net income	(Won) 1,227	(Won) 703	(Won) 871	(Won) 1,147	(Won) 16,210

<i>(in millions of Korean won)</i>	<b>LG. Philips LCD HongKong Co., Ltd.</b>	<b>LG. Philips LCD Shanghai Co., Ltd.</b>	<b>LG. Philips LCD Poland Sp z o.o.</b>	<b>LG. Philips LCD Guangzhou Co., Ltd.</b>	<b>Total</b>
Sales	(Won) 1,097,365	(Won) 1,163,364	(Won) 9	(Won)	(Won) 10,577,930
Cost of sales	1,087,564	1,154,570			10,421,180
Gross profit	9,801	8,794	9		156,750
Selling and administrative expenses	7,106	7,532	12,056	800	125,607
Operating income (loss)	2,695	1,262	(12,047)	(800)	31,143
Non-operating income (expense)	443	601	1,693	(157)	(15,228)
Ordinary income (loss)	3,138	1,863	(10,354)	(957)	15,915
Income tax expense	365	462			2,894
Net income (loss)	(Won) 2,773	(Won) 1,401	(Won) (10,354)	(Won) (957)	(Won) 13,021



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

### **Notes to Consolidated Financial Statements**

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

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

The significant accounting policies followed by the Company and its consolidated subsidiaries in the preparation of the accompanying consolidated financial statements, are summarized below.

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

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.

#### **Accounting Estimates**

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

#### **Application of the Statements of Korean Financial Accounting Standards**

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 18 through 20 became applicable to the Company on January 1, 2006, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2006.

#### **Principles of Consolidation**

The fiscal year end of the consolidated subsidiaries is the same as that of the Controlling Company. Differences in accounting policy, between the Controlling Company and consolidated subsidiaries, are adjusted during consolidation.

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries.

All intercompany transactions and balances with consolidated subsidiaries have been eliminated during consolidation (Note 21).



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

#### **Notes to Consolidated Financial Statements**

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

To eliminate the investment account of the Controlling Company and corresponding capital accounts of subsidiaries, the purchase method or the pooling of interest method is applied, depending on the nature of the transaction. In using the purchase method, when the Company has control over a subsidiary, the Company records the differences between the initial investment accounts and corresponding capital accounts of subsidiaries as goodwill or negative goodwill, which is amortized over less than 20 years, using the straight-line method.

Unrealized gains or losses included in inventories and other assets as a result of intercompany transactions are eliminated based on the average gross profit ratio of the corresponding company. Unrealized gains or losses, arising from sales by the Controlling Company to the consolidated subsidiaries, is fully eliminated and charged to the equity of the Controlling Company. Unrealized gains or losses, arising from sales by the consolidated subsidiaries to the Controlling Company, or sales between consolidated subsidiaries, are fully eliminated, and charged to the equity of the Controlling Company and the minority interests, based on the percentage of ownership.

#### **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.

#### **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 SKFAS 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 is added to the cost of sales.

#### **Investments**

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be divided into 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 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.

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

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment losses on the securities are 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.

Investments in equity securities of companies, over which the Company exercises significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in 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 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.

Difference between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee is amortized over the period up to 20 years using the straight-line method.

The Company's proportionate unrealized profit arising from sales between the Company and the equity-method investees or sales between equity-method investees is eliminated.

**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 their intended 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 enumerated below:

	<b>Estimated useful life</b>
Buildings	20 ~ 40 years
Structures	20 ~ 40 years
Machinery and equipment	4 years
Vehicles	4 years
Tools, furniture and fixtures	3 ~ 5 years

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

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

#### **Notes to Consolidated Financial Statements**

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

Property, plant and equipment, which were acquired by the Company through government subsidies, are recorded at their fair values if the cost is lower than the market value. The government subsidies are presented as a deduction from the acquisition cost. The current year's subsidies are offset against depreciation expense over the useful life of the property, plant and equipment, and the remaining amount is recognized as a loss on sale upon disposal of the property, plant and equipment.

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 is 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.

#### **Lease Transactions**

The Company accounts for lease transactions as either operating lease or capital lease, depending on the terms of the lease agreement. As of December 31, 2006, current lease transactions are classified only as operating leases and the related lease rentals are charged to expense when incurred.

#### **Intangible Assets**

Intangible assets, consisting of industrial property rights, rights to use electronics and gas supply facilities, rights to use the industrial water facility, goodwill 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 its 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 is 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 using the effective interest rate method. Amortization is included in interest expense.

#### **Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date ((Won)929.6: US\$1 as of December 31, 2006;(Won)1.013.0: US\$1 as of December 31, 2005), and the resulting translation gains and losses are recognized in current operations.

#### **Translation of Foreign Currency Statements**

Foreign currency financial statements of consolidated subsidiaries are translated into Korean won using the exchange rates in effect at 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 shareholders' equity.



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

#### **Notes to Consolidated Financial Statements**

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

##### **Warranty Reserve**

The Company provides 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. The warranty reserve as of December 31, 2006, is (Won)31,261 million (2005: (Won)24,947 million), and provision for warranty reserve for the year ended in December 31, 2006, is (Won)46,013 million (2005: (Won)28,909 million).

##### **Accrued Severance Benefits**

Employees and directors with at least one year 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 Fund Law. The use of these deposits is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of such deposit.

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

##### **Sale 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 is substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

##### **Derivatives**

The Company enters into various 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 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 hedges.

##### **Convertible bonds**

When convertible bonds are issued, the amount paid for the conversion right, which is computed as the difference between the issuing value and the present value of future cash flows discounted at the effective interest rate of the bond without conversion features, is included in other capital surplus. The related adjustment to the conversion right is presented as a deduction from the face value, whereas call premium is presented as an addition.

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

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

**Stock Appreciation Plan**

Compensation costs for stock options granted to employees and executives are recognized on the basis of intrinsic value. Under the intrinsic value basis method, compensation costs for stock option plans are determined by calculating the difference between the exercise price and the market price of the underlying stock. Stock-based compensation cost is remeasured at each reporting date, based on the intrinsic value of the award, and is recognized as expense over the agreed minimum service year.

**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 carryforwards 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 based on estimates when there are reasonable assumptions that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the year.

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 probability of utilization, are recognized for the carryforward amount.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****3. Cash and Cash Equivalents, and Financial Instruments**

Cash and cash equivalents, and financial instruments as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) as of December 31, 2006	2006	2005
<b>Cash and cash equivalents</b>			
Cash on hand		(Won) 6	(Won) 6
Checking accounts		34	51
Time deposits	4.16	663,480	942,359
Passbook accounts in millions of foreign currencies of			
US\$ 130, JP¥ 391,			
EUR 16, NTD 52,			
CNY 998, HKD 103, PLN 46			
(2005 : US\$, 517, JP¥ 268,			
EUR 6 , NTD 93,			
CNY 706, HKD, 96)	5.63	290,842	637,036
		954,362	1,579,452
<b>Long-term financial instruments</b>			
Guarantee deposit for checking accounts		13	16
		(Won) 954,375	(Won) 1,579,468

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****4. Receivables**

The Company's receivables, including trade accounts and notes receivable, as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>Gross amount</b>	<b>2006 Allowance for doubtful accounts</b>	<b>Carrying value</b>
Trade accounts and notes receivable	(Won) 862,553	(Won) 3,253	(Won) 859,300
Other accounts receivable	112,561	379	112,182
Accrued income	858	8	850
Advance payments	7,105	55	7,050
	(Won) 983,077	(Won) 3,695	(Won) 979,382

<i>(in millions of Korean won)</i>	<b>Gross amount</b>	<b>2005 Allowance for doubtful accounts</b>	<b>Carrying value</b>
Trade accounts and notes receivable	(Won) 1,270,781	(Won) 3,882	(Won) 1,266,899
Other accounts receivable	66,660	457	66,203
Accrued income	1,383	14	1,369
Advance payments	6,054	60	5,994
	(Won) 1,344,878	(Won) 4,413	(Won) 1,340,465

There were no negotiated foreign currency receivables outstanding as of December 31, 2006, and 2005. As of December 31, 2006, trade bills to overseas subsidiaries negotiated through banks but not yet matured, which was recorded as short-term borrowing, amounted to (Won)204,528 million (2005: (Won)303,904 million).

LG. Philips LCD Shanghai ( LPLSH ) sells accounts receivables for up to US\$200 million through Standard Chartered Bank and LG. Philips LCD Taiwan ( LPLT ) sells accounts receivables for up to US\$250 million through China Trust Bank and other banks. As of December 31, 2006, accounts receivables sold, which are not yet matured for LPLSH and LPLT are (Won)41,914 million and (Won)112,715 million, respectively.



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

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

In September 2004, the Company entered into a five-year accounts receivable securitization program (the Program) with a financial institution. The Program allows the Company to sell, on a revolving basis, an undivided interest up to US\$300 million in eligible accounts receivables of four subsidiaries, namely, LG.Philips LCD America ( LPLA ), LG.Philips LCD Germany ( LPLG ), LG.Philips LCD Taiwan ( LPLT ) and LG.Philips LCD Japan ( LPLJ ), while retaining a subordinated interest in a portion of the receivables. The eligible receivables of LPLA and LPLG are sold without legal recourse to third party conduits through LG. Philips LCD America Finance Corporation, a qualifying bankruptcy-remote special purpose entity, which is wholly owned by LPLA but is not consolidated for financial reporting purposes. The eligible receivables of LPLT and LPLJ are sold without legal recourse to third party conduits through ABN AMRO Taipei Branch and ABN AMRO Tokyo Branch, respectively.

As of December 31, 2006, the outstanding balance of securitized accounts receivable held by the third party conduits totaled (Won)364,785 million (2005: (Won)272,571 million), of which the Company's subordinated retained interest was (Won)70,643 million (2005: (Won)52,532 million). Accordingly, (Won)294,122 million (2005: (Won)220,039 million) of accounts receivable balances, net of applicable allowances, was removed from the consolidated balance sheets as of December 31, 2006. Losses including the loss on sale of receivables, various program and facility fees associated with the Program totaled approximately (Won)15,509 million for the year ended December 31, 2006.

In October 2006, the Company entered into a five-year accounts receivable selling program with Standard Chartered Bank. The Company sells accounts receivables of four subsidiaries, namely, LPLA, LPLG, LPLSH and LG.Philips LCD Hongkong ( LPLHK ), on a revolving basis, up to US\$ 469 million. As of December 31, 2006, the amount of accounts receivable recorded as sales is \185,633 million.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****5. Assets and Liabilities Denominated in Foreign Currencies**

As of December 31, 2006 and 2005, monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the accompanying notes, are as follows:

<i>(in millions)</i>	2006		2005	
	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency
Trade accounts and notes receivable	(Won) 908,888	US\$ 917 JP¥ 675 EUR 41	(Won) 1,258,328	US\$ 480 JP¥ 16,914 EUR 142 NTD 10,773 HKD 938
Other accounts receivable	11,031	US\$ 2 JP¥ 98 EUR 6	63,535	US\$ 7 JP¥ 705 EUR 15 NTD 1,006 CNY 8
Trade accounts and notes payable	392,405	US\$ 288 JP¥ 14,697 EUR CNY 80	291,505	US\$ 63 JP¥ 11,150 EUR 1 CNY 1,041
Other accounts payable	277,965	US\$ 16,814 JP¥ 5,379 EUR 21,027 NTD 8 CNY 1,773 HKD PLN 14,310	197,188	US\$ 14 JP¥ 16,170 EUR 17 NTD 24 CNY 179 HKD 3
Accrued expenses	11,418	US\$ 1 JP¥ 11 EUR 1 NTD 101 CNY 24 HKD 2 PLN 9	10,886	US\$ 7 JP¥ 8 EUR 1 NTD 46 CNY 12 HKD 1
Advanced received			51,991	US\$ 51

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****6. Inventories**

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

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Finished products	(Won) 641,913	(Won) 355,532
Work-in-process	312,231	170,775
Raw materials	129,981	142,717
Supplies	101,581	66,142
	<b>1,185,706</b>	<b>735,166</b>
Less : Valuation loss	(133,001)	(44,381)
	<b>(Won) 1,052,705</b>	<b>(Won) 690,785</b>

For the year ended December 31, 2006, the Company recorded ramp-up cost of (Won) 18,043 million (2005: (Won) 18,928 million) to counter the unusual low volume of production.

As of December 31, 2006, inventories and property, plant and equipment are insured against fire and other casualty losses for up to (Won)24,679,994 million, CNY 6,220 million, US\$ 40 million, NTD 7 million (2005: (Won)30,088,637 million, CNY 5,451 million, US\$ 19 million, NTD 5 million and EUR 11 million). Also, as of December 31, 2006, the Company insured directors and officers liabilities for up to US\$ 100 million (2005: (Won)100 million).

**7. Equity-method Investment**

Equity-method investment as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>				
	No. of shares	Percentage of Ownership (%)	Acquisition cost	Market or net asset value	Carrying value
	owned by the Company				
Paju Electric Glass	1,440,000	40	(Won) 14,400	(Won) 20,631	(Won) 19,284

  

<i>(in millions of Korean won)</i>	<b>2005</b>				
	No. of shares	Percentage of Ownership (%)	Acquisition cost	Market or net asset value	Carrying value
	owned by the Company				

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Paju Electric Glass	1,440,000	40	(Won) 14,400	(Won) 14,083	(Won) 14,156
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**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

As of and for the year ended December 31, 2006, condensed financial statements of the investees, prior to the elimination of intercompany transactions, are as follows:

**Condensed Balance Sheets**

<i>(in millions of Korean won)</i>	<b>Paju Electric Glass</b>	
Current assets	(Won)	65,070
Non-current assets		26,192
<b>Total assets</b>	(Won)	<b>91,262</b>
Current liabilities	(Won)	46,713
Non-current liabilities		167
<b>Total liabilities</b>		<b>46,880</b>
Capital stock		36,000
Retained earnings		8,382
Capital adjustments		
<b>Total shareholders' equity</b>		<b>44,382</b>
<b>Total liabilities and shareholders' equity</b>	(Won)	<b>91,262</b>

**Condensed Income Statement**

<i>(in millions of Korean won)</i>	<b>Paju Electric Glass</b>	
Sales	(Won)	164,379
Cost of sales		153,782
<b>Gross profit</b>		<b>10,597</b>
Selling and administrative expenses		2,373
<b>Operating income</b>		<b>8,224</b>
Non-operating expense		(23)
<b>Ordinary income</b>		<b>8,201</b>
Income tax benefit		(790)
<b>Net income</b>	(Won)	<b>8,991</b>

The financial statements of the investee were adjusted due to a change in an accounting policy. Details of said adjustment are as follows :

Company name	Reason for adjustment	2006		Adjustment amount	Net asset value after adjustment
		Net asset value before adjustment			
Paju Electric Glass	Unification of depreciation method	(Won) 44,382		(Won) 7,195	(Won) 51,577

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

**Notes to Consolidated Financial Statements**

**December 31, 2006 and 2005**

The details of the equity method valuation for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	Balance as of		2006		Retained earnings adjustment	Capital adjustment	Balance as of December 31, 2006
	January 1, 2006	Acquisitions during the year	Gain on valuation of equity method investments				
Paju Electric Glass	(Won) 14,156	(Won)	(Won) 5,128		(Won)	(Won)	(Won) 19,284

<i>(in millions of Korean won)</i>	Balance as of		2005		Retained earnings adjustment	Capital adjustment	Balance as of December 31, 2005
	January 1, 2005	Acquisitions during the year	Loss on valuation of equity method investments				
Paju Electric Glass	(Won)	(Won) 14,400	(Won) (244)		(Won)	(Won)	(Won) 14,156

As of December 31, 2006 and 2005, the eliminated unrealized losses in the valuation of equity method investments are as follows:

	2006			2005		
	Inventories	Property, plant and equipment	Total	Inventories	Property, plant and equipment	Total
Paju Electric Glass	(Won) (1,347)	(Won)	(Won) (1,347)	(Won)	(Won)	(Won)

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****8. Property, Plant and Equipment**

Changes in property, plant and equipment for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery and equipment</b>	<b>Tools</b>	<b>Furniture and fixtures</b>
Balance as of January 1, 2006	(Won) 316,236	(Won) 1,711,762	(Won) 122,827	(Won) 5,178,056	(Won) 66,107	(Won) 155,393
Acquisition	18,402	94,215	1,952	174,801	4,088	40,350
Capitalized interest		1	2	19,723		
Depreciation		(86,247)	(7,666)	(2,399,770)	(22,496)	(75,536)
Disposal		(1,168)		(1,213)	(1)	314
Transfer	925	40,442	20,499	2,880,013	33,317	45,079
Subsidy (increase)decrease	(18,402)	(1,161)	(1,970)	(76)		
Balance as of December 31, 2006	(Won) 317,161	(Won) 1,757,844	(Won) 135,644	(Won) 5,851,534	(Won) 81,015	(Won) 165,600
Accumulated depreciation	(Won)	(Won) 267,524	(Won) 34,240	(Won) 8,183,774	(Won) 86,275	(Won) 269,866

	<b>Machinery-</b>					<b>Total</b>
	<b>Vehicles</b>	<b>Other</b>	<b>in-transit</b>	<b>Construction- in-progress</b>		
Balance as of January 1, 2006	(Won) 6,465	(Won) 6,052	(Won) 505,787	(Won) 1,130,914		(Won) 9,199,599
Acquisition	957		672,451	1,821,866		2,829,082
Capitalized interest				6,401		26,127
Depreciation	(2,526)					(2,594,241)
Disposal			(9,759)			(11,827)
Transfer	2,164	2,408	(1,050,106)	(1,975,009)		(268)
Subsidy (increase)decrease				1,183		(20,426)
Balance as of December 31, 2006	(Won) 7,060	(Won) 8,460	(Won) 118,373	(Won) 985,355		(Won) 9,428,046
Accumulated depreciation	(Won) 7,815	(Won)	(Won)	(Won)		(Won) 8,849,494



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	2005					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2005	(Won) 313,620	(Won) 884,154	(Won) 114,875	(Won) 3,433,928	(Won) 25,932	(Won) 90,478
Acquisition		33,270	616	106,669	11,828	58,429
Capitalized interest		7,300		33,009		(Won)
Depreciation		(49,491)	(6,617)	(1,622,375)	(12,036)	(58,199)
Disposal				(581)	(12)	(83)
Transfer	2,616	836,529	13,953	3,227,406	40,395	64,768
Balance as of December 31, 2005	(Won) 316,236	(Won) 1,711,762	(Won) 122,827	(Won) 5,178,056	(Won) 66,107	(Won) 155,393
Accumulated depreciation	(Won)	(Won) 178,817	(Won) 26,448	(Won) 5,838,978	(Won) 59,440	(Won) 194,476

	Construction-					Total
	Vehicles	Other	Machinery-in-transit	in-progress		
Balance as of January 1, 2005	(Won) 4,961	(Won) 2,501	(Won) 704,588	(Won) 953,145	(Won) 6,528,182	
Acquisition	1,175	604	945,207	3,218,320	4,376,118	
Capitalized interest			1,663	4,747	46,719	
Depreciation	(1,784)				(1,750,502)	
Disposal	(229)				(905)	
Transfer	2,342	2,947	(1,145,671)	(3,045,298)	(13)	
Balance as of December 31, 2005	(Won) 6,465	(Won) 6,052	(Won) 505,787	(Won) 1,130,914	(Won) 9,199,599	
Accumulated depreciation	(Won) 5,352	(Won)	(Won)	(Won)	(Won) 6,303,511	

As of December 31, 2006, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)403,198 million (2005 : (Won)366,820 million).

The Company capitalizes the loss on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment. Capitalized loss on foreign exchange rate fluctuations and interest expense for the year ended December 31, 2006, amount (Won)26,127 million (2005: (Won)46,719 million).

For the year ended December 31, 2006, net loss on foreign currency translation, arising from foreign currency borrowings, which was deducted from capitalized interest expenses, is (Won)9,628 million (2005: (Won) 4,133 million).

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

For the year ended December 31, 2006, the effects of capitalized expenses on significant accounts in the balance sheet and statement of operations are as follows:

**Balance sheet**

<i>(in millions of Korean won)</i>	If interest expenses are capitalized		If interest expenses are expensed as incurred		Difference Accumulated	
	Acquisition cost	Accumulated depreciation	Acquisition cost	Accumulated depreciation	Acquisition cost	depreciation
Property, plant and equipment	(Won) 18,277,542	(Won) 8,849,494	(Won) 18,162,681	(Won) 8,820,557	(Won) 114,861	(Won) 28,937

**Statement of operations**

<i>(in millions of Korean won)</i>	If interest expenses are capitalized	If interest expenses are expensed as incurred	Difference
Depreciation	(Won) 2,594,241	(Won) 2,579,074	(Won) 15,167
Interest expense	179,199	214,954	(35,755)
Foreign currency translation gain	62,576	72,204	9,628
Net income	769,313	780,273	(10,960)

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****9. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	2006				
	Intellectual property rights	Rights for industrial water facilities	Software	Others	Total
Balance as of January 1, 2006	(Won) 141,013	(Won) 8,653	(Won) 9,413	(Won) 227	(Won) 159,306
Acquisition during the year	8,252		1,678		9,930
Reversal					
Amortization	(42,941)	(1,232)	(1,179)	(58)	(45,410)
Balance as of December 31, 2006	(Won) 106,324	(Won) 7,421	(Won) 9,912	(Won) 169	(Won) 123,826
Accumulated amortization	(Won) 328,082	(Won) 4,878	(Won) 12,740	(Won) 1,057	(Won) 346,757

  

<i>(in millions of Korean won)</i>	2005				
	Intellectual property rights	Rights for industrial water facilities	Software	Others	Total
Balance as of January 1, 2005	(Won) 172,073	(Won) 9,893	(Won) 9,785	(Won) 259	(Won) 192,010
Acquisition during the year	10,829	12	1,894		12,735
Reversal		(18)			(18)
Amortization	(41,889)	(1,234)	(2,266)	(32)	(45,421)
Balance as of December 31, 2005	(Won) 141,013	(Won) 8,653	(Won) 9,413	(Won) 227	(Won) 159,306
Accumulated amortization	(Won) 285,141	(Won) 3,646	(Won) 11,561	(Won) 1,115	(Won) 301,463

The Company has classified the amortization as part of manufacturing overhead cost. The total amortization expense for the year ended December 31, 2006, amount to (Won)45,410 million (2005: (Won)45,421 million).

The details of intellectual property rights as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	Description	2006	2005	Remaining period
Intellectual property rights	Patent relating to TFT-LCD business	(Won) 106,324	(Won) 141,013	4 ~ 10 years

The Company expensed research and development costs of (Won)438,867 million for the year ended December 31, 2006 (2005: (Won)365,437 million).



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

For the years ended December 31, 2006 and 2005, the significant expenses, which are expected to have probable future economic benefits but expensed in the period incurred, consist of the following:

<i>(in millions of Korean won)</i>	2006	2005
Training expenses	(Won) 16,533	(Won) 15,042
Advertising expenses	24,143	21,907
Expenses for foreign market expansion	5,255	8,835
	(Won) 45,931	(Won) 45,784

**10. Short-Term Borrowings**

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

<i>(in millions of Korean won)</i>	Creditor	Annual interest		
		rates (%) as of December 31, 2006	2006	2005
Documents against acceptance of US\$ 220 million (2005 : US\$ 300 million)	Woori Bank and others	3M Libor + 0.7 0.9	(Won) 204,528	(Won) 303,904
General loans of US\$ 13 million, JPY 1,520 million, EUR 8 million, and PLN 39 million (2005 : US\$ 5 million)	Mizuho Bank and others	3M Libor + 0.5 0.8	45,577	5,065
			(Won) 250,105	(Won) 308,969

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****11. Long-Term Debts and Debentures**

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

<i>(in millions of Korean won)</i>	<b>Annual interest rates (%) as of</b>		<b>2006</b>	<b>2005</b>
	<b>December 31, 2006</b>			
<b>Won currency debentures</b>				
Non-guaranteed, payable through 2010	3.5	5.0	(Won) 1,550,000	(Won) 1,750,000
Private debentures, payable in 2011	5.3	5.89	600,000	200,000
Less: Current maturities			(300,000)	(200,000)
Discounts on debentures			(16,036)	(28,120)
			1,833,964	1,721,880
<b>Foreign currency debentures</b>				
Floating rate notes, payable through 2007	3ML+0.6		185,920	304,913
Term notes, payable through 2006				82,559
				387,472
Less: Current maturities			(185,920)	(184,872)
Discount on debentures				(1,960)
				200,640
<b>Convertible bonds<sup>1</sup></b>				
US dollar-denominated bond, payable through 2010			483,780	483,780
Add : Call premium			84,613	84,613
Less : Discount on debentures			(2,139)	(2,724)
Conversion adjustment			(80,827)	(102,917)
			485,427	462,752
			(Won) 2,319,391	(Won) 2,385,272
<b>Won currency loans</b>				
General loans	5.53	6.1	(Won) 238,383	(Won) 117,800
	3.25		14,634	8,620
Less : Current maturities			(39,267)	(29,417)
			213,750	97,003
<b>Foreign currency loans</b>				
General loans	5.26	6.15	167,599	144,607

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	3ML+1.0		17,727
	6ML+1.2	44,621	48,624
	3ML+0.99	1.35	139,440
	3ML+0.35	0.47	464,800
Less : Current maturities		(42,613)	(29,214)
		773,847	333,694
		(Won) 987,597	(Won) 430,697

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

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

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As of December 31, 2006, the foreign currency debentures denominated in U.S. dollars amount to US\$ 200 million (2005 : US\$ 383 million), while the foreign currency loans denominated in U.S. dollars and Chinese yuan renminbi amounted to US\$ 845 million and CNY 260 million (2005 : US\$ 326 million and CNY 263 million), respectively.

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

<i>(in millions of Korean won)</i> Type of borrowing	Annual interest rate (%) as of		2006	2005
	December 31, 2006			
Long -tem debt in won currency loans	5.9	6.1	(Won) 39,266	(Won) 29,417
Long-term debt in won currency debt	6.0		300,000	200,000
Long-term debt in foreign currency debentures of US\$ 200 million (2005: US\$ 183 million)	3ML+0.6		185,920	184,872
Long-term debt in foreign currency loans of US\$ 45 million (2005: US\$ 28 million)	6ML+1.2		42,613	29,215
	5.97			
			567,799	443,504
Less: Discount on debentures			(4,169)	(2,664)
			(Won) 563,630	(Won) 440,840



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

The aggregate annual maturities of long-term debts outstanding as of December 31, 2006, exclusive of adjustments relating to discounts, are as follows:

*(in millions of Korean won)*

For the year ending December 31,	Won currency debentures	Won currency loans	Convertible bonds	Foreign currency loans	Total
2008	(Won) 250,000	(Won) 61,766	(Won)	(Won) 102,830	(Won) 414,596
2009	600,000	40,451		85,673	726,124
2010	600,000	32,065	483,780	85,683	1,201,528
2011	400,000	32,927		492,688	925,615
2012		32,927		6,973	39,900
Thereafter		13,614			13,614
	(Won) 1,850,000	(Won) 213,750	(Won) 483,780	(Won) 773,847	(Won) 3,321,377

**12. Leases**

The Company entered into various lease agreements for the rental of certain machinery and equipment. The Company accounts for these leases as operating leases, under which lease payments are charged to expense as incurred.

As of December 31, 2006, future lease payments under these operating lease agreements are as follows:

<i>(in millions of Korean won)</i>	
For the period ending December 31,	Annual payment
2007	(Won) 1,549
2008	1,085
2009	605
2010	345
2011	86
Total	(Won) 3,670

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****13. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Balance at the beginning of the year	(Won) 112,010	(Won) 81,981
Actual severance payments	(33,932)	(16,306)
Transferred from / to affiliated companies, net	3,531	2,484
Provision for severance benefits	55,183	43,851
	136,792	112,010
Cumulative deposits to National Pension Fund	(640)	(708)
Severance insurance deposit	(54,267)	(68,096)
Balance at the end of the year	(Won) 81,885	(Won) 43,206

The severance benefits are funded approximately 39.7% (2005 : 60.8%) as of December 31, 2006, 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.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****14. Stock Appreciation Plan**

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) to certain executives. Under the terms of this plan, executives, upon exercising their SARs, are entitled to receive cash equal to the excess of the market price of the Company's common stock over the exercise price of (Won)44,050 per share. The exercise price decreased from (Won)44,260 to (Won)44,050 due to the additional issuance of common stock in 2005. These SARs are exercisable starting April 8, 2008, through April 7, 2012. Additionally, when the increase rate of the Company's share price is the same or less than the increase rate of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the initially granted shares can be exercised.

The options activity under the SARs for the year ended December 31, 2006 and 2005, is as follows:

	2006	2005
Beginning, number of shares under SARs	410,000	
Options granted		450,000
Options canceled/expired <sup>1</sup>	150,000	40,000
Ending, number of shares under SARs	260,000	410,000

<sup>1</sup> Options canceled due to the retirement of several executive officers.

The Company did not recognize any compensation costs in 2006 as market price is below than exercise price as of December 31, 2006.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****15. Commitments and Contingencies**

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

As of December 31, 2006, the Controlling Company has a revolving credit facility agreement with several banks totaling (Won)200,000 million and US\$ 100 million.

As of December 31, 2006, the Controlling Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities for up to US\$ 1,186.5 million. The Controlling Company has made agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US\$ 123.5 million.

The Controlling Company receives repayment guarantees from ABN AMRO Bank amounting to US\$ 8.5 million relating to tax payments in Poland.

LPLA has entered into a line of credit agreement for up to US\$10 million with Comerica Bank. LPLJ and LPLT are provided with repayment guarantees from UFJ Bank and ABN AMRO Bank amounting to JP¥1,300 million and NTD68 million, respectively, relating to their local tax payments.

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

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

A summary of said contracts is as follows :

(in millions)

Contracting party	Selling position	Buying position	Contract foreign exchange rate	Maturity date
BNP and others			(Won)916.40:US\$1 -	
	US\$ 2,064	(Won) 1,951,067	(Won)974.30:US\$1	January 3, 2007 December 11, 2007
Kookmin Bank and others			(Won)1,164.28:EUR 1 -	
	EUR 180	(Won) 217,757	(Won)1,229.17:EUR1	January 9, 2007 November 19, 2007
HSBC and others			(Won) 7.9790: JP(Won)1 -	
	(Won) 334,571	JP¥ 40,500	(Won)8.7140: JP(Won)1	January 12, 2007 December 14, 2007
Kookmin Bank and others			JP¥114.42: US\$1 -	
	US\$ 78	JP¥ 9,000	JP¥116.10: US\$1	January 12, 2007 April 16, 2007



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

As of December 31, 2006, the Controlling Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)35,560 million and (Won)19,996 million, respectively. Total unrealized gains and losses of (Won)2,496 million and (Won)5,843 million, respectively, were charged to operations for the year ended December 31, 2006, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The forecasted hedged transactions are expected to be completed on December 14, 2007. The aggregate amount of all deferred gains and losses of (Won)33,064 million and (Won)14,153 million, respectively, recorded net of tax under capital adjustments, are expected to be included in the determination of gain and loss within a year from December 31, 2006.

For the year ended December 31, 2006, the Company recorded realized exchange gains of (Won)246,904 million (2005: (Won)107,825 million) on foreign currency forward contracts upon settlement, and realized exchange losses of (Won)78,768 million (2005: (Won)112,618 million).

The Controlling Company entered into cross-currency swap contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy and to manage the exposure to changes in interest rates related to floating rate notes.

A summary of these contracts is as follows:

*(in millions)*

<b>Contracting party</b>	<b>Buying position</b>	<b>Selling position</b>	<b>Contract foreign exchange rate</b>	<b>Maturity date</b>
Kookmin Bank and others	US\$ 100	(Won) 96,170	3M Libor 4.54%	August 29, 2011

As of December 31, 2006, unrealized gains and losses of (Won)623 million and (Won)3,210 million, respectively, were charged to loss on valuation.

For the year ended December 31, 2006, the Controlling Company recorded realized gains of (Won)361 million (2005: (Won)903 million) and realized losses of (Won)26,174 million (2005: (Won)7,734 million) on cross-currency swap contracts upon settlement.

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

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A summary of these contracts is as follows:

(in millions)

Contracting party	USD Put Buying	USD Call Selling	Strike Price	Maturity date
KDB and others	US\$ 50	US\$ 100	(Won)957.30:US\$1 - (Won)966.50:US\$1	May 21, 2007 June 21, 2007

As of December 31, 2006, unrealized gains of (Won)1,557 million were charged to current operations, as these contracts do not fulfill the requirement for hedge accounting for financial statement purposes.

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

A summary of these contracts follows:

(in millions)

Contracting party	Contract Amount	Contract Foreign Exchange Rate	Maturity date
SC First Bank	US\$ 150	Accept floating rate Pay fixed rate	6 M Libor 5.375% -5.644%
			May 21, 2009 May 24, 2010

As of December 31, 2006, unrealized losses of (Won)2,152 million was charged to capital adjustments, as these contracts fulfill the requirements for hedge accounting for financial statement purposes.

For the year ended December 31, 2006, the Controlling Company recorded realized gains of (Won) 6 million and realized losses of (Won) 27 million on interest rate swap contracts upon settlement.

The Controlling Company is involved in several legal proceedings and claims arising in the ordinary course of business. In August 29, 2002, the Controlling Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process of TFT-LCDs. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Controlling Company in the United States District Court under the Central District of California for alleged ownership for certain patents and violation of U.S. antitrust laws. In October 2006, the court of the Central District of California dismissed the counter-claim for alleged ownership for certain patents. In November 2006, the Jury in California issued a verdict that Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America had willfully infringed a patent owned by the Company, and awarded the Company US\$53.5 million in damages. The Controlling Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In June 20, 2006, the American Arbitration Association decided in favor of the Controlling Company.

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

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**December 31, 2006 and 2005**

In May 27, 2004, the Controlling Company filed a complaint in the United States District of Delaware and the Patent County Court in the United Kingdom against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp., and others claiming patent infringement of rear mountable liquid crystal display devices. On November 28, 2005, the Controlling Company lost its patent infringement case against Tatung Company and ViewSonic Corp. in the Patent County Court in United Kingdom. The Controlling Company appealed this judgment. On December 20, 2006, the Court of Appeals dismissed the appeal.

On January 10, 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against LG Electronics Inc.( LGE ) and the Controlling Company in the United States District Court for the Central District of California. However, Chunghwa Picture Tubes and the Controlling Company have proposed to stay the case until June 2007. Chunghwa Picture Tubes later withdrew the case against LGE.

On May 13, 2005, the Controlling Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process of TFT-LCDs in the United States District of Delaware. On July 27, 2006, the Jury in Delaware issued a verdict that Chunghwa Picture Tubes had willfully infringed a patent owned by the Company, and awarded the Company \$52.4 million in damages.

On January 9, 2006, New Medium Technology LLC, AV Technologies LLC, IP Innovation LLC, and Technology Licensing Corporation filed a complaint for patent infringement against the Controlling Company in the United States District Court for the Northern District of Illinois.

On December 1, 2006, the Controlling Company filed a complaint against Chi Mei Optoelectronics Corp., AU Optronics Corp., Tatung Company, ViewSonic Corp. and others alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCDs in the United States District Court for the District of Delaware.

The Controlling Company's management does not expect that the outcome in any of these legal proceedings and claims, individually or collectively, will have any material adverse effect on the Controlling Company's financial condition, results of operations or cash flows.

The Controlling Company is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, US and other markets with respect to possible anti-competitive activities in the LCD industry. As of December 31, 2006, the Controlling Company, along with a number of other companies in the LCD industry, have been named as defendants in a number of purported federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels. Each of these matters remains in the very early stages and the Controlling Company is not in a position to predict their outcome. However, the Controlling Company intends to defend itself vigorously in these matters.



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****16. Capital Stock**

On March 19, 2005, at their Annual General Meeting, the stockholders approved the increase in the authorized shares from 200 million to 400 million, and a stock split on a 2:1 basis effective May 25, 2005. The number of issued common shares as of December 31, 2006 and 2005, is 357,815,700.

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 (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004, with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$ 748,800 thousand. In September 2004, pursuant to Underwriting Agreement dated July 15, 2004, the Company issued an additional 1,715,700 shares of common stock in the form of ADSs for US \$51,471 thousand. In July 2005, pursuant to the Form F-1 Registration statement filed on July 22, 2005, with the U.S. Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for gross proceeds of US\$ 1, 189,656 thousand. In addition, pursuant to the Underwriting Agreement dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$ 196,144 thousand.

Issuances and other movements in common stock from January 1, 2005 to December 31, 2006, are as follows:

*(in millions of Korean won)*

<b>Date of Issuance</b>	<b>Remarks</b>	<b>Par Value</b>	<b>Additional Paid-in Capital</b>
January 1, 2005, balance		(Won) 1,626,579	(Won) 1,012,271
July 26, 2005	Issuance of common stock		
		162,500	1,259,469
	Stock issuance cost		(20,627)
December 31, 2005, balance		(Won) 1,789,079	(Won) 2,251,113
December 31, 2006, balance		(Won) 1,789,079	(Won) 2,251,113

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****17. Capital Surplus and Retained Earnings**

Capital surplus as of December 31, 2006 and 2005, consists of:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Additional paid in capital	(Won) 2,251,113	(Won) 2,251,113
Conversion right <sup>1</sup>	24,059	28,137
	(Won) 2,275,172	(Won) 2,279,250

<sup>1</sup> Net of tax effects.

Retained earnings as of December 31, 2006 and 2005, consists of:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Legal reserve	(Won) 60,086	(Won) 60,086
Reserve for business rationalization	68,251	68,251
Unappropriated retained earnings	2,711,036	3,480,349
	(Won) 2,839,373	(Won) 3,608,686

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 or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

**18. Capital Adjustments**

Capital adjustments as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Overseas subsidiary translation adjustment <sup>1</sup>	(Won) (26,550)	(Won) (11,729)
Gain on valuation of derivative instruments <sup>1</sup>	24,423	29,293
Loss on valuation of derivative instruments <sup>1</sup>	(11,821)	(18,982)
	(Won) (13,948)	(Won) (1,418)

<sup>1</sup> Net of tax effects.



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****19. Income Taxes**

Income tax expense (benefit) for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Current income taxes	(Won) 7,589	(Won) 31,981
Deferred income taxes from temporary differences	(21,015)	(20,519)
Deferred income taxes from accumulated deficit carryforward	(248,493)	
Deferred income taxes from tax credit	16,017	(155,148)
Deferred income taxes added to shareholders' equity	(6,261)	(4,631)
Income tax benefit	(Won) (252,163)	(Won) (148,317)

The income tax effect of temporary differences, including available net operating loss carryforwards and tax credits, comprising the deferred income tax assets and liabilities as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Inventories	(Won) 21,267	(Won) 8,570
Other current assets	492	(4,133)
Property, plant and equipment	59,974	34,762
Warranty liabilities	8,840	4,320
Tax credit carryforward	436,486	292,976
Deferred income taxes from net losses carryforward	248,493	
Deferred income taxes added to shareholders' equity	(10,892)	(4,631)
Others	(2,990)	16,788
Deduction of unrealizable deferred income tax assets	(159,527)	
	(Won) 602,143	(Won) 348,652

Available tax credits as of December 31, 2006, amounted to (Won)481,414 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

The Company estimates the realizability of deferred tax assets based on the estimated taxable income. The Company did not recognize (Won)159,527 million of deferred tax assets as they were determined to be unrealizable.

As of December 31, 2006, as the possibility of sale of investments or payment of dividends from subsidiaries in the near future is minimal, the Company did not recognize (Won)25,102 million of temporary differences related to the valuation of equity method investments.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

The reconciliation between income before income taxes and taxable income for the years ended December 31, 2006 and 2005, follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Income (Loss) before income taxes	(Won) (1,021,476)	(Won) 368,695
Add (deduct) :		
Temporary differences	127,585	61,467
Permanent differences	12,419	1,578
<b>Taxable income</b>	<b>(Won) (881,472)</b>	<b>(Won) 431,740</b>

The statutory income tax rate, including resident tax surcharges, applicable to the Company is 27.5% for the year end December 31, 2006 and 2005. The statutory income tax rates applicable to overseas subsidiaries are approximately 7.5%~40.0%.

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 subsequent 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 rate of the Company for the year ended December 31, 2006, is 24.69% (2005: negative 40.23%).

Changes in accumulated temporary differences for the year ended December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2006</b>	<b>Increase (decrease)</b>	<b>December 31, 2006</b>
Inventories	(Won) 40,943	(Won) 36,019	(Won) 76,962
Derivatives	(18,229)	20,019	1,790
Property, plant and equipment	140,485	56,246	196,731
Warranty reserve	20,601	10,660	31,261
Others	48,734	(3,689)	45,045
<b>Total</b>	<b>(Won) 232,534</b>	<b>(Won) 119,255</b>	<b>(Won) 351,789</b>
Deduction from capital	(Won) (31,250)	(Won) (8,357)	(Won) (39,607)
Net loss carryforward	(Won)	(Won) 903,610	(Won) 903,610
Tax credit carryforward	(Won) 292,976	(Won) 143,510	(Won) 436,486

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****20. Earnings Per Share**

Earnings(Loss) per share is computed by dividing net income(loss) by the weighted-average number of common shares outstanding during the year. Ordinary income(loss) per share is computed by dividing ordinary income(loss) 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 year.

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

<i>(in millions, except for per share amount)</i>	For the three-month periods ended December 31,		For the years ended December 31,	
	2006	2005	2006	2005
Net income(loss) as reported on the statements of operations	(Won) 174,345	(Won) 327,848	(Won) 769,313	(Won) 517,012
Weighted-average number of common shares outstanding	358	358	358	339
<b>Earnings(Loss) per share</b>	(Won) (487)	(Won) 916	(Won) (2,150)	(Won) 1,523
Diluted earnings(loss) per share	(Won) (487)	(Won) 908	(Won) (2,150)	(Won) 1,523

The Company issued convertible bonds on April 19, 2005. Diluted earnings per share is identical to basic earnings and diluted ordinary income per share as the convertible bonds issued have no dilutive effect for the year ended December 31, 2006.

The diluted ordinary earnings per share and the diluted net earnings per share were (Won)908 per share for the three-month period ended December 31, 2005. Diluted earnings per share for the three-month period ended December 31, 2005, was calculated as follows:

<i>(in millions, except for per share amount)</i>	
Net income allocated to common stock	(Won) 327,848
Add : Interest expense on convertible bonds <sup>1</sup>	4,548
<b>Diluted net income allocated to common stock</b>	<b>332,396</b>
Weighted average number of common shares and diluted securities outstanding during the year	366
<b>Diluted earnings per share</b>	<b>(Won) 908</b>

<sup>1</sup> Net of tax effects.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

Earnings(Loss) per share for the three-month period ended September 30, 2006, follows:

	<b>September 30, 2006</b>	
Basic loss per share	(Won)	(897)
Diluted loss per share	(Won)	(897)

**21. Related Party Transactions**

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

Significant transactions which occurred in the normal course of business with related companies during the years ended December 31, 2006 and 2005, and the related account balances outstanding as of December 31, 2006 and 2005, are summarized as follows:

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

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Sales <sup>1</sup>	(Won) 8,632,419	(Won) 7,870,776
Purchases	149,502	10,701
Accounts receivable	1,167,626	1,237,187
Accounts payable	27,449	12,004

<sup>1</sup> Includes sale of property, plant and equipment amounting to (Won)33 million.

**Between consolidated subsidiaries**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Accounts receivable and payable	(Won) 3,867	(Won) 571,563
Sales and purchases	1,393,359	3,411,230

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

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

<i>(in millions of Korean won)</i>	Sales <sup>1</sup>		Purchases <sup>2</sup>	
	2006	2005	2006	2005
<b>Parents companies</b>				
LG Electronics Inc	(Won) 1,729,344	(Won) 1,821,507	(Won) 134,236	(Won) 179,577
Philips	1,331,407	1,323,637	74,550	52,229
<b>Company that has significant influence over the Company</b>				
LG Corporation			13,151	11,218
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.	6	1	162,182	
<b>Other related parties</b>				
LG Chem Ltd.			708,770	620,930
LG International	960,426	743,768	1,006,078	1,338,057
Serveone	299		175,665	146,109
Micron Ltd.	237		113,268	125,224
LG CNS	5		103,056	113,615
Others	39,762	75,141	140,730	61,959
<b>Total</b>	<b>(Won) 4,061,486</b>	<b>(Won) 3,964,054</b>	<b>(Won) 2,631,686</b>	<b>(Won) 2,648,918</b>

<i>(in millions of Korean won)</i>	Receivables		Payables	
	2006	2005	2006	2005
<b>Parent companies</b>				
LG Electronics Inc.	(Won) 138,959	(Won) 219,327	(Won) 13,574	(Won) 66,751
Philips	112,569	176,599	5,863	4,548
<b>Company that has significant influence over the Company</b>				
LG Corporation	2,340	10,970	548	1,692
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.			22,535	
<b>Other related parties</b>				
LG Chem Ltd.			180,425	72,319
LG International	58,684	47,515	122,953	198,422
Serveone	2,373		47,169	36,792
Micron Ltd.			50,568	55,234
LG CNS			8,528	32,370
Others	12,428	22,320	26,971	9,790
<b>Total</b>	<b>(Won) 327,353</b>	<b>(Won) 476,731</b>	<b>(Won) 479,134</b>	<b>(Won) 477,918</b>



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- <sup>1</sup> Includes sale of property, plant and equipment amounting to (Won)798 million.
- <sup>2</sup> Includes purchases of property, plant and equipment amounting to (Won)797,486 million.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005**

Significant management<sup>1</sup> compensation costs for the nine-month period ended September 30, 2006, are as follows:

<i>(in millions for Korean won)</i>	
Short-term employee salaries	(Won) 1,506
Post-retirement benefits	374
	(Won) 1,880

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

**22. Value Added Information**

Value added information for the years ended December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>			<b>2006</b>			
	<b>Cost of Sales</b>	<b>Selling and administrative expense</b>	<b>Research and development expenses</b>	<b>Construction-in-progress</b>	<b>Total</b>	
Salaries and wages	(Won) 549,710	(Won) 68,393	(Won) 26,065	(Won) 10,314	(Won) 654,482	
Severance benefits	45,833	5,612	2,698	1,040	55,183	
Employee fringe benefits	92,087	9,274	3,655	1,347	106,363	
Rent	2,440	13,777	509		16,726	
Depreciation	2,618,279	7,003	13,567	803	2,639,652	
Taxes and dues	7,477	4,317	216	20	12,030	
	(Won) 3,315,826	(Won) 108,376	(Won) 46,710	(Won) 13,524	(Won) 3,484,436	

<i>(in millions of Korean won)</i>			<b>2005</b>			
	<b>Cost of Sales</b>	<b>Selling and administrative expense</b>	<b>Research and development expenses</b>	<b>Construction-in-progress</b>	<b>Total</b>	
Salaries and wages	(Won) 386,021	(Won) 60,459	(Won) 20,231	(Won) 41,748	(Won) 508,459	
Severance benefits	31,624	4,455	1,740	6,033	43,852	
Employee fringe benefits	71,886	10,647	2,635	4,060	89,228	
Rent	2,124	6,958	439		9,521	
Depreciation	1,775,328	10,523	6,472	3,600	1,795,923	
Taxes and dues	5,009	4,366	169	200	9,744	
	(Won) 2,271,992	(Won) 97,408	(Won) 31,686	(Won) 55,641	(Won) 2,456,727	



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****23. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 92% of total sales for the year ended December 31, 2006.

The following is a summary of operations by country based on the location of the customers for the years ended December 31, 2006 and 2005 :

*(in millions of Korean won)*

Sales	Domestic	Asia	America	Europe	Others	Total
2006	(Won) 805,164	(Won) 6,534,476	(Won) 1,033,726	(Won) 1,753,717	(Won) 497,117	(Won) 10,624,200
2005	(Won) 990,900	(Won) 6,688,993	(Won) 1,062,374	(Won) 1,329,989	(Won) 3,324	(Won) 10,075,580

**24. Supplemental Cash Flow Information**

Significant transaction not affecting cash flow for the years ended December 31, 2006 and 2005, follows:

*(in millions of Korean won)*

	2006	2005
Other accounts payable arising from the purchase of property, plant and equipment	(Won) 854,019	(Won) 1,077,932

**25. Operating Results for the Final Interim Period**

Significant operating results for the three-month period ended December 31, 2006, are as follows :

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

Sales	(Won) 3,065,294
Cost of sales	3,090,235
Operating loss	176,588
Net loss	174,345
Loss per share	487
Diluted loss per share	487

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**26. Approval of Non-Consolidated Financial Statements**

The December 31, 2006 non-consolidated financial statements of the Company were approved at the Board of Directors meeting on January 16, 2007.

**27. Subsequent Events**

On January 16, 2007, the Board of Directors appointed Mr. Young Su Kwon to replace Mr. Bon Joon Koo as the Joint Representative Director of the Controlling Company. This appointment will be ratified by the shareholders during the 22nd Shareholders Meeting scheduled to be held on February 28, 2007.

In February 2007, the Controlling Company and certain of its officers and directors have been named as defendants in a federal class action in the United States by the shareholders of the Controlling Company alleging violations of the U.S. Securities Exchange Act of 1934, as amended, by the Controlling Company and certain of its officers and directors in connection with possible anti-competitive activities in the LCD industry. The Controlling Company and the officers and directors intend to defend themselves vigorously in this matter.

In February, 2007, Anvik Corporation filed a patent infringement case against the Company, along with other LCD manufacturing companies, in connection with the usage of photo-masking equipments manufactured by Nikon Corporation.

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**Report of Independent Auditors**

To the Board of Directors and Shareholders of

LG.Philips LCD Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of LG.Philips LCD Co., Ltd. (the Company) as of December 31, 2006 and 2005, and the related non-consolidated statements of operations, appropriations of retained earnings, and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG.Philips LCD Co., Ltd. as of December 31, 2006 and 2005, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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



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Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated 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 audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

/s/ Samil PricewaterhouseCoopers  
Seoul, Korea  
February 13, 2007

This report is effective as of February 13, 2007, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit 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****December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	(Won) 788,066	(Won) 1,465,025
Available-for-sale securities	23	354
Trade accounts and notes receivable, net (Notes 4, 5 and 20)	1,049,408	1,034,196
Inventories, net (Note 6)	735,376	471,765
Other accounts receivable, net (Notes 4, 5 and 20)	27,036	15,751
Accrued income, net (Note 4)	820	1,369
Advance payments, net (Note 4)	5,431	5,959
Prepaid expenses	22,051	20,532
Prepaid value added tax	52,837	102,094
Deferred income tax assets (Note 18)		4,647
Others (Note 14)	50,608	75,242
<b>Total current assets</b>	<b>2,731,656</b>	<b>3,196,934</b>
Property, plant and equipment, net (Note 8)	8,860,076	8,988,459
Long-term financial instruments (Note 3)	13	16
Equity-method investments (Note 7)	361,545	213,968
Non-current guarantee deposits	17,338	24,000
Long-term prepaid expenses	137,974	83,023
Deferred income tax assets (Note 18)	593,063	339,621
Intangible assets, net (Note 9)	114,182	149,894
<b>Total assets</b>	<b>(Won) 12,815,847</b>	<b>(Won) 12,995,915</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities		
Trade accounts and notes payable (Notes 5 and 20)	(Won) 943,924	(Won) 563,874
Other accounts payable (Notes 5 and 20)	1,066,642	1,445,471
Advances received	461	609
Withholdings	9,045	12,004
Accrued expenses (Note 5)	67,814	73,772
Income tax payable (Note 18)		19,499
Warranty reserve	28,015	16,023
Current maturities of debentures and long-term debts (Note 10)	553,089	429,352
Others (Note 14)	25,399	33,678
<b>Total current liabilities</b>	<b>2,694,389</b>	<b>2,594,282</b>
Debentures, net of current maturities and discounts on debentures (Note 11)	2,319,391	2,385,272
Long-term debts, net of current maturities (Note 11)	830,540	297,577
Accrued severance benefits, net (Note 12)	81,851	43,187
<b>Total liabilities</b>	<b>5,926,171</b>	<b>5,320,318</b>
Commitments and contingencies (Note 14)		

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Shareholders' equity		
Capital stock (Note 15)		
Common stock, (Won)5,000 par value per share;400 million shares authorized ; 358 million shares issued and outstanding	1,789,079	1,789,079
Capital surplus (Note 16)	2,275,172	2,279,250
Retained earnings (Note 16)	2,839,373	3,608,686
Capital adjustments (Note 17)	(13,948)	(1,418)
Total shareholders' equity	6,889,676	7,675,597
Total liabilities and shareholders' equity	(Won) 12,815,847	(Won) 12,995,915

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

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Operations****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won, except per share amounts)</i>	<b>2006</b>	<b>2005</b>
<b>Sales (Notes 20 and 22)</b>	(Won) 10,200,660	(Won) 8,890,155
<b>Cost of sales (Note 21)</b>	10,688,068	8,029,141
Gross profit (loss)	(487,408)	861,014
<b>Selling and administrative expenses</b>	457,800	413,377
Operating income(loss)	(945,208)	447,637
<b>Non-operating income</b>		
Interest income	26,178	48,942
Rental income	7,811	207
Foreign exchange gains (Note 14)	182,386	181,522
Gain on foreign currency translation (Note 14)	50,945	47,714
Gain on valuation of equity method investments (Note 7)	58,513	946
Gain on disposal of property, plant and equipment	518	2,090
Others	44,480	24,642
	370,831	306,063
<b>Non-operating expenses</b>		
Interest expenses	159,339	97,544
Foreign exchange losses (Note 14)	234,859	228,158
Loss on foreign currency translation (Note 14)	13,423	23,914
Loss on disposal of property, plant and equipment	1,046	115
Loss on disposal of accounts receivable	9,922	7,868
Loss on disposal of available-for-sale securities	35	
Loss on valuation of equity method investments (Note 7)	11,379	7,574
Loss on valuation of investment assets	118	
Ramp up cost (Note 6)	18,043	18,928
Donations	1,821	2,318
Others	7	
	449,992	386,419
Income(loss) before income taxes	(1,024,369)	367,281
Income tax benefit (Note 18)	255,056	149,731
Net income(loss)	(Won) (769,313)	(Won) 517,012
Ordinary income(loss) per share (Note 19)	(Won) (2,150)	(Won) 1,523
Earnings(loss) per share (Note 19)	(Won) (2,150)	(Won) 1,523
Diluted ordinary income(loss) per share (Note 19)	(Won) (2,150)	(Won) 1,523

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Diluted earnings(loss) per share (Note 19)	(Won)	(2,150)	(Won)	1,523
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The accompanying notes are an integral part of these non-consolidated financial statements.

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

**Non-Consolidated Statements of Appropriations of Retained Earnings**

**Years ended December 31, 2006 and 2005**

**(Date of appropriations : February 28, 2007 and February 28, 2006 for the years ended December 31, 2006 and 2005, respectively)**

*(in millions of Korean won)*

	<b>2006</b>	<b>2005</b>
<b>Retained earnings before appropriations</b>		
Unappropriated retained earnings carried over from prior year	(Won) 3,480,349	(Won) 2,963,337
Net income(loss)	(769,313)	517,012
	2,711,036	3,480,349
<b>Appropriation of retained earnings</b>		
<b>Unappropriated retained earnings carried forward to the subsequent year</b>	(Won) 2,711,036	(Won) 3,480,349

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

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2006 and 2005

<i>(in millions of Korean won)</i>	2006	2005
<b>Cash flows from operating activities</b>		
Net income(loss)	(Won) (769,313)	(Won) 517,012
Adjustments to reconcile net income(loss) to net cash provided by operating activities		
Depreciation	2,521,931	1,704,733
Amortization of intangible assets	44,231	44,400
Provision for severance benefits	55,157	43,834
Gain on foreign currency translation, net	(47,145)	(27,942)
Loss on disposal of available-for-sale securities	35	
Loss on disposal of investment assets	118	
Gain on disposal of property, plant and equipment, net	528	(1,975)
Amortization of discount on debentures	35,615	29,891
Loss (gain) on valuation of equity method investments, net	(47,134)	6,628
Provision for warranty reserve	35,641	17,215
	2,598,977	1,816,784
<b>Changes in operating assets and liabilities</b>		
Increase in trade accounts and notes receivable	(14,465)	(410,487)
Increase in inventories	(263,611)	(3,766)
Increase in other accounts receivable	(11,454)	(11,425)
Decrease in accrued income	549	100
Decrease in advance payments	527	3,834
Decrease in prepaid expenses	23,964	16,930
(Increase) decrease in prepaid value added tax	49,257	(21,178)
Decrease in other current assets	24,502	67,645
Increase in long-term prepaid expenses	(80,434)	(42,927)
Increase in deferred income tax	(255,057)	(175,720)
Increase in trade accounts and notes payable	381,007	113,747
Increase (decrease) in other accounts payable	(35,028)	222,019
Increase (decrease) in advances received	(148)	556
Increase in withholdings	(2,959)	7,144
Decrease in accrued expenses	(5,958)	(42,813)
Decrease in income taxes payable	(19,499)	(55,081)
Decrease in warranty reserve	(23,649)	(16,342)
Decrease in other current liabilities	(9,089)	(54,142)
Accrued severance benefits transferred from affiliated company	3,531	2,485
Payment of severance benefits	(33,921)	(16,282)
Increase (decrease) in severance insurance deposit	13,829	(18,817)
Decrease in contribution to National Pension Fund	68	29
	(258,038)	(434,491)
<b>Net cash provided by operating activities</b>	<b>1,571,626</b>	<b>1,899,305</b>

**Table of Contents****LG.Philips Lcd Co., Ltd.****Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2006 and 2005

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from investing activities</b>		
Acquisition of equity method investments	(Won) (152,481)	(Won) (54,557)
Proceeds from sale of equity method investments	37,643	
Acquisition of available-for-sale securities	(53)	(339)
Proceeds from disposal of available for sale securities	349	
Proceed from non-current guarantee deposits	11,185	3
Payment of non-current guarantee deposits	(4,648)	(4,933)
Proceeds from disposal of property, plant and equipment	11,503	2,830
Acquisition of property, plant and equipment	(2,743,732)	(4,071,762)
Acquisition of intangible assets	(8,251)	(10,811)
Disposal of long-term financial instruments	3	
Net cash used in investing activities	(2,848,482)	(4,139,569)
<b>Cash flows from financing activities</b>		
Repayment of current maturities of long-term debts	(432,017)	(207,120)
Issuance of debentures	399,600	1,073,684
Proceeds from long-term debts	632,314	162,395
Proceeds from issuance of common stock		1,401,341
Net cash provided by financing activities	599,897	2,430,300
Net increase (decrease) in cash and cash equivalents	(676,959)	190,036
<b>Cash and cash equivalents (Note 23)</b>		
Beginning of the year	1,465,025	1,274,989
End of the year	(Won) 788,066	(Won) 1,465,025

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



**Table of Contents****LG.Philips Lcd Co., Ltd.****Non-Consolidated Statements of Cash Flows****Years ended December 31, 2006 and 2005****1. The Company**

LG.Philips LCD Co., Ltd. (the Company) was incorporated in 1985 as the original name of LG Soft, Ltd., under the Commercial Code of the Republic of Korea and commenced the manufacturing and sales of Thin Film Transistor Liquid Crystal Display ( TFT LCD ) in 1999. On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. ( Philips ) and the Company entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name from LG LCD CO., Ltd. to LG.Philips LCD Co., Ltd. effective August 27, 1999, and on August 31, 1999, the Company issued new shares of common stock to Philips for (Won) 725,000 million and Philips acquired a 50% interest in LG LCD Co., Ltd.

The Company listed its shares with the Korea Stock Exchange and with US Securities and Exchange Commission in July, 2004. In July 2005, pursuant to a Form F-1 Registration statement filed on July 22, 2005 with the U.S. Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$ 1, 189,656 thousand. In addition, pursuant to the Underwriting Agreement dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$ 196,144 thousand.

As of December 31, 2006, the Company's shareholders are as follows:

	<b>Number of</b>	<b>Percentage of</b>
	<b>Shares</b>	<b>Ownership (%)</b>
LG Electronics Inc.	135,625,000	37.9
Koninklijke Philips Electronics N. V.	117,625,000	32.9
Others	104,565,700	29.2
	357,815,700	100.0

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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2006 and 2005**

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

The significant accounting policies followed by the Company in the preparation of its year end 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 (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

#### **Accounting Estimates**

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

#### **Application of the Statements of Korean Financial Accounting Standards**

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 18 through 20 became applicable to the Company on January 1, 2006, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2006.

#### **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.

#### **Revenue Recognition**

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

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

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

**December 31, 2006 and 2005**

#### **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 SKFAS 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. If, however, the circumstances which caused the valuation loss cease to exist, the valuation loss is reversed up to the original carrying amount before valuation. The said reversal is a deduction from cost of sales.

#### **Investments in Affiliates and Other Investments**

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be divided into 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 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 capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment losses on the securities are 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.

Investments in equity securities of companies, over which the Company exercises significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in 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 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.

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

Difference between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee is amortized over the period up to 20 years using the straight-line method.

The Company's proportionate unrealized profit arising from sales between the Company and the equity-method investees or sales between equity-method investees is eliminated. If the equity-method investees are the Company's subsidiaries, unrealized profit arising from sales by the Company to subsidiaries is fully eliminated.

Foreign currency financial statements of equity method investees are translated into Korean won using the 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 their intended 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 enumerated below:

	<b>Estimated useful lives</b>
Buildings	20 - 40 years
Structures	20 - 40 years
Machinery and equipment	4 years
Vehicles	4 years
Tools, furniture and fixtures	4 years

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.

Property, plant and equipment, which were acquired by the Company through government subsidies, are recorded at their fair values if the cost is lower than the market value. The government subsidies are presented as a deduction from the acquisition cost. The current year's subsidies are offset against depreciation expense over the useful life of the property, plant and equipment, and the remaining amount is recognized as a loss on sale upon disposal of the property, plant and equipment.

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

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

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

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 is 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, consisting of 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 its 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 is 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**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date ((Won)929.6 : US\$1 as of December 31, 2006; (Won)1,013.0 : US\$1 as of December 31, 2005), and the resulting translation gains and losses are recognized in current operations.

#### **Warranty Reserve**

The Company provides 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. The warranty reserve as of December 31, 2006, is (Won)28,015 million (2005: (Won)16,023 million), and provision for warranty reserve for the year ended December 31, 2006, is (Won)35,641 million (2005: (Won)17,215 million).

#### **Accrued Severance Benefits**

Employees and directors with at least one year 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.

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

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

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

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

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

#### **Sale 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 is substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

#### **Derivatives**

The Company enters into various 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 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 hedges.

#### **Convertible bonds**

When convertible bonds are issued, the amount paid for the conversion rights, which is computed as the difference between the issuing value and the present value of future cash flows discounted at the effective interest rate of the bond without conversion features, is included in other capital surplus. The related adjustment to the conversion right is presented as a deduction from the face value, whereas call premium is presented as an addition.

#### **Stock Appreciation Plan**

Compensation costs for stock options granted to employees and executives are recognized on the basis of intrinsic value. Under the intrinsic value basis method, compensation costs for stock option plans are determined by calculating the difference between the exercise price and the market price of the underlying stock. Stock-based compensation cost is remeasured at each reporting date, based on the intrinsic value of the award, and is recognized as expense over the agreed minimum service period.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****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 carryforwards 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 based on estimates when there are reasonable assumptions that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the year.

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 utilized. To the extent such credits are not currently utilized, deferred income tax assets, subject to considerations on their probability of utilization, are recognized as carryforward amount.

**3. Cash and Cash Equivalents, and Financial Instruments**

Cash and cash equivalents, and financial instruments as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>Annual interest rate (%) as of December 31, 2006</b>	<b>2006</b>	<b>2005</b>
<b>Cash and cash equivalents</b>			
Cash on hand		(Won) 6	(Won) 6
Checking accounts		34	51
Time deposits	4.16	663,480	942,359
Passbook accounts in			
Foreign currencies of US\$129 million, JP¥ 319 million, EUR 1.5 million (2005: US\$ 516 million and JP¥ 6 million)	5.63	124,546	522,609
		788,066	1,465,025
<b>Long-term financial instruments</b>			
Guarantee deposits for checking accounts		13	16
		(Won) 788,079	(Won) 1,465,041

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

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2006 and 2005

**4. Receivables**

The Company's receivables, including trade accounts and notes receivable, as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>Gross amount</b>	<b>2006 Allowance for doubtful accounts</b>	<b>Carrying value</b>
Trade accounts and notes receivable	(Won) 1,050,318	(Won) 910	(Won) 1,049,408
Other accounts receivable	27,342	306	27,036
Accrued income	828	8	820
Advance payments	5,486	55	5,431
	(Won) 1,083,974	(Won) 1,279	(Won) 1,082,695

<i>(in millions of Korean won)</i>	<b>Gross amount</b>	<b>2005 Allowance for doubtful accounts</b>	<b>Carrying value</b>
Trade accounts and notes receivable	(Won) 1,035,155	(Won) 959	(Won) 1,034,196
Other accounts receivable	16,148	397	15,751
Accrued income	1,383	14	1,369
Advance payments	6,019	60	5,959
	(Won) 1,058,705	(Won) 1,430	(Won) 1,057,275

As of December 31, 2006, trade bills negotiated through banks but not yet matured, amounted to approximately (Won)204,528 million (2005: (Won)303,904 million).



**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****5. Assets and Liabilities Denominated in Foreign Currencies**

As of December 31, 2006 and 2005, 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>	2006			2005		
	Korean Won Equivalent	Foreign Currency		Korean Won Equivalent	Foreign Currency	
Trade accounts and notes receivable	(Won) 1,039,254	US\$	994	(Won) 1,027,180	US\$	904
		JP¥	3,530		JP¥	10,579
		EUR	71		EUR	17
Other accounts receivable	12,575	US\$	4	2,372	US\$	2
		JP¥	107		JP¥	40
		EUR	6			
Trade accounts and notes payable	383,771	US\$	289	163,496	US\$	63
		JP¥	14,756		JP¥	11,574
Other accounts payable	84,466	US\$	21	163,970	US\$	14
		JP¥	6,999		JP¥	15,608
		EUR	8		EUR	13
Accrued expenses				5,769	US\$	6

**6. Inventories**

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

<i>(in millions of Korean won)</i>	2006	2005
Finished products	(Won) 311,808	(Won) 191,918
Work-in-process	312,231	131,483
Raw materials	129,373	124,999
Supplies	101,068	59,750
	854,480	508,150
Less : Valuation loss	(119,104)	(36,385)
	(Won) 735,376	(Won) 471,765

For the year ended December 31, 2006, the Company recorded ramp-up cost of (Won) 18,043 million (2005: (Won) 18,928 million) to counter the unusual low volume of production.

As of December 31, 2006, inventories and property, plant and equipment are insured against fire and other casualty losses for up to (Won) 24,679,994 million (2005: (Won)30,088,667 million). Additionally, as of December 31, 2006, the Company insured directors and officers liabilities for up to US\$ 100 million (2005: US\$ 100 million).



**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****7. Equity-method Investments**

Equity-method investments as of December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	No. of shares owned by the Company	Percentage of Ownership (%)	2006		
			Acquisition cost	Market or net asset value	Carrying value
LG.Philips LCD America, Inc.	5,000,000	100	(Won) 6,082	(Won) 9,409	(Won) 8,535
LG.Philips LCD Germany GmbH	960,000	100	1,252	4,064	7,383
LG.Philips LCD Japan Co., Ltd.	1,900	100	1,088	4,559	4,048
LG.Philips LCD Taiwan Co., Ltd.	11,549,994	100	6,076	12,400	6,413
LG.Philips LCD Nanjing Co., Ltd.	( <sup>1</sup> )	100	177,854	208,655	205,224
LG.Philips LCD HongKong Co., Ltd.	115,000	100	1,736	6,014	4,184
LG.Philips LCD Shanghai Co., Ltd.	( <sup>1</sup> )	100	596	3,967	3,777
LG.Philips LCD Poland Sp. z o.o.	2,385,900	100	76,591	65,806	65,806
LG.Philips LCD Guangzhou Co, Ltd. ( <sup>2</sup> )	( <sup>1</sup> )	100	38,264	36,891	36,891
Paju Electric Glass	1,440,000	40	14,400	20,631	19,284
			(Won) 323,939	(Won) 372,396	(Won) 361,545

<i>(in millions of Korean won)</i>	No. of shares owned by the Company	Percentage of Ownership (%)	2005		
			Acquisition cost	Market or net asset value	Carrying value
LG.Philips LCD America, Inc.	5,000,000	100	(Won) 6,082	(Won) 8,952	(Won) 6,388
LG.Philips LCD Germany GmbH	960,000	100	1,252	3,255	2,100
LG.Philips LCD Japan Co., Ltd.	1,900	100	1,088	4,106	3,787
LG.Philips LCD Taiwan Co., Ltd.	11,549,994	100	6,076	12,232	7,460
LG.Philips LCD Nanjing Co., Ltd.	( <sup>1</sup> )	100	140,212	203,406	176,814
LG.Philips LCD HongKong Co., Ltd.	115,000	100	1,736	3,627	2,643
LG.Philips LCD Shanghai Co., Ltd.	( <sup>1</sup> )	100	596	2,713	611
LG.Philips LCD Poland Sp. z o.o.	500	100	16	9	9
Paju Electric Glass	1,440,000	40	14,400	14,083	14,156
			(Won) 171,458	(Won) 252,383	(Won) 213,968

(1) No shares have been issued according to the local laws or regulation.

(2) LG.Philips LCD Guangzhou was established in 2006.



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

As of and for the year ended December 31, 2006, condensed financial statements of the investees, prior to the elimination of intercompany transactions, are as follows:

**Condensed Balance Sheet**

<i>(in millions of Korean won)</i>	<b>LG.Philips LCD America, Inc.</b>	<b>LG.Philips LCD Germany GmbH</b>	<b>LG.Philips LCD Japan.Co., Ltd.</b>	<b>LG.Philips LCD Taiwan Co., Ltd.</b>	<b>LG.Philips LCD Nanjing Co., Ltd.</b>
Current assets	(Won) 85,901	(Won) 361,469	(Won) 90,473	(Won) 328,203	(Won) 76,262
Non-current assets	5,366	1,797	1,045	3,731	369,940
Total assets	(Won) 91,267	(Won) 363,266	(Won) 91,518	(Won) 331,934	(Won) 446,202
Current liabilities	(Won) 81,858	(Won) 359,202	(Won) 86,925	(Won) 319,534	(Won) 80,490
Non-current liabilities			34		157,057
Total liabilities	81,858	359,202	86,959	319,534	237,547
Capital stock	6,082	1,252	1,088	4,189	177,854
Retained earnings	5,672	3,057	4,812	10,906	51,571
Capital adjustments	(2,345)	(245)	(1,341)	(2,695)	(20,770)
Total shareholders equity	9,409	4,064	4,559	12,400	208,655
Total liabilities and shareholders equity	(Won) 91,267	(Won) 363,266	(Won) 91,518	(Won) 331,934	(Won) 446,202

<i>(in millions of Korean won)</i>	<b>LG. Philips LCD HongKong Co., Ltd.</b>	<b>LG. Philips LCD Shanghai Co., Ltd.</b>	<b>LG. Philips LCD Poland Sp z o.o.</b>	<b>LG. Philips LCD Guangzhou Co., Ltd.</b>	<b>Paju Electric Glass</b>	<b>Total</b>
Current assets	(Won) 174,257	(Won) 248,379	(Won) 32,110	(Won) 25,941	(Won) 65,070	(Won) 1,488,065
Non-current assets	356	216	200,616	11,670	26,192	620,929
Total assets	(Won) 174,613	(Won) 248,595	(Won) 232,726	(Won) 37,611	(Won) 91,262	(Won) 2,108,994
Current liabilities						

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Non-current liabilities	(Won) 168,580 19	(Won) 244,628	(Won) 166,489 431	(Won) 720	(Won) 46,713 167	(Won) 1,555,139 157,708
Total liabilities	168,599	244,628	166,920	720	46,880	1,712,847
Capital stock	1,736	596	76,590	38,264	36,000	343,651
Retained earnings	5,040	3,936	(10,360)	(957)	8,382	82,059
Capital adjustments	(762)	(565)	(424)	(416)		(29,563)
Total shareholders equity	6,014	3,967	65,806	36,891	44,382	396,147
Total liabilities and shareholders equity	(Won) 174,613	(Won) 248,595	(Won) 232,726	(Won) 37,611	(Won) 91,262	(Won) 2,108,994

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****Condensed Income Statement**

	<b>LG.Philips LCD, America,  Inc.</b>	<b>LG.Philips LCD, Germany GmbH</b>	<b>LG.Philips LCD, Japan Co., Ltd.</b>	<b>LG.Philips LCD, Taiwan Co.,  Ltd.</b>	<b>LG.Philips LCD, Nanjing Co.,  Ltd.</b>
<i>(in millions of Korean won)</i>					
Sales	(Won) 1,035,463	(Won) 1,653,550	(Won) 1,190,264	(Won) 2,749,688	(Won) 1,688,227
Cost of sales	1,019,704	1,636,554	1,180,483	2,727,103	1,615,202
Gross profit	15,759	16,996	9,781	22,585	73,025
Selling and administrative expenses	11,054	11,074	8,120	9,937	57,928
Operating income	4,705	5,922	1,661	12,648	15,097
Non-operating income (expense)	(2,707)	(4,572)	305	(10,834)	
Ordinary income	1,998	1,350	1,966	1,814	15,097
Income tax expense (benefit)	771	647	1,095	667	(1,113)
Net income(loss)	(Won) 1,227	(Won) 703	(Won) 871	(Won) 1,147	(Won) 16,210

	<b>LG. Philips LCD HongKong Co., Ltd.</b>	<b>LG. Philips LCD Shanghai Co., Ltd.</b>	<b>LG. Philips LCD Poland Sp z o.o.</b>	<b>LG. Philips LCD Guangzhou Co., Ltd.</b>	<b>Paju Electric Glass</b>	<b>Total</b>
<i>(in millions of Korean won)</i>						
Sales	(Won) 1,097,365	(Won) 1,163,364	(Won) 9	(Won)	(Won) 164,379	(Won) 10,742,309
Cost of sales	1,087,564	1,154,570			153,782	10,574,962
Gross profit	9,801	8,794	9		10,597	167,347
Selling and administrative expenses	7,106	7,532	12,056	800	2,373	127,980
Operating income	2,695	1,262	(12,047)	(800)	8,224	39,367
Non-operating income (expense)	443	601	1,693	(157)	(23)	(15,251)
Ordinary income	3,138	1,863	(10,354)	(957)	8,201	24,116
Income tax expense (benefit)	365	462			(790)	2,104
Net income(loss)	(Won) 2,773	(Won) 1,401	(Won) (10,354)	(Won) (957)	(Won) 8,991	(Won) 22,012

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The financial statements of an investee were adjusted due to a change in an accounting policy.

Details of said adjustment are as follows:

<b>Company name</b>	<b>Reason for adjustment</b>	<b>2006 Net asset value before adjustment</b>	<b>Adjustment amount</b>	<b>Net asset value after adjustment</b>
Paju Electric Glass	Unification of depreciation method	(Won) 44,382	(Won) 7,195	(Won) 51,577



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

The details of the equity method valuation for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	2006						Balance as of December 31, 2006
	Balance as of January 1, 2006	Acquisitions during the year	Gain (loss) on valuation of equity method investments	Retained earnings adjustment	Capital adjustment		
LG.Philips LCD America, Inc.	(Won) 6,388	(Won)	(Won) 2,917	(Won)	(Won) (770)	(Won) 8,535	
LG.Philips LCD Germany GmbH	2,100		5,178		105	7,383	
LG.Philips LCD Japan Co., Ltd.	3,787		680		(419)	4,048	
LG.Philips LCD Taiwan Co., Ltd.	7,460		(68)		(979)	6,413	
LG.Philips LCD Nanjing Co., Ltd.	176,814	37,643	39,370	(37,643)	(10,960)	205,224	
LG.Philips LCD HongKong Co., Ltd.	2,643		1,927		(386)	4,184	
LG.Philips LCD Shanghai Co., Ltd.	611		3,313		(147)	3,777	
LG.Philips LCD Poland Sp. z o.o.	9	76,574	(10,355)		(422)	65,806	
LG.Philips LCD Guangzhou Co., Ltd. <sup>(2)</sup>		38,264	(956)		(417)	36,891	
Paju Electric Glass	14,156		5,128			19,284	
	(Won) 213,968	(Won) 152,481	(Won) 47,134	(Won) (37,643)	(Won) (14,395)	(Won) 361,545	

<i>(in millions of Korean won)</i>	2005						Balance as of December 31, 2005
	Balance as of January 1, 2005	Acquisitions during the year	Gain (loss) on valuation of equity method investments	Retained earnings adjustment	Capital adjustment		
LG.Philips LCD America, Inc.	(Won) 7,133	(Won)	(Won) (552)	(Won)	(Won) (193)	(Won) 6,388	
LG.Philips LCD Germany GmbH	2,262		348		(510)	2,100	
LG.Philips LCD Japan Co., Ltd.	4,052		388		(653)	3,787	
LG.Philips LCD Taiwan Co., Ltd.	10,974		(2,881)		(633)	7,460	

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LG.Philips LCD Nanjing Co., Ltd.	140,241	40,141	(3,608)	40	176,814	
LG.Philips LCD HongKong Co., Ltd.	2,491		210	(58)	2,643	
LG.Philips LCD Shanghai Co., Ltd.	886		(283)	8	611	
LG.Philips LCD Poland Sp. z o.o.		16	(6)	(1)	9	
Paju Electric Glass		14,400	(244)		14,156	
	(Won) 168,039	(Won) 54,557	(Won) (6,628)	(Won)	(Won) (2,000)	(Won) 213,968

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

As of December 31, 2006 and 2005, the eliminated unrealized gains or losses in the valuation of equity method investments are as follows:

	2006			2005		
	Inventories	Property, plant and equipment	Total	Inventories	Property, plant and equipment	Total
LG.Philips LCD America, Inc.	(Won) (874)	(Won)	(Won) (874)	(Won) (2,564)	(Won)	(Won) (2,564)
LG.Philips LCD Germany GmbH	3,319		3,319	(1,155)		(1,155)
LG.Philips LCD Japan Co., Ltd.	(511)		(511)	(319)		(319)
LG.Philips LCD Taiwan Co., Ltd.	(5,987)		(5,987)	(4,772)		(4,772)
LG.Philips LCD Nanjing Co., Ltd.	107	(3,538)	(3,431)	(21,216)	(5,376)	(26,592)
LG.Philips LCD HongKong Co., Ltd.	(1,830)		(1,830)	(984)		(984)
LG.Philips LCD Shanghai Co., Ltd.	(190)		(190)	(2,102)		(2,102)
LG.Philips LCD Poland Sp. z o.o.						
LG.Philips Guangzhou Co., Ltd. <sup>(2)</sup>						
Paju Electric Glass	(1,347)		(1,347)			
	(Won) (7,313)	(Won) (3,538)	(Won) (10,851)	(Won) (33,112)	(Won) (5,376)	(Won) (38,488)

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****8. Property, Plant and Equipment**

Changes in property, plant and equipment for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	2006					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2006	(Won) 316,236	(Won) 1,633,119	(Won) 122,772	(Won) 5,078,844	(Won) 50,471	(Won) 146,673
Acquisition during the year		30,971	748	34,529	69	33,174
Capitalized interest		1	2	19,723		
Depreciation		(83,756)	(7,447)	(2,333,913)	(21,742)	(73,419)
Disposal		(1,168)		(993)	(1)	(109)
Transfer	925	40,442	20,499	2,873,435	33,317	45,079
Subsidy (increase) decrease		(1,161)	(1,970)	(76)		
Balance as of December 31, 2006	(Won) 317,161	(Won) 1,618,448	(Won) 134,604	(Won) 5,671,549	(Won) 62,114	(Won) 151,398
Accumulated depreciation	(Won)	(Won) 255,969	(Won) 34,168	(Won) 8,082,424	(Won) 76,189	(Won) 260,061

<i>(in millions of Korean won)</i>	Vehicles	Others	Machinery-in-transit	Construction-in-progress	Total
	Balance as of January 1, 2006	(Won) 5,560	(Won) 6,052	(Won) 505,787	(Won) 1,122,945
Acquisition during the year	74		596,088	1,686,893	2,382,546
Capitalized interest				6,401	26,127
Depreciation	(2,457)				(2,522,734)
Disposal			(9,759)		(12,030)
Transfer	2,164	2,408	(1,050,106)	(1,968,431)	(268)
Subsidy (increase) decrease				1,183	(2,024)
Balance as of December 31, 2006	(Won) 5,341	(Won) 8,460	(Won) 42,010	(Won) 848,991	(Won) 8,860,076
Accumulated depreciation	(Won) 6,952	(Won)	(Won)	(Won)	(Won) 8,715,763

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

<i>(in millions of Korean won)</i>	2005					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2005	(Won) 313,620	(Won) 817,768	(Won) 114,810	(Won) 3,374,473	(Won) 20,119	(Won) 81,696
Acquisition during the year		19,830	448	39,954	1,616	57,152
Capitalized interest		7,300		33,009		
Depreciation		(48,308)	(6,439)	(1,583,280)	(11,647)	(56,910)
Disposal				(580)	(12)	(33)
Transfer	2,616	836,529	13,953	3,215,268	40,395	64,768
<b>Balance as of December 31, 2005</b>	<b>(Won) 316,236</b>	<b>(Won) 1,633,119</b>	<b>(Won) 122,772</b>	<b>(Won) 5,078,844</b>	<b>(Won) 50,471</b>	<b>(Won) 146,673</b>
Accumulated depreciation	(Won)	(Won) 172,237	(Won) 26,424	(Won) 5,788,542	(Won) 54,745	(Won) 188,769

  

	Vehicles	Others	Machinery- in-transit	Construction- in-progress	Total
	Balance as of January 1, 2005	(Won) 4,040	(Won) 2,501	(Won) 704,588	(Won) 933,036
Acquisition during the year	1,156	604	945,207	3,218,322	4,284,289
Capitalized interest			1,663	4,747	46,719
Depreciation	(1,749)				(1,708,333)
Disposal	(229)				(854)
Transfer	2,342	2,947	(1,145,671)	(3,033,160)	(13)
<b>Balance as of December 31, 2005</b>	<b>(Won) 5,560</b>	<b>(Won) 6,052</b>	<b>(Won) 505,787</b>	<b>(Won) 1,122,945</b>	<b>(Won) 8,988,459</b>
Accumulated depreciation	(Won) 4,860	(Won)	(Won)	(Won)	(Won) 6,235,577

As of December 31, 2006, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)403,198 million (2005: (Won)366,820 million).

The Company capitalizes the loss on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment. Capitalized loss on foreign exchange rate fluctuations and interest expenses for the year ended December 31, 2006, amount to (Won)26,127 million (2005: (Won)46,719 million).

For the year ended December 31, 2006, net loss on foreign currency translation, arising from foreign currency borrowings, which was deducted from capitalized interest expenses, is (Won)9,628 million (2005: net loss of (Won)4,133 million).

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LG. Philips LCD Co., Ltd.

**Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005**

For the year ended December 31, 2006, the accumulated effects of capitalized expenses on significant accounts in the balance sheet and statement of operations are as follows:

**Balance sheet**

<i>(in millions of Korean won)</i>	If interest expenses are capitalized		If interest expenses are expensed as incurred		Difference	
	Acquisition	Accumulated	Acquisition	Accumulated	Acquisition	Accumulated
	cost	depreciation	cost	depreciation	cost	depreciation
Property, plant and equipment	(Won) 17,578,852	(Won) 8,715,762	(Won) 17,463,991	(Won) 8,686,825	(Won) 114,861	(Won) 28,937

**Statement of Operations**

<i>(in millions of Korean won)</i>	If interest expenses are capitalized	If interest expenses are expensed as incurred	Difference
Depreciation	(Won) 2,522,734	(Won) 2,507,567	(Won) 15,167
Interest expense	159,339	195,094	(35,755)
Foreign currency translation gain	50,945	60,573	9,628
Net income	769,313	780,273	(10,960)

**9. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	Intellectual property rights	Rights for usage of electricity and gas supply facilities	2006		Total
			Rights to industrial water facilities	Software	
Balance as of January 1, 2006	(Won) 141,013	(Won) 228	(Won) 8,653	(Won)	(Won) 149,894
Acquisition during the year	8,251	268			8,519
Reversal					
Amortization	(42,940)	(59)	(1,232)		(44,231)
Balance as of December 31, 2006	(Won) 106,324	(Won) 437	(Won) 7,421	(Won)	(Won) 114,182
Accumulated amortization	(Won) 328,083	(Won) 146	(Won) 4,878	(Won) 9,713	(Won) 342,820



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

<i>(in millions of Korean won)</i>	Intellectual property rights	Rights for usage of electricity and gas supply facilities	2005		Total
			Rights to industrial water facilities	Software	
Balance as of January 1, 2005	(Won) 172,073	(Won) 260	(Won) 9,893	(Won) 1,245	(Won) 183,471
Acquisition during the year	10,829		12		10,841
Reversal			(18)		(18)
Amortization	(41,889)	(32)	(1,234)	(1,245)	(44,400)
Balance as of December 31, 2005	(Won) 141,013	(Won) 228	(Won) 8,653	(Won)	(Won) 149,894
Accumulated amortization	(Won) 285,138	(Won) 88	(Won) 3,646	(Won) 9,713	(Won) 298,585

The Company has classified the amortization as part of manufacturing overhead costs. The amortization expense for the year ended December 31, 2006, amounts to (Won)44,231 million (2005: (Won)44,400 million).

The details of intellectual property rights as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	Description	2006	2005	Remaining
				Period
Intellectual property rights	Patent relating to TFT-LCD business	(Won) 106,324	(Won) 141,013	4-10 years

The Company expensed research and development costs of (Won)436,112 million for the year ended December 31, 2006 (2005: (Won)361,761 million).

For the years ended December 31, 2006 and 2005, the significant expenses, which are expected to have probable future economic benefits but expensed in the year incurred due to the uncertainty in the realization of such benefits, are as follows:

<i>(in millions of Korean won)</i>	2006	2005
Training expenses	(Won) 13,247	(Won) 14,283
Advertising expenses	24,024	21,728
Expenses for foreign market expansion	5,255	8,835
	(Won) 42,526	(Won) 44,846



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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2006 and 2005

**10. Current Maturities of Long-Term Debts and Debentures**

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

*(in millions of Korean won)*

Type of borrowing	Creditor	Annual interest rates (%) as of December 31, 2006	2006	2005
Long-term debt in won currency loans	Korea Export-Import Bank	5.9-6.1	(Won) 39,267	(Won) 29,417
Corporate bonds in won currency		6.0	300,000	200,000
Long-term debt in foreign currency debentures of US\$ 200 million		3M Libor + 0.6	185,920	184,872
Long-term debt in foreign currency loans of US\$ 34 million	Woori Bank	6M Libor + 1.2	32,071	17,727
			557,258	432,016
Less : Discounts on debentures			(4,169)	(2,664)
			(Won) 553,089	(Won) 429,352

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2006 and 2005

**11. Long-Term Debts and Debentures**

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

<i>(in millions of Korean won)</i>	Type of borrowing	Annual interest		2006	2005
		rates (%) as of December 31, 2006			
<b>Won currency debentures</b>					
	Non-guaranteed, payable through 2010	3.5	5.0	(Won) 1,550,000	(Won) 1,750,000
	Private debentures, payable in 2011	5.3	5.89	600,000	200,000
	Less : Current maturities			(300,000)	(200,000)
	Discounts on debentures			(16,036)	(28,120)
				1,833,964	1,721,880
<b>Foreign currency debentures</b>					
	Floating rate notes, payable through 2007	3M Libor+0.6,		185,920	304,913
	Term notes, payable through 2006				82,559
				185,920	387,472
	Less : Current maturities			(185,920)	(184,872)
	Discount on debentures				(1,960)
					200,640
<b>Convertible bonds<sup>1</sup></b>					
	US dollar-denominated bonds,				
	payable through 2010			483,780	483,780
	Add : Call premium			84,613	84,613
	Less : Current maturities				
	Discount on debentures			(2,139)	(2,724)
	Conversion adjustment			(80,827)	(102,917)
				485,427	462,752
				(Won) 2,319,391	(Won) 2,385,272
<b>Won currency loans</b>					
	General loans	5.53	6.1	(Won) 238,383	(Won) 117,800
			3.5	14,634	8,620
	Less : Current maturities			(39,267)	(29,417)

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		213,750	97,003
<b>Foreign currency loans</b>			
General loans	3M Libor+1.0,		
	3M Libor+0.99 1.35,		
	3M Libor+0.35 0.47,		
	6M Libor+1.2	648,861	218,301
Less : Current maturities		(32,071)	(17,727)
		616,790	200,574
		(Won) 830,540	(Won) 297,577

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

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

As of December 31, 2006, the foreign currency debentures denominated in U.S. dollars amount to US\$ 200 million (2005: US\$ 383 million), while the foreign currency loans denominated in U.S. dollars amount to US\$ 698 million (2005: US\$ 215 million).

The aggregate annual maturities of long-term debts outstanding as of December 31, 2006, exclusive of adjustments relating to discounts, are as follows:

*(in millions of Korean won)*

For the Year ending December 31,	Won				Total
	currency debentures	Won currency loans	Convertible bonds	Foreign currency loans	
2008	(Won) 250,000	(Won) 61,766	(Won)	(Won) 39,043	(Won) 350,809
2009	600,000	40,451		39,043	679,494
2010	600,000	32,065	483,780	39,043	1,154,888
2011	400,000	32,927		492,688	925,615
2012		32,927		6,973	39,900
Thereafter		13,614			13,614
	(Won) 1,850,000	(Won) 213,750	(Won) 483,780	(Won) 616,790	(Won) 3,164,320

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****12. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Balance at the beginning of the year	(Won) 111,992	(Won) 81,955
Actual severance payments	(33,921)	(16,282)
Transferred from/to affiliated companies, net	3,531	2,485
Provision for severance benefits	55,157	43,834
	136,759	111,992
Cumulative deposits to the National Pension Fund	(640)	(708)
Severance insurance deposit	(54,268)	(68,097)
Balance at the end of the year	(Won) 81,851	(Won) 43,187

The severance benefits are funded approximately 39.7% as of December 31, 2006 (2005 : 60.8%), 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.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****13. Stock Appreciation Plan**

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) to certain executives. Under the terms of this plan, executives, upon exercising their SARs, are entitled to receive cash equal to the excess of the market price of the Company's common stock over the exercise price of (Won) 44,050 per share. The exercise price decreased from (Won) 44,260 to (Won) 44,050 due to the additional issuance of common stock in 2005. These SARs are exercisable starting April 8, 2008, through April 7, 2012. Additionally, when the increase rate of the Company's share price is the same or less than the increase rate of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the initially granted shares can be exercised.

The options activity under the SARs for the year ended December 31, 2006, follows:

	2006	2005
Beginning, number of shares under SARs	410,000	
Options granted		450,000
Options canceled/expired <sup>1</sup>	150,000	40,000
Ending, number of shares under SARs	260,000	410,000

<sup>1</sup> Options canceled due to the retirement of several executive officers.

The Company did not recognize any compensation costs in 2006 as market price is below the exercise price as of December 31, 2006.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****14. Commitments and Contingencies**

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

As of December 31, 2006, the Company has a revolving credit facility agreement with several banks totaling (Won)200,000 million and US\$ 100 million.

As of December 31, 2006, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to US\$1,186.5 million. The Company has made agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US\$123.5 million.

The Company receives repayment guarantees from ABN AMRO Bank amounting to US\$8.5 million relating to tax payments in Poland.

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

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

A summary of said contracts is as follows :

<i>(in millions)</i>		<b>Buying</b>	<b>Contract foreign</b>		
<b>Contracting party</b>	<b>Selling position</b>	<b>position</b>	<b>exchange rate</b>		<b>Maturity date</b>
BNP and others	US\$ 2,064	(Won) 1,951,067	(Won)	916.40:US\$1-	January 3, 2007
			(Won)	974.30:US\$1	December 11, 2007
Kookmin Bank and others	EUR 180	(Won) 217,757	(Won)	1,164.28:EUR 1-	January 9, 2007
			(Won)	1,229.17:EUR1	November 19, 2007
HSBC and others	(Won) 334,571	JP¥ 40,500	(Won)	7.9790: JP¥1-	January 12, 2007
			(Won)	8.7140:JP¥1	December 14, 2007
Kookmin Bank and others	US\$ 78	JP¥ 9,000		JP¥114.42: US\$1-	
				JP¥116.10: US\$1	April 16, 2007

As of December 31, 2006, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)35,560 million and (Won) 19,996 million, respectively. Total unrealized gains and losses of (Won)2,496 million and (Won)5,843 million, respectively, were charged to operations for the year ended December 31, 2006, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports, were recorded as capital

adjustments.



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

The forecasted hedged transactions are expected to be completed on December 14, 2007. The aggregate amount of all deferred gains and losses of (Won)33,064 million and (Won)14,153 million, respectively, recorded net of tax under capital adjustments, are expected to be included in the determination of gain and loss within a year from December 31, 2006.

For the year ended December 31, 2006, the Company recorded realized exchange gains of (Won)246,904 million

(2005:(Won)107,825 million) on foreign currency forward contracts upon settlement, and realized exchange losses of (Won)78,768 million (2005:(Won)112,618 million).

The Company entered into cross-currency swap contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy and to manage the exposure to changes in interest rates related to floating rate notes.

A summary of these contracts is as follows:

<i>(in millions)</i>					
Contracting party	Buying position	Selling position	Contract foreign exchange rate	Maturity date	
	US\$ 100		3M Libor	August 29, 2011	
Kookmin Bank		(Won) 96,170	4.54%		

As of December 31, 2006, unrealized gains and losses of (Won)623 million and (Won)3,210 million, respectively, were charged to loss on valuation.

For the year ended December 31, 2006, the Company recorded realized gains of (Won)361 million (2005: (Won)903 million) and realized losses of (Won)26,174 million (2005: (Won)7,734 million) on cross-currency swap contracts upon settlement.

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

A summary of these contracts is as follows:

<i>(in millions)</i>						
Contracting party	USD Put Buying	USD Call Selling	Strike Price	Maturity date		
KDB and others	US\$ 50	US\$ 100	(Won) 957.30:US\$1-	May 21, 2007		
			(Won) 966.50:US\$1	June 21, 2007		

As of December 31, 2006, unrealized gains of (Won)1,557 million were charged to current operations, as these contracts do not fulfill the requirement for hedge accounting for financial statement purposes.

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

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

A summary of these contracts is as follows:

<i>(in millions)</i>	<b>Contract</b>		
<b>Contracting party</b>	<b>Amount</b>	<b>Contract Foreign Exchange Rate</b>	<b>Maturity date</b>
SC First Bank	US\$ 150	Accept floating rate Pay fixed rate	6 M Libor 5.375% - 5.644% May 21, 2009 May 24, 2010

As of December 31, 2006, unrealized losses of (Won)2,152 million was charged to capital adjustments, as these contracts fulfill the requirements for hedge accounting for financial statement purposes.

For the year ended December 31, 2006, the Company recorded realized gains of (Won) 6 million and realized losses of (Won) 27 million on interest rate swap contracts upon settlement.

The Company is involved in several legal proceedings and claims arising in the ordinary course of business. In August 29, 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 of TFT-LCDs. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court under the Central District of California for alleged ownership for certain patents and violation of U.S. antitrust laws. In October 2006, the court of the Central District of California dismissed the counter-claim for alleged ownership for certain patents. In November 2006, the Jury in California issued a verdict that Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America had willfully infringed a patent owned by the Company, and awarded the Company US\$53.5 million in damages. The Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In June 20, 2006, the American Arbitration Association decided in favor of the Company.

In May 27, 2004, the Company filed a complaint in the United States District of Delaware and the Patent County Court in the United Kingdom against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp., and others claiming patent infringement of rear mountable liquid crystal display devices. On November 28, 2005, the Company lost its patent infringement case against Tatung Company and ViewSonic Corp. in the Patent County Court in United Kingdom. The Company appealed this judgment. On December 20, 2006, the Court of Appeals dismissed the appeal.

On January 10, 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against LG Electronics Inc.( LGE ) and the Company in the United States District Court for the Central District of California. However, Chungwha Picture Tubes and the Company have proposed to stay the case until June 2007. Chungwha Picture Tubes later withdrew the case against LGE.

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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2006 and 2005**

On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process of TFT-LCDs in the United States District of Delaware. On July 27, 2006, the Jury in Delaware issued a verdict that Chunghwa Picture Tubes had willfully infringed a patent owned by the Company, and awarded the Company \$52.4 million in damages.

On January 9, 2006, New Medium Technology LLC, AV Technologies LLC, IP Innovation LLC, and Technology Licensing Corporation filed a complaint for patent infringement against the Company in the United States District Court for the Northern District of Illinois.

On December 1, 2006, the Company filed a complaint against Chi Mei Optoelectronics Corp., AU Optronics Corp., Tatung Company, ViewSonic Corp. and others alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCDs in the United States District Court for the District of Delaware.

The Company's management does not expect that the outcome in any of these legal proceedings and claims, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, US and other markets with respect to possible anti-competitive activities in the LCD industry. As of December 31, 2006, the Company, along with a number of other companies in the LCD industry, has been named as defendant in a number of federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels. Each of these matters remains in the very early stages and the Company is not in a position to predict their outcome. However, the Company intends to defend itself vigorously in these matters.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****15. Capital Stock**

On March 19, 2004, at their Annual General Meeting, the stockholders approved the increase in the authorized shares from 200 million to 400 million, and a stock split on a 2:1 basis effective May 25, 2004. The number of issued common shares as of December 31, 2006, is 357,815,700 (2005: 357,815,700).

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 (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004, with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$748,800 thousand. In September 2004, pursuant to Underwriting Agreement dated July 15, 2004, the Company sold an additional 1,715,700 shares of common stock in the form of ADSs for US\$51,471 thousand. In July 2005, pursuant to the Form F-1 Registration statement filed on July 22, 2005, with the U.S. Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for gross proceeds of US\$ 1,189,656 thousand. In addition, pursuant to the Underwriting Agreement dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$ 196,144 thousand.

Issuances and other movements in common stock from January 1, 2005 to December 31, 2006, are as follows:

*(in millions of Korean won)*

<b>Date of Issuance</b>	<b>Remarks</b>	<b>Par Value</b>	<b>Additional Paid-in Capital</b>
January 1, 2005, balance		(Won) 1,626,579	(Won) 1,012,271
July 26, 2005	Issuance of common stock	162,500	1,259,469
	Stock issuance cost		(20,627)
December 31, 2005, balance		(Won) 1,789,079	(Won) 2,251,113
December 31, 2006, balance		(Won) 1,789,079	(Won) 2,251,113

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****16. Capital Surplus and Retained Earnings**

Capital surplus as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Additional paid in capital	(Won) 2,251,113	(Won) 2,251,113
Conversion rights <sup>1</sup>	24,059	28,137
	(Won) 2,275,172	(Won) 2,279,250

<sup>1</sup> Net of tax effects.

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 or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

**17. Capital Adjustments**

Capital adjustments as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Foreign currency translation loss on the affiliates <sup>1</sup>	(Won) (26,550)	(Won) (11,729)
Gain on valuation of derivative instruments <sup>1</sup>	24,423	29,293
Loss on valuation of derivative instruments <sup>1</sup>	(11,821)	(18,982)
	(Won) (13,948)	(Won) (1,418)

<sup>1</sup> Net of tax effects.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****18. Income Taxes**

Income tax expense (benefit) for the years ended December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Current income taxes	(Won) 25,989	(Won) 25,989
Deferred income taxes from temporary differences	(16,319)	(15,941)
Deferred income taxes from tax credit	16,017	(155,148)
Deferred income taxes added to shareholders' equity	(6,261)	(4,631)
Deferred income taxes from losses carried forward	(248,493)	
Income tax benefit	(Won) (255,056)	(Won) (149,731)

The income tax effect of temporary differences, including available net operating loss carryforwards and tax credits, comprising the deferred income tax assets and liabilities as of December 31, 2006 and 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Inventories	(Won) 21,098	(Won) 8,354
Investments	(11,578)	7,584
Other current assets	492	(4,133)
Property, plant and equipment	40,875	34,403
Tax credit carryforward	436,486	292,976
Deferred income taxes added to shareholders' equity	(10,892)	(4,631)
Deferred income taxes from losses carried forward	248,493	
Others	27,616	9,715
Deduction of unrealizable deferred income tax assets	(159,527)	
	(Won) 593,063	(Won) 344,268

Available tax credits as of December 31, 2006, amounted to (Won)481,414 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

The Company estimates the realizability of deferred tax assets based on the estimated taxable income. The Company did not recognize (Won)159,527 million of deferred tax assets as they were determined to be unrealizable.

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As of December 31, 2006, as the possibility of sale of investments or payment of dividends from subsidiaries in the near future is minimal, the Company did not recognize (Won)25,102 million of temporary differences related to the valuation of equity method investments.

The reconciliation between income before income taxes and taxable income for the years ended December 31, 2006 and 2005, follows :

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Income(loss) before income taxes	(Won) (1,024,369)	(Won) 367,281
Add (deduct) :		
Temporary differences	115,712	37,012
Permanent differences	5,047	(4,578)
<b>Taxable income</b>	<b>(Won) (903,610)</b>	<b>(Won) 399,715</b>

The statutory income tax rate, including resident tax surcharges, applicable to the Company is 27.5% for years ended December 31, 2006 and 2005.

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 subsequent 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 rate of the Company for the year ended December 31, 2006, is 24.90% (2005: negative 40.77%).

Changes in accumulated temporary differences for the year ended December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	<b>January 1, 2006</b>	<b>Increase (decrease)</b>	<b>December 31, 2006</b>
Inventories	(Won) 36,848	(Won) 39,871	(Won) 76,719
Investments	33,450	(75,550)	(42,100)
Derivatives	(18,229)	20,019	1,790
Property, plant and equipment	135,701	12,934	148,635
Warranty reserve	16,023	11,992	28,015
Others	(6,324)	45,543	39,219
<b>Total</b>	<b>(Won) 197,469</b>	<b>(Won) 54,809</b>	<b>(Won) 252,278</b>
Deduction from capital	(Won) (31,250)	(Won) (8,357)	(Won) (39,607)
<b>Net loss carryforward</b>	<b>(Won)</b>	<b>(Won) 903,610</b>	<b>(Won) 903,610</b>
Tax credit carryforward	(Won) 292,976	(Won) 143,510	(Won) 436,486





**Table of Contents****19. Earnings Per Share**

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

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

<i>(in millions, except for per share amount)</i>	For the three-month periods ended December 31,		For the years ended December 31,	
	2006	2005	2006	2005
Net income(loss) as reported on the statements of operations	(Won) (174,345)	(Won) 327,848	(Won) (769,313)	(Won) 517,012
Weighted-average number of common shares outstanding	358	358	358	339
Earnings(Loss) per share	(Won) (487)	(Won) 916	(Won) (2,150)	(Won) 1,523
Diluted earnings(loss) per share	(Won) (487)	(Won) 908	(Won) (2,150)	(Won) 1,523

The Company issued convertible bonds on April 19, 2005. Diluted earnings per share is identical to basic earnings and diluted ordinary income per share as the convertible bonds issued have no dilutive effect for the year ended December 31, 2006.

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The diluted ordinary earnings per share and the diluted net earnings per share were (Won)908 per share for the three-month period ended December 31, 2005. Diluted earnings per share for the three-month period ended December 31, 2005, was calculated as follows:

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

Net income allocated to common stock	(Won) 327,848
Add : Interest expense on convertible bonds <sup>1</sup>	4,548
Diluted net income allocated to common stock	332,396
Weighted average number of common shares and diluted securities outstanding during the period	366
Diluted earnings per share	(Won) 908

<sup>1</sup> Net of tax effects.

Earnings(Loss) per share for the three-month period ended September 30, 2006, follows:

	<b>September 30, 2006</b>
Basic loss per share	(Won) (897)
Diluted loss per share	(Won) (897)

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2006 and 2005****20. Related Party Transactions**

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

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

<i>(in millions of Korean won)</i>	Sales <sup>1</sup>		Purchases <sup>1</sup>	
	2006	2005	2006	2005
<b>Parent companies</b>				
LG Electronics Inc.-domestic	(Won) 454,709	(Won) 388,616	(Won) 134,137	(Won) 179,562
LG Electronics Inc.-overseas	378,509	101,786	26	
Philips-domestic			38,985	413
Philips-overseas	525	391	35,565	51,816
<b>Company that has significant influence over the Company</b>				
LG Corporation			13,151	11,218
<b>Overseas subsidiaries</b>				
LG.Philips LCD America, Inc.	967,273	786,908	3	
LG.Philips LCD Taiwan Co., Ltd.	1,973,370	791,783	899	28
LG.Philips LCD Japan Co., Ltd.	1,145,535	890,659	4	
LG.Philips LCD Germany GmbH.	1,700,712	1,011,926	170	8,878
LG.Philips LCD Nanjing Co., Ltd.	992,995	3,055,775	148,380	1,795
LG.Philips LCD Shanghai Co.,Ltd.	1,033,561	817,675	26	
LG.Philips LCD Hongkong Co., Ltd.	816,141	516,050	20	
LG.Philips LCD Poland Sp. z o.o.	2,813			
LG.Philips LCD Guangzhou Co., Ltd.	19			
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.	6	1	162,182	
<b>Other related parties</b>				
LG Chem Ltd.			650,545	406,035
LG International domestic	3	905	17,715	3,940
LG International overseas	205,610	127,240	861,271	1,271,734
Serveone	299		175,665	146,109
Micron Ltd.	237		113,268	125,224
LG CNS	5		90,253	108,766
Others	32,484	74,340	140,730	61,959
<b>Total</b>	<b>(Won) 9,704,806</b>	<b>(Won) 8,564,055</b>	<b>(Won) 2,582,995</b>	<b>(Won) 2,377,477</b>

<sup>1</sup> Includes sales of (Won)831 million and purchases of property, plant and equipment of (Won)797,486 million.

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

<i>(in millions of Korean won)</i>	Receivables		Payables	
	2006	2005	2006	2005
<b>Parent companies</b>				
LG Electronics Inc.-domestic	(Won) 25,236	(Won) 27,383	(Won) 13,501	(Won) 66,251
LG Electronics Inc.-overseas	45,390	40,773		370
Philips-domestic			2,426	291
Philips-overseas	179	171	3,401	4,244
<b>Company that has significant influence over the Company</b>				
LG Corporation	2,340	10,970	548	1,692
<b>Overseas subsidiaries</b>				
LG.Philips LCD America, Inc.	77,085	22,683	3	
LG.Philips LCD Taiwan Co., Ltd.	221,085	53,521	1,732	1
LG.Philips LCD Japan Co., Ltd.	67,754	130,090	138	1
LG.Philips LCD Germany GmbH.	313,340	103,637	2,063	8,886
LG.Philips LCD Nanjing Co., Ltd.	3,400	375,158	23,367	3,068
LG.Philips LCD Shanghai Co.,Ltd.	184,204	202,329	10	
LG.Philips LCD Hongkong Co., Ltd.	93,535	45,863	136	48
LG.Philips LCD Poland Sp. zo.o.	2,676	1		
LG.Philips LCD Guangzhou Co., Ltd.	19			
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.			22,535	
<b>Other related parties</b>				
LG Chem Ltd.			180,425	44,602
LG International domestic	7,960	11	1,337	986
LG International overseas	196	3,114	109,760	191,252
Serveone	2,373		47,169	36,792
Micron Ltd.			50,568	55,234
LG CNS			8,343	32,127
Others	12,368	21,409	26,970	9,791
<b>Total</b>	<b>(Won) 1,059,140</b>	<b>(Won) 1,037,113</b>	<b>(Won) 494,432</b>	<b>(Won) 455,636</b>

Key management<sup>1</sup> compensation costs for the year ended December 31, 2006, are as follows:

<i>(in millions of Korean won)</i>	
Officers salaries	(Won) 1,506
Post-retirement benefits	374
	(Won) 1,880

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



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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2006 and 2005

**21. Value Added Information**

Value added information for the years ended December 31, 2006 and 2005, consist of the following:

<i>(in millions of Korean won)</i>	Cost of sales	Selling and administrative expenses	2006 Research and development expense	Construction-in-progress	Total
Salaries and wages	(Won) 533,985	(Won) 43,932	(Won) 26,065	(Won) 10,314	(Won) 614,296
Severance benefits	45,833	5,586	2,698	1,040	55,157
Employee fringe benefits	86,989	5,537	3,655	1,347	97,528
Rent	2,430	3,154	509		6,093
Depreciation	2,549,490	3,105	13,567	803	2,566,965
Taxes and dues	7,400	1,726	216	20	9,362
	(Won) 3,226,127	(Won) 63,040	(Won) 46,710	(Won) 13,524	(Won) 3,349,401

<i>(in millions of Korean won)</i>	Cost of sales	Selling and administrative expenses	2005 Research and development expense	Construction-in-progress	Total
Salaries and wages	(Won) 374,972	(Won) 42,267	(Won) 20,231	(Won) 41,748	(Won) 479,218
Severance benefits	31,624	4,437	1,740	6,033	43,834
Employee fringe benefits	68,450	8,361	2,635	4,060	83,506
Rent	2,110	2,133	439		4,682
Depreciation	1,734,903	7,758	6,472	3,600	1,752,733
Taxes and dues	5,009	2,170	169	200	7,548
	(Won) 2,217,068	(Won) 67,126	(Won) 31,686	(Won) 55,641	(Won) 2,371,521

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2006 and 2005

**22. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 92% of total sales for the year ended December 31, 2006.

The following is a summary of operations by country based on the location of the customers for the years ended December 31, 2006 and 2005:

*(in millions of Korean won)*

Sales	Domestic	Taiwan	Japan	America	China	Europe	Others	Total
2006	(Won) 845,693	(Won) 1,973,185	(Won) 1,148,192	(Won) 967,723	(Won) 2,979,621	(Won) 1,796,180	(Won) 490,066	(Won) 10,200,660
2005	(Won) 776,520	(Won) ,791,830	(Won) 890,655	(Won) 787,329	(Won) 4,442,763	(Won) 1,055,853	(Won) 145,205	(Won) 8,890,155

**23. Supplemental Cash Flow Information**

Significant transactions not affecting cash flows for the years ended December 31, 2006 and 2005, are as follows:

*(in millions of Korean won)*

	2006	2005
Other accounts payable arising from the purchase of property, plant and equipment	(Won) 740,048	(Won) 1,077,932

**24. Operating Results for the Final Interim Period**

Significant operating results for the three-month period ended December 31, 2006, are as follows :

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

Sales	(Won) 2,967,139
Cost of sales	3,003,570
Operating loss	150,838
Net loss	174,345
Loss per share	487
Diluted loss per share	487

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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2006 and 2005**

**25. Approval of Non-Consolidated Financial Statements**

The December 31, 2006 non-consolidated financial statements of the Company were approved at the Board of Directors meeting on January 16, 2007.

**26. Subsequent Events**

On January 16, 2007, the Board of Directors appointed Mr. Young Su Kwon to replace Mr. Bon Joon Koo as the Joint Representative Director of the Company. This appointment will be ratified by the shareholders during the 22nd Shareholders Meeting scheduled to be held on February 28, 2007.

In February 2007, the Company and certain of its officers and directors have been named as defendants in a federal class action in the United States by the shareholders of the Company alleging violations of the U.S. Securities Exchange Act of 1934, as amended, by the Company and certain of its officers and directors in connection with possible anti-competitive activities in the LCD industry. The Company and the officers and directors intend to defend themselves vigorously in this matter.

In February 2007, Anvik Corporation filed a patent infringement case against the Company, along with other LCD manufacturing companies, in connection with the usage of photo-masking equipments manufactured by Nikon Corporation.



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The English translation of the report of independent accountants' review of internal accounting control system is intended for reference only. The reader is advised to refer to the original report in Korean.

**Report of Independent Accountants**

**Review of Internal Accounting Control System**

To the President of

LG.Philips LCD Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ( IACS ) of LG.Philips LCD Co., Ltd.(the Company ) as of December 31, 2006. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that based on its assessment of the operations of the IACS as of December 31, 2006, the Company's IACS has been designed and is operating effectively as of December 31, 2006, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association.

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2006, and we did not review management's assessment of its IACS subsequent to December 31, 2006. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

February 13, 2007

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**Report on the Operations of the Internal Accounting Control System**

To the Board of Directors and Auditor (Audit Committee) of

LG.Philips LCD Co., Ltd.

I, as the Internal Accounting Control Officer ( IACO ) of LG.Philips LCD Co., Ltd. ( the Company ), assessed the status of the design and operations of the Company s internal accounting control system ( IACS ) for the year ended December 31, 2006.

The Company s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company s IACS has been effectively designed and is operating as of December 31, 2006, in all material respects, in accordance with the IACS standards.

January 16, 2007

Ron H. Wirahadiraksa  
Internal Accounting Control System Officer

Bon Joon Koo  
Chief Executive Officer or President

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**SIGNATURES**

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

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

Date: February 20, 2007

By: /s/ Ron H. Wirahadiraksa  
(Signature)

Name: Ron H. Wirahadiraksa  
Title: Joint Representative Director/President &  
Chief Financial Officer