

LG.Philips LCD Co., Ltd.
Form 6-K
March 31, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of March 2006

LG.Philips LCD Co., Ltd.

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F 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

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securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes _____ No X

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YEARLY REPORT

(From January 1, 2005 to December 31, 2005)

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

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

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

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1. Overview

A. Industry

(1) Industry characteristics and growth potential

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

(2) Cyclicalities

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

(3) Competitiveness

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

industry conditions.

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- Core competitiveness includes technology leadership, capability to design new products and premium products, timely investment in advanced fabs, cost leadership through application of large production lines, innovation of process and productivity, and collaborative customer relationships.

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

 - A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would thus result in reduced sales.

 - Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain the experienced key staffs and highly skilled line operators.
- (4) Sourcing material
- Materials are sourced in-house (color filters) as well as from domestic and overseas vendors. However, recently, the domestic portion is growing due to the active participation of domestic vendors.

 - The shortage of raw materials may arise temporarily due to the rapid increase in demand for raw materials from capacity expansion in the TFT-LCD industry.

 - We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors.
- (5) Others
- Most TFT-LCD panel makers are located in Asia.
 - a. Korea: LG.Philips LCD, Samsung Electronics (including Joint Venture between Samsung Electronics and Sony Corporation), BOE-Hydis
 - b. Taiwan: AU Optronics, Chi Mei Optoelectronics, CPT, QDI, etc.
 - c. Japan: Sharp, Hitachi, etc.
 - d. China: SVA-NEC, BOE-OT, etc.

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B. Company

(1) Business overview

- We started the TFT-LCD business in 1998. We currently operate seven fabrication facilities located in Gumi and Paju, Korea and four module facilities located in Gumi & Paju, Korea and Nanjing, China.
- We became the first LCD maker in the world to commence commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002, and we started mass production at our 6th generation fab (P6) in August 2004, which allows us to produce LCD panels for large TVs and monitors. Following mass production at our 7th generation fab (P7) in January 2006, we became a panel maker who operates both 6th and 7th generation lines, which we believe will strengthen our position as a leader in the LCD TV market.
- In the fiscal year 2005, despite the difficult business environment, including a fall in product prices, volatile foreign exchange rates and high oil prices, our non-consolidated sales revenue grew 10% year-on-year to KRW 8,890 billion with operating income of KRW 448 billion and net income of KRW 517 billion.
- In addition, we successfully completed the capital increase of USD 1,386 million through the issuance of ADRs in July 2005, resulting in our financial stability with non-consolidated liability to equity ratio of 69.3% and net debt to equity ratio of 21.5% as of December 31, 2005.
- In terms of our operational performance, we were recognized as the number one producer of large TFT-LCD panels based on the number of units sold in 2005, according to DisplaySearch.
- Business area of the company for disclosure is limited to LCD business

(2) Market shares

- World wide market share of large-size TFT-LCD panels (≥ 10) based on revenue

	2005	2004	2003
Panel for Notebook PC	22.5%	19.7%	19.9%
Panel for Monitor	20.5%	22.7%	23.4%
Panel for TV	22.6%	19.9%	26.0%
Total	20.7%	21.0%	22.2%

Source: DisplaySearch Q1 2006

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(3) Market characteristics

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

(4) New business

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

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(5) Organization chart

- JRD : Joint Representative Director

- CEO : Chief Executive Officer

- CFO : Chief Financial Officer

- COO : Chief Operating Officer

- CTO : Chief Technology Officer

- CMSO: Chief Marketing Sales Officer

2. Information Regarding Shares

A. Change in Capital Stock

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

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

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

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

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B. Convertible Bonds

(Unit : US\$, Share)

Item	Convertible Bonds
Issuance Date	April 19, 2005
Maturity	April 19, 2010
Face Amount	475,000,000
Offering method	Public Offering
Conversion period	Convertible into common shares in the period from June 27, 2005 to April 4, 2010
Conversion price	KRW 58,251 per share*
Conversion status	Amount already converted None Amount convertible 475,000,000 (8,276,681 shares if all convertible bonds are converted)*
Remarks	- Registered form - Listed on Singapore stock exchange

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

C. Shareholder List

(1) Total shares issued : 357,815,700 shares as of December 31, 2005

(2) Largest shareholder and related parties as of December 31, 2005

(Unit: share)

Name	December 31,2004	Increase/Decrease	December 31, 2005	Cause of change*
LG Electronics	145,000,000 (44.57)%	(-) 9,375,000	135,625,000 (37.90)%	
Total	145,000,000 (44.57)%	(-) 9,375,000	135,625,000 (37.90)%	

* Our issuance of new share (32,500,000 shares) in ADSs and the disposal of our shares (18,750,000 shares) by major shareholders in Jul. 2005.

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

(Unit: share)

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

* ADSs Depositary

D. Voting rights as of December 31, 2005

(Unit: share)

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

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E. Dividends

(1) Dividends during the recent 3 fiscal years

Description	2005	2004	2003
Par value (Won)	5,000	5,000	5,000
Net income (Million Won)	517,012	1,655,445	1,019,100
Earnings per share (Won)	1,523	5,420	3,514
Retained earning for dividends (Million Won)	3,480,349	2,963,337	1,307,892
Total cash dividend amount (Million Won)			
Total stock dividend amount (Million Won)			
Cash dividend payout ratio (%)			
Cash dividend yield (%)			
Stock dividend yield (%)			
Cash dividend per share (Won)			
Stock dividend per share (Won)			

* Earnings per share are calculated based on par value of 5,000 won.

(Stock split was made from par value of 10,000 won to par value of 5,000 won per share as of May 25, 2004)

* Retained earnings for dividends is the amount before dividends are paid.

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

3. Major Products and Materials

A. Major products in 2005

(Unit: In billions of won)

Business area	Sales types	Items (Market)	Specific use	Major trademark	Sales (%)
TFT-LCD	Product/ Service/ Other Sales	TFT-LCD (Overseas)	Notebook PC, Monitor, TV Applications Panels, etc.	LG.Philips LCD	8,114 (91.3)%
		TFT-LCD (Korea*)	Notebook PC, Monitor, TV Applications Panels, etc.	LG.Philips LCD	776 (8.7)%
Total					8,890 (100)%

* Local export was included.

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B. Average selling price trend of major products

(Unit: USD / M²)

Description	2005	2004	2003
TFT-LCD panel	2,247	3,066	3,033

* Half-finished products in cell format are excluded.

- (1) Assumptions for calculations
 - Average annual selling price per panel
- (2) Major factors contributing to price fluctuation
 - Price change due to fluctuation in market
 - Price change due to change in model mix

C. Major materials

(Unit: In billions of won)

Business area	Purchase types	Items	Specific use	Purchase amount (%)	Remarks
		Glass		1,071 (21.8)%	Samsung Corning Precision Glass Co., Ltd., NEG, etc.
			LCD Panel		
TFT-LCD	Materials	Back-Light	Manufacturing	973 (19.8)%	Heesung Electronics Ltd., etc.
		Polarizer		418 (8.5)%	LG Chem., etc.
		Others		2,451 (49.9)%	
Total				4,913 (100.0)%	

D. Price trend of major materials

(Unit : Won)

Description	2005	2004	2003
Glass	82,944	76,080	57,488
Back-Light	46,020	35,800	33,441
Polarizer	8,386	8,256	7,288

- (1) Assumption for calculation
 - Average unit price of major raw materials
- (2) Major factors contributing to price fluctuations

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

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4. Production and Equipment

A. Production capacity and calculation

(1) Production capacity

(Unit : 1,000 Glass sheets)

Business area	Items	Business place	2005	2004	2003
TFT-LCD	TFT-LCD	Gumi	8,128	6,644	5,280

(2) Calculation of Capacity

a. Method

Assumptions for calculation

- Based on input glass

Calculation method

- Average monthly input capacity for the fourth quarter x given periods (12 months)

b. Average working hours

- Refer to B-(2)

B. Production performance and working ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	2005	2004	2003
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TFT-LCD	TFT-LCD	Gumi	7,544	6,033	4,715
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* Based on input glass

(2) Working Ratio

(Unit: Hours)

Business place (area)	Available working hours	Real working hours	Average
	of 2005	of 2005	working ratio
Gumi (TFT-LCD)	8,760 (24HR. X 365Days)	8,760 (24HR. X 365Days)	100%

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C. Investment plan

(1) Investment in progress

(Unit: In billions of won)

Business area	Description	Investment period	Investment Assets	Investment effect	Total investment	Already invested	To be invested (Estimate)	Remarks
TFT-LCD	New / Expansion, etc.	Q1 04~	Building/ Machinery, etc.	Capacity expansion	7,300	4,500	2,800	

(2) Investment Plan (Consolidated basis)

(Unit: In billions of won)

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

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

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

5. Sales

A. Sales performance

(Unit: In billions of won)

Business area	Sales types	Items (Market)		2005	2004	2003
TFT-LCD	Products, etc.	TFT-LCD	Overseas Korea*	8,114	7,298	5,053
				776	782	978
			Total	8,890	8,080	6,031

* Local export was included.

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B. Sales route and sales method

(1) Sales organization

- Sales departments for Notebook PC, Monitor and TV panels, qualification department and sales planning & administration department are grouped under the Chief Marketing Sales Officer. Sales department for Application and Customer Service department for Application are in the Application Division.
- Sales subsidiaries in America, Germany, Japan, Taiwan and China (Hong Kong, Shanghai) perform sales activities in overseas countries and provide technical support to customers.
- * We have a back-end manufacturing subsidiary in Nanjing, China and we have entered into investment agreement with Polish Government to build a back-end module production plant in Wroclaw, Poland.

(2) Sales route

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

(3) Sales methods and conditions

- Direct sales & sales through overseas subsidiaries, etc.

(4) Sales strategy

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

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A. Members of Board of Directors as of March 31, 2006

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

* Appointed on February 28, 2006

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B. Committees of the Board of Directors

Committee	Members
Audit Committee	Mr. Bongsung Oum, Mr. Bart van Halder, Mr. Ingoo Han
Remuneration Committee	Mr. Hee Gook Lee, Mr. Doug J. Dunn, Mr. Dongwoo Chun, Mr. Ad Huijser*
Outside Director Nomination and Corporate Governance Committee	Mr. Hee Gook Lee, Mr. Bart van Halder, Mr. Dongwoo Chun, Mr. Ad Huijser*

* Resigned as of February 28, 2006

C. Director & Officer Liability Insurance

(1) Overview of Director & Officer Liability Insurance (As of December 31, 2005)

Name of insurance	Premium paid in 2005	Limit of liability	Remarks
Directors & Officers Liability Insurance	2,623,000	100,000,000	

(Unit: USD)

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

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

(3) The insured

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

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(4) The Covered Risks

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

2. Coverage for security holder derivative action & security claims

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

(5) Exclusions

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

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- Pollutants, contamination;

- Act or omission as directors or officers of any other entity other than the Company;

- Nuclear material, radioactive contamination;

- Bodily injury, disease, death or emotional distress of any person, or damage to tangible property, loss of use of property, or injury from oral or written publication of a libel or slander, or material that violates a person's right of privacy ;

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

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

D. Employees

(as of Dec. 31, 2005)

(Unit: person, in millions of won)

Sex	Number of employees				Total	Total Salary in 2005	Per Capita Yearly	Average Service Year
	Office Worker	Line Worker	Others	Total				

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					Salary	
Male	4,917	5,100	10,017	339,214	40	3.7
Female	450	5,025	5,475	116,497	28	1.8
Total	5,367	10,125	15,492	455,711	36	3.0

* Directors and Executive officers are excluded.

E. Stock Option

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

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

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A. Financial Highlights (Based on Non-consolidated, Korean GAAP)

(Unit: In millions of won)

Description	2005	2004	2003	2002	2001
[Current Assets]	3,196,934	2,638,616	1,918,329	806,156	374,198
Quick Assets	2,725,169	2,170,617	1,644,838	463,539	189,708
Inventories	471,765	467,999	273,491	342,617	184,490
[Fixed Assets]	9,798,981	6,960,077	4,295,753	3,613,748	3,361,220
Investments	660,628	409,955	203,343	147,832	128,397
Tangible Assets	8,988,459	6,366,651	3,874,428	3,210,884	2,937,209
Intangible Assets	149,894	183,471	217,982	255,032	295,614
Total Assets	12,995,915	9,598,693	6,214,082	4,419,904	3,735,418
[Current Liabilities]	2,594,282	1,900,765	2,044,005	1,117,066	904,952
[Non-current Liabilities]	2,726,036	1,925,286	1,276,045	1,436,775	1,251,713
Total Liabilities	5,320,318	3,826,051	3,320,050	2,553,841	2,156,665
[Capital Stock]	1,789,079	1,626,579	1,450,000	1,450,000	1,450,000
[Capital Surplus]	2,279,250	1,012,271			
Capital Reserve	2,279,250	1,012,271			
Asset Revaluation Reserve					
[Retained Earnings]	3,608,686	3,091,674	1,436,229	417,129	128,337
[Capital Adjustment]	(-)1,418	42,118	7,803	(-)1,066	416
Total Shareholder s Equity	7,675,597	5,772,642	2,894,032	1,866,063	1,578,753
Sales Revenues	8,890,155	8,079,891	6,031,261	3,518,289	2,386,617
Operating Income	447,637	1,640,708	1,086,517	215,724	(-)344,976
Ordinary Income	367,281	1,683,067	1,009,731	293,249	(-)420,342
Net Income	517,012	1,655,445	1,019,100	288,792	(-)381,603

* For the purpose of comparison, Financial Statements for FY 2003, 2002 & 2001 were reclassified according to changes in the Statements of Korean Financial Accounting Standards.

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B. R&D Expense

(1) Summary

(Unit: In millions of won)

Account	2005	2004	2003	Remarks
Direct Material Cost	253,930	170,051	141,614	
Direct Labor Cost	72,142	58,202	14,421	
Depreciation Expense	11,710	11,078	6,165	
Others	23,979	13,874	9,082	
R&D Expense Total	361,761	253,205	171,282	
Accounting Treatment				
Selling & Admin. Expenses	55,057	43,095	29,708	
Manufacturing Cost	306,704	210,110	141,574	
R&D Expense / Sales Ratio [Total R&D Expense÷Sales for the period×100]	4.07%	3.13%	2.84%	

* Capex for R&D, Manufacturing Cost for R&D test run, and other R&D related cost are excluded.

(2) R&D achievements

[Achievement in 2004]

1) Development of 20.1-inch AMOLED

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

2) Development of Copper bus line

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

3) Mass production and development of World's largest TFT-LCD panel for Full-HD TV (55-inch) in Oct. 2004.

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

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- Application of innovative panel technology to solve the weak point (gravity/touch stains) of large size
- 4) Development of Ultra High Resolution Product (30-inch)
- World's 1st success in mass production of LCM applying Cu Line (source & gate Area)
 - Achievement of Ultra High Resolution (2560x1600 : 101ppi)
- 5) Development of the World's Lowest Power-Consumption, 32" Wide LCD TV Model
- Development of the world's lowest, under 90W model (EEFL applied)
 - High Contrast Ratio, Fast Response Time (DCR + ODC applied)

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[Achievement in 2005]

- 6) Development of High Luminance and High Color Gamut 17-inch wide LCD Panel for Notebook PC
 - World's 1st 500nit luminance and 72% color gamut in 17-inch wide for Notebook PC
 - Development of 6200nit luminance backlight

- 7) Development of World's largest 10.1-inch Flexible Display
 - Joint development with E-ink Corporation

- 8) 37-inch, 42-inch, 47-inch Full-HD Model Development, applying Low Resistance Line (Copper bus Line)
 - World's 1st Mass production of copper bus line Model
 - Realize Full HD Resolution (1920x1080)

- 9) 37-inch wide LCD Model development which is world's best in power consumption
 - The lowest power consumption of below 120W (applying EEFL Tech.)
 - High Contrast Ratio, Fast Response Time with DCR, ODC Tech.

[Achievement in 2006]

- 10) Development of High Brightness/Color gamut 17-inch wide slim LCD for Notebook PC
 - Slim model (10→7t), featuring 500nit, NTSC 72%
 - Development of Slim and High Brightness Backlight

- 11) World's largest size 100-inch TFT-LCD development

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- High quality image without noise or signal distortion, applying Low Resistance Line (Copper Bus Line)

- High dignity picture for Full HDTV

C. Domestic Credit Rating

Subject	Month of Rating	Credit Rating	Rating Agency (Rating range)
Corporate Debenture	Apr. 2004	AA-	Korea Investors Service, Inc. (AAA ~ D)
	May. 2004	AA-	
	Nov. 2004	AA-	National Information & Credit Evaluation, Inc.
	Mar. 2005	AA-	
	Jun. 2005	AA-	
Commercial Paper	Apr. 2004	A1	Korea Investors Service, Inc. (A1 ~ D)
	May. 2004	A1	National Information & Credit Evaluation, Inc. (A1 ~ D)
	Nov. 2004	A1	
	Jun. 2005	A1	
	Dec.2005	A1	

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D. Remuneration for directors in 2005

(Unit: In millions of won)

Classification	Salary Paid	Approved Salary at	Per Capita Average	Remarks
		Shareholders Meeting	Salary Paid	
Inside Directors (4 persons)	9,615	13,400	2,404	
Outside Directors (5 persons)	235		47	Audit committee consists of three outside directors.

Note1) Company did not pay remuneration for the first quarter of 2005 to outside directors who were appointed at the 20th AGM (March 23, 2005).

E. Derivative contracts

(1) Foreign currency forward contracts

(Unit: In millions)

Contracting party	Contract foreign		exchange rate	Maturity date
	Selling position	Buying position		
HSBC and others	US\$ 3,266	(Won)3,357,233	(Won)994.31:US\$1 ~ (Won)1,058.65:US\$1	2006.1.2 ~ 2006.12.12
CITI and others	EUR 104	(Won)131,182	(Won)1,219.31:EUR1 ~ (Won)1,352.44:EUR1	2006.1.23 ~ 2006.12.20
ABN Amro and others	(Won) 370,919	JP¥40,239	(Won)8.669:JP¥1 ~ (Won)9.92:JP¥1	2006.1.2 ~ 2006.12.1
Korea Exchange Bank and others	US\$ 135	JP¥15,800	JP¥112.23:US\$1 ~ JP¥120.4:US\$1	2006.1.4 ~ 2006.3.28

(2) Cross Currency Swap

(Unit: In millions)

Contracting party	Contract Amount		Contract Interest Rate	Maturity Date
ABN Amro and others	Buying position	US\$430	3 Month Libor	2006.2.10 ~ 2006.12.8
	Selling position	(Won)442,830	3.25% ~ 4.40%	

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F. Status of Equity Investment

Company	Total issued and outstanding shares	No. of shares owned by the Controlling Company	Ownership ratio
LG.Philips LCD America, Inc.	5,000,000	5,000,000	100%
LG.Philips LCD Japan Co., Ltd.	1,900	1,900	100%
LG.Philips LCD Germany GmbH	960,000	960,000	100%
LG.Philips LCD Taiwan, Co., Ltd.	11,549,994	11,549,994	100%
LG.Philips LCD Nanjing Co., Ltd.	(*)	(*)	100%
LG.Philips LCD Hong Kong Co., Ltd.	115,000	115,000	100%
LG.Philips LCD Shanghai Co., Ltd.	(*)	(*)	100%
LG.Philips LCD Poland Sp. z o.o.	500	500	100%
Paju Electric Glass Co., Ltd.	3,600,000	1,440,000	40%

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

8. Others

A. Regarding External Auditor Independence

Samit PricewaterhouseCoopers has recently notified our audit committee that pension plans that manage pension funds for the benefit of the employees of three PricewaterhouseCoopers member firms held investments in the equity of Philips Electronics from time to time between 2001 and 2005. PricewaterhouseCoopers became aware of the investments in September 2005 and disposed of all the shareholdings in Philips Electronics by November 2005. The market value of the Philips Electronics shares owned by each of these pension plans ranged from the U.S. dollar equivalent of approximately US\$112,233 to US\$802,753.

The U.S. Securities and Exchange Commission's auditor independence rules require that, as our independent auditor, PricewaterhouseCoopers maintain independence from us, as well as from Philips Electronics, to which we are a material investee. Such auditor independence rules extend the definition of an accounting firm to the organization's pension plans. Accordingly, the investments in Philips Electronics by PricewaterhouseCoopers member firms' pension plans are not permitted under the U.S. Securities and Exchange Commission's auditor independence rules.

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After conducting an internal review, PricewaterhouseCoopers has concluded that its objectivity and impartiality were unaffected by these investments and therefore its independence has not been impaired. This conclusion is based on the following:

those professionals who conducted our audit were at all times unaware of the investments;

the investments were held by pension plans of PricewaterhouseCoopers member firms that are legal entities distinct from the relevant PricewaterhouseCoopers member firms, and as such, the holdings belong to those of the individual current and retired partners and staff of the member firms rather than of the firms themselves;

the shareholdings in Philips Electronics were disposed of as soon as practicable once they came to the attention of the engagement team conducting our audit;

the percentage of equity interest in Philips Electronics held by the three individual pension plans were at all times insignificant in the context of the overall investments of the pension funds concerned (constituting less than 1.25%, 0.12% and 0.5% of their respective overall investments, at all relevant times) ; and

all final decisions related to our audit are made by Samil PricewaterhouseCoopers and not by any other member firm of PricewaterhouseCoopers, including those member firms whose pension funds made the investments in Philips Electronics. PricewaterhouseCoopers has discussed the facts and circumstances of this matter with the staff of the U.S. Securities and Exchange Commission, including discussion of PricewaterhouseCoopers' conclusion that its independence was not impaired. In February 2006, PricewaterhouseCoopers issued its Independence Standards Board Standard No. 1 independence letter to our audit committee and therein reported that it is independent under applicable standards in connection with its audit opinion for the financial statements contained in this annual report.

Our audit committee has reviewed this matter in detail and has discussed the matter with PricewaterhouseCoopers and our outside legal counsel. Upon careful review, the audit committee concurred with PricewaterhouseCoopers in concluding the accounting firm's independence was not impaired by the above described incidents.

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LG.Philips LCD Co., Ltd.

Non-Consolidated Financial Statements

December 31, 2005 and 2004

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LG.Philips LCD Co., Ltd.

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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, 2005 and 2004, and the related non-consolidated statements of income, 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, 2005 and 2004, 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.

As discussed in Note 1 and 15, 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 gross proceeds of US\$1,189,656 thousand. In addition, pursuant to Underwriting Agreement dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$196,144 thousand. The Company intends to use the proceeds of these sales to fund the capital expenditures in connection with the construction of TFT-LCD fabrication plant and other LCD facilities in Korea.

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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.

Seoul, Korea

January 20, 2006

This report is effective as of January 20, 2006, 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.

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

Table of Contents**LG.Philips LCD Co., Ltd.****Non-consolidated Balance Sheets****December 31, 2005 and 2004***(in millions of Korean won)*

	2005	2004
Assets		
Current assets		
Cash and cash equivalents (Note 3)	(Won) 1,465,025	(Won) 1,274,989
Available-for-sale securities	354	15
Trade accounts and notes receivable, net (Notes 4, 5 and 20)	1,034,196	635,903
Inventories, net (Note 6)	471,765	467,999
Other accounts receivable, net (Notes 4, 5 and 20)	15,751	6,690
Accrued income, net (Note 4)	1,369	1,470
Advance payments, net (Note 4)	5,959	9,793
Prepaid expenses	20,532	27,905
Prepaid value added tax	102,094	80,917
Deferred income tax assets (Note 18)	4,647	
Others (Note 14)	75,242	132,935
Total current assets	3,196,934	2,638,616
Property, plant and equipment, net (Note 8)	8,988,459	6,366,651
Long-term financial instruments (Note 3)	16	16
Equity-method investments (Note 7)	213,968	168,039
Non-current guarantee deposits	24,000	19,070
Long-term prepaid expenses	83,023	49,652
Deferred income tax assets (Note 18)	339,621	173,178
Intangible assets, net (Note 9)	149,894	183,471
Total assets	(Won) 12,995,915	(Won) 9,598,693
Liabilities and Shareholders Equity		
Current liabilities		
Trade accounts and notes payable (Notes 5 and 20)	(Won) 563,874	(Won) 451,755
Other accounts payable (Notes 5 and 20)	1,445,471	978,501
Advances received	609	53
Withholdings	12,004	4,860
Accrued expenses (Note 5)	73,772	116,585
Income tax payable (Note 18)	19,499	74,581
Warranty reserve	16,023	15,150
Current maturities of debentures and long-term debts (Note 10)	429,352	205,139
Others (Note 14)	33,678	54,141
Total current liabilities	2,594,282	1,900,765
Debentures, net of current maturities and discounts on debentures (Note 11)	2,385,272	1,707,716
Long-term debts, net of current maturities (Note 11)	297,577	185,632
Accrued severance benefits, net (Note 12)	43,187	31,938
Total liabilities	5,320,318	3,826,051

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Commitments and contingencies (Note 14)		
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 (2004 : 325 million)	1,789,079	1,626,579
Capital surplus (Note 16)	2,279,250	1,012,271
Retained earnings (Note 16)	3,608,686	3,091,674
Capital adjustments (Note 17)	(1,418)	42,118
Total shareholders' equity	7,675,597	5,772,642
Total liabilities and shareholders' equity	(Won) 12,995,915	(Won) 9,598,693

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 Income**

Years ended December 31, 2005 and 2004

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

	2005	2004
Sales (Notes 20 and 22)	(Won) 8,890,155	(Won) 8,079,891
Cost of sales (Note 20)	8,029,141	6,196,624
Gross profit	861,014	1,883,267
Selling and administrative expenses	413,377	242,559
Operating income	447,637	1,640,708
Non-operating income		
Interest income	48,942	19,496
Foreign exchange gains (Note 14)	181,522	152,781
Gain on foreign currency translation (Note 14)	47,714	155,857
Gain on valuation of investments using the equity method of accounting (Note 7)	946	81,627
Gain on disposal of property, plant and equipment	2,090	4,727
Others	24,849	11,136
	306,063	425,624
Non-operating expenses		
Interest expenses	97,544	49,972
Foreign exchange losses (Note 14)	228,158	244,256
Loss on foreign currency translation (Note 14)	23,914	67,571
Loss on disposal of property, plant and equipment	115	3,522
Loss on disposal of accounts receivable	7,868	6,838
Loss on disposal of available-for-sale securities		25
Loss on valuation of investments using the equity method of accounting (Note 7)	7,574	
Ramp up cost	18,928	
Donations	2,318	11,080
Others		1
	386,419	383,265
Income before income taxes	367,281	1,683,067
Income tax benefit (expense) (Note 18)	149,731	(27,622)
Net income	(Won) 517,012	(Won) 1,655,445
Ordinary income per share (Note 19)	(Won) 1,523	(Won) 5,420
Earnings per share (Note 19)	(Won) 1,523	(Won) 5,420

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Diluted ordinary income per share (Note 19)	(Won)	1,523	(Won)	5,420
Diluted earnings per share (Note 19)	(Won)	1,523	(Won)	5,420

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, 2005 and 2004

(Date of appropriations : February 28, 2006 and March 23, 2005 for the years ended December 31, 2005 and 2004, respectively)

(in millions of Korean won)

	2005	2004
Retained earnings before appropriations		
Unappropriated retained earnings carried over from prior year	(Won) 2,963,337	(Won) 1,307,892
Net income	517,012	1,655,445
	3,480,349	2,963,337
Appropriation of retained earnings		
Unappropriated retained earnings carried forward to the subsequent year	(Won) 3,480,349	(Won) 2,963,337

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, 2005 and 2004***(in millions of Korean won)*

	2005	2004
Cash flows from operating activities		
Net income	(Won) 517,012	(Won) 1,655,445
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,704,733	1,206,674
Amortization of intangible assets	44,400	44,461
Provision for severance benefits	43,834	32,565
Gain on foreign currency translation, net	(27,942)	(98,606)
Loss on disposal of available-for-sale securities		25
Gain on disposal of property, plant and equipment, net	(1,975)	(1,205)
Amortization of discount on debentures	29,891	11,719
Loss (gain) on valuation of investments using the equity method of accounting, net	6,628	(81,627)
Provision for warranty reserve	17,215	8,680
	1,816,784	1,122,686
Changes in operating assets and liabilities		
(Increase) decrease in trade accounts and notes receivable	(410,487)	410,219
Increase in inventories	(3,766)	(194,508)
(Increase) decrease in other accounts receivable	(11,425)	5,289
Decrease (increase) in accrued income	100	(1,187)
Decrease (increase) in advance payments	3,834	(6,785)
Decrease in prepaid expenses	16,930	8,004
(Increase) decrease in prepaid value added tax	(21,178)	1,416
Decrease in other current assets	67,645	1,039
Decrease in long-term other accounts receivable		166
Increase in long-term prepaid expenses	(42,927)	(28,070)
Increase in deferred income tax	(175,720)	(58,217)
Increase in trade accounts and notes payable	113,747	73,469
Increase in other accounts payable	222,019	29,888
Increase(decrease) in advances received	556	(3,856)
Increase in withholdings	7,144	869
(Decrease) increase in accrued expenses	(42,813)	11,396
(Decrease) increase in income taxes payable	(55,081)	35,028
Decrease in warranty reserve	(16,342)	(13,309)
Decrease in other current liabilities	(54,142)	(10,662)
Accrued severance benefits transferred from affiliated company	2,485	1,130
Payment of severance benefits	(16,282)	(8,291)
Increase in severance insurance deposit	(18,817)	(14,500)
Decrease in contribution to National Pension Fund	29	76
	(434,491)	238,604
Net cash provided by operating activities	1,899,305	3,016,735

Table of Contents**LG.Philips Lcd Co., Ltd.****Non-Consolidated Statements of Cash Flows****Years ended December 31, 2005 and 2004***(in millions of Korean won)*

	2005	2004
Cash flows from investing activities		
Acquisition of equity method investments	(Won) (54,557)	(Won) (63,084)
Acquisition of available-for-sale securities	(339)	(225)
Proceeds from disposal of available for sale securities		253
Proceed from non-current guarantee deposits	3	731
Payment of non-current guarantee deposits	(4,933)	(3,238)
Proceeds from disposal of property, plant and equipment	2,830	6,092
Acquisition of property, plant and equipment	(4,071,762)	(3,771,029)
Acquisition of intangible assets	(10,811)	(3,254)
Net cash used in investing activities	(4,139,569)	(3,833,754)
Cash flows from financing activities		
Repayment of short-term borrowings		(62)
Repayment of current maturities of long-term debts	(207,120)	(467,202)
Issuance of debentures	1,073,684	811,171
Proceeds from long-term debts	162,395	110,033
Proceeds from issuance of common stock	1,401,341	1,188,850
Net cash provided by financing activities	2,430,300	1,642,790
Net increase in cash and cash equivalents	190,036	825,771
Cash and cash equivalents (Note 23)		
Beginning of the year	1,274,989	449,218
End of the year	(Won) 1,465,025	(Won) 1,274,989

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

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****1. The Company**

LG.Philips LCD Co., Ltd. (the Company) was incorporated in 1985 under the Commercial Code of the Republic of Korea and commenced the manufacturing and 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.

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 the Underwriting Agreement dated July 15, 2004, the Company issued an additional 1,715,700 shares of common stock in the form of ADSs for proceeds of US\$ 51,471 thousand. 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, 2005, the Company's shareholders are as follows:

	Number of	Percentage of
	Shares	Ownership (%)
LG Electronics Inc.	135,625,000	37.90
Koninklijke Philips Electronics N. V.	117,625,000	32.90
Others	104,565,700	29.20
	357,815,700	100.00

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its interim non-consolidated financial statements are summarized below:

Basis of Financial Statement Presentation

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

Accounting Estimates

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

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. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2004.

And as SKFAS Nos. 15 through 17 became effective for the Company on January 1, 2005, the Company adopted these Standards in its financial statements for the year ended December 31, 2005.

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, 2005 and 2004

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 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 a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the income statement when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities for the amortization of discounts or premiums.

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 for investments in equity method investees when the Company's share in the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

Differences between the initial purchase price and the Company's initial proportionate ownership in the net book value of the investee are 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 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:

	Estimated useful lives
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.

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

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

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Intangible Assets

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

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

Discounts on Debentures

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

Foreign Currency Translation

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)1,013.0 : US\$1 as of December 31, 2005; (Won)1,035.6 : US\$1 as of December 31, 2004), 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, 2005, is (Won)16,023 million (December 31, 2004 : (Won)15,150 million), and provision for warranty reserve for the year ended December 31, 2005, is (Won)17,215 million (2004: (Won)8,680 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 the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of such deposit.

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

Sales or Discount of Accounts Receivable

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

Derivatives

The Company enters into 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 the case of hedging for fluctuations in fair market value, unrealized holding gains and losses are recorded in the income statement. If the contract expires, the gains and losses from derivative transactions are presented in the income statement in case of hedges for fluctuations in fair market value and are offset against sales in case of cash flow hedging.

Convertible bonds

When convertible bonds are issued, the amount paid for the conversion right, which is computed as a difference between the issuing value and the present value of future cash flows discounted at effective interest rate of bond without conversion features, is included in other capital surplus. The related adjustment account to the conversion right is presented as a deduction of 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, 2005 and 2004****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 when it is almost certain that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the period.

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 recognition, are recognized as carryforward amount.

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, and financial instruments as of December 31, 2005 and 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest rate (%) as of December 31, 2005	2005	2004
Cash and cash equivalents			
Cash on hand		(Won) 6	(Won) 7
Checking accounts		51	122
Time deposits	3.5-3.7	942,359	1,130,869
Passbook accounts in Foreign currencies of US\$ 516 million, JP¥ 6 million (2004: US\$ 139 million and JP¥43 million)	3.8	522,609	143,991
		1,465,025	1,274,989
Long-term financial instruments			
Guarantee deposits for checking accounts	0.1-0.5	16	16
		(Won) 1,465,041	(Won) 1,275,005

As of December 31, 2005 and 2004, 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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Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

4. Receivables

The Company's receivables, including trade accounts and notes receivable, as of December 31, 2005 and 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005			
	Gross amount	Allowance for doubtful accounts	Discounts on present value	Carrying value
Trade accounts and notes receivable	(Won) 1,035,155	(Won) 959	(Won)	(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)	(Won) 1,057,275

<i>(in millions of Korean won)</i>	2004			
	Gross amount	Allowance for doubtful accounts	Discounts on present value	Carrying value
Trade accounts and notes receivable	(Won) 636,724	(Won) 821	(Won)	(Won) 635,903
Other accounts receivable	7,012	320	2	6,690
Accrued income	1,485	15		1,470
Advance payments	9,892	99		9,793
	(Won) 655,113	(Won) 1,255	(Won) 2	(Won) 653,856

As of December 31, 2005, trade bills negotiated through banks but not yet matured, amounted to approximately (Won)303,904 million (December 31, 2004: (Won)410,824 million).

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

5. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2005 and 2004, 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>	2005		2004	
	Korean Won	Foreign	Korean Won	Foreign
	Equivalent	Currency	Equivalent	Currency
Trade accounts and notes receivable	(Won) 1,027,180	US\$ 904	(Won) 605,500	US\$ 494
		10,579		1,264
		JP¥ 17		JP¥ 58
		EUR		EUR
Other accounts receivable	2,372	US\$ 2	5,922	US\$ 1
		40		26
		JP¥		JP¥ 3
				EUR
Trade accounts and notes payable	163,496	US\$ 63	168,182	US\$ 61
		11,574		10,445
		JP¥		JP¥
Other accounts payable	163,970	US\$ 14	125,868	US\$ 13
		15,608		10,596
		JP¥ 13		JP¥ 4
		EUR		EUR
Accrued expenses	5,769	US\$ 6	14,190	US\$ 14

6. Inventories

Inventories as of December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)

	2005	2004
Finished products	(Won) 191,918	(Won) 244,084
Work-in-process	131,483	112,538
Raw materials	124,999	108,221
Supplies	59,750	53,133
	508,150	517,976

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Less : Valuation loss	(36,385)	(49,977)
	(Won) 471,765	(Won) 467,999

As of December 31, 2005, inventories and property, plant and equipment are insured against fire and other casualty losses up to (Won)30,088,667 million (December 31, 2004: (Won)26,873,073 million). Additionally, as of December 31, 2005, the Company insured directors and officers liabilities up to US\$ 100 million (December 31, 2004: US\$ 85 million).

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

As of and for the year ended December 31, 2005, condensed financial statements of the affiliates, prior to the elimination of intercompany transactions, are as follows:

Condensed Balance Sheet

<i>(in millions of Korean won)</i>	LG.Philips LCD	LG.Philips LCD	LG.Philips LCD	LG.Philips LCD	LG.Philips LCD
	America, Inc.	Germany GmbH	Japan.Co., Ltd.	Taiwan Co., Ltd.	Nanjing Co., Ltd.
Current assets	(Won) 179,547	(Won) 195,139	(Won) 166,443	(Won) 406,261	(Won) 790,923
Non-current assets	997	748	1,018	2,073	228,535
Total assets	(Won) 180,544	(Won) 195,887	(Won) 167,461	(Won) 408,334	(Won) 1,019,458
Current liabilities	(Won) 171,592	(Won) 192,632	(Won) 163,337	(Won) 395,659	(Won) 682,932
Non-current liabilities			18	443	133,120
Total liabilities	171,592	192,632	163,355	396,102	816,052
Capital stock	6,082	1,252	1,088	4,189	140,212
Retained earnings	4,445	2,353	3,941	9,759	73,004
Capital adjustments	(1,575)	(350)	(923)	(1,716)	(9,810)
Total shareholders equity	8,952	3,255	4,106	12,232	203,406
Total liabilities and shareholders equity	(Won) 180,544	(Won) 195,887	(Won) 167,461	(Won) 408,334	(Won) 1,019,458

<i>(in millions of Korean won)</i>	LG. Philips LCD	LG. Philips LCD	LG. Philips LCD	Paju Electric Glass	Total
	HongKong Co., Ltd.	Shanghai Co., Ltd.	Poland Sp z o.o.		
Current assets	(Won) 144,939	(Won) 318,230	(Won) 9	(Won) 26,250	(Won) 2,227,741
Non-current assets	495	353		27,829	262,048
Total assets	(Won) 145,434	(Won) 318,583	(Won) 9	(Won) 54,079	(Won) 2,489,789
Current liabilities	(Won) 141,776	(Won) 315,870	(Won)	(Won) 18,872	(Won) 2,082,670
Non-current liabilities	31				133,612
Total liabilities	141,807	315,870		18,872	2,216,282
Capital stock	1,736	596	16	36,000	191,171

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Retained earnings	2,267	2,535	(6)	(608)	97,690
Capital adjustments	(376)	(418)	(1)	(185)	(15,354)
Total shareholders equity	3,627	2,713	9	35,207	273,507
Total liabilities and shareholders equity	(Won) 145,434	(Won) 318,583	(Won) 9	(Won) 54,079	2,489,789

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

Condensed Income Statement

<i>(in millions of Korean won)</i>	LG.Philips LCD, America, Inc.	LG.Philips LCD, Germany GmbH	LG.Philips LCD, Japan Co., Ltd.	LG.Philips LCD, Taiwan Co., Ltd.	LG.Philips LCD, Nanjing Co., Ltd.
Sales	(Won) 1,054,638	(Won) 1,330,822	(Won) 929,977	(Won) 2,734,321	(Won) 4,082,466
Cost of sales	1,043,496	1,318,357	921,186	2,711,618	3,981,085
Gross profit	11,142	12,465	8,791	22,703	101,381
Selling and administrative expenses	9,022	9,176	7,702	10,440	65,490
Operating income	2,120	3,289	1,089	12,263	35,891
Non-operating income (expense)	(1,121)	(1,153)	690	(9,560)	(2,902)
Ordinary income	999	2,136	1,779	2,703	32,989
Income tax expense	411	608	1,041	815	(1,832)
Net income	(Won) 588	(Won) 1,528	(Won) 738	(Won) 1,888	(Won) 34,821

<i>(in millions of Korean won)</i>	LG. Philips LCD HongKong Co., Ltd.	LG. Philips LCD Shanghai Co., Ltd.	LG. Philips LCD Poland Sp z o.o.	Paju Electric Glass	Total
Sales	(Won) 1,160,715	(Won) 1,184,751	(Won)	(Won)	(Won) 12,477,690
Cost of sales	1,153,589	1,178,182			12,307,513
Gross profit	7,126	6,569			170,177
Selling and administrative expenses	6,273	6,376	6	669	115,154
Operating income(loss)	853	193	(6)	(669)	55,023
Non-operating income (expense)	473	998		60	(12,515)
Ordinary income(loss)	1,326	1,191	(6)	(609)	42,508
Income tax expense	168	181			1,392
Net income(loss)	(Won) 1,158	(Won) 1,010	(Won) (6)	(Won) (609)	(Won) 41,116

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

The details of the equity method valuation for the years ended December 31, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005						Balance as of December 31, 2005
	Balance as of January 1, 2005	Acquisitions during the period	Gain (loss) on valuation of investments using equity method	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	
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. ²		16	(6)		(1)	9	
Paju Electric Glass ²		14,400	(244)			14,156	
	(Won) 168,039	(Won) 54,557	(Won) (6,628)	(Won)	(Won) (2,000)	(Won) 213,968	

<i>(in millions of Korean won)</i>	2004						Balance as of December 31, 2004
	Balance as of January 1, 2004	Acquisitions during the period	Gain (loss) on valuation of investments using equity method	Retained earnings adjustment	Capital adjustment		

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LG.Philips LCD										
America, Inc.	(Won)	6,840	(Won)	(Won)	1,582	(Won)	(Won)	(1,289)	(Won)	7,133
LG.Philips LCD										
Germany GmbH		568			1,875			(181)		2,262
LG.Philips LCD										
Japan Co., Ltd.		1,788			2,577			(313)		4,052
LG.Philips LCD										
Taiwan Co., Ltd.		5,861			5,898			(785)		10,974
LG.Philips LCD										
Nanjing Co., Ltd.		21,515	63,084		65,537			(9,895)		140,241
LG.Philips LCD										
HongKong Co., Ltd.					2,843			(352)		2,491
LG.Philips LCD										
Shanghai Co., Ltd.					1,315			(429)		886
	(Won)	36,572	(Won) 63,084	(Won)	81,627	(Won)	(Won)	(13,244)	(Won)	168,039

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

As of December 31, 2005 and 2004, elimination of unrealized gains or losses in the valuation of investments using the equity method is as follows:

<i>(in millions of Korean won)</i>	2005			2004		
	Inventories	Property, plant and equipment	Total	Inventories	Property, plant and equipment	Total
LG.Philips LCD America, Inc.	(Won) (2,564)	(Won)	(Won) (2,564)	(Won) (1,392)	(Won)	(Won) (1,392)
LG.Philips LCD Germany GmbH	(1,155)		(1,155)			
LG.Philips LCD Japan Co., Ltd.	(319)		(319)			
LG.Philips LCD Taiwan Co., Ltd.	(4,772)		(4,772)			
LG.Philips LCD Nanjing Co., Ltd.	(21,216)	(5,376)	(26,592)	16,875	(4,538)	12,337
LG.Philips LCD HongKong Co., Ltd.	(984)		(984)	(37)		(37)
LG.Philips LCD Shanghai Co., Ltd.	(2,102)		(2,102)	(809)		(809)
LG.Philips LCD Poland Sp. z o.o. ² Paju Electric Glass ²	(Won) (33,112)	(Won) (5,376)	(Won) (38,488)	(Won) 14,637	(Won) (4,538)	(Won) 10,099

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

8. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2005 and 2004, are as follows:

<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
Balance as of December 31, 2005	(Won) 316,236	(Won) 1,633,119	(Won) 122,772	(Won) 5,078,844	(Won) 50,471	(Won) 146,673
Accumulated depreciation	(Won)	(Won) 172,237	(Won) 26,424	(Won) 5,788,542	(Won) 54,745	(Won) 188,769

	Machinery-		Construction-		Total
	Vehicles	Others	in-transit	in-progress	
Balance as of January 1, 2005	(Won) 4,040	(Won) 2,501	(Won) 704,588	(Won) 933,036	(Won) 6,366,651
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)
Balance as of December 31, 2005	(Won) 5,560	(Won) 6,052	(Won) 505,787	1,122,945	8,988,459
Accumulated depreciation	(Won) 4,860	(Won)	(Won)	(Won)	(Won) 6,235,577

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004***(in millions of Korean won)*

	2004					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2004	(Won) 88,669	(Won) 501,119	(Won) 119,013	(Won) 2,056,822	(Won) 17,751	(Won) 70,708
Acquisition during the year	23	8,631	2,019	13,607	3,622	37,106
Capitalized interest	55	4,147		18,327		
Depreciation		(33,670)	(5,824)	(1,110,015)	(9,822)	(46,030)
Disposal		(88)		(4,766)	(3)	(28)
Transfer	224,873	337,629	(398)	2,400,498	8,571	19,940
Balance as of December 31, 2004	(Won) 313,620	(Won) 817,768	(Won) 114,810	(Won) 3,374,473	(Won) 20,119	(Won) 81,696
Accumulated depreciation	(Won)	(Won) 123,929	(Won) 19,985	(Won) 4,255,475	(Won) 43,172	(Won) 139,789

	Machinery-in-		Construction-in-		Total
	Vehicles	Others	transit	-progress	
Balance as of January 1, 2004	(Won) 2,587	(Won) 1,529	(Won) 28,521	(Won) 987,709	(Won) 3,874,428
Acquisition during the year	2,736		1,333,467	2,276,579	3,677,790
Capitalized interest			4,747	5,412	32,688
Depreciation	(1,313)				(1,206,674)
Disposal					(4,885)
Transfer	30	972	(662,147)	(2,336,664)	(6,696)
Balance as of December 31, 2004	(Won) 4,040	(Won) 2,501	(Won) 704,588	(Won) 933,036	(Won) 6,366,651
Accumulated depreciation	(Won) 3,569	(Won)	(Won)	(Won)	(Won) 4,585,919

As of December 31, 2005, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)366,820 million (December 31, 2004: (Won)259,230 million).

The Company capitalizes the loss (gain) 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, 2005, amount to (Won)6,719 million (2004: (Won)32,688 million).

For the year ended December 31, 2005, net gain on foreign currency translation, arising from foreign currency borrowings, which was deducted from capitalized interest expenses, is (Won)4,133 million (2004: net gain of (Won)8,597 million).

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

For the year ended December 31, 2005, the accumulated effects of capitalized expenses on significant accounts in the balance sheet and statement of income 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		
Property, plant and equipment	(Won) 15,224,036	(Won) 6,235,577	(Won) 15,135,302	(Won) 6,221,806	(Won) 88,734	(Won) 13,771

Statement of income*(in millions of Korean won)*

	If interest expenses are capitalized	If interest expenses are expensed as incurred	Difference
Depreciation	(Won) 1,708,333	(Won) 1,698,387	(Won) 9,946
Interest expense	97,544	148,396	(50,852)
Foreign currency translation gain	47,714	51,847	4,133
Net income	517,012	480,239	(36,773)

9. Intangible Assets

Changes in intangible assets for the years ended December 31, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005				
	Intellectual property rights	Rights for usage of electricity and gas supply facilities	Rights to industrial water facilities	Software	Total
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)
	(Won) 141,013	(Won) 228	(Won) 8,653	(Won)	(Won) 149,894

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Balance as of December 31,
2005

Accumulated amortization	(Won) 285,138	(Won) 88	(Won) 3,646	(Won) 9,713	(Won) 298,585
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Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

<i>(in millions of Korean won)</i>	2004				
	Intellectual property rights	Rights for usage of electricity and gas supply facilities	Rights to industrial water facilities	Software	Total
Balance as of January 1, 2004	(Won) 209,922	(Won) 127	(Won) 4,287	(Won) 3,646	(Won) 217,982
Acquisition during the year	3,269	156	6,461	64	9,950
Amortization	(41,118)	(23)	(855)	(2,465)	(44,461)
Balance as of December 31, 2004	(Won) 172,073	(Won) 260	(Won) 9,893	(Won) 1,245	(Won) 183,471
Accumulated amortization	(Won) 243,249	(Won) 56	(Won) 2,412	(Won) 8,468	(Won) 254,185

The Company has classified the amortization as part of manufacturing overhead costs. The amortization expense for the year ended December 31, 2005, amounts to (Won)44,400 million (2004: (Won)44,461 million).

The details of intellectual property rights as of December 31, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	Description	Remaining		
		2005	2004	Period
Intellectual property rights	Patent relating to TFT-LCD business	(Won) 141,013	(Won) 172,073	4~10 years

The Company expensed research and development costs of (Won)61,761 million for the year ended December 31, 2005 (2004: (Won)53,205 million).

For the years ended December 31, 2005 and 2004, 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>	2005	2004
Training expense	(Won) 14,283	(Won) 12,319
Advertising expense	21,728	5,391
Expenses for foreign market expansion	8,835	7,377
	(Won) 44,846	(Won) 25,087

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

10. Current maturities of long-term debts

Current maturities of long-term debts as of December 31, 2005 and 2004, consist of the following:

Type of borrowing	Creditor	Annual interest rates (%) as of		
		December 31, 2005	2005	2004
<i>(in millions of Korean won)</i>				
Long-term debt in won currency loans	Korea Export-Import Bank	5.9-6.1	(Won) 29,417	(Won)
Corporate bonds in won currency		6.0	200,000	
Long-term debt in foreign currency debentures of US\$ 182 million		3M Libor + 1.1	184,872	188,997
Long-term debt in foreign currency loans of US\$ 18 million	Woori Bank	3M Libor + 1.1	17,727	18,123
			432,016	207,120
Less : Discounts on debentures			(2,664)	(1,981)
			(Won) 429,352	(Won) 205,139

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

11. Long-Term Debts

Long-term debts as of December 31, 2005 and 2004, consist of the following:

<i>(in millions of Korean won)</i>		Annual interest rates (%) as of			
Type of borrowing		December 31, 2005		2005	2004
Won currency debentures					
Non-guaranteed, payable through 2010	3.5	6.0		(Won) 1,750,000	(Won) 1,350,000
Private debentures, payable in 2010	5.89			200,000	
Less : Current maturities				(200,000)	
Discounts on debentures				(28,120)	(33,396)
				1,721,880	1,316,604
Foreign currency debentures					
Floating rate notes, payable through 2007	3M Libor + 0.6,			304,913	416,311
	3M Libor + 1.1				
Term notes, payable through 2006	3M Libor +1.1			82,559	168,803
				387,472	585,114
Less : Current maturities				(184,872)	(188,997)
Discount on debentures				(1,960)	(5,005)
				200,640	391,112
Convertible bonds¹					
US dollar-denominated bonds, payable through 2010				483,780	
Add : Call premium				84,613	
Less : Current maturities					
Discount on debentures				(2,724)	
Conversion adjustment				(102,917)	
				462,752	
				(Won) 2,385,272	(Won) 1,707,716
Won currency loans					
General loans	5.9	6.1		(Won) 117,800	(Won) 117,800
	3.25			8,620	
Less : Current maturities				(29,417)	
				97,003	117,800
Foreign currency loans					

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General loans	3M Libor+1.1, 3M Libor+0.99, 3M Libor+1.35, 6M Libor+1.2	218,301	85,955
Less : Current maturities		(17,727)	(18,123)
		200,574	67,832
		(Won) 297,577	(Won) 185,632

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

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

As of December 31, 2005, the foreign currency debentures denominated in U.S. dollars amount to US\$ 383 million (December 31, 2004: US\$ 565 million), while the foreign currency loans denominated in U.S. dollars amount to US\$215 million (December 31, 2004: US\$ 83 million).

The aggregate annual maturities of long-term debts outstanding as of December 31, 2005, exclusive of adjustments relating to discounts, are as follows:

(in millions of Korean won)

For the Year ending	Won		Foreign currency		Foreign currency		Total
	currency debentures	loans	currency debentures	Convertible bonds	loans		
December 31, 2007	(Won) 300,000	(Won) 39,267	(Won) 202,600	(Won)	(Won) 34,948	(Won)	576,815
2008	250,000	39,266			42,546		331,812
2009	600,000	9,850			42,546		652,396
2010	600,000	862		483,780	42,546		1,127,188
2011		1,724			30,390		32,114
2012		1,724			7,598		9,322
Thereafter		4,310					4,310
	(Won) 1,750,000	(Won) 97,003	(Won) 202,600	(Won) 483,780	(Won) 200,574		(Won) 2,733,957

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****12. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2005 and 2004, consist of the following:

(in millions of Korean won)

	2005	2004
Balance at the beginning of the year	(Won) 81,955	(Won) 56,551
Actual severance payments	(16,282)	(8,291)
Transferred from/to affiliated companies, net	2,485	1,130
Provision for severance benefits	43,834	32,565
	111,992	81,955
Cumulative deposits to the National Pension Fund	(708)	(737)
Severance insurance deposit	(68,097)	(49,280)
Balance at the end of the year	(Won) 43,187	(Won) 31,938

The severance benefits are funded approximately 60.8% as of December 31, 2005 (2004 : 60.1%), 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.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements**December 31, 2005 and 2004****13. Stock Appreciation Plan**

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

The options activity under the SARs for the year ended December 31, 2005, follows:

	Number of shares under SARs
Balance, January 1, 2005	(Won)
Options granted	450,000
Options exercised	
Options canceled/expired ¹	40,000
Balance, December 31, 2005	(Won) 410,000

¹ Option canceled due to the retirement of an executive officer.

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

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****14. Commitments and Contingencies**

As of December 31, 2005, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

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

As of December 31, 2005, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US\$1,175 million. The Company has made agreements with several banks in relation to the opening of letters of credit amounting to (Won)140,000 million and US\$145 million. The related amounts of negotiated foreign currency receivables outstanding as of December 31, 2005, amount to (Won)303,904 million (December 31, 2004: (Won)410,824 million).

As of December 31, 2005, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi and others. As of December 31, 2005, 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 :

(in millions)

Contracting party	Selling position	Buying position	Contract foreign exchange rate	Maturity date
HSBC and others	US\$ 3,266	(Won)3,357,233	(Won)994.31:US\$1- (Won)1,058.65:US\$1	January 2, 2006 - December 12, 2006
Citi bank and others	EUR 104	(Won)131,182	(Won)1,219.31:EUR 1- (Won)1,352.44:EUR1	January 23, 2006 - December 20, 2006
ABN AMRO and others	(Won) 370,919	JP¥ 40,239	(Won)8.669: JP¥1- (Won)9.92:JP¥1	January 2, 2006 - December 1, 2006
Korea Exchange Bank and others	US\$ 135	JP¥ 15,800	JP¥112.23: US\$1- JP¥120.4: US\$1	January 4, 2006 - March 28, 2006

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

As of December 31, 2005, the Company recorded unrealized gains and losses on outstanding foreign

currency forward contracts of (Won)63,962 million and (Won)26,061 million, respectively. Total unrealized gains and losses of (Won)26,081 million and (Won)1,514 million, respectively, were charged to operations for the year ended December 31, 2005, as these contracts did not meet the requirements for a cash flow hedge. Unrealized gains and losses of (Won)29,292 million and (Won)18,982 million, respectively, 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 20, 2006. The aggregate amount of all deferred gains and losses of (Won)37,881 million and (Won)24,547 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, 2005.

For the year ended December 31, 2005, the Company recorded realized exchange gains of (Won)89,311 million (2004: (Won)80,306 million) on foreign currency forward contracts upon settlement, and realized exchange losses of (Won)100,935 million (2004: (Won)51,597 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. These transactions do not meet the requirements for hedge accounting for financial statement purposes. Therefore, the resulting realized and unrealized gains or losses, measured by quoted market prices, are recognized in current operations as gains or losses as the exchange rates change.

A summary of such contracts follows:

(in millions)

Contracting party	Buying position	Selling position	Contract foreign exchange rate	Maturity date
ABN Amro and others	US\$ 430	(Won) 442,830	3M Libor 3.25% -4.40%	February 10, 2006 - December 8, 2006

As of December 31, 2005, unrealized gains and losses of (Won)1,277 million and (Won)7,617 million, respectively, were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

The Company is subject to several legal proceedings and claims arising in the ordinary course of business. In August 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs. Subsequently the Company filed a complaint against customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TpV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court for the Central District of California for alleged infringement of certain patents and violation of U.S. antitrust laws. The Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In May 2004, the Company filed a complaint against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp. and others, claiming patent infringement of rear mountable liquid crystal display devices in the United States District of Delaware and the Patent Country Court in the United Kingdom. On November 28, 2005, the Company lost its patent infringement case against Tatung Company and ViewSonic Corp. at first instance in Patent Country Court in United Kingdom, and the Company is preparing the appeal against the decision of U.K. Court. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005, the United States District Court for the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the Company has revised its claim and has refiled the above complaint including the side mounting patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****15. Capital Stock**

On March 19, 2004, at their Annual General Meeting, the stockholders approved an increase of 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, 2005, is 357,815,700 (2004: 325,315,700).

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. The Company intends to use the proceeds from these sales to fund the capital expenditures in connection with the construction of TFT-LCD fabrication plant and other LCD facilities.

Issuances and other movements in common stock from January 1, 2004 to December 31, 2005, are as follows:

(in millions of Korean won)

Date of Issuance	Remarks	Par Value	Additional Paid-in Capital
January 1, 2004, balance		(Won) 1,450,000	(Won)
July 22, 2004	Issuance of common stock	168,000	1,001,833
September 7, 2004	Issuance of common stock	8,579	50,721
	Stock issuance cost		(40,283)
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

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****16. Capital Surplus and Retained Earnings**

Capital surplus as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)

	2005	2004
Additional paid in capital	(Won) 2,251,113	(Won) 1,012,271
Conversion rights ¹	28,137	
	(Won) 2,279,250	(Won) 1,012,271

¹ Net of tax effects.

Retained earnings as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)

	2005	2004
Legal reserve	(Won) 60,086	(Won) 60,086
Reserve for business rationalization	68,251	68,251
Unappropriated retained earnings	3,480,349	2,963,337
	(Won) 3,608,686	(Won) 3,091,674

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

17. Capital Adjustments

Capital adjustments as of December 31, 2005 and 2004, are as follows:

(in millions of Korean won)

	2005	2004
Foreign currency translation loss on the affiliates ¹	(Won) (11,729)	(Won) (13,169)

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Gain on valuation of derivative instruments ¹	29,293	55,287
Loss on valuation of derivative instruments ¹	(18,982)	
	(Won) (1,418)	(Won) 42,118

¹ Net of tax effects.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

18. Income Taxes

Income tax expense (benefit) for the years ended December 31, 2005 and 2004, are as follows:

(in millions of Korean won)

	2005	2004
Current income taxes	(Won) 25,989	(Won) 85,838
Deferred income taxes from temporary differences	(15,941)	(12,902)
Deferred income taxes from tax credit	(155,148)	(45,314)
Deferred income taxes added to shareholders' equity	(4,631)	
Income tax expense (benefit)	(Won) (149,731)	(Won) 27,622

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, 2005 and 2004, are as follows:

(in millions of Korean won)

	2005	2004
Inventories	(Won) 8,354	(Won) 7,564
Investments	7,584	(1,463)
Other current assets	(4,133)	(2,158)
Property, plant and equipment	34,403	24,631
Tax credit carryforward	292,976	137,828
Deferred income taxes added to shareholders' equity	(4,631)	
Others	9,715	6,776
	(Won) 344,268	(Won) 173,178

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

Available tax credits as of December 31, 2005, amounted to (Won)325,529 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

The reconciliation between income before income taxes to taxable income for the years ended December 31, 2005 and 2004, are as follows

(in millions of Korean won)

	2005	2004
Income before income taxes	(Won) 367,281	(Won) 1,683,067
Add (deduct) :		
Temporary differences	37,012	21,353
Permanent differences	(4,578)	(43,466)
Taxable income	(Won) 399,715	(Won) 1,660,954

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

Under the Foreign Investment Promotion Act of Korea, from September 1999, the Company is entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the 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, 2005, is negative 40.77% (2004: 1.64%).

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements**December 31, 2005 and 2004**

Changes in accumulated temporary differences for the year ended December 31, 2005, are as follows:

(in millions of Korean won)

	January 1, 2005	Increase (decrease)	December 31, 2005
Inventories	(Won) 47,233	(Won) (10,385)	(Won) 36,848
Investments	(9,599)	43,049	33,450
Derivatives	(14,157)	(4,072)	(18,229)
Property, plant and equipment	109,496	26,205	135,701
Warranty accrual	15,151	872	16,023
Others	12,333	(18,657)	(6,324)
Total	(Won) 160,457	(Won) 37,012	(Won) 197,469
Deduction from capital	(Won)	(Won) (31,350)	(Won) (31,350)
Tax credit carryforward	(Won) 137,828	(Won) 155,148	(Won) 292,976

19. Earnings Per Share

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

Earnings per share for the three-month periods and years ended December 31, 2005 and 2004, are calculated as follows:

	For the three-month		For the years	
	periods ended December 31,		ended December 31,	
	2005	2004	2005	2004
Net income as reported on the statements of income	(Won) 327,848	(Won) 35,421	(Won) 517,012	(Won) 1,655,445
Weighted-average number of common shares outstanding	358	325	339	305
Earnings per share	(Won) 916	(Won) 109	(Won) 1,523	(Won) 5,420
Diluted earnings per share	(Won) 908	(Won) 109	(Won) 1,523	(Won) 5,420

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

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004**

The diluted ordinary earnings per share and the diluted net earnings per share are (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, is 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 ¹	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

¹ Net of tax effect.

Earnings per share for the three-month period ended September 30, 2005, follows:

	September 30, 2005
Basic earnings per share	(Won) 651
Diluted earnings per share	(Won) 649

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****20. Transactions with Related Parties**

Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2005 and 2004, and the related account balances outstanding as of December 31, 2005 and 2004, are summarized as follows:

(in millions of Korean won)

	Sales ¹	Purchases ¹	Receivables	Payables
LG Electronics Inc.-Domestic	(Won) 386,616	(Won) 179,562	(Won) 27,383	(Won) 66,251
LG Electronics Inc.-Overseas	101,786		40,773	370
LG Corporation		11,218	10,970	1,692
LG Chem Ltd.		406,035		44,602
LG.Philips LCD America, Inc.	786,908		22,683	
LG.Philips LCD Taiwan Co., Ltd.	791,783	28	53,521	1
LG.Philips LCD Japan Co., Ltd.	890,659		130,090	1
LG.Philips LCD Germany GmbH.	1,011,926	8,878	103,637	8,886
LG.Philips LCD Nanjing Co., Ltd.	3,055,775	1,795	375,158	3,068
LG.Philips LCD Shanghai Co.,Ltd.	817,675		202,329	
LG.Philips LCD Hongkong Co., Ltd.	516,050		45,863	48
LG.Philips LCD Poland Sp. z o.o.			1	
LG International-Domestic	905	3,940	11	986
LG International-Overseas	127,240	1,271,734	3,114	191,252
Serveone		146,109		36,792
Micron Ltd.		125,224		55,234
LG CNS		108,766		32,127
Philips-Domestic		413		291
Philips-Overseas	391	51,816	171	4,244
Others	74,341	61,959	21,409	9,791
2005 Total	(Won) 8,562,055	(Won) 2,377,477	(Won) 1,037,113	(Won) 455,636
2004 Total	(Won) 7,801,905	(Won) 3,453,188	(Won) 609,970	(Won) 669,518

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

² As Korean Fair Trade Commission approved GS Group to split from LG Group in January 2005, LG Construction and LG Retail Co. Ltd., and others were no longer classified as related parties.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

21. Value Added Information

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

<i>(in millions of Korean won)</i>	2005				
	Selling and administrative	Research and development	Construction- in-progress	Total	
	Cost of sales	expenses	expense	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

<i>(in millions of Korean won)</i>	2004				
	Selling and administrative	Research and development	Construction- in-progress	Total	
	Cost of sales	expenses	expense	in-progress	Total
Salaries and wages	(Won) 301,676	(Won) 37,955	(Won) 17,259	(Won) 34,404	(Won) 391,294
Severance benefits	24,023	3,472	1,598	3,472	32,565
Employee fringe benefits	59,109	5,222	2,679	2,270	69,280
Rent	1,670	1,435	402		3,507
Depreciation	1,235,532	5,307	7,685	2,611	1,251,135
Taxes and dues	3,870	1,527	151	105	5,653
	(Won) 1,625,880	(Won) 54,918	(Won) 29,774	(Won) 42,862	(Won) 1,753,434

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2005 and 2004****22. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 90% of total sales for the years ended December 31, 2005 and 2004.

The following is a summary of operations by country based on the location of the customers for the years ended December 31, 2005 and 2004:

(in millions of Korean won)

Sales	Domestic	Taiwan	Japan	America	China	Europe	Others	Total
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
2004	781,753	1,378,545	889,412	713,320	3,168,641	1,049,337	98,883	8,079,891

23. Supplemental Cash Flow Information

Significant transactions not affecting cash flows for the years ended December 31, 2005 and 2004, are as follows:

(in millions of Korean won)

	2005	2004
Other accounts payable arising from the purchase of property, plant and equipment	(Won) 1,077,932	(Won) 822,288

24. Operating Results for the Final Interim Period

Significant operating results for the three-month period ended December 31, 2005, are as follows :

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

Sales	(Won) 2,674,987
Cost of sales	2,191,933
Operating income	338,401
Net income	327,848
Earnings per share	916
Diluted earnings per share	908

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2005 and 2004

25. Approval of Non-Consolidated Financial Statements

The December 31, 2005 non-consolidated financial statements of the Company were approved at the Board of Directors meeting on January 12, 2006.

26. Reclassification of prior year financial statement presentation

Certain amounts in the financial statements as of and for the year ended December 31, 2004, have been reclassified to conform to the December 31, 2005 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders equity.

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Report on the Review of Internal Accounting Control System

To the President of

LG.Philips LCD Co., Ltd.

We have reviewed the 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, 2005. In accordance with Article 2-2 of the Act on External Audit for Stock Companies (the External Audit Law) of the Republic of Korea, the Company's management is responsible for reporting on the design and operations of its IACS (IACS report). Our responsibility is to review the management's IACS report and issue a report based on our review.

We conducted our review in accordance with Article 2-3 of the External Audit Law. Our review included inquiries of management and employees, inspection of related documents and checking of the operations of the Company's IACS. We did not perform an audit of the Company's IACS and accordingly, we do not express an audit opinion.

Based on our review, no material weakness in the design or operations of the Company's IACS under Article 2-2 of the External Audit Law as of December 31, 2005, has come to our attention.

This report applies to the Company's IACS in existence as of December 31, 2005. We did not review the Company's IACS after December 31, 2005. This report has been prepared for Korean regulatory purposes pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

As this report is based on Interim Guidelines on Auditors' Review and Report on Management's IACS Report issued by the Korean Audit Standards Committee on March 29, 2005, they apply only from that date until the date the Final Standards for Management's IACS Report, and the Final Standards for Auditors' Review and Report on Management's IACS Report become effective. A review based on the final standards may have different results and accordingly, the content of any updated report may be different.

Samil PricewaterhouseCoopers

January 20, 2006

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Notice to Readers

This report is annexed in relation to the audit of the financial statements as of and for the year ended December 31, 2005, and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

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LG.Philips LCD Co., Ltd.

Consolidated Financial Statements

At December 31, 2004 and 2005

And for the years ended December 31, 2003, 2004, 2005

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

LG.Philips LCD Co., Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in stockholders equity and of cash flows present fairly, in all material respects, the financial position of LG.Philips LCD Co., Ltd. and its subsidiaries (the Company) as of December 31, 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles, which as described in Note 2, are generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule, Valuation and Qualifying Accounts, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Seoul, Korea

January 20, 2006

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LG.Philips LCD Co., Ltd.

Consolidated Balance Sheets

December 31, 2004 and 2005

*(in millions of Korean won, and thousands**(Note 3)**of US dollars, except for share data)*

	2004	2005	2005
Assets			
Current assets			
Cash and cash equivalents	(Won) 1,361,239	(Won) 1,579,452	\$ 1,563,814
Accounts receivable, net			
Trade, net	461,996	805,766	797,788
Due from affiliates	427,914	461,133	456,567
Others, net	64,407	66,202	65,547
Inventories	804,117	689,577	682,750
Deferred income taxes	7,743	5,414	5,360
Prepaid expense	30,233	23,467	23,235
Prepaid value added tax	95,240	131,230	129,931
Other current assets	146,040	84,524	83,686
Total current assets	3,398,929	3,84	