

LG.Philips LCD Co., Ltd.  
Form 6-K  
March 28, 2008  
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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 2008

**LG Display Co., Ltd.**  
**(f/k/a LG.Philips LCD Co., Ltd.)**

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

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

Yes  No

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YEARLY REPORT

(From January 1, 2007 to December 31, 2007)

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 IN THIS DOCUMENT.

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

##### **(2) Cyclicity**

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

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

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

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- Core competitiveness includes technology leadership, capability to design new products and premium products, timely investment in advanced fabs, cost leadership through application of large production lines, innovation of process and productivity, and collaborative customer relationships.
  
  - Most importantly, cost leadership and stable and long-term relationships with customers are critical to secure profit even in a buyer's market.
  
  - A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would thus result in reduced sales.
  
  - Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain the experienced key staffs and highly skilled line operators.
- (4) Sourcing material
- Materials are sourced in-house (color filters) as well as from domestic and overseas vendors.
  
  - The shortage of raw materials may arise temporarily due to the rapid increase in demand for raw materials resulting from capacity expansion in the TFT-LCD industry.
  
  - We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors.
- (5) Others
- Most TFT-LCD panel makers are located in Asia.
    - a. Korea: LG Display, Samsung Electronics (including Joint Venture between Samsung Electronics and Sony Corporation), BOE-Hydis
  
    - b. Taiwan: AU Optronics, Chi Mei Optoelectronics, CPT, etc.
  
    - c. Japan: Sharp, IPS-Alpha, etc.
  
    - d. China: SVA-NEC, BOE-OT, etc.

B. Company

(1) Business overview

- Commercial production for our TFT-LCD business began in September 1995 at P1, which was then the first fabrication facility of LG Electronics. At the end of 1998, LG Electronics and LG Semicon transferred their respective TFT-LCD related businesses to LG Soft Co., Ltd (currently LG Display). It became a joint venture between LG Electronics and Philips Electronics in August 1999. In July 2004, we completed our initial public offering and listed our common stock on the Korea Exchange and our ADSs on the New York Stock Exchange. As of December 30, 2007, we operate fabrication facilities located in Gumi and Paju, Korea, and seven module facilities located in Gumi and Paju, Korea, Nanjing (3 factories) and Guangzhou, China and Wroclaw, Poland.

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- 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. With the commencement of mass production at our 7th generation fab (P7) in January 2006 and our decision to invest in an 8th generation fab (P8), we are expanding our production capacity in line with growing large-sized LCD TV market.
  
- As demand for LCD TV continued to grow, our non-consolidated sales revenue increased by 38.8% from KRW 10,201 billion in 2006 to KRW 14,163 billion in 2007. We recorded an operating income of KRW 1,491 billion in 2007 compared to an operating loss of KRW 945 billion in 2006 and we recorded a net income of KRW 1,344 billion in 2007 compared to a net loss of KRW 769 billion in 2006. (Our consolidated sales revenue under Korean GAAP increased by approximately 35.1% from KRW 10,624 billion in 2006 to KRW 14,352 billion in 2007. We recorded a consolidated operating income under Korean GAAP of KRW 1,504 billion in 2007 compared to a consolidated operating loss of KRW 879 billion 2006. Our consolidated net income (loss) under Korean GAAP for fiscal years 2006 and 2007, respectively, are the same as our non-consolidated net income (loss) for the corresponding periods.)
  
- We reinforced our position as a leader in LCD technology by developing the world's largest 52-inch multi-touch screen panel and the world's largest 47-inch triple-view panel that also has the world's highest resolution in its category, as well as developing ultra-slim panels for televisions and increasing the user-friendliness of LCD panels.
  
- Moreover, we formed strategic alliances or entered into long-term sales contracts with major global firms such as Dell, HP and Kodak of the United States and Japan's Toshiba, among others, to secure customers and expand partnerships for technology development.
  
- Business area of the company for disclosure is limited to LCD business.
  
- (2) Market shares
  - Worldwide market share of large-size TFT-LCD panels ( $\geq 10$  ") based on revenue.

|                             | 2007  | 2006  | 2005  |
|-----------------------------|-------|-------|-------|
| Panel for Notebook Computer | 28.5% | 26.2% | 22.5% |
| Panel for Monitor           | 15.6% | 15.6% | 22.5% |
| Panel for TV                | 22.0% | 23.6% | 23.9% |
| Total                       | 20.4% | 20.5% | 22.2% |

\* Source: DisplaySearch Q1 2008



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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 in our Paju Display Cluster reached an expanded production capacity of over 130 thousand sheets of glass substrates per month in the fourth quarter of 2007 and we have commenced the construction of P8 (8th generation fab) in anticipation of a growth in the larger 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 panel manufacturer to establish a production facility in Europe. We broke ground on the plant in June 2006 and started mass production in March 2007.
- In May 2006, we entered into an investment agreement with the Guangzhou Development District Administrative Committee to construct a module production plant in Guangzhou, China, and in August 2006, we established LG.Philips LCD Guangzhou Co., Ltd. We commenced mass production at the new module production plant in December 2007.
- We also plan to strengthen the foundation for future growth by leading the market in the future display technologies which include preparing for the start of the AMOLED business, accelerating the development of flexible display technologies and leading the LED back-light LCD market.
- In order to facilitate a cooperative purchasing relationship with HannStar, a company that manufactures TFT-LCD panels in Taiwan, we decided to purchase 180 million shares of preferred stock of Hannstar at a purchase price of NT\$3,170,250,000. We acquired the preferred shares in February 2008. The preferred shares mature in three years and are convertible into shares of common stock of HannStar.

(5) Organization chart as of December 31, 2007

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- CEO : Chief Executive Officer
- CFO : Chief Financial Officer
- CPO : Chief Production Officer
- CTO : Chief Technology Officer

**2. Information Regarding Shares**

A. Change in Capital Stock

(Unit : KRW, Share)

| Date          | Descriptions        | Change of Number of Common Shares | Face amount per share |
|---------------|---------------------|-----------------------------------|-----------------------|
| July 27, 2005 | Follow-on Offering* | 32,500,000                        | 5,000                 |

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

B. Convertible Bonds

| Item  | Contents  |
|---|---|
| Issuing Date  | April 18, 2007  |
| Maturity<br>(Redemption Date after Put Option Exercise) | April 18, 2012<br>(April 18, 2010)  |
| Face Amount   | USD550,000,000  |
| Offering method   | Public offering   |
| Conversion period                                       | Convertible into shares of common stock during the period from<br>April 19, 2008 to April 3, 2012 |
| Conversion price  | KRW 49,070 per share*   |
| Conversion status                                       | None  |
| Number of convertible shares                            | 10,464,234 shares if all are converted*   |
| Remarks   | - Registered form<br>- Listed on Singapore Exchange   |

\* Conversion price was adjusted from KRW 49,070 to KRW 48,760 following the approval by the stockholders, during the annual general meeting of stockholders, of a cash dividend of KRW 750 per share.

C. Shareholder List

- (1) Total shares issued : 357,815,700 shares as of December 31, 2007
  
- (2) Largest shareholder and related parties as of December 31, 2007

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(Unit: share)

| Name           | Relationship | January 1, 2007    | Increase/Decrease | December 31, 2007  |
|----------------|--------------|--------------------|-------------------|--------------------|
| LG Electronics | Largest      | 135,625,000        |                   | 135,625,000        |
|                | Shareholder  | (37.90)%           |                   | (37.9)%            |
| Young Soo Kwon | Related      |                    | 15,000            | 15,000             |
|                | Party        |                    |                   | (0.0)%             |
| <b>Total</b>   |              | <b>135,625,000</b> |                   | <b>135,640,000</b> |
|                |              | (37.90)%           | 15,000            | (37.9)%            |

(3) Shareholders who own 5% or more of our shares as of December 31, 2007

(Unit: share)

| Name                | Type of Stock | Number of shares   | Ratio        |
|---------------------|---------------|--------------------|--------------|
| LG Electronics      | Common Stock  | 135,625,000        | 37.9%        |
| Philips Electronics | Common Stock  | 71,225,000         | 19.9%*       |
| <b>Total</b>        |               | <b>206,850,000</b> | <b>57.8%</b> |

\* On March 17, 2008, Philips Electronics sold an additional 6.7% of its equity ownership interest (24 million shares of common stock) in us.

D. Voting rights as of December 31, 2007

(Unit: share)

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

E. Dividends

Dividends during the recent 3 fiscal years

| Description                                  | 2007      | 2006       | 2005      |
|--|-----------|------------|-----------|
| Par value (Won)                              | 5,000     | 5,000      | 5,000     |
| Net income (Million Won)                     | 1,344,027 | (-)769,313 | 517,012   |
| Earnings per share (Won)                     | 3,756     | (-)2,150   | 1,523     |
| Retained earning for dividends (Million Won) | 4,028,227 | 2,711,036  | 3,480,349 |
| Total cash dividend amount (Million Won)     | 268,362   |            |           |
| Total stock dividend amount (Million Won)    |           |            |           |
| Cash dividend payout ratio (%)               |           |            |           |
| Cash dividend yield (%)                      | 1.6%      |            |           |
| Stock dividend yield (%)                     |           |            |           |

|                                |     |
|--------------------------------|-----|
| Cash dividend per share (Won)  | 750 |
| Stock dividend per share (Won) |     |

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- \* Retained earning for dividends is the amount before dividends are paid.
- \* Earnings per share is calculated by net income divided by weighted average number of common stock.

**3. Major Products and Materials**

A. Major products in 2007

(Unit: In billions of Won)

| Business area | Sales types<br>Product/<br>Service/<br>Other Sales | Items<br>(Market)<br>TFT-LCD<br><br>(Overseas)<br>TFT-LCD<br><br>(Korea*) | Specific use   | Major trademark | Sales (%)      |
|---------------|--|---|--|-----------------|----------------|
| TFT-LCD       |  |   | Notebook Computer, Monitor,<br>TV, Applications Panels, etc. | LG.Philips LCD  | 13,137 (92.8%) |
|               |  |   | Notebook Computer, Monitor,<br>TV, Applications Panels, etc. | LG.Philips LCD  | 1,026 (7.2%)   |
| Total         |  |   |  |                 | 14,163 (100%)  |

- \* Local export was included.

B. Average selling price trend of major products

(Unit: USD / m<sup>2</sup>)

| Description   | 2007 Q4 | 2007 Q3 | 2007 Q2 | 2007 Q1 |
|---------------|---------|---------|---------|---------|
| TFT-LCD panel | 1,375   | 1,364   | 1,274   | 1,287   |

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

C. Major materials

(Unit: In billions of Won)

| Business area | Purchase types | Items      | Specific use  | Purchase amount<br>(%) | Remarks   |
|---------------|----------------|------------|---------------|------------------------|---|
|               |                | Back-Light |               | 2,114 (28.8%)          | Heesung Electronics Ltd., etc.<br>Samsung Corning Precision |
| TFT-LCD       | Materials      | Glass      | LCD Panel     | 1,648 (22.4%)          |   |
|               |                | Polarizer  | Manufacturing | 937 (12.7%)            | Glass Co., Ltd., NEG, etc.                                  |
|               |                | Others     |               | 2,652 (36.1%)          | LG Chem., etc.  |
| Total         |                |            |               | 7,351 (100.0%)         |   |

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D. Price trend of major materials

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

**4. Production and Equipment**

A. Production capacity and calculation

(1) Production capacity

(Unit : 1,000 Glass sheets)

| Business area | Items   | Business place | 2007   | 2006  | 2005  |
|---------------|---------|----------------|--------|-------|-------|
| TFT-LCD       | TFT-LCD | Gumi, Paju     | 11,544 | 9,942 | 8,128 |

(2) Calculation of Capacity

a. Method

(1) Assumptions for calculation

- Based on input glass

(2) Calculation method

- 2007 : Monthly maximum input capacity in the year of 2007 x number of months (12 months).

- 2006 and 2005: Monthly maximum input capacity for 4th quarter x number of months (12 months).

b. Average working hours

- See 4.B(2) below.

B. Production performance and working ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

| Business area | Items   | Business place | 2007   | 2006  | 2005  |
|---------------|---------|----------------|--------|-------|-------|
| TFT-LCD       | TFT-LCD | Gumi, Paju     | 10,182 | 9,052 | 7,544 |

\* Based on input glass

(2) Working Ratio

(Unit: Hours)

| <b>Business place (area)</b> | <b>Available working hours<br/>of 2007</b> | <b>Real working hours<br/>of 2007</b> | <b>Average<br/>working ratio</b> |
|------------------------------|--|---------------------------------------|----------------------------------|
| Gumi                         | 8,760                                      | 8,760                                 |                                  |
| (TFT-LCD)                    | (24 hours X 365 Days)                      | (24 hours X 365 Days)                 | 100%                             |
| Paju                         | 8,760                                      | 8,712                                 |                                  |
| (TFT-LCD)                    | (24 hours X 365 Days)                      | (24 hours X 363 Days)                 | 99.5%                            |



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## C. Investment plan

## (1) Investment in progress

(Unit: In billions of Won)

| Business area | Description | Investment period | Investment Assets<br>Building/<br>Machinery,<br>Etc. | Investment effect<br>New<br>Product | Total investment | Already invested | To be invested | Remarks |
|---------------|-------------|-------------------|--|-------------------------------------|------------------|------------------|----------------|---------|
| TFT-LCD       | New         | Q4 05~            |  |                                     | 3,039            | 699              | 2,340          |         |

## (2) Investment Plan (Consolidated basis)

(Unit: In billions of Won)

| Business area | Project<br>New /<br>Expansion,<br>etc. | Expected yearly investment |         |         | Investment effects<br>Capacity<br>Expansion, etc. | Remarks |
|---------------|--|----------------------------|---------|---------|---|---------|
|               |  | 2008 *                     | 2009 ** | 2010 ** |   |         |
| TFT-LCD       |  | 3,000                      |         |         |   |         |

\* Expected investments in 2008 are subject to change depending on market environment.

\*\* Expected investments in 2009 and in 2010 cannot be projected due to industry characteristics.

## 5. Sales

## A. Sales performance

(Unit: In billions of Won)

| Business area | Sales types | Items (Market) | 2007    | 2006           | 2005                    |
|---------------|-------------|----------------|---------|----------------|-------------------------|
|               |             |                | TFT-LCD | Products, etc. | TFT- Overseas<br>Korea* |
|               |             | LCD Total      | 1,026   | 846            | 776                     |
|               |             |                | 14,163  | 10,201         | 8,890                   |

\* Local export was included.

## B. Sales route and sales method

(1) Sales organization

- As of December 31, 2007, each of IT business unit, TV business unit, and Small & Medium Displays business unit has individual sales and customer support function.

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

(2) Sales route

- LG Display → Overseas subsidiaries (USA/Germany/Japan/Taiwan /Shenzhen/Shanghai), etc.  
→ System integrators, Branded customers → End users

- LG Display → System integrators, Branded customers → End users

(3) Sales methods and conditions

- Direct sales & sales through overseas subsidiaries, etc.

(4) Sales strategy

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

**6. Directors & Employees**

A. Members of Board of Directors as of December 31, 2007

| <b>Name</b>          | <b>Date of Birth</b> | <b>Position</b>  | <b>Business Experience</b>                              |
|----------------------|----------------------|--|---|
| Young Soo Kwon       | February 6, 1957     | Joint Representative<br>Director, President and<br>Chief Executive Officer | President and Chief Financial Officer of LG Electronics |
| Ron H. Wirahadiraksa | June 10, 1960        | Joint Representative<br>Director, President and<br>Chief Financial Officer | Chief Financial Officer of Philips FDS                  |

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|               |                  |                              |   |
|---------------|------------------|------------------------------|---|
| Hee Gook Lee  | March 19, 1952   | Director                     | President and Chief Technology Officer of<br>LG Electronics |
| Rudy Provoost | October 16, 1959 | Director,<br>Chairman of BOD | Chief Executive Officer of Philips<br>Consumer Electronics  |

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|                 |                  |                  |   |
|-----------------|------------------|------------------|---|
| 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.,<br><br>Soitec Group, Optical Metrology<br><br>Innovations and TomTom International BV |
| Dongwoo Chun    | January 15, 1945 | Outside Director | Outside Director, Pixelplus   |

A. Members of Board of Directors as of March 28, 2008

| <b>Name</b>           | <b>Date of Birth</b> | <b>Position</b>   | <b>Business Experience</b>   |
|-----------------------|----------------------|---|--|
| Young Soo Kwon        | February 6, 1957     | Representative<br><br>Director, President and Chief Executive Officer | President and Chief Financial Officer of LG Electronics                                      |
| James (Hoyoung) Jeong | November 2, 1961     | Director and<br><br>Chief Financial Officer                           | Executive Vice President and Chief Financial Officer of LG Electronics                       |
| Simon (ShinIk) Kang   | May 10, 1954         | Director  | Head of [Digital Display Product Business Division] of LG Electronics                        |
| Paul Verhgen          | February 2, 1962     | Director  | Chief Financial Officer of Consumer Lifestyle Section, Philips Electronics                   |
| Ingoo Han             | October 15, 1956     | Outside Director  | Professor, Graduate School of Management, Korea Advanced Institute of Science and Technology |
| Dongwoo Chun          | January 15, 1945     | Outside Director  | Outside Director, Pixelplus  |
| Bruce. I. Berkoff     | August 13, 1960      | Outside Director  | President of LCD TV Association  |
| Yoshihide Nakamura    | October 22, 1942     | Outside Director  | President of ULDAGE, Inc.  |
| William Y. Kim        | June 6, 1956         | Outside Director  | Partner of Ropes & Gray LLP  |

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B. Committees of the Board of Directors  
Committees of the Board of Directors as of December 31, 2007

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

Committees of the Board of Directors as of March 28, 2007

| <b>Committee</b>   | <b>Member</b>  |
|--|--|
| Audit Committee  | Mr. Ingoo Han, Mr. Yoshihide Nakamura, Mr. William Y. Kim                              |
| Remuneration Committee   | Mr. Simon (Shin Ik) Kang, Mr. Paul Verhagen, Mr. Dongwoo Chun,<br>Mr. Bruce I. Berkoff |
| Outside Director Nomination and Corporate Governance Committee | Mr. Simon (Shin Ik) Kang, Mr. Paul Verhagen, Mr. Dongwoo Chun,<br>Mr. William Y. Kim   |

C. Director & Officer Liability Insurance

(1) Overview of Director & Officer Liability Insurance (as of December 31, 2007)

| <b>Name of insurance</b>                 | <b>Premium paid in 2007</b> | <b>Limit of liability</b> | <b>Remarks</b> |
|--|-----------------------------|---------------------------|----------------|
| Directors & Officers Liability Insurance | 2,420,000                   | 100,000,000               | (Unit: USD)    |

\* In July 2007, we renewed our director & officer liability insurance with coverage until July 2008.

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

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

(3) The insured

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

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(4) The Covered Risks

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

2. Coverage for security holder derivative action & security claims

The Loss arising out of any security holder derivative action is paid in accordance with Security Holder

Derivative Action Inclusion Clause . Securities Loss, incurred on account of a Securities Claim against the

Directors, Officers and/or the Company is covered. (Except for exclusions)

(5) Exclusions

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



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- Wrongful Act which Insured knew or should reasonably have foreseen at the inception date of this policy;
  
- Pollutants, contamination;
  
- Act or omission as directors or officers of any other entity other than the Company;
  
- Nuclear material, radioactive contamination;
  
- Bodily injury, disease, death or emotional distress of any person, or damage to tangible property, loss of use of property, or injury from oral or written publication of a libel or slander, or material that violates a person's right of privacy;

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- Any alleged Wrongful Act of any Subsidiary of which the insured did not own more than 50% of stock either directly or indirectly through its Subsidiaries.
- 2. Special Exclusions (any loss related to following items)
  - Punitive Damage
  - Nuclear Energy Liability
  - Mutual claim between Insureds
  - Claim of 15% Closely Held entity
  - Claim of Regulator
  - Professional Service liability
  - SEC (Securities and Exchange Commission) 16(b)
  - ERISA(Employee Retirement Income Security Act)
  - The so called Year 2000 Problem
  - War & Terrorism
  - Asbestos/Mould liability
  - Patent / Copyright liability, etc.

D. Employees

(as of December 31, 2007)

(Unit: person, in millions of Won)

| Sex    | Details of employees |                |        |        | Total Salary<br>in 2007 | Per Capita<br>Salary | Average<br>Service Year |
|--------|----------------------|----------------|--------|--------|-------------------------|----------------------|-------------------------|
|        | Office<br>Worker     | Line<br>Worker | Others | Total  |                         |                      |                         |
| Male   | 5,054                | 5,421          |        | 10,475 | 440,659                 | 40.8                 | 5.1                     |
| Female | 385                  | 4,433          |        | 4,818  | 137,535                 | 27.8                 | 3.1                     |

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|       |       |       |        |         |      |     |
|-------|-------|-------|--------|---------|------|-----|
| Total | 5,439 | 9,854 | 15,293 | 578,194 | 36.7 | 4.5 |
|-------|-------|-------|--------|---------|------|-----|

\* Directors and executive officers are excluded.

E. Stock Option

The following table sets forth certain information regarding our stock option plan as of December 31, 2007.

| Executive Officers   | Grant Date    | Exercise Period |               | Exercise Price | Number of Granted Options | Number of Exercised Options | Number of Exercisable Options |
|----------------------|---------------|-----------------|---------------|----------------|---------------------------|-----------------------------|-------------------------------|
|                      |               | From            | To            |                |                           |                             |                               |
| Ron H. Wirahadiraksa | April 7, 2005 | April 8, 2008   | April 7, 2012 | (Won) 44,050   | 100,000                   | 0                           | 100,000                       |
| Duke M. Koo          | 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                |               |                 |               |                | 220,000                   |                             | 220,000                       |

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## A. Financial Highlights (Based on Consolidated, Korean GAAP)

| Description                            | (Unit: KRW Million) |            |            |            |           |
|--|---------------------|------------|------------|------------|-----------|
|  | 2007                | 2006       | 2005       | 2004       | 2003      |
| Current Assets                         | 5,746,133           | 3,154,627  | 3,846,068  | 3,391,478  | 2,120,540 |
| Quick Assets                           | 4,922,209           | 2,101,922  | 3,155,283  | 2,586,190  | 1,783,365 |
| Inventories                            | 823,924             | 1,052,705  | 690,785    | 805,288    | 337,175   |
| Non-current Assets                     | 8,033,702           | 10,333,160 | 9,828,014  | 6,965,824  | 4,338,738 |
| Investments                            | 24,718              | 19,298     | 14,173     | 16         | 16        |
| Tangible Assets                        | 7,528,523           | 9,428,046  | 9,199,599  | 6,528,182  | 3,947,407 |
| Intangible Assets                      | 123,111             | 123,826    | 159,306    | 192,010    | 222,480   |
| Other Non-current Asset                | 357,350             | 761,990    | 454,936    | 245,616    | 168,835   |
| Total Assets                           | 13,779,835          | 13,487,787 | 13,674,082 | 10,357,302 | 6,459,278 |
| Current Liabilities                    | 2,401,222           | 3,208,789  | 3,138,835  | 2,568,264  | 2,234,113 |
| Non-current Liabilities                | 3,089,154           | 3,389,322  | 2,859,650  | 2,016,396  | 1,331,129 |
| Total Liabilities                      | 5,490,376           | 6,598,111  | 5,998,485  | 4,584,660  | 3,565,242 |
| Capital Stock                          | 1,789,079           | 1,789,079  | 1,789,079  | 1,626,579  | 1,450,000 |
| Capital Surplus                        | 2,311,071           | 2,275,172  | 2,279,250  | 1,012,271  |           |
| Other Accumulated Comprehensive Income | 5,823               | (13,948)   | (1,418)    | 42,117     | 7,806     |
| Retained Earnings                      | 4,183,400           | 2,839,373  | 3,608,686  | 3,091,675  | 1,436,230 |
| Minority Interest                      | 86                  |            |            |            |           |
| Total Shareholders Equity              | 8,289,459           | 6,889,676  | 7,675,597  | 5,772,642  | 2,894,036 |

| Description                    | 2007       | 2006        | 2005       | 2004      | 2003      |
|--------------------------------|------------|-------------|------------|-----------|-----------|
| Sales Revenues                 | 14,351,966 | 10,624,200  | 10,075,580 | 8,328,170 | 6,098,335 |
| Operating Income(Loss)         | 1,504,007  | (879,038)   | 469,697    | 1,728,356 | 1,074,120 |
| Income(Loss) before Income Tax | 1,542,959  | (1,021,476) | 368,695    | 1,687,942 | 1,012,871 |
| Net Income(Loss)               | 1,344,027  | (769,313)   | 517,012    | 1,655,445 | 1,019,273 |

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

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## B. R&amp;D Expense

## (1) Summary

|            |  | (Unit: In millions of Won) |         |         |         |
|------------|--|----------------------------|---------|---------|---------|
|            | Account                                      | 2007                       | 2006    | 2005    | Remarks |
|            | Direct Material Cost                         | 246,577                    | 291,714 | 253,930 |         |
|            | Direct Labor Cost                            | 110,586                    | 87,078  | 72,142  |         |
|            | Depreciation Expense                         | 22,516                     | 20,671  | 11,710  |         |
|            | Others                                       | 34,737                     | 36,649  | 23,979  |         |
|            | R&D Expense Total                            | 414,416                    | 436,112 | 361,761 |         |
| Accounting | Selling & Administrative Expenses            | 106,082                    | 82,635  | 55,057  |         |
| Treatment  | Manufacturing Cost                           | 308,334                    | 353,477 | 306,704 |         |
|            | R&D Expense / Sales Ratio                    | 2.9%                       | 4.3%    | 4.1%    |         |
|            | [Total R&D Expense/Sales for the period×100] |                            |         |         |         |

## (2) R&amp;D achievements

[Achievements in 2004]

## 1) Development of 20.1-inch AMOLED

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

## 2) Development of copper bus line

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

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

- Stitch Lithography and Segmented Circuit Driving to cope with large-size LCD Panel
- Achievement of High Contrast Ratio and Fast Response Time through new technologies
- Application of innovative panel technology to solve the weak point (gravity/touch stains) of large size

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

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[Achievements in 2005]

6) Development of High Luminance and High Color Gamut 17-inch wide LCD Panel for Notebook Computer

- World's 1st 500nit luminance and 72% color gamut in 17-inch wide for Notebook Computer
- Development of 6200nit luminance backlight

7) Development of world's largest 10.1-inch Flexible Display

- Joint development with E-ink Corporation

8) 37-inch, 42-inch, 47-inch Full-HD Model Development, applying Low Resistance Line (Copper bus Line)

- World's 1st mass production of copper bus line Model
- Realize Full HD Resolution (1920x1080)

9) 37-inch wide LCD Model development which is world's best in power consumption

- The lowest power consumption of below 120W (applying EEFL)
- High Contrast Ratio, Fast Response Time with DCR, ODC Technology.

[Achievements in 2006]

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

- Slim model (10t → 7t), featuring 500nit, NTSC 72%
- Development of Slim and High Brightness Backlight

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

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- High quality image without noise or signal distortion, applying low resistance copper bus line
  - High dignity picture for Full HDTV
- 12) 32-inch/42-inch HCFL Scanning Backlight applied LCD TV Model Development
- Realization of MBR (Motion Blur Reduction) by application of Backlight Scanning Technology
  - Lamp Quantity Reduction by HCFL (Hot Cathode Fluorescent Lamp) Application
- 13) World's largest 20.1-inch TFT-LCD for Notebook Computer Development
- S-IPS Mode, sRGB, Realization of DCR 3000:1 by Backlight Control, Brightness 300nit
- 14) Ultra-slim TFT-LCD development for mobile phones
- Realization of 1.3t by reducing light guide plate & glass thickness
- 15) The fast response 2.0 TFT-LCD development for mobile phones
- Realization of high quality image by new liquid crystal development (25ms → 16ms)
- 16) Wide Color Gamut 30 Wide TFT-LCD Monitor Development
- Realization of 92% high color gamut by Application of WCG CCFL
- 17) LGE Chassis integration model (Tornado) development (32 /37 /42 )
- Maximized cost reduction by co-design with LGE & LPL
  - Improved product competitiveness by thin & light design
- 18) 32 120Hz new-mode panel development



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- Cost reduction & spec. upgrade by new-mode panel
- MBR (Motion Blur Reduction) by 120Hz driving
- 19) CI model development (new concept BL)
  - Cost reduction and productivity improvement by new concept backlight  
[Achievements in 2007]
- 20) Development of 1<sup>st</sup> Poland model
  - 32-inch HD model
- 21) Development of socket type backlight model
  - 42-inch FHD model
  - 47-inch HD/FHD model
- 22) Development of new concept backlight model
  - Development of 32-inch HD model
  - 42-/47-inch model under development
- 23) Development of interlace image sticking free technology and model
  - Improvement of low picture quality caused by TV interlace signals
- 24) Development of TFT-LCD with ODF (One Drop Filling) for mobile phone application
  - Our first ODF model for mobile phone application (1.52 inch)
- 25) Development of GIP (Gate in Panel) application model 15XGA

- Removed gate drive IC: 3ea → 0ea
  - Reduction in net material costs and shortening of assembly process
- 26) 24-inch TN (92%) monitor model development
- The world's first large-size panel TN application
  - Realization of 92% high color gamut on the world's largest TN panel
- 27) 15.4-inch LED backlight applied model development
- The world's first 15.4-inch wide LED-applied display panel for notebooks
  - The world's largest LED-applied panel for notebooks
- 28) Development of FHD 120Hz display panel
- 37- to 47-inch FHD model
- 29) Development of backlight localization model
- 32-inch HD model
- 30) Development of enhanced Dynamic Contrast Ratio technology
- 32-inch HD Model
  - Enhanced from 5000:1 to 10000:1
- 31) Development of technology that improves panel transmittance
- Expected to be applied to new models

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- 32) Development of THM (through-hole mounting) technology and model
  - 37~47 inch Model
  - Providing more mounting options to users
  
- 33) Development of the world's first DRD (Double Rate Driving) technology-applied model
  - Source Drive IC reduction: 6ea → 3ea
  - Reduction in net material costs and shortening of assembly process
  
- 34) COG (Chip On Panel) Apply Model Development
  - Development of thin & light LCD made possible by Flat Type Structure
  
- 35) 26-inch/30-inch IPS 102% Monitor Model Development
  - Development of 26-inch/30-inch IPS Model that can realize 102% Wide Color Gamut
  
- 36) 2.4-inch Narrow Bezel for Mobile Display
  - The borders on the left and right sides of this 2.4-inch qVGA-resolution (240RGB×320) LCD panel measure just 1mm each. This is approximately 50% thinner than most a-Si TFT LCD panels currently produced, which generally have borders measuring closer to 2mm
  
- 37) Development of 6-inch Electrophoretic Display Product (EDP) to be used in e-books (The first EPD product for LG Display)
  - The first EDP to be developed and launched in the marketplace to be used in e-books, this 6-inch SVGA-resolution (800RGBX600) EDP will be supplied to SONY

C. Domestic Credit Rating

| <b>Subject</b> | <b>Month of Rating</b> | <b>Credit Rating</b> | <b>Rating Agency</b>  |
|----------------|------------------------|----------------------|---|
|                | March 2005             | AA-                  | <b>(Rating range)</b><br>National Information & Credit Evaluation, Inc. |

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|                     |               |     |  |
|---------------------|---------------|-----|--|
| Corporate           | June 2005     | AA- | (AAA ~ D)                                      |
| Debenture           | June 2006     | AA- |  |
|                     | December 2006 | A+  |  |
|                     | June 2007     | A+  |  |
|                     | March 2005    | AA- | Korea Investors Service, Inc.                  |
|                     | June 2005     | AA- |  |
|                     | June 2006     | AA- | (AAA ~ D)                                      |
|                     | January 2007  | A+  |  |
|                     | June 2007     | A+  |  |
| Commercial<br>Paper | June 2005     | A1  | National Information & Credit Evaluation, Inc. |
|                     | January 2006  | A1  |  |
|                     | June 2006     | A1  | (A1 ~ D)                                       |
|                     | December 2006 | A1  |  |
|                     | June 2007     | A1  |  |
|                     | December 2007 | A1  |  |
|                     | June 2006     | A1  | Korea Investors Service, Inc.                  |
|                     | January 2007  | A1  |  |
|                     | June 2007     | A1  |  |
|                     | December 2007 | A1  | (A1 ~ D)                                       |

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## D. Remuneration for directors in 2007

(Unit: In millions of Won)

| Classification                   | Salary Paid | Approved Salary at   |  | Per Capita Average Salary Paid | Fair value of stock option | Remarks                              |
|----------------------------------|-------------|----------------------|--|--------------------------------|----------------------------|--------------------------------------|
|                                  |             | Shareholders Meeting |  |                                |                            |                                      |
| Inside Directors<br>(4 persons)  | 1,455       |                      |  | 364                            | 254                        | -                                    |
| Outside Directors<br>(5 persons) | 277         | 13,400               |  | 55                             |                            | consists of three outside directors. |
| Inside Directors<br>(1 person)   | 2,111       |                      |  | 2,111                          |                            | Payment of severance benefits        |

\* National pension fee and health insurance fee are included.

## E. Derivative contracts

## (1) Foreign currency forward contracts

(Unit: In millions)

| Contracting party        | Selling position |        | Buying position |           | Contract foreign exchange rate | Maturity date     |
|--------------------------|------------------|--------|-----------------|-----------|--------------------------------|-------------------|
| ABN Amro Bank and others | US\$             | 1,550  | (Won)           | 1,420,488 | (Won)898.9:US\$1~              | January 2, 2008   |
| Woori Bank and others    | EUR              | 80     | (Won)           | 104,989   | (Won)938.8:US\$1               | March 3, 2008     |
| BNP Paribas and others   | (Won)            | 39,934 | JP¥             | 5,000     | (Won)1,297.76:EUR1~            | January 2, 2008   |
| ABN Amro Bank and others | US\$             | 87     | JP¥             | 10,000    | (Won)1,352.36:EUR1             | February 27, 2008 |
|                          |                  |        |                 |           | (Won)7.922:JP¥1~               | January 14, 2008  |
|                          |                  |        |                 |           | (Won)8.052:JP¥1                | February 14, 2008 |
|                          |                  |        |                 |           | JP¥113.46:US\$1~               | January 14, 2008  |
|                          |                  |        |                 |           | JP¥116.05:US\$1                | February 20, 2008 |

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(2) Cross Currency Swap

|                         |                  |       |                   |  |               | (Unit: In millions ) |  |
|-------------------------|------------------|-------|-------------------|--|---------------|----------------------|--|
| Contracting party       | Contract Amount  |       | Contract interest |  | Maturity date |                      |  |
|                         |                  |       | rate              |  |               |                      |  |
| Kookmin Bank and others | Buying position  | US\$  | 150               | 3 Month Libor ~                        |               | Aug. 29, 2011        |  |
|                         | Selling position | (Won) | 143,269           | 3 Month Libor + 0.53%<br>4.54% - 5.35% |               | Jan. 31, 2012        |  |

(3) Interest Rate Swap

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

(4) Currency Option

|         |                   |                 |                  |                 |                  | (Unit: In millions ) |               |
|---------|-------------------|-----------------|------------------|-----------------|------------------|----------------------|---------------|
| Type    | Contracting party | USD Put Option  |                  | USD Call Option |                  | Strike Price         | Maturity date |
|         |                   | Buying Position | Selling Position | Buying Position | Selling Position |                      |               |
| Range   | KDB               |                 |                  |                 |                  | (Won)917.00:US\$1 -  | Jan. 11, 2008 |
| Forward | and others        | US\$            | 180              | US\$            | 180              | (Won)932.00:US\$1    | Mar. 31, 2008 |
| Option  |                   |                 |                  |                 |                  |                      |               |

|         |                   |                 |                  |                 |                  | (Unit: In millions ) |               |
|---------|-------------------|-----------------|------------------|-----------------|------------------|----------------------|---------------|
| Type    | Contracting party | JPY Call Option |                  | JPY Put Option  |                  | Strike Price         | Maturity date |
|         |                   | Buying Position | Selling Position | Buying Position | Selling Position |                      |               |
| Range   | Citibank          |                 |                  |                 |                  | (Won)7.850:JP¥1 -    | Jan. 11, 2008 |
| Forward | and others        | JP¥10,000       |                  | JP¥10,000       |                  | (Won)8.300:JP¥1      | Feb. 14, 2008 |
| Option  |                   |                 |                  |                 |                  |                      |               |

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## F. Status of Equity Investment as of December 31, 2007

| <b>Company</b>                     | <b>Total issued and<br/>outstanding shares</b> | <b>Number of shares<br/>owned by us</b> | <b>Ownership<br/>ratio</b> |
|------------------------------------|--|---|----------------------------|
| LG.Philips LCD America, Inc.       | 5,000,000                                      | 5,000,000                               | 100%                       |
| LG.Philips LCD Japan Co., Ltd.     | 1,900  | 1,900                                   | 100%                       |
| LG.Philips LCD Germany GmbH        | 960,000  | 960,000                                 | 100%                       |
| LG.Philips LCD Taiwan, Co., Ltd.   | 11,550,000                                     | 11,549,994                              | 100%                       |
| LG.Philips LCD Nanjing Co., Ltd.   | *  | *                                       | 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.   | 5,110,710                                      | 4,103,277                               | 80%                        |
| LG.Philips LCD Guangzhou Co., Ltd. | *  | *                                       | 100%                       |
| LG.Philips LCD Shenzhen Co., Ltd.  | *  | *                                       | 100%                       |
| Paju Electric Glass Co., Ltd.      | 3,600,000                                      | 1,440,000                               | 40%                        |

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

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

**Subsidiaries**

**Consolidated Financial Statements**

**December 31, 2007 and 2006**



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

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**Report of Independent Auditors**

To the Shareholders and Board of Directors of

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

We have audited the accompanying consolidated balance sheets of LG.Philips LCD Co., Ltd. and its subsidiaries (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG.Philips LCD Co., Ltd. and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

**Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

February 18, 2008

This report is effective as of February 18, 2008, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Balance Sheets****December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i>                               | <b>2007</b>             | <b>2006</b>             |
|--|-------------------------|-------------------------|
| <b>Assets</b>  |                         |                         |
| Current assets   |                         |                         |
| Cash and cash equivalents (Note 4)                               | (Won) 1,196,423         | (Won) 954,362           |
| Short-term financial instruments (Note 4)                        | 785,000                 |                         |
| Available-for-sale securities                                    | 63                      | 23                      |
| Trade accounts and notes receivable, net (Notes 5, 6, 11 and 29) | 2,339,690               | 859,300                 |
| Other accounts receivable, net (Notes 5, 6 and 29)               | 97,098                  | 112,182                 |
| Accrued income, net (Note 5)                                     | 13,949                  | 850                     |
| Advance payments, net (Note 5)                                   | 2,783                   | 7,050                   |
| Prepaid expenses   | 35,613                  | 23,536                  |
| Prepaid value added tax (Note 6)                                 | 105,924                 | 93,058                  |
| Deferred income tax assets (Note 23)                             | 332,926                 | 677                     |
| Other current assets (Note 19)                                   | 12,740                  | 50,884                  |
| Inventories, net (Notes 7 and 11)                                | 823,924                 | 1,052,705               |
| <b>Total current assets</b>                                      | <b>5,746,133</b>        | <b>3,154,627</b>        |
| Long-term financial instruments (Note 4)                         | 13                      | 13                      |
| Available-for-sale securities                                    | 1                       | 1                       |
| Equity method investment (Note 8)                                | 24,704                  | 19,284                  |
| Property, plant and equipment, net (Notes 9 and 11)              | 7,528,523               | 9,428,046               |
| Intangible assets, net (Note 10)                                 | 123,111                 | 123,826                 |
| Non-current guarantee deposits                                   | 30,495                  | 22,454                  |
| Long-term other accounts receivable (Note 5)                     | 20,141                  |                         |
| Long-term prepaid expenses                                       | 155,656                 | 138,051                 |
| Deferred income tax assets (Note 23)                             | 151,058                 | 601,485                 |
| <b>Total assets</b>  | <b>(Won) 13,779,835</b> | <b>(Won) 13,487,787</b> |
| <b>Liabilities and Shareholders Equity</b>                       |                         |                         |
| Current liabilities  |                         |                         |
| Trade accounts and notes payable (Notes 6 and 29)                | (Won) 994,701           | (Won) 949,436           |
| Other accounts payable (Notes 6 and 29)                          | 614,904                 | 1,249,405               |
| Short-term borrowings (Note 13)                                  | 4,660                   | 250,105                 |
| Advances received  | 82,101                  | 45,785                  |
| Advanced income  | 15,248                  | 7,055                   |
| Withholdings   | 7,160                   | 25,376                  |
| Accrued expenses (Note 6)  | 99,288                  | 55,867                  |
| Income tax payable (Note 23)                                     | 78,133                  | 4,658                   |
| Warranty reserve (Note 12)                                       | 49,295                  | 31,261                  |
| Current portion of long-term debts and debentures (Note 13)      | 409,082                 | 563,630                 |
| Other current liabilities (Note 19)                              | 46,650                  | 26,211                  |

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|  |                         |                         |
|--|-------------------------|-------------------------|
| Total current liabilities  | 2,401,222               | 3,208,789               |
| Debtures, net of current portion and discounts on debtures (Note 14) | 1,998,147               | 2,319,391               |
| Long-term debts, net of current portion (Note 14)                    | 993,785                 | 987,597                 |
| Long-term other accounts payable                                     | 31,046                  |                         |
| Long-term accrued expenses (Notes 17 and 29)                         | 12,680                  | 430                     |
| Accrued severance benefits, net (Note 16)                            | 53,496                  | 81,885                  |
| Deferred income tax liabilities (Note 23)                            |                         | 19                      |
| <b>Total liabilities</b>   | <b>5,490,376</b>        | <b>6,598,111</b>        |
| Commitments and contingencies (Note 18)                              |                         |                         |
| Shareholders' equity   |                         |                         |
| Controlling interest   |                         |                         |
| Capital stock (Notes 1 and 20)                                       | 1,789,079               | 1,789,079               |
| Capital surplus (Note 21)  | 2,311,071               | 2,275,172               |
| Accumulated other comprehensive income (loss) (Note 22)              | 5,823                   | (13,948)                |
| Retained earnings (Note 21)  | 4,183,400               | 2,839,373               |
| <b>Total controlling interest</b>                                    | <b>8,289,373</b>        | <b>6,889,676</b>        |
| Minority interest  | 86                      |                         |
| <b>Total shareholders' equity</b>                                    | <b>8,289,459</b>        | <b>6,889,676</b>        |
| <b>Total liabilities and shareholders' equity</b>                    | <b>(Won) 13,779,835</b> | <b>(Won) 13,487,787</b> |

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

**Table of Contents****LG.Philips LCD Co., and Ltd. Subsidiaries****Consolidated Statements of Income**

Years ended December 31, 2007 and 2006

| <i>(in millions of Korean won, except per share amounts)</i> | <b>2007</b>      | <b>2006</b>      |
|--|------------------|------------------|
| <b>Sales (Notes 29 and 31)</b>                               | (Won) 14,351,966 | (Won) 10,624,200 |
| <b>Cost of sales (Notes 25 and 29)</b>                       | 12,115,363       | 10,932,316       |
| Gross profit (loss)  | 2,236,603        | (308,116)        |
| <b>Selling and administrative expenses (Notes 26 and 30)</b> | 732,596          | 570,922          |
| Operating income (loss)                                      | 1,504,007        | (879,038)        |
| <b>Non-operating income</b>                                  |                  |                  |
| Interest income  | 58,348           | 29,309           |
| Rental income  | 3,796            | 7,811            |
| Foreign exchange gains                                       | 376,381          | 306,132          |
| Gain on foreign currency translation (Note 19)               | 61,315           | 62,576           |
| Gain on valuation of equity method investment (Note 8)       | 6,860            | 5,128            |
| Gain on disposal of property, plant and equipment            | 1,485            | 488              |
| Commission earned (Note 18)                                  | 163,755          | 23,356           |
| Gain on redemption of debentures                             | 1,868            |                  |
| Others   | 9,992            | 9,443            |
|  | 683,800          | 444,243          |
| <b>Non-operating expenses</b>                                |                  |                  |
| Interest expenses  | 201,296          | 179,199          |
| Foreign exchange losses                                      | 299,076          | 344,941          |
| Loss on foreign currency translation (Note 19)               | 51,662           | 20,341           |
| Donations  | 2,344            | 1,837            |
| Loss on disposal of accounts receivable (Note 5)             | 18,463           | 20,778           |
| Loss on disposal of available-for-sale securities            |                  | 35               |
| Loss on disposal of property, plant and equipment            | 4,141            | 1,062            |
| Impairment loss on property, plant and equipment (Note 9)    | 44,398           |                  |
| Loss on disposal of investment assets                        |                  | 118              |
| Other bad debt expense                                       | 3,166            |                  |
| Ramp up cost (Note 7)  |                  | 18,043           |
| Loss on redemption of debentures (Note 14)                   | 19,500           |                  |
| Others   | 802              | 327              |
|  | 644,848          | 586,681          |
| Income (loss) before income tax                              | 1,542,959        | (1,021,476)      |
| Income tax benefit (expense) (Note 23)                       | (198,932)        | 252,163          |
| Net income (loss)  | (Won) 1,344,027  | (Won) (769,313)  |

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|   |       |           |       |           |
|---|-------|-----------|-------|-----------|
| Controlling interest net income (loss)      | (Won) | 1,344,027 | (Won) | (769,313) |
| Minority interest net income                | (Won) |           | (Won) |           |
| Basic earnings (loss) per share (Note 27)   | (Won) | 3,756     | (Won) | (2,150)   |
| Diluted earnings (loss) per share (Note 27) | (Won) | 3,716     | (Won) | (2,150)   |

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****Years Ended December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i>                          | <b>Capital<br/>stock</b> | <b>Capital<br/>surplus</b> | <b>Accumulated<br/>other comprehensive<br/>income (loss)</b> | <b>Retained<br/>earnings</b> | <b>Minority<br/>interest</b> | <b>Total</b>    |
|---|--------------------------|----------------------------|--|------------------------------|------------------------------|-----------------|
| Balance as of January 1,<br>2006                            | (Won) 1,789,079          | (Won) 2,279,250            | (Won) (1,418)  | (Won) 3,608,686              | (Won)                        | (Won) 7,675,597 |
| Net loss  |                          |                            |  | (769,313)                    |                              | (769,313)       |
| Changes in consideration for<br>conversion rights           |                          | (4,078)                    |  |                              |                              | (4,078)         |
| Changes in overseas<br>subsidiary translation<br>adjustment |                          |                            | (14,821)   |                              |                              | (14,821)        |
| Changes in gain on valuation<br>of derivatives              |                          |                            | (4,870)  |                              |                              | (4,870)         |
| Changes in loss on valuation<br>of derivatives              |                          |                            | 7,161  |                              |                              | 7,161           |
| Balance as of December 31,<br>2006                          | (Won) 1,789,079          | (Won) 2,275,172            | (Won) (13,948)   | (Won) 2,839,373              | (Won)                        | (Won) 6,889,676 |
| Balance as of January 1,<br>2007                            | (Won) 1,789,079          | (Won) 2,275,172            | (Won) (13,948)   | (Won) 2,839,373              | (Won)                        | (Won) 6,889,676 |
| Net income  |                          |                            |  | 1,344,027                    |                              | 1,344,027       |
| Changes in consideration for<br>conversion rights           |                          | 35,899                     |  |                              |                              | 35,899          |
| Changes in overseas<br>subsidiary translation<br>adjustment |                          |                            | 46,772   |                              |                              | 46,772          |
| Changes in gain on valuation<br>of derivatives              |                          |                            | (22,925)   |                              |                              | (22,925)        |
| Changes in loss on valuation<br>of derivatives              |                          |                            | (4,076)  |                              |                              | (4,076)         |
| Changes in the investor's<br>share of subsidiary            |                          |                            |  |                              | 86                           | 86              |
| Balance as of December 31,<br>2007                          | (Won) 1,789,079          | (Won) 2,311,071            | (Won) 5,823  | (Won) 4,183,400              | (Won) 86                     | (Won) 8,289,459 |

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



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Cash Flows****Years ended December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i>  | <b>2007</b>      | <b>2006</b>      |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>   |                  |                  |
| Net income (loss)   | (Won) 1,344,027  | (Won) (769,313)  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities |                  |                  |
| Depreciation (Note 9)   | 2,775,549        | 2,593,439        |
| Amortization of intangible assets (Note 10)   | 54,468           | 45,410           |
| Loss on disposal of available-for-sale securities                                       |                  | 35               |
| Gain on valuation of equity method investment, net (Note 8)                             | (6,860)          | (5,128)          |
| Loss on disposal of property, plant and equipment, net                                  | 2,656            | 574              |
| Impairment loss on property, plant and equipment (Note 9)                               | 44,398           |                  |
| Gain on foreign currency translation, net   | (16,682)         | (52,233)         |
| Amortization of discount on debentures  | 45,323           | 35,615           |
| Loss on redemption of debentures, net   | 17,632           |                  |
| Provision for warranty reserve (Note 12)  | 77,852           | 46,013           |
| Provision for severance benefits (Note 16)  | 62,828           | 55,183           |
| Stock compensation cost (Note 17)   | 560              |                  |
| Loss on disposal of investment assets   |                  | 118              |
|   | <b>3,057,724</b> | <b>2,719,026</b> |
| Changes in operating assets and liabilities   |                  |                  |
| Decrease (Increase) in trade accounts and notes receivable                              | (1,446,420)      | 409,123          |
| Decrease (Increase) in inventories  | 228,781          | (361,919)        |
| Decrease (Increase) in other accounts receivable  | 15,645           | (46,148)         |
| Decrease (Increase) in accrued income   | (13,098)         | 519              |
| Decrease (Increase) in advance payments   | 4,266            | (1,056)          |
| Decrease in prepaid expenses  | 16,939           | 23,549           |
| Decrease (Increase) in prepaid value added tax  | (10,506)         | 38,172           |
| Decrease (Increase) in current deferred income tax assets                               | (1,973)          | 50               |
| Decrease in other current assets  | 13,135           | 25,793           |
| Increase in long-term other accounts receivable   | (20,141)         |                  |
| Increase in long-term prepaid expenses  | (46,622)         | (80,420)         |
| Decrease (Increase) in non-current deferred income tax assets                           | 114,603          | (259,346)        |
| Increase in trade accounts and notes payable  | 36,778           | 256,642          |
| Increase (Decrease) in other accounts payable   | (19,852)         | 22,767           |
| Increase (Decrease) in advances received  | 36,267           | (12,777)         |
| Increase in advanced income   | 8,193            | 7,055            |
| Increase (Decrease) in withholdings   | (18,215)         | 13,322           |
| Increase (Decrease) in accrued expenses   | 43,421           | (14,101)         |
| Increase (Decrease) in income taxes payable   | 73,476           | (17,131)         |
| Decrease in warranty reserve (Note 12)  | (59,818)         | (39,699)         |
| Increase (Decrease) in other current liabilities  | (6,699)          | (8,293)          |
| Increase in long-term accrued expenses  | 2,892            | 430              |

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|   |             |           |
|---|-------------|-----------|
| Decrease in non-current deferred income tax liabilities                       | (19)        | (456)     |
| Accrued severance benefits transferred from affiliated company, net (Note 16) | 2,117       | 3,531     |
| Payment of severance benefits (Note 16)                                       | (48,202)    | (33,932)  |
| Decrease (Increase) in severance insurance deposits (Note 16)                 | (45,242)    | 13,829    |
| Decrease in contributions to the National Pension Fund (Note 16)              | 110         | 68        |
| Decrease (Increase) in overseas subsidiary translation adjustment, net        | 44,940      | (23,785)  |
|   | (1,095,244) | (84,213)  |
| Net cash provided by operating activities                                     | 3,306,507   | 1,865,500 |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statement of Cash Flows****Years ended December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i>                        | <b>2007</b>     | <b>2006</b>   |
|---|-----------------|---------------|
| <b>Cash flows from investing activities</b>               |                 |               |
| Proceeds from disposal of available-for-sale securities   | (Won) 412       | (Won) 10,138  |
| Proceeds from non-current guarantee deposits              | 5,546           | 11,252        |
| Proceeds from disposal of property, plant and equipment   |                 | 3             |
| Proceeds from disposal of long-term financial instruments | 1,440           |               |
| Proceeds from dividends of equity method investment       | (785,000)       |               |
| Acquisition of short-term financial instruments (Note 4)  | (39)            | (53)          |
| Acquisition of available-for-sale securities              | (8,454)         | (4,640)       |
| Increase in non-current guarantee deposits                | (9)             | (8)           |
| Increase in short-term loans                              | (1,577,319)     | (3,075,985)   |
| Acquisition of property, plant and equipment (Note 9)     | (18,651)        | (8,251)       |
| Acquisition of intangible assets (Note 10)                |                 |               |
| Net cash used in investing activities                     | (2,382,074)     | (3,067,195)   |
| <b>Cash flows from financing activities</b>               |                 |               |
| Proceeds from issuance of debentures                      | 508,997         | 399,600       |
| Proceeds from issuance of long-term debts                 | 378,437         | 678,160       |
| Increase in long-term other account payable               | 39,843          |               |
| Repayment of short-term borrowings                        | (245,336)       | (58,307)      |
| Repayment of current portion of long-term debts           | (571,052)       | (442,848)     |
| Early redemption of debentures                            | (590,401)       |               |
| Repayment of long-term debts                              | (202,946)       |               |
| Net cash provided by (used in) financing activities       | (682,458)       | 576,605       |
| Proceeds from minority interest                           | 86              |               |
| Net increase (decrease) in cash and cash equivalents      | 242,061         | (625,090)     |
| <b>Cash and cash equivalents</b>                          |                 |               |
| Beginning of the year                                     | 954,362         | 1,579,452     |
| End of the year   | (Won) 1,196,423 | (Won) 954,362 |

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****1. The Companies**

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

**The Controlling Company**

LG.Philips LCD Co., Ltd. was incorporated in 1985 under its original name of LG Soft, Ltd., and commenced its manufacture and sale of Thin Film Transistor Liquid Crystal Display ( TFT LCD ) in 1999. On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. ( Philips ) and the Controlling Company entered into a joint venture agreement. Pursuant to the agreement, the Controlling Company changed its name from LG LCD Co., Ltd. to LG.Philips LCD Co., Ltd. on August 27, 1999.

The Controlling Company listed its shares with the Korea Stock Exchange and with the US Securities and Exchange Commission in July 2004.

As of December 31, 2007 and 2006, the Company's shareholders are as follows:

|                                       | 2007                |                                | 2006                |                                |
|---------------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
|                                       | Number of<br>Shares | Percentage of<br>Ownership (%) | Number of<br>Shares | Percentage of<br>Ownership (%) |
| LG Electronics Inc.                   | 135,625,000         | 37.9                           | 135,625,000         | 37.9                           |
| Koninklijke Philips Electronics N. V. | 71,225,000          | 19.9                           | 117,625,000         | 32.9                           |
| Others                                | 150,965,700         | 42.2                           | 104,565,700         | 29.2                           |
|                                       | 357,815,700         | 100.0                          | 357,815,700         | 100.0                          |

**Consolidated Subsidiaries**

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

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

LPLA was incorporated in California, U.S.A., in September 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of December 31, 2007 and 2006, its capital stock amounted to US\$5 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLJ was incorporated in Tokyo, Japan, in October 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of December 31, 2007 and 2006, its capital stock amounted to JPY95 million and is wholly owned by LG.Philips LCD Co., Ltd.



**Table of Contents**

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

**Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

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

LPLG was incorporated in Düsseldorf, Germany, in November 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of December 31, 2007 and 2006, its capital stock amounted to EUR 1 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLT was incorporated in Taipei, Taiwan, in April 1999, to sell TFT-LCD products and its shares were acquired by the Company in May 2000. As of December 31, 2007 and 2006, its capital stock amounted to NTD116 million.

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

LPLNJ was incorporated in Nanjing, China, in July 2002, to manufacture and sell TFT-LCD products. As of December 31, 2007, its capital stock amounted to CNY 1,643 million (2006: CNY 1,380 million), and is wholly owned by LG. Philips LCD Co., Ltd.

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

LPLHK was incorporated in Hong Kong in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of December 31, 2007 and 2006, its capital stock amounted to HK\$ 12 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLSH was incorporated in Shanghai, China, in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of December 31, 2007 and 2006, its capital stock amounted to CNY 4 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLWR was incorporated in Poland on September 6, 2005, to manufacture and sell the TFT-LCD products of LG. Philips LCD Co., Ltd. As of December 31, 2007, its capital stock amounted to PLN 511 million (2006: PLN 239 million), and is 80.29% owned by LG. Philips LCD Co., Ltd.

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

LPLGZ was incorporated in Guangzhou, China, on June 30, 2006, to manufacture and sell the TFT LCD products of LG. Philips LCD Co., Ltd. As of December 31, 2007, its capital stock amounted to CNY 582 million (2006: CNY 318 million) and is wholly owned by LG. Philips LCD Co., Ltd.



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

(10) LG.Philips LCD Shenzhen Co., Ltd. (LPLSZ)  
LPL Shenzhen was incorporated in Shenzhen, China on August 28, 2007, to sell TFT LCD products of LG. Philips LCD Co., Ltd. As of December 31, 2007, its capital stock amounted to CNY 4 million, and is wholly owned by LG. Philips LCD Co., Ltd.

(11) Global Professional Sourcing Co., Ltd (GPS)  
GPS was incorporated in Taipei, Taiwan on September 11, 2007, to survey and search for LCD parts. As of December 31, 2007, its capital stock amounted to NTD 10 million, and is 70% owned by LG. Philips LCD Taiwan Co., Ltd.

**Equity-method investment**

The primary business of the equity-method investment follows:

(1) Paju Electric Glass Co., Ltd. (PEG)  
PEG was incorporated in Paju, Korea, in January 2005, to produce electric glass. As of December 31, 2007, its capital stock amounted to (Won)36,000 million and 40% of PEG is owned by LG.Philips LCD Co., Ltd.

**2. Summary of Consolidated Subsidiaries**

Consolidated subsidiaries as of December 31, 2007, are as follows:

|                                    | Total issued<br>and<br>outstanding<br>shares | No. of shares<br>owned by<br>the Controlling<br>Company and<br>Subsidiaries | Percentage of<br>Ownership<br>(%) | Closing<br>Date |
|------------------------------------|--|---|-----------------------------------|-----------------|
| <b>Overseas Subsidiaries</b>       |  |   |                                   |                 |
| LG.Philips LCD America, Inc.       | 5,000,000                                    | 5,000,000   | 100                               | 12.31           |
| LG.Philips LCD Japan Co., Ltd.     | 1,900  | 1,900   | 100                               | 12.31           |
| LG.Philips LCD Germany GmbH        | 960,000                                      | 960,000   | 100                               | 12.31           |
| LG.Philips LCD Taiwan Co., Ltd.    | 11,550,000                                   | 11,549,994  | 100                               | 12.31           |
| LG.Philips LCD Nanjing Co., Ltd.   | 1  | 1   | 100                               | 12.31           |
| LG.Philips LCD Hong Kong Co., Ltd. | 115,000                                      | 115,000   | 100                               | 12.31           |
| LG.Philips LCD Shanghai Co., Ltd.  | 1  | 1   | 100                               | 12.31           |
| LG.Philips LCD Poland Sp.z o.o.    | 5,110,710                                    | 4,103,277   | 80                                | 12.31           |
| LG.Philips LCD Guangzhou Co., Ltd. | 1  | 1   | 100                               | 12.31           |



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|  |           |         |     |       |
|--|-----------|---------|-----|-------|
| LG.Philips LCD Shenzhen Co., Ltd. <sup>2</sup>     | 1         | 1       | 100 | 12.31 |
| Global Professional Sourcing Co., Ltd <sup>2</sup> | 1,000,000 | 700,000 | 70  | 12.31 |

<sup>1</sup> No shares have been issued in accordance with the local laws and regulations.

<sup>2</sup> LG.Philips LCD Shenzhen., Co. Ltd. and Global Professional Sourcing Co., Ltd. were incorporated in 2007.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

A summary of consolidated subsidiaries financial data as of and for the year ended December 31, 2007, prior to the elimination of intercompany transactions, follows:

|   | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>shareholders<br/>equity</b> | <b>Sales</b>            | <b>Net<br/>Income<br/>(loss)</b> |
|---|-------------------------|------------------------------|--|-------------------------|----------------------------------|
| <i>(in millions of Korean won)</i>              |                         |                              |  |                         |                                  |
| LG.Philips LCD America, Inc.                    | (Won) 227,361           | (Won) 217,064                | (Won) 10,297                             | (Won) 1,561,192         | (Won) 793                        |
| LG.Philips LCD Japan Co.,<br>Ltd.               | 174,058                 | 168,227                      | 5,831                                    | 1,335,073               | 888                              |
| LG.Philips LCD Germany<br>GmbH                  | 571,962                 | 565,317                      | 6,645                                    | 2,554,999               | 1,892                            |
| LG.Philips LCD Taiwan Co.,<br>Ltd. <sup>1</sup> | 575,849                 | 560,221                      | 15,628                                   | 3,462,567               | 2,896                            |
| LG.Philips LCD Nanjing Co.,<br>Ltd.             | 424,772                 | 186,891                      | 237,881                                  | 272,430                 | 8,927                            |
| LG.Philips LCD Hong Kong<br>Co., Ltd.           | 7,966                   | 402                          | 7,564                                    | 725,313                 | 1,496                            |
| LG.Philips LCD Shanghai Co.,<br>Ltd.            | 256,811                 | 253,804                      | 3,007                                    | 1,379,368               | 1,820                            |
| LG.Philips LCD Poland Sp.z<br>o.o.              | 350,097                 | 195,866                      | 154,231                                  | 95,446                  | 8,964                            |
| LG.Philips LCD Guangzhou<br>Co., Ltd.           | 95,691                  | 33,467                       | 62,224                                   | 447                     | (11,015)                         |
| LG.Philips LCD Shenzhen<br>Co., Ltd.            | 231,739                 | 230,258                      | 1,481                                    | 524,568                 | 947                              |
| Global Professional Sourcing<br>Co., Ltd        | 289                     |                              | 289                                      |                         |                                  |
| <b>Total</b>                                    | <b>(Won) 2,916,595</b>  | <b>(Won) 2,411,517</b>       | <b>(Won) 505,078</b>                     | <b>(Won) 11,911,403</b> | <b>(Won) 17,608</b>              |

<sup>1</sup> The financial data for LG.Philips LCD Taiwan Co., Ltd. are based on its consolidated financial statements while the rest are based on their non-consolidated financial statements.

**3. Summary of Significant Accounting Policies**

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

**Basis of Consolidated Financial Statement Presentation**

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

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

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

### **December 31, 2007 and 2006**

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

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

And as SKFAS Nos. 21 through 23, including No. 11 and 25, became effective for the Company on January 1, 2007, the Company adopted these Standards in its financial statements as of and for the year ended December 31, 2007. However, the consolidated statement of changes in shareholders' equity is not presented comparatively in accordance with SKFAS No. 21.

Due to the adoption of SKFAS No. 21, certain amounts in the financial statements as of and for the year ended December 31, 2006, have been reclassified to conform to the December 31, 2007 financial statement presentation. These reclassifications have no effect on previously reported net loss or shareholders' equity.

### **Principles of Consolidation**

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

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

All intercompany transactions and balances with consolidated subsidiaries have been eliminated during consolidation (Note 29).

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

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

### **Revenue Recognition**

Revenue from the 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. and Subsidiaries**

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

**December 31, 2007 and 2006**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

#### **Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

#### **Inventories**

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the moving-weighted average method, except for materials-in-transit, which are stated at actual cost using the specific identification method. Inventories are stated at the lower of cost or net realizable value.

#### **Investments in Securities**

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

#### **Equity method Investments**

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. 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. All other changes in equity should be accounted for under other comprehensive income and expense.



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****Property, Plant and Equipment**

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

|                               | <b>Estimated useful lives</b> | <b>Depreciation Method</b> |
|-------------------------------|-------------------------------|----------------------------|
| Buildings                     | 20 - 40 years                 | Straight-line method       |
| Structures                    | 20 - 40 years                 | Straight-line method       |
| Machinery and equipment       | 4 years                       | Straight-line method       |
| Vehicles                      | 4 years                       | Straight-line method       |
| Tools, furniture and fixtures | 3 - 5 years                   | Straight-line method       |

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

**Intangible Assets**

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

|   | <b>Estimated useful lives</b> | <b>Depreciation Method</b> |
|---|-------------------------------|----------------------------|
| Intellectual property rights                        | 5 - 10 years                  | Straight-line method       |
| Rights to use electricity and gas supply facilities | 10 years                      | Straight-line method       |
| Rights to use industrial water facilities           | 10 years                      | Straight-line method       |
| Software  | 4 - 10 years                  | Straight-line method       |

**Government grants**

Government grants received, which are to be repaid, are recorded as liability, while grants without obligation to be repaid are offset against cost of assets purchased with such grants. Grants received for a specific purpose are offset against the specific expense for which it was granted, and other grants are recorded as a gain for the period.

**Capitalized Interest**



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The Company capitalizes interest expense incurred on borrowings used to finance the cost of manufacturing, acquisition, and construction of inventory and property, plant, and equipment that require more than one year to complete from the initial date of manufacture, acquisition, and construction.

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

**Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

**Impairment Loss of Assets**

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

**Lease Transactions**

The Company accounts for lease transactions as either operating lease or capital lease, depending on the terms of the lease agreement. As of December 31, 2007, current lease transactions are classified only as operating leases and the related lease rentals are charged to expense when incurred.

**Discounts on Debentures**

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

**Translation of assets and liabilities denominated in foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the balance sheet date, and the resulting translation gains and losses are recognized in current operations.

**Currency translation for foreign operations**

Assets and liabilities of a foreign branch or company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the balance sheet date, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense. Corresponding gains and losses are recognized as gain or loss when the foreign branch or company is liquidated or sold.

**Provisions and Contingent liability**

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

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

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

**December 31, 2007 and 2006**

#### **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 with the Company 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 partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits. The excess portion of deposits over accrued severance benefits is recorded as other investments. The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as deduction from accrued severance benefits.

#### **Sale or Discount of Accounts Receivable**

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

#### **Derivatives**

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

#### **Convertible bonds**

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

#### **Stock Appreciation Plan**

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



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****Income Taxes**

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

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

Cash and cash equivalents, and financial instruments as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>   | <b>Annual interest<br/>rate (%) as of<br/>December 31, 2007</b> | <b>2007</b>     | <b>2006</b>   |
|--|---|-----------------|---------------|
| <b>Cash and cash equivalents</b>   |   |                 |               |
| Cash on hand   |   | (Won)           | (Won) 6       |
| Checking accounts  |   | 3               | 34            |
| Time deposits  | 4.9~6.15  | 972,628         | 663,480       |
| Passbook accounts in millions of foreign currencies of<br>US\$ 119, JP¥ 732,<br>EUR 1, NTD 39,<br>CNY 348, HKD 58, PLN 135<br>(2006 : US\$ 130, JP¥ 391,<br>EUR 16, NTD 52,<br>CNY 998, HKD, 103,<br>PLN 46) | 0.22~4.37   | 223,792         | 290,842       |
|  |   | 1,196,423       | 954,362       |
| <b>Short-term financial instruments</b>  |   |                 |               |
| Time deposits and others   | 5.5~7.0   | 785,000         |               |
| <b>Long-term financial instruments</b>   |   |                 |               |
| Guarantee deposit for checking accounts  |   | 13              | 13            |
|  |   | (Won) 1,981,436 | (Won) 954,375 |

As of December 31, 2007 and 2006, long-term financial instruments represent key money deposits required to maintain checking accounts and accordingly, the withdrawal of such deposits is restricted.



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****5. Receivables**

The Company's receivables, including trade accounts and notes receivable, as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>  | Gross amount    | 2007<br>Allowance for<br>doubtful accounts | Carrying value  |
|-------------------------------------|-----------------|--|-----------------|
| Trade accounts and notes receivable |                 |  |                 |
| Trade accounts receivable           | (Won) 2,317,204 | (Won) 9,017                                | (Won) 2,308,187 |
| Trade notes receivable              | 31,503          |  | 31,503          |
| Other accounts receivable           | 98,341          | 1,243                                      | 97,098          |
| Accrued income                      | 14,091          | 142  | 13,949          |
| Advance payments                    | 2,811           | 28   | 2,783           |
| Long-term other accounts receivable | 20,145          | 4  | 20,141          |
|                                     | (Won) 2,484,095 | (Won) 10,434                               | (Won) 2,473,661 |

| <i>(in millions of Korean won)</i>  | Gross amount  | 2006<br>Allowance for<br>doubtful<br>accounts | Carrying value |
|-------------------------------------|---------------|---|----------------|
| Trade accounts and notes receivable |               |   |                |
| Trade accounts receivable           | (Won) 850,822 | (Won) 3,253                                   | (Won) 847,569  |
| Trade notes receivable              | 11,731        |   | 11,731         |
| Other accounts receivable           | 112,561       | 379   | 112,182        |
| Accrued income                      | 858           | 8   | 850            |
| Advance payments                    | 7,105         | 55  | 7,050          |
|                                     | (Won) 983,077 | (Won) 3,695                                   | (Won) 979,382  |

Trade bills negotiated through banks but have not matured, were recorded as short-term borrowings. But there are no negotiated trade bills as of December 31, 2007 (2006: (Won)204,528 million).

In October 2006, the Controlling Company entered into a five-year accounts receivable selling program with Standard Chartered Bank. The Company sells accounts receivable of four subsidiaries, namely, LG.Philips LCD America Inc., LG.Philips LCD Germany GmbH, LG.Philips LCD Shanghai Co., Ltd. and LG.Philips LCD Hong Kong Co., Ltd., on a revolving basis, of up to US\$600 million. The Controlling Company joined this program in April 2007. As of December 31, 2007, there are no accounts receivable (2006 : (Won)185,633 million). Losses, including the loss on disposal of accounts receivable, and various program and facility fees associated with the Program totaled approximately (Won)6,053 million for the year ended December 31, 2007 (2006 : (Won)2,458 million).





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

**Notes to Consolidated Financial Statements**

**December 31, 2007 and 2006**

In September 2004, the Controlling Company entered into a five-year accounts receivable securitization program (the Program) with ABN AMRO-Taipei Branch and ABN AMRO-Tokyo Branch. The Program allows the Company to sell, on a revolving basis, an undivided interest up to US\$350 million in eligible accounts receivables of four subsidiaries, namely, LG.Philips LCD America Inc. ( LPLA ), LG.Philips LCD Germany GmbH ( LPLG ), LG.Philips LCD Japan Co., Ltd. ( LPLJ ) and LG.Philips LCD Taiwan Co., Ltd. ( LPLT ). As of December 31, 2007, there is no outstanding balance of securitized accounts receivable held by the third party conduits (2006: (Won)364,785 million). Losses, including the loss on sale of receivables, and various program and facility fees associated with the Program totaled approximately (Won)9,680 million for the year ended December 31, 2007(2006: (Won)15,509 million).

In June 2006, LG.Philips LCD Shanghai Co., Ltd. ( LPLSH ) entered into an accounts receivable selling program with Standard Chartered Bank for up to US\$200 million. As of December 31, 2007, there are no non-maturing accounts receivable sold (2006 : (Won)41,914 million). Losses, including the loss on sale of receivables, and various programs and facility fees associated with the program totaled approximately (Won)434 million for the year ended December 31, 2007 (2006:(Won) 542 million).

In September 2006, LPLT entered into accounts receivable selling program with ChinaTrust Bank and another bank of up to US\$505 million. As of December 31, 2007, there are no non-maturing accounts receivable sold (2006: (Won) 112,715 million). Losses, including the loss on sale of receivables, and various program and facility fees associated with the Program totaled approximately (Won)3,121 million for the year ended December 31, 2007 (2006: (Won) 2,423 million).

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****6. Assets and Liabilities Denominated in Foreign Currencies**

As of December 31, 2007 and 2006, monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the accompanying notes, are as follows:

| <i>(in millions)</i>                | 2007                  |  | 2006                  |  |
|-------------------------------------|-----------------------|--|-----------------------|--|
|                                     | Korean Won equivalent | Foreign currency   | Korean Won equivalent | Foreign Currency   |
| Trade accounts and notes receivable | (Won) 2,368,819       | US\$ 2,261<br>JP¥ 3,789<br>EUR 157                             | (Won) 908,888         | US\$ 917<br>JP¥ 675<br>EUR 41  |
| Other accounts receivable           | 7,667                 | US\$ 8<br>JP¥ 23   | 11,031                | US\$ 2<br>JP¥ 98<br>EUR 6  |
| Prepaid value added tax             | 74,947                | PLN 197  |                       |  |
| Trade accounts and notes payable    | 544,659               | US\$ 426<br>JP¥ 15,482<br>CNY 113<br>NTD 22                    | 392,405               | US\$ 289<br>JP¥ 14,697<br>CNY 80   |
| Other accounts payable              | 168,211               | US\$ 86<br>JP¥ 2,368<br>EUR 4<br>NTD 24<br>CNY 268<br>PLN 73   | 277,965               | US\$ 16,814<br>JP¥ 5,379<br>EUR 21,027<br>NTD 8<br>CNY 1,773<br>PLN 14,310 |
| Accrued expenses                    | 18,600                | US\$ 1<br>JP¥ 13<br>EUR 1<br>NTD 11<br>CNY 53<br>HKD<br>PLN 25 | 11,418                | US\$ 1<br>JP¥ 11<br>EUR 1<br>NTD 101<br>CNY 24<br>HKD 2<br>PLN 9           |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****7. Inventories**

Inventories as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i> | 2007          | 2006            |
|------------------------------------|---------------|-----------------|
| Finished products                  | (Won) 460,756 | (Won) 641,913   |
| Work-in-process                    | 216,258       | 312,231         |
| Raw materials                      | 110,652       | 129,981         |
| Supplies                           | 80,205        | 101,581         |
|                                    | 867,871       | 1,185,706       |
| Less : Valuation loss              | (43,947)      | (133,001)       |
|                                    | (Won) 823,924 | (Won) 1,052,705 |

For the year ended December 31, 2007, the Company recorded no ramp-up cost (2006: (Won)18,043 million) to counter the unusual low volume of production.

**8. Equity-method Investment**

Equity-method investment as of December 31, 2007 and 2006, mainly consists of the following:

| <i>(in millions of Korean won)</i> | No. of shares<br>owned by the<br>Company | Percentage of<br>Ownership<br>(%) | 2007                |                              |                   |
|------------------------------------|--|-----------------------------------|---------------------|------------------------------|-------------------|
|                                    |  |                                   | Acquisition<br>cost | Market or<br>net asset value | Carrying<br>value |
| Paju Electric Glass                | 1,440,000                                | 40                                | (Won) 14,400        | (Won) 25,431                 | (Won) 24,704      |

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

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A summary of the investee's financial data as of and for the year ended December 31, 2007, prior to the elimination of intercompany transactions, follows:

| <i>(in millions of Korean won)</i> | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>shareholders<br/>equity</b> | <b>Sales</b>  | <b>Net Income</b> |
|------------------------------------|-------------------------|------------------------------|--|---------------|-------------------|
| Paju Electric Glass                | (Won) 117,347           | (Won) 62,205                 | (Won) 55,142                             | (Won) 313,773 | (Won) 14,329      |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

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

The details of adjustments are as follows :

| <i>(in millions of Korean won)</i> |                                    | 2007                              |                   |                                  |
|------------------------------------|------------------------------------|-----------------------------------|-------------------|----------------------------------|
|                                    | Reason for adjustment              | Net asset value before adjustment | Adjustment amount | Net asset value after adjustment |
| Paju Electric Glass                | Unification of depreciation method | (Won) 55,142                      | (Won) 8,435       | (Won) 63,577                     |

The details of the equity method valuation for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> |                               |                              | 2007  |  |                              |                                 |
|------------------------------------|-------------------------------|------------------------------|---|--|------------------------------|---------------------------------|
|                                    | Balance as of January 1, 2007 | Acquisitions during the year | Gain on valuation of equity method investment | Accumulated other comprehensive income | Retained earnings adjustment | Balance as of December 31, 2007 |
| Investee                           |                               |                              |   |  |                              |                                 |
| Paju Electric Glass                | (Won) 19,284                  | (Won)                        | (Won) 6,860                                   | (Won)                                  | (Won) (1,440)                | (Won) 24,704                    |

| <i>(in millions of Korean won)</i> |                               |                              | 2006  |  |                              |                                 |
|------------------------------------|-------------------------------|------------------------------|---|--|------------------------------|---------------------------------|
|                                    | Balance as of January 1, 2006 | Acquisitions during the year | Loss on valuation of equity method investment | Accumulated other comprehensive income | Retained earnings adjustment | Balance as of December 31, 2006 |
| Investee                           |                               |                              |   |  |                              |                                 |
| Paju Electric Glass                | (Won) 14,156                  | (Won)                        | (Won) 5,128                                   | (Won)                                  | (Won)                        | (Won) 19,284                    |

As of December 31, 2007 and 2006, the eliminated unrealized losses in the valuation of equity method investment are as follows:

| <i>(in millions of Korean won)</i> | Inventories | 2007<br>Property, plant<br>and<br>equipment | Total | Inventories | 2006<br>Property, plant<br>and<br>equipment | Total |
|------------------------------------|-------------|---|-------|-------------|---|-------|
| Investee                           |             |   |       |             |   |       |

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Paju Electric Glass

(Won) (726)

(Won)

(Won) (726)

(Won) (1,347)

(Won)

(Won) (1,347)

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****9. Property, Plant and Equipment**

Changes in property, plant and equipment for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007          |                 |               |                               |               |                           |
|------------------------------------|---------------|-----------------|---------------|-------------------------------|---------------|---------------------------|
|                                    | Land          | Buildings       | Structures    | Machinery<br>and<br>equipment | Tools         | Furniture<br>and fixtures |
| Balance as of January 1, 2007      | (Won) 317,161 | (Won) 1,757,844 | (Won) 135,644 | (Won) 5,851,534               | (Won) 81,015  | (Won) 165,600             |
| Acquisition                        |               | 44,096          | 75            | 16,644                        | 8,257         | 7,593                     |
| Capitalized interest               |               | 188             |               | 2,676                         |               |                           |
| Depreciation                       |               | (103,324)       | (8,262)       | (2,519,808)                   | (63,408)      | (78,831)                  |
| Impairment loss <sup>1</sup>       |               |                 |               | (16,139)                      |               |                           |
| Disposal                           | (77)          | (3,541)         |               | (3,430)                       | (453)         | (523)                     |
| Transfer                           | (2,534)       | 308,231         | 495           | 809,633                       | 19,139        | 24,065                    |
| Subsidy (increase)decrease         |               |                 |               | (153)                         |               |                           |
| Balance as of December 31, 2007    | (Won) 314,550 | (Won) 2,003,494 | (Won) 127,952 | (Won) 4,140,957               | (Won) 44,550  | (Won) 117,904             |
| Acquisition cost                   | (Won) 314,550 | (Won) 2,373,478 | (Won) 170,752 | (Won) 14,739,830              | (Won) 192,817 | (Won) 469,256             |
| Accumulated depreciation           | (Won)         | (Won) 369,984   | (Won) 42,800  | (Won) 10,582,734              | (Won) 148,267 | (Won) 351,352             |
| Accumulated impairment loss        | (Won)         | (Won)           | (Won)         | (Won) 16,139                  | (Won)         | (Won)                     |

  

|                                 | Vehicles                      | Other       | Machinery-<br>in-transit | Construction-<br>in-progress | Total           |
|---------------------------------|-------------------------------|-------------|--------------------------|------------------------------|-----------------|
|                                 | Balance as of January 1, 2007 | (Won) 7,060 | (Won) 8,460              | (Won) 118,373                | (Won) 985,355   |
| Acquisition                     | 16                            | 427         | 175,507                  | 684,565                      | 937,180         |
| Capitalized interest            |                               |             |                          | 22,353                       | 25,217          |
| Depreciation                    |                               | (3,212)     |                          |                              | (2,776,845)     |
| Impairment loss <sup>1</sup>    |                               |             |                          | (28,259)                     | (44,398)        |
| Disposal                        | (56)                          |             |                          | (122)                        | (8,202)         |
| Transfer                        | 1,772                         |             | (274,837)                | (918,286)                    | (32,322)        |
| Subsidy (increase)decrease      |                               |             |                          |                              | (153)           |
| Balance as of December 31, 2007 | (Won) 5,580                   | (Won) 8,887 | (Won) 19,043             | (Won) 745,606                | (Won) 7,528,523 |

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|                             |              |             |              |               |                  |
|-----------------------------|--------------|-------------|--------------|---------------|------------------|
| Acquisition cost            | (Won) 14,463 | (Won) 8,887 | (Won) 19,043 | (Won) 745,606 | (Won) 19,048,682 |
| Accumulated depreciation    | (Won) 8,883  | (Won)       | (Won)        | (Won)         | (Won) 11,504,020 |
| Accumulated impairment loss | (Won)        | (Won)       | (Won)        | (Won)         | (Won) 16,139     |

<sup>1</sup> For the year ended December 31, 2007, the Company recorded impairment loss of (Won)44,398 million due to the change in the facilities investment plan.



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i> | 2006          |                 |               |                                  |                                      |                           |
|------------------------------------|---------------|-----------------|---------------|----------------------------------|--------------------------------------|---------------------------|
|                                    | Land          | Buildings       | Structures    | Machinery<br>and<br>equipment    | Tools                                | Furniture and<br>fixtures |
| Balance as of January 1, 2006      | (Won) 316,236 | (Won) 1,711,762 | (Won) 122,827 | (Won) 5,178,056                  | (Won) 66,107                         | (Won) 155,393             |
| Acquisition                        | 18,402        | 94,215          | 1,952         | 174,801                          | 4,088                                | 40,350                    |
| Capitalized interest               |               | 1               | 2             | 19,723                           |                                      |                           |
| Depreciation                       |               | (86,247)        | (7,666)       | (2,399,770)                      | (22,496)                             | (75,536)                  |
| Disposal                           |               | (1,168)         |               | (1,213)                          | (1)                                  | 314                       |
| Transfer                           | 925           | 40,442          | 20,499        | 2,880,013                        | 33,317                               | 45,079                    |
| Subsidy (increase)decrease         | (18,402)      | (1,161)         | (1,970)       | (76)                             |                                      |                           |
| Balance as of December 31, 2006    | (Won) 317,161 | (Won) 1,757,844 | (Won) 135,644 | (Won) 5,851,534                  | (Won) 81,015                         | (Won) 165,600             |
| Acquisition cost                   | (Won) 317,161 | (Won) 2,025,368 | (Won) 169,884 | (Won) 14,035,308                 | (Won) 167,290                        | (Won) 435,466             |
| Accumulated depreciation           | (Won)         | (Won) 267,524   | (Won) 34,240  | (Won) 8,183,774                  | (Won) 86,275                         | (Won) 269,866             |
|                                    |               | <b>Vehicles</b> | <b>Other</b>  | <b>Machinery-<br/>in-transit</b> | <b>Construction-<br/>in-progress</b> | <b>Total</b>              |
| Balance as of January 1, 2006      |               | (Won) 6,465     | (Won) 6,052   | (Won) 505,787                    | (Won) 1,130,914                      | (Won) 9,199,599           |
| Acquisition                        |               | 957             |               | 672,451                          | 1,821,866                            | 2,829,082                 |
| Capitalized interest               |               |                 |               |                                  | 6,401                                | 26,127                    |
| Depreciation                       |               | (2,526)         |               |                                  |                                      | (2,594,241)               |
| Disposal                           |               |                 |               | (9,759)                          |                                      | (11,827)                  |
| Transfer                           |               | 2,164           | 2,408         | (1,050,106)                      | (1,975,009)                          | (268)                     |
| Subsidy (increase)decrease         |               |                 |               |                                  | 1,183                                | (20,426)                  |
| Balance as of December 31, 2006    |               | (Won) 7,060     | (Won) 8,460   | (Won) 118,373                    | (Won) 985,355                        | (Won) 9,428,046           |
| Acquisition cost                   |               | (Won) 14,875    | (Won) 8,460   | (Won) 118,373                    | (Won) 985,355                        | (Won) 18,277,540          |
| Accumulated depreciation           |               | (Won) 7,815     | (Won)         | (Won)                            | (Won)                                | (Won) 8,849,494           |

The Company received land and cash grants which are intended to be used for the construction of a plant according to the investment agreement with the Polish Government. The land was recognized at the fair value of the acquisition date, amounting to (Won) 21,884 million, and the corresponding amount was recognized as a deduction from the land. The cash was recorded as advanced income amounting to (Won) 15,248 million, according to the repayment condition based on a certain level of employment and investment.

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As of December 31, 2007, the value of the Controlling Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)415,857 million (2006 : (Won)403,198 million).

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The Company capitalizes the loss on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment. Capitalized loss on foreign exchange rate fluctuations and interest expense for the year ended December 31, 2007, amount (Won)25,217 million (2006: (Won)26,127 million).

For the year ended December 31, 2007, net loss on foreign currency translation, arising from foreign currency borrowings, which was deducted from capitalized interest expenses, is (Won)7,510 million (2006: (Won)9,628 million).

For the year ended December 31, 2007, the effects of capitalized expenses on significant accounts in the balance sheet and statement of operations are as follows:

**Balance Sheet**

| <i>(in millions of Korean won)</i> | If interest expenses were capitalized |                          | If interest expenses were expensed as incurred |                          | Difference       |                          |
|------------------------------------|---------------------------------------|--------------------------|--|--------------------------|------------------|--------------------------|
|                                    | Acquisition cost                      | Accumulated depreciation | Acquisition cost                               | Accumulated depreciation | Acquisition cost | Accumulated depreciation |
| Property, plant and equipment      | (Won) 19,048,682                      | (Won) 11,504,020         | (Won) 18,908,604                               | (Won) 11,474,363         | (Won) 140,078    | (Won) 29,657             |

**Statement of Income**

| <i>(in millions of Korean won)</i>   | If interest expenses were capitalized | If interest expenses were expensed as incurred | Difference |
|--------------------------------------|---------------------------------------|--|------------|
| Depreciation                         | (Won) 2,775,549                       | (Won) 2,774,829                                | (Won) 720  |
| Interest expense                     | 201,296                               | 234,023  | (32,727)   |
| Gain on foreign currency translation | 61,315                                | 68,825   | 7,510      |
| Net income                           | 1,344,027                             | 1,319,530                                      | (24,497)   |

**10. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | Intellectual property rights | Rights for usage of electric and | 2007                           | Software | Others | Total |
|------------------------------------|------------------------------|----------------------------------|--------------------------------|----------|--------|-------|
|                                    |                              |                                  | Rights for usage of industrial |          |        |       |

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|                                    |               | gas supply<br>facilities | water<br>facilities |               |         |               |
|------------------------------------|---------------|--------------------------|---------------------|---------------|---------|---------------|
| Balance as of January 1, 2007      | (Won) 106,324 | (Won) 437                | (Won) 7,421         | (Won) 9,642   | (Won) 2 | (Won) 123,826 |
| Increase during the year           | 10,477        | 32,177                   | 146                 | (Won) 10,953  |         | 53,753        |
| Amortization                       | (43,880)      | (328)                    | (1,244)             | (Won) (9,016) |         | (54,468)      |
| Balance as of December 31,<br>2007 | (Won) 72,921  | (Won) 32,286             | (Won) 6,323         | (Won) 11,579  | (Won) 2 | (Won) 123,111 |
| Acquisition cost                   | (Won) 444,883 | (Won) 32,760             | (Won) 12,445        | (Won) 34,246  | (Won) 2 | (Won) 524,336 |
| Accumulated amortization           | (Won) 371,962 | (Won) 474                | (Won) 6,122         | (Won) 22,667  | (Won)   | (Won) 401,225 |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i> | 2006                               |  |   |               |         | Total         |
|------------------------------------|------------------------------------|--|---|---------------|---------|---------------|
|                                    | Intellectual<br>property<br>rights | Rights for<br>usage of<br>electric and<br>gas supply<br>facilities | Rights for<br>usage of<br>industrial<br>water<br>facilities | Software      | Others  |               |
| Balance as of January 1, 2006      | (Won) 141,013                      | (Won) 225  | (Won) 8,653   | (Won) 9,413   | (Won) 2 | (Won) 159,306 |
| Increase during the year           | 8,252                              | 270  |   | (Won) 1,408   |         | 9,930         |
| Amortization                       | (42,941)                           | (58)   | (1,232)   | (Won) (1,179) |         | (45,410)      |
| Balance as of December 31,<br>2006 | (Won) 106,324                      | (Won) 437  | (Won) 7,421   | (Won) 9,642   | (Won) 2 | (Won) 123,826 |
| Acquisition cost                   | (Won) 434,406                      | (Won) 583  | (Won) 12,299  | (Won) 23,293  | (Won) 2 | (Won) 470,583 |
| Accumulated amortization           | (Won) 328,082                      | (Won) 146  | (Won) 4,878   | (Won) 13,651  | (Won)   | (Won) 346,757 |

The Company has classified the amortization as part of manufacturing overhead cost. The total amortization expense for the year ended December 31, 2007, amount to (Won)54,468 million (2006: (Won)45,410 million).

The details of intellectual property rights as of December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | Description                            | 2007         | 2006          | Remaining period |
|------------------------------------|--|--------------|---------------|------------------|
| Intellectual property rights       | Patent relating to TFT-LCD<br>business | (Won) 72,921 | (Won) 106,324 | 3 ~ 10 years     |

The Company expensed research and development costs of (Won)415,081 million for the year ended December 31, 2007 (2006: (Won) 438,867 million).

For the years ended December 31, 2007 and 2006, 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>    | 2007         | 2006         |
|---------------------------------------|--------------|--------------|
| Training expenses                     | (Won) 9,286  | (Won) 16,533 |
| Advertising expenses                  | 30,433       | 24,143       |
| Expenses for foreign market expansion | 6,254        | 5,255        |
|                                       | (Won) 45,973 | (Won) 45,931 |

**11. Insurance Coverage**

As of December 31, 2007, trade accounts receivables, inventories and property, plant and equipment are insured against fire and other casualty losses for up to (Won)19,798,552 million, CNY 6,518 million, US\$ 219 million, NTD 7 million and EUR 441 million. Also, as of December 31, 2007, the Company insured directors and officers liabilities for up to US\$ 100 million.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****12. Warranty reserve**

Changes in warranty reserve for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i>   | 2007         | 2006         |
|--------------------------------------|--------------|--------------|
| Balance at the beginning of the year | (Won) 31,261 | (Won) 24,947 |
| Increase                             | 77,852       | 46,013       |
| Decrease                             | 59,818       | 39,699       |
| Balance at the end of the year       | (Won) 49,295 | (Won) 31,261 |

**13. Short-Term Borrowings, Current Portion of Long-Term Debts and Debentures**

Short-term borrowings as of December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i>   | Creditor               | Annual interest rates (%) as of<br>December 31, 2007 | 2007        | 2006          |
|--|------------------------|--|-------------|---------------|
| Documents against acceptance<br>(2006 : US\$ 220 million)                            | Woori Bank and others  |  | (Won)       | (Won) 204,528 |
| General loans<br>of JP¥ 556 million<br>(2006 : JP¥ 1,520, US\$ 13,<br>EUR 8, PLN 39) | Mizuho Bank and others | Tibor + 0.39 ~ 0.4                                   | 4,660       | 45,577        |
|  |                        |  | (Won) 4,660 | (Won) 250,105 |

Current portion of long-term debts and debentures as of December 31, 2007 and 2006, consists of the following:

*(in millions of Korean won)*

| Type of borrowing | Annual interest rate (%) as of<br>December 31, 2007 | 2007 | 2006 |
|-------------------|---|------|------|
|-------------------|---|------|------|

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|  |  |               |               |
|--|--|---------------|---------------|
| Long-term debts in won   | 5.88 ~ 6.34                                      | (Won) 61,767  | (Won) 39,267  |
| Corporate bonds in won   | 5.0  | 250,000       | 300,000       |
| Corporate bonds in foreign currency  |  |               | 185,920       |
| Long-term debts in foreign currency of US\$ 91million, CNY<br>100 million (2006: US\$ 245 million) | 6ML + 1.20 ,<br>3ML + 0.99 ~ 1.35<br>5.28 - 5.83 | 98,205        | 42,612        |
|  |  | 409,972       | 567,799       |
| Less: Discount on debentures   |  | (890)         | (4,169)       |
|  |  | (Won) 409,082 | (Won) 563,630 |



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LG.Philips LCD Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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

Long-term debts and debentures as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>  | Annual interest<br>rates (%) as of<br>December 31, 2007 | 2007            | 2006            |
|---|---|-----------------|-----------------|
| <b>Won currency debentures</b>  |   |                 |                 |
| Non-guaranteed, payable through 2010  | 3.5 ~ 5.0   | (Won) 1,180,000 | (Won) 1,550,000 |
| Private debentures, payable through 2011  | 5.3 ~ 5.89  | 600,000         | 600,000         |
| Less: Current portion   |   | (250,000)       | (300,000)       |
| Discounts on debentures   |   | (8,636)         | (16,036)        |
|   |   | 1,521,364       | 1,833,964       |
| <b>Foreign currency debentures</b>  |   |                 |                 |
| Floating rate notes, payable through 2007<br>(2006 : US\$ 200 million)                          |   |                 | 185,920         |
| Less: Current portion   |   |                 | (185,920)       |
| <b>Convertible bonds<sup>1</sup></b>  |   |                 |                 |
| US dollar-denominated bond, payable through 2012 of US\$<br>550million (2006: US\$ 475 million) |   | 511,555         | 483,780         |
| Add: Call premium   |   | 85,788          | 84,613          |
| Less: Discount on debentures  |   | (2,237)         | (2,139)         |
| Conversion right adjustment   |   | (118,323)       | (80,827)        |
|   |   | 476,783         | 485,427         |
|   |   | (Won) 1,998,147 | (Won) 2,319,391 |
| <b>Won currency loans</b>   |   |                 |                 |
| General loans   | 5.88 ~ 6.34   | (Won) 109,117   | (Won) 238,383   |
|   | 4.25  | 18,982          | 14,634          |
| Less: Current portion   |   | (61,767)        | (39,267)        |
|   |   | 66,332          | 213,750         |
| <b>Foreign currency loans</b>   |   |                 |                 |

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|                       |   |               |               |
|-----------------------|---|---------------|---------------|
| General loans         | 5.28 ~ 5.83,<br>6ML Euribor + 0.6,<br>6ML + 0.69 ~ 1.2,<br>3ML + 0.66 ~ 1.35,<br>3ML + 0.35 ~ 0.53,<br>6ML + 0.41 | 1,025,658     | 816,459       |
| Less: Current portion |   | (98,205)      | (42,612)      |
|                       |   | 927,453       | 773,847       |
|                       |   | (Won) 993,785 | (Won) 987,597 |

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

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<sup>1</sup> On April 19, 2005, the Company issued US dollar-denominated convertible bonds totaling US\$475 million, with a zero coupon rate. On or after June 27, 2005 through April 4, 2010, the bonds are convertible into common shares at a conversion price of (Won)58,251 per share of common stock, subject to adjustment based on certain events. The bonds will mature in five years from the issue date and will be repaid at 117.49% of the principal amount at maturity. The bondholders have a put option to be repaid at 108.39% of the principal amount on October 19, 2007. On September 19, 2007, put option for US\$459.6 million was exercised and bonds were paid on October 19, 2007. On the same date, the Company exercised its call option to pay off the rest of convertible bonds amounting to US\$15.4 million which were paid in November 2007. For the year ended December 31, 2007, the Company recorded loss on redemption of debentures of (Won)19,216 million due to the redemption of convertible bonds.

On April 18, 2007, the Company issued US dollar-denominated convertible bonds totalling US\$550 million, with a zero coupon rate. On or after April 19, 2008 through April 3, 2012, the bonds are convertible into common shares at a conversion price of (Won)49,070 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 116.77 % of their principal amount at maturity. The bondholders have a put option to be repaid at 109.75 % of their principal amount on the day in three years from the issue date. As of December 31, 2007, the number of shares convertible from the outstanding convertible bonds is 10,464,234. The Company is entitled to exercise a call option after three years from the closing date at the amount of the principal and interests, calculated at 3.125% of the yield to maturity, from the closing date to the repayment date. The call option can be exercised only when the market price of the common shares on each of 20 trading days in 30 consecutive trading days ending on the trading day immediately prior to the date upon which notice of such redemption is published exceeds at least 130% of the conversion price. In addition, in the event that at least 90% of the initial principal amount of the bonds have been redeemed, converted, or purchased and cancelled, the remaining bonds may also be redeemed, at the Company's option, at the amount of the principal and interests from the closing date to the repayment date prior to their maturity.

As of December 31, 2007, the foreign currency loans denominated in U.S. dollars, Chinese yuan and EUR amounted to US\$ 978 million, CNY 100 million and EUR 70 million (2006 : US\$ 845 million and CNY 260 million), respectively.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

The aggregate annual maturities of long-term debts outstanding as of December 31, 2007, exclusive of adjustments relating to discounts, are as follows:

*(in millions of Korean won)*

| For the<br>year ending<br>December 31, | Won<br>currency<br>debentures | Won<br>currency<br>loans | Convertible<br>bonds | Foreign<br>currency<br>loans | Total           |
|--|-------------------------------|--------------------------|----------------------|------------------------------|-----------------|
| 2009                                   | (Won) 530,000                 | (Won) 40,451             | (Won)                | (Won) 40,655                 | (Won) 611,106   |
| 2010                                   | 600,000                       | 9,873                    |                      | 72,102                       | 681,975         |
| 2011                                   | 400,000                       | 3,797                    |                      | 512,580                      | 916,377         |
| 2012                                   |                               | 3,796                    | 511,555              | 263,957                      | 779,308         |
| 2013                                   |                               | 3,796                    |                      | 38,159                       | 41,955          |
| Thereafter                             |                               | 4,619                    |                      |                              | 4,619           |
|  | (Won) 1,530,000               | (Won) 66,332             | (Won) 511,555        | (Won) 927,453                | (Won) 3,035,340 |

**15. Leases**

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

As of December 31, 2007, future lease payments under these operating lease agreements are as follows:

*(in millions of Korean won)*

| For the year<br>ended December 31, | Annual payment |
|------------------------------------|----------------|
| 2008                               | (Won) 1,461    |
| 2009                               | 775            |
| 2010                               | 428            |
| 2011                               | 90             |
| 2012                               | 3              |
| Total                              | (Won) 2,757    |



**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****16. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>              | <b>2007</b>   | <b>2006</b>   |
|---|---------------|---------------|
| Balance at the beginning of the year            | (Won) 136,792 | (Won) 112,010 |
| Actual severance payments                       | (48,202)      | (33,932)      |
| Transferred from / to affiliated companies, net | 2,117         | 3,531         |
| Provision for severance benefits                | 62,828        | 55,183        |
|   | 153,535       | 136,792       |
| Cumulative deposits to National Pension Fund    | (530)         | (640)         |
| Severance insurance deposit                     | (99,509)      | (54,267)      |
| Balance at the end of the year                  | (Won) 53,496  | (Won) 81,885  |

The severance benefits are funded approximately 64.8% as of December 31, 2007 (2006 : 39.7%), through severance insurance deposits for the payment of severance benefits, which are deducted from accrued severance benefits liabilities. The beneficiaries of the severance insurance deposits are the Company's employees.

**17. Stock Appreciation Plan**

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

The options activities under the SARs for the year ended December 31, 2007 and 2006, consist of the following:

|  | <b>2007</b> | <b>2006</b> |
|--|-------------|-------------|
| Beginning number of shares under SARs  | 260,000     | 410,000     |
| Options granted                        |             |             |
| Options cancelled/expired <sup>1</sup> | 40,000      | 150,000     |
| Ending number of shares under SARs     | 220,000     | 260,000     |

<sup>1</sup> Options were cancelled due to the retirement of several executive officers.  
The Company recognized compensation costs of (Won)560 million for the year ended December 31, 2007 (2006 : nil).

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**18. Commitments and Contingencies**

As of December 31, 2007, the Controlling Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of December 31, 2007, the Controlling Company has a revolving credit facility agreement with several banks totaling (Won)200,000 million and US\$ 100 million.

As of December 31, 2007, the Controlling Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities for up to US\$ 1,143.5 million. The Controlling Company has agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US\$ 35.5 million.

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

As of December 31, 2007, the Controlling Company entered into a payment guarantee agreements with a syndicate of banks including Kookmin Bank and Societe Generale in connection with a EUR 90 million term loan credit facility of LG.Philips LCD Poland Sp. z o.o.

LG.Philips LCD America, Inc. and other subsidiaries have entered into short-term facility agreements of up to US\$ 77 million, EUR 3.6 million, and JP¥ 5,200 million with Comerica Bank and other various banks. LG.Philips LCD Japan Co., Ltd. and LG.Philips LCD Taiwan Co., Ltd. are provided with repayment guarantees from UFJ Bank and ABN AMRO Bank amounting to JP¥1,300 million and US\$ 4 million, respectively, relating to their local tax payments.

As of December 31, 2007, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi and others, and has trademark license agreements with LG Corporation and Koninklijke Philips Electronics N.V.

The Company is involved in several legal proceedings and claims arising in the ordinary course of business. On August 29, 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process of TFT-LCDs in the United States District Court for the Central District of California. On November 21, 2006, the Jury in California issued a verdict that Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America had willfully infringed a patent owned by the Company, and awarded the Company US\$53.5 million in damages. On September 12, 2007, the United States District Court in California granted the Company's request for enhanced damages, interest for the damages, and additional damages of continuing infringement and legal fees. On September 17, 2007, the United States District Court in California granted the Company's request for permanent injunction against Chunghwa Picture Tubes to stop sale or import of infringing products in the United States.



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On May 27, 2004, the Company filed a complaint in the United States District Court for the District of Delaware against Tatung Co., the parent company of Chunghwa Picture Tubes, and ViewSonic Corp., and others claiming patent infringement of rear mountable liquid crystal display devices.

On January 10, 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against LG Electronics Inc. and the Company in the United States District Court for the Central District of California. On March 29, 2007, the United States District Court for the Central District of California dismissed the case without prejudice.

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

On November 26, 2007, the Company and Chunghwa Picture Tubes signed a settlement and patent agreement regarding the dismissal of two pending claims, and a cross licensing agreement allowing the companies to share patented technology. As part of the settlement, Chunghwa Picture Tubes will pay a settlement payment to the Company in compensation. The settlement payment is included in commission earned under non-operating income.

On January 9, 2006, New Medium Technology LLC, AV Technologies LLC, IP Innovation LLC, and Technology Licensing Corporation filed a complaint for patent infringement against the Company in the United States District Court for the Northern District of Illinois. On June 28, 2007, the Company settled with IP Innovation LLC and Technology Licensing Corporation, and the case was dismissed on July 6, 2007.

On December 1, 2006, the Company filed a complaint against Chi Mei Optoelectronics Corp., AU Optronics Corp., Tatung Company, ViewSonic Corp. and others alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCDs in the United States District Court for the District of Delaware. On March 8, 2007, AU Optronics Corp. countersued the Company in the United States District Court for the Western District of Wisconsin, but the case was transferred to United States District Court for the District of Delaware due to the Company's motion to transfer. On May 4, 2007, Chi Mei Optoelectronics Co. countersued the Company for patent infringement in the United States District Court for the Eastern District of Texas.

On December 6, 2007, the Company and Tatung Co. signed a settlement agreement regarding the dismissal of pending claims. On January 19, 2008, the Company and ViewSonic Corp. signed a settlement agreement regarding the dismissal of pending claims.

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On April 14, 2006, Positive Technologies, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against, among others, several of the Company's customers, including BenQ America Corp., Hitachi America Ltd., Panasonic Corp. of North America, Philips Electronics North America Corp. and Toshiba America, Inc. for alleged infringement of two of its patents relating to LCD displays. Positive Technologies, Inc. is seeking, among other things, damages for past infringement. On March 7, 2007, the United States District Court for the Eastern District of Texas granted the Company's intervention in the patent infringement case brought by Positive Technologies, Inc.

On February 2, 2007, Anvik Corporation filed a patent infringement case against the Company, along with other LCD manufacturing companies, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation.

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

The Company is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, US and other markets with respect to possible anti-competitive activities in the LCD industry. As of December 31, 2007, the Company, along with a number of other companies in the LCD industry, has been named as defendants in a number of purported federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels.

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

Each of these matters remains in the very early stages and the Company is not in a position to predict their outcome. However, the Company intends to defend itself vigorously in these matters.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****19. Derivatives**

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 the sale of products, capital expenditures, purchasing of materials and debt service will be adversely affected by changes in exchange rates.

A summary of said contracts is as follows :

| <i>(in millions)</i>     |                         | <b>Contract foreign</b> |                      |                      |  |
|--------------------------|-------------------------|-------------------------|----------------------|----------------------|--|
| <b>Contracting party</b> | <b>Selling position</b> | <b>Buying position</b>  | <b>exchange rate</b> | <b>Maturity date</b> |  |
| ABN Amro Bank and others | US\$ 1,550              | (Won) 1,420,488         | (Won)898.9:US\$1 ~   | January 2, 2008      |  |
|                          |                         |                         | (Won)938.8:US\$1     | March 3, 2008        |  |
| Woori Bank and others    | EUR 80                  | (Won) 104,989           | (Won)1,297.76:EUR1 ~ | January 2, 2008      |  |
|                          |                         |                         | (Won)1,352.36:EUR1   | February 27, 2008    |  |
| BNP Paribas and others   | (Won) 39,934            | JP¥ 5,000               | (Won)7.922:JP¥1 ~    | January 14, 2008     |  |
|                          |                         |                         | (Won)8.052:JP¥1      | February 14, 2008    |  |
| ABN Amro Bank and others | US\$ 87                 | JP¥ 10,000              | JP¥113.46:US\$1 ~    | January 14, 2008     |  |
|                          |                         |                         | JP¥116.05:US\$1      | February 20, 2008    |  |

As of December 31, 2007, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)4,610 million and (Won) 34,974 million, respectively. Total unrealized gains and losses of (Won)2,544 million and (Won)21,409 million, respectively, were charged to operations for the year ended December 31, 2007, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports and the purchase of materials, were recorded as accumulated other comprehensive income.

The forecasted hedged transactions are expected to be completed on March 3, 2008. The aggregate amount of all deferred gains and losses of (Won)2,066 million and (Won)13,565 million, respectively, recorded net of tax under accumulated other comprehensive income, are expected to be included in the determination of gain and loss within a year from December 31, 2007.

For the year ended December 31, 2007, the Company recorded realized exchange gains of (Won)55,132 million (2006: (Won)246,904 million) on foreign currency forward contracts upon settlement, and realized exchange losses of (Won)53,562 million (2006 : (Won)78,768 million).

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

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

A summary of these contracts is as follows:

(in millions)

| Contracting party       | Buying position | Selling position | Contract foreign exchange rate | Maturity date |
|-------------------------|-----------------|------------------|--------------------------------|---------------|
| Kookmin Bank and others | US\$ 150        |                  | 3M Libor ~                     | Aug. 29, 2011 |
|                         |                 |                  | 3M Libor+ 0.53%                | Jan. 31, 2012 |
|                         |                 | (Won) 143,269    | 4.54% - 5.35%                  |               |

As of December 31, 2007, no unrealized gains and unrealized losses of (Won) 3,452 million were recognized as accumulated other comprehensive income as these contracts fulfilled the requirements for hedge accounting for financial statement purposes, while unrealized losses of (Won)(671) million were charged to current income as these contracts did not fulfill those requirements.

For the year ended December 31, 2007, the Company recorded realized gains of (Won)919 million (2006: (Won) 361 million) and no realized loss (2006: (Won) 26,174 million) on cross-currency swap contracts upon settlement.

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

A summary of these contracts is as follows:

(in millions)

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

As of December 31, 2007, unrealized losses of (Won)4,910 million were recognized as accumulated other comprehensive income as these contracts fulfilled the requirements for hedge accounting for financial statement purposes.

For the year ended December 31, 2007, the Company recorded realized gains of (Won)4 million (2006 : (Won)6 million) and realized losses of (Won)257 million (2006 : (Won)27 million) on interest rate swap contracts upon settlement.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

The Company entered into option contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. These transactions did 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 income as gains or losses as the exchange rates change.

A summary of such contracts follows:

*(in millions)*

| Contracting party | USD Put Buying | USD Call Selling | Strike Price        | Maturity date   |
|-------------------|----------------|------------------|---------------------|-----------------|
| KDB and others    | US\$ 180       | US\$ 180         | (Won)917.00:US\$1 - | Jan. 11, 2008 - |
|                   |                |                  | (Won)932.00:US\$1   | Mar. 31, 2008   |

*(in millions)*

| Contracting party   | JPY Call Buying | JPY Put Selling | Strike Price      | Maturity date   |
|---------------------|-----------------|-----------------|-------------------|-----------------|
| Citibank and others | JP¥ 10,000      | JP¥ 10,000      | (Won)7.850:JP¥1 - | Jan. 11, 2008 - |
|                     |                 |                 | (Won)8.300:JP¥1   | Feb. 14, 2008   |

As of December 31, 2007, unrealized gains of (Won) 4,080 million and unrealized losses of (Won) 775 million were charged to current income, as these contracts did not fulfill the requirements for hedge accounting for financial statement purposes.

For the year ended December 31, 2007, the Company recorded realized gains of (Won)54 million (2006: nil) and no losses (2006: nil) upon settlement of target forward option contracts, and realized gains of (Won)5,808 million and losses of (Won)832 million (2006 : nil) upon settlement of range forward options.

**20. Capital Stock**

On February 28, 2007, at their Annual General Meeting, the shareholders approved the increase in the authorized shares from 400 million to 500 million. The number of issued common shares as of December 31, 2007 and 2006, is 357,815,700.

There was no issuance and other movement in common stock from January 1, 2006 to December 31, 2007.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****21. Capital Surplus and Retained Earnings**

Capital surplus as of December 31, 2007 and 2006, consists of:

| <i>(in millions of Korean won)</i> | <b>2007</b>     | <b>2006</b>     |
|------------------------------------|-----------------|-----------------|
| Additional paid in capital         | (Won) 2,251,113 | (Won) 2,251,113 |
| Conversion right <sup>1</sup>      | 59,958          | 24,059          |
|                                    | (Won) 2,311,071 | (Won) 2,275,172 |

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

Retained earnings as of December 31, 2007 and 2006, consist of:

| <i>(in millions of Korean won)</i>   | <b>2007</b>     | <b>2006</b>     |
|--------------------------------------|-----------------|-----------------|
| Legal reserve                        | (Won) 60,086    | (Won) 60,086    |
| Reserve for business rationalization | 68,251          | 68,251          |
| Unappropriated retained earnings     | 4,055,063       | 2,711,036       |
|                                      | (Won) 4,183,400 | (Won) 2,839,373 |

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

**22. Accumulated other comprehensive income (loss)**

Accumulated other comprehensive income as of December 31, 2007 and 2006, consists of:

| <i>(in millions of Korean won)</i>                       | <b>2007</b>  | <b>2006</b>    |
|--|--------------|----------------|
| Overseas subsidiary translation adjustment <sup>1</sup>  | (Won) 20,222 | (Won) (26,550) |
| Gain on valuation of derivative instruments <sup>1</sup> | 1,498        | 24,423         |
| Loss on valuation of derivative instruments <sup>1</sup> | (15,897)     | (11,821)       |

(Won) 5,823

(Won) (13,948)

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

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****23. Income Taxes**

Income tax expense (benefit) for the years ended December 31, 2007 and 2006, consists of:

| <i>(in millions of Korean won)</i>                                     | <b>2007</b>   | <b>2006</b>     |
|--|---------------|-----------------|
| Current accrued income taxes   | (Won) 86,321  | (Won) 7,589     |
| Changes in deferred income taxes from temporary differences            | (3,623)       | (21,015)        |
| Changes in deferred income taxes from tax credit                       | (126,711)     | 16,017          |
| Changes in deferred income taxes added to shareholders' equity         | (5,548)       | (6,261)         |
| Changes in deferred income taxes from accumulated deficit carryforward | 248,493       | (248,493)       |
| Income tax expense (benefit)   | (Won) 198,932 | (Won) (252,163) |

<sup>1</sup> Changes in deferred income taxes added to shareholders' equity as of December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i>          | <b>2007</b>   | <b>2006</b>   |
|---|---------------|---------------|
| Changes in deferred income taxes            |               |               |
| Overseas subsidiary translation adjustment  | (Won) (2,173) | (Won) (426)   |
| Gain on valuation of derivative instruments | 8,696         | (676)         |
| Loss on valuation of derivative instruments | 1,546         | (1,081)       |
|   | 8,069         | (2,183)       |
| Changes in income tax Conversion rights     | (13,617)      | (4,078)       |
|   | (Won) (5,548) | (Won) (6,261) |

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, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | <b>2007</b> | <b>2006</b>  |
|------------------------------------|-------------|--------------|
| Inventories                        | (Won) 5,978 | (Won) 21,267 |
| Derivatives                        | 3,898       | 492          |
| Property, plant and equipment      | 63,733      | 59,974       |
| Warranty liabilities               | 12,348      | 8,840        |



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|  |               |               |
|--|---------------|---------------|
| Tax credit carryforward                              | 403,670       | 436,486       |
| Deferred income taxes from net losses carryforward   |               | 248,493       |
| Deferred income taxes added to shareholders' equity  | 6,303         | (10,892)      |
| Others   | (11,946)      | (2,990)       |
| Deduction of unrealizable deferred income tax assets |               | (159,527)     |
|  | (Won) 483,984 | (Won) 602,143 |

Available tax credits as of December 31, 2007, amounted to (Won)448,522 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

The reconciliation between income before income taxes and taxable income (loss) for the years ended December 31, 2007 and 2006, is as follows:

| <i>(in millions of Korean won)</i> | 2007            | 2006              |
|------------------------------------|-----------------|-------------------|
| Income (Loss) before income taxes  | (Won) 1,542,959 | (Won) (1,021,476) |
| Add (deduct) :                     |                 |                   |
| Temporary differences              | (12,370)        | 127,585           |
| Permanent differences              | 100,025         | 12,419            |
| Taxable income (loss)              | (Won) 1,630,614 | (Won) (881,472)   |

The statutory income tax rate, including resident tax surcharges, applicable to the Controlling Company is 27.5% for the years ended December 31, 2007 and 2006. The statutory income tax rates applicable to overseas subsidiaries are approximately 15.0%~34.0%.

Under the Foreign Investment Promotion Act of Korea, from September 1999, the Controlling 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, 2007, is 12.89% (2006: negative 24.69%).

Changes in accumulated temporary differences for the year ended December 31, 2007, are as follows:

| <i>(in millions of Korean won)</i>   | January 1, 2007 | Increase (decrease) | December 31, 2007 |
|--------------------------------------|-----------------|---------------------|-------------------|
| Inventories                          | (Won) 76,962    | (Won) (52,726)      | (Won) 24,236      |
| Derivatives                          | 1,790           | 13,771              | 15,561            |
| Property, plant and equipment        | 196,731         | 193,495             | 390,226           |
| Warranty reserve                     | 31,261          | 18,034              | 49,295            |
| Others                               | 45,045          | (12,508)            | 32,537            |
| Total                                | (Won) 351,789   | (Won) 160,066       | (Won) 511,855     |
| (Addition to) Deduction from capital | (Won) (39,607)  | (Won) 62,529        | (Won) 22,922      |
| Tax credit carryforward              | (Won) 436,486   | (Won) (12,036)      | (Won) 448,522     |

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|                       |               |                 |       |
|-----------------------|---------------|-----------------|-------|
| Net loss carryforward | (Won) 903,610 | (Won) (903,610) | (Won) |
|-----------------------|---------------|-----------------|-------|

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****24. Comprehensive Income and Loss**

Comprehensive income and loss for the years ended December 31, 2007 and 2006, consist of the following :

| <i>(in millions of Korean won)</i>                         | <b>2007</b>     | <b>2006</b>     |
|--|-----------------|-----------------|
| Net income (loss)  | (Won) 1,344,027 | (Won) (769,313) |
| Gain (loss) on overseas subsidiary translation adjustments |                 |                 |
| (tax effect : (Won)(2,173) million in 2007)                | 46,772          | (14,821)        |
| Gain on valuation of derivatives                           |                 |                 |
| (tax effect : (Won)8,696 million in 2007)                  | (22,925)        | (4,870)         |
| Loss on valuation of derivatives                           |                 |                 |
| (tax effect : (Won)1,546 million in 2007)                  | (4,076)         | 7,161           |
| Comprehensive income (loss)                                | (Won) 1,363,798 | (Won) (781,843) |

**25. Cost of Sales**

Cost of sales for the years ended December 31, 2007 and 2006, consists of the following :

| <i>(in millions of Korean won)</i> | <b>2007</b>      | <b>2006</b>      |
|------------------------------------|------------------|------------------|
| Finished goods                     |                  |                  |
| Beginning balance of inventories   | (Won) 572,210    | (Won) 329,378    |
| Cost of goods manufactured         | 11,964,674       | 11,157,798       |
| Ending balance of inventories      | (453,034)        | (572,210)        |
|                                    | 12,083,850       | 10,914,966       |
| Others                             | 31,513           | 17,350           |
|                                    | (Won) 12,115,363 | (Won) 10,932,316 |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****26. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>         | <b>2007</b>   | <b>2006</b>   |
|--|---------------|---------------|
| Salaries                                   | (Won) 111,150 | (Won) 68,393  |
| Severance benefits                         | 8,574         | 5,612         |
| Employee benefits                          | 12,888        | 9,274         |
| Freight expenses                           | 194,081       | 188,796       |
| Rental expenses                            | 10,947        | 13,777        |
| Commission expenses                        | 93,090        | 71,761        |
| Entertainment expenses                     | 4,080         | 3,508         |
| Depreciation                               | 15,020        | 7,003         |
| Taxes and dues                             | 6,693         | 4,317         |
| Advertising expenses                       | 30,433        | 24,143        |
| Promotion expenses                         | 17,487        | 11,301        |
| Development costs                          | 3,260         | 1,553         |
| Research expenses                          | 102,864       | 81,083        |
| Bad debt expenses                          | 6,638         |               |
| Product warranty expenses and SVC expenses | 77,852        | 46,013        |
| Others                                     | 37,539        | 34,388        |
|  | (Won) 732,596 | (Won) 570,922 |

**27. Earnings Per Share**

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

Earnings (Loss) per share for the three-month periods and years ended December 31, 2007 and 2006, are calculated as follows:

| <i>(in millions, except for per share amount)</i>         | <b>For the three-month<br/>periods ended December 31,</b> |                 | <b>For the years<br/>ended December 31,</b> |                 |
|---|---|-----------------|---|-----------------|
|   | <b>2007</b>   | <b>2006</b>     | <b>2007</b>                                 | <b>2006</b>     |
| Net income (loss) as reported on the statements of income | (Won) 759,908   | (Won) (174,345) | (Won) 1,344,027                             | (Won) (769,313) |

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|  |       |       |       |       |       |       |       |         |
|--|-------|-------|-------|-------|-------|-------|-------|---------|
| Weighted-average number of common shares outstanding |       | 358   |       | 358   |       | 358   |       | 358     |
| Basic earnings (loss) per share                      | (Won) | 2,124 | (Won) | (487) | (Won) | 3,756 | (Won) | (2,150) |
| Diluted earnings (loss) per share                    | (Won) | 2,076 | (Won) | (487) | (Won) | 3,716 | (Won) | (2,150) |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

Diluted earnings (Loss) per share for the three-month period and year ended December 31, are calculated as follows:

| <i>(in millions, except for per share amount)</i>  | <b>For the three-month<br/>period ended<br/>December 31, 2007</b> | <b>For the year<br/>ended<br/>December 31, 2007</b> |
|--|---|---|
| Net income allocated to common stock   | (Won) 759,908   | (Won) 1,344,027                                     |
| Add : Interest expense on convertible bonds <sup>1</sup>   | 4,765   | 13,186  |
| Diluted net income allocated to common stock   | 764,673   | 1,357,213   |
| Weighted average number of common shares and diluted securities<br>outstanding during the period | 368   | 365   |
| Diluted earnings per share   | (Won) 2,076   | (Won) 3,716   |

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

**28. Dividends**

The details of cash dividends for the year ended December 31, 2007, are as follows:

| <i>(in millions, except for per share amount)</i> | <b>2007</b>               |
|---|---------------------------|
| Number of outstanding shares                      | 358                       |
| Dividend ratio                                    | 15% ((Won) 750 per share) |
| Dividend amount                                   | (Won) 268,362             |

The dividend payout ratio and dividend yield ratio for the year ended December 31, 2007, are as follows:

|                       | <b>2007</b> |
|-----------------------|-------------|
| Dividend payout ratio | 19.97%      |
| Dividend yield ratio  | 1.52%       |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****29. Related Party Transactions**

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

Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2007 and 2006, and the related account balances outstanding as of December 31, 2007 and 2006, are summarized as follows:

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

| <i>(in millions of Korean won)</i> | 2007             | 2006            |
|------------------------------------|------------------|-----------------|
| Sales <sup>1</sup>                 | (Won) 11,356,386 | (Won) 8,632,419 |
| Purchases                          | 370,669          | 149,502         |
| Accounts receivable                | 1,921,164        | 1,167,626       |
| Accounts payable                   | 67,342           | 27,449          |

<sup>1</sup> Includes sale of property, plant and equipment amounting to (Won)35,608 million.

**Between consolidated subsidiaries**

| <i>(in millions of Korean won)</i> | 2007        | 2006        |
|------------------------------------|-------------|-------------|
| Accounts receivable and payable    | (Won) 4,007 | (Won) 3,867 |
| Sales and purchases                | 54,619      | 1,393,359   |

In the normal course of business, the Company purchases raw materials from, and sells its products to, shareholder companies and other companies within the LG Group. Such transactions and the related accounts receivable and payable, excluding consolidated subsidiaries, during the year ended December 31, 2007 and 2006, and as of December 31, 2007 and 2006, are summarized as follows:

| <i>(in millions of Korean won)</i>                                     | Sales <sup>1</sup>     |                        | Purchases <sup>1</sup> |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | 2007                   | 2006                   | 2007                   | 2006                   |
| Parents company <sup>2</sup>   | (Won) 2,516,874        | (Won) 1,729,344        | (Won) 81,616           | (Won) 134,236          |
| Companies that has significant influence over the Company <sup>3</sup> | 1,704,297              | 1,331,407              | 31,011                 | 87,701                 |
| Equity-method investee <sup>4</sup>                                    |                        | 6                      | 309,162                | 162,182                |
| Other related parties <sup>5</sup>                                     | 1,254,798              | 1,000,729              | 1,979,849              | 2,247,567              |
| <b>Total</b>   | <b>(Won) 5,475,969</b> | <b>(Won) 4,061,486</b> | <b>(Won) 2,401,638</b> | <b>(Won) 2,631,686</b> |



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| <i>(in millions of Korean won)</i>                                     | Receivables          |                      | Payables             |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2007                 | 2006                 | 2007                 | 2006                 |
| Parents company <sup>2</sup>   | (Won) 400,348        | (Won) 138,959        | (Won) 26,003         | (Won) 13,574         |
| Companies that has significant influence over the Company <sup>3</sup> | 259,580              | 114,909              | 8,654                | 6,411                |
| Equity-method investee <sup>4</sup>                                    |                      |                      | 30,291               | 22,535               |
| Other related parties <sup>5</sup>                                     | 114,539              | 73,485               | 371,079              | 436,614              |
| <b>Total</b>   | <b>(Won) 774,467</b> | <b>(Won) 327,353</b> | <b>(Won) 436,027</b> | <b>(Won) 479,134</b> |

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Notes to Non-Consolidated Financial Statements

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<sup>1</sup> Includes sale of (Won)85 million and purchases of property, plant and equipment amounting to (Won)302,075 million.

<sup>2</sup> LG Electronics Inc.

<sup>3</sup> LG Corp. , Koninklijke Philips Electronics N.V.

<sup>4</sup> Paju Electric Glass Co., Ltd.

<sup>5</sup> LG Management Development Institute Co., Ltd., LG Micron Ltd., LG Household and Healthcare, LG CNS, LG N-sys, LG Powercom Corp., Serveone, LG Innotek,

LG Telecom Co., Ltd., LG Chem Co., Ltd., LG International, LG Dacom Corporation,

Hi Logistics Co. Ltd., Siltron Inc., Lusem Co., Ltd., and others.

Key management<sup>6</sup> compensation costs for the years ended December 31, 2007 and 2006, consist of:

| <i>(in millions of Korean won)</i> | 2007        | 2006        |
|------------------------------------|-------------|-------------|
| Officers salaries                  | (Won) 1,732 | (Won) 1,506 |
| Post-retirement benefits           | 688         | 374         |
| Compensation for stock options     | 560         |             |
|                                    | (Won) 2,980 | (Won) 1,880 |

<sup>6</sup> Key management refers to the directors who have significant control and responsibilities on the Company's operations and business. Total ceiling for compensation for such directors in 2007 is (Won)13.4 billion.

**30. Value Added Information**

Value added information for the years ended December 31, 2007 and 2006, consists of the following:

| <i>(in millions of Korean won)</i> | Cost of Sales | Selling and administrative expenses | 2007<br>Research and development expenses | Construction-in-progress | Total         |
|------------------------------------|---------------|-------------------------------------|---|--------------------------|---------------|
| Salaries and wages                 | (Won) 591,901 | (Won) 111,150                       | (Won) 45,840                              | (Won) 214                | (Won) 749,105 |
| Severance benefits                 | 50,042        | 8,574                               | 3,691                                     | 521                      | 62,828        |
| Employee fringe benefits           | 93,836        | 12,887                              | 4,932                                     | 9                        | 111,664       |
| Rent                               | 2,831         | 10,947                              | 522                                       |                          | 14,300        |
| Depreciation <sup>1</sup>          | 2,794,790     | 15,020                              | 20,207                                    | 1,296                    | 2,831,313     |

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|                |                 |               |              |             |                 |
|----------------|-----------------|---------------|--------------|-------------|-----------------|
| Taxes and dues | 7,572           | 6,693         | 252          | 14,517      |                 |
|                | (Won) 3,540,972 | (Won) 165,271 | (Won) 75,444 | (Won) 2,040 | (Won) 3,783,727 |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidates Financial Statements****December 31, 2007 and 2006**

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

<sup>1</sup> Includes amortization of intangible assets.

**31. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 93% of total sales for the year ended December 31, 2007.

The following is a summary of operations by country based on the location for the years ended December 31, 2007 :

|                     | Korea           |                  | Asia            |                 | America         |                   | Europe           |  | Consolidation Adjustment |  | Consolidation |  |
|---------------------|-----------------|------------------|-----------------|-----------------|-----------------|-------------------|------------------|--|--------------------------|--|---------------|--|
|                     | Domestic        | Export           |                 |                 |                 |                   |                  |  |                          |  |               |  |
| Total sales         | (Won) 1,028,323 | (Won) 13,134,808 | (Won) 7,699,766 | (Won) 1,561,192 | (Won) 2,650,445 | (Won) (986)       | (Won) 26,073,548 |  |                          |  |               |  |
| Inter-company sales |                 | (11,301,640)     | (302,531)       | (698)           | (116,713)       |                   | (11,721,582)     |  |                          |  |               |  |
| Net sales           | (Won) 1,028,323 | (Won) 1,833,168  | (Won) 7,397,235 | (Won) 1,560,494 | (Won) 2,533,732 | (Won) (986)       | (Won) 14,351,966 |  |                          |  |               |  |
| Operating income    |                 | (Won) 1,491,135  | (Won) 12,676    | (Won) 3,977     | (Won) 10,466    | (Won) (14,247)    | (Won) 1,504,007  |  |                          |  |               |  |
| Total assets        |                 | (Won) 13,394,435 | (Won) 1,766,886 | (Won) 227,361   | (Won) 922,059   | (Won) (2,530,906) | (Won) 13,779,835 |  |                          |  |               |  |

**32. Supplemental Cash Flow Information**

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Significant transaction not affecting cash flow for the years ended December 31, 2007 and 2006, follows:

| <i>(in millions of Korean won)</i>  | 2007          | 2006          |
|---|---------------|---------------|
| Other accounts payable arising from the purchase of property, plant and equipment | (Won) 237,648 | (Won) 854,019 |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****33. Operating Results for the Final Interim Period**

Significant operating results for the three-month periods ended December 31, 2007 and 2006, are as follows :

| <i>(in millions of Korean won, except per share amount)</i> | <b>2007</b>     | <b>2006</b>     |
|---|-----------------|-----------------|
| Sales   | (Won) 4,321,864 | (Won) 3,065,294 |
| Cost of sales   | (3,239,956)     | (3,090,235)     |
| Operating income (loss)                                     | 868,782         | (176,588)       |
| Net income (loss)   | 759,908         | (174,345)       |
| Basic earnings (loss) per share                             | 2,124           | (487)           |
| Diluted earnings (loss) per share                           | 2,076           | (487)           |

**34. Subsequent Events**

On January 1, 2008, the Controlling Company entered into a contract to acquire the Active Matrix-Organic Light Emitting Diodes ( AM OLED ) business from LG Electronics Inc., its parent company, by taking over the AM OLED business related inventories, intellectual property rights and employees.

On February 4, 2008, the Board of Directors changed the trade name of the Controlling Company to LG Display Co., Ltd. This change will be ratified by the shareholders during the 23rd Shareholders Meeting scheduled to be held on February 29, 2008.

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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, 2007 and 2006, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years ended December 31, 2007 and 2006, and the statement of changes in shareholders' equity for the year ended December 31, 2007, 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 conformity with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits 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, 2007 and 2006, and the results of its operations, the changes in its retained earnings and its cash flows for the years ended December 31, 2007 and 2006, and its changes in shareholders' equity for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea.

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**Notes to Non-Consolidated Financial Statements**

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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, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

February 15, 2008

This report is effective as of February 15, 2008, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Balance Sheets****December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i>                                       | <b>2007</b>             | <b>2006</b>             |
|--|-------------------------|-------------------------|
| <b>Assets</b>  |                         |                         |
| Current assets   |                         |                         |
| Cash and cash equivalents (Note 3)                                       | (Won) 1,109,749         | (Won) 788,066           |
| Short-term financial instruments (Note 3)                                | 785,000                 |                         |
| Available-for-sale securities  | 63                      | 23                      |
| Trade accounts and notes receivable, net (Notes 4, 5 and 27)             | 2,462,946               | 1,049,408               |
| Other accounts receivable, net (Notes 4 and 5)                           | 121,687                 | 27,036                  |
| Accrued income, net (Note 4)   | 14,044                  | 820                     |
| Advance payments, net (Note 4)   | 2,743                   | 5,431                   |
| Prepaid expenses   | 33,475                  | 22,051                  |
| Prepaid value added tax (Note 5)   | 94,564                  | 52,837                  |
| Deferred income tax assets (Note 21)                                     | 330,277                 |                         |
| Other current assets (Note 17)   | 9,109                   | 50,608                  |
| Inventories, net (Notes 6, 10 and 23)                                    | 680,596                 | 735,376                 |
| <b>Total current assets</b>  | <b>5,644,253</b>        | <b>2,731,656</b>        |
| Long-term financial instruments (Note 3)                                 | 13                      | 13                      |
| Equity-method investments (Note 7)                                       | 489,101                 | 361,545                 |
| Property, plant and equipment, net (Notes 8 and 10)                      | 6,830,600               | 8,860,076               |
| Intangible assets, net (Note 9)  | 111,530                 | 114,182                 |
| Long-term non-trade receivables (Note 4)                                 | 364                     |                         |
| Long-term prepaid expenses   | 155,584                 | 137,974                 |
| Deferred income tax assets (Note 21)                                     | 134,055                 | 593,063                 |
| Other non-current assets   | 28,935                  | 17,338                  |
| <b>Total assets</b>  | <b>(Won) 13,394,435</b> | <b>(Won) 12,815,847</b> |
| <b>Liabilities and Shareholders Equity</b>                               |                         |                         |
| Current liabilities  |                         |                         |
| Trade accounts and notes payable (Notes 5 and 27)                        | (Won) 980,566           | (Won) 943,924           |
| Other accounts payable (Note 5)  | 554,920                 | 1,066,642               |
| Advances received  | 12,360                  | 461                     |
| Withholdings   | 6,726                   | 9,045                   |
| Accrued expenses   | 172,270                 | 67,814                  |
| Income tax payable (Note 21)   | 72,342                  |                         |
| Warranty reserve (Note 11)   | 49,295                  | 28,015                  |
| Current portion of long-term debts and debentures (Note 12)              | 350,281                 | 553,089                 |
| Other current liabilities (Note 17)                                      | 46,650                  | 25,399                  |
| <b>Total current liabilities</b>   | <b>2,245,410</b>        | <b>2,694,389</b>        |
| Debentures, net of current portion and discounts on debentures (Note 13) | 1,998,147               | 2,319,391               |

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|   |                         |                         |
|---|-------------------------|-------------------------|
| Long-term debts, net of current portion (Note 13)                   | 807,510                 | 830,540                 |
| Long-term accrued expenses (Notes 15 and 27)                        | 560                     |                         |
| Accrued severance benefits, net (Note 14)                           | 53,435                  | 81,851                  |
| <b>Total liabilities</b>  | <b>5,105,062</b>        | <b>5,926,171</b>        |
| Commitments and contingencies (Note 16)                             |                         |                         |
| <b>Shareholders' equity</b>   |                         |                         |
| Capital stock   |                         |                         |
| Common stock (Notes 1 and 18)                                       | 1,789,079               | 1,789,079               |
| Capital surplus (Note 19)   | 2,311,071               | 2,275,172               |
| Accumulated other comprehensive income (loss), net (Notes 7 and 20) | 5,823                   | (13,948)                |
| Retained earnings (Note 19)   | 4,183,400               | 2,839,373               |
| <b>Total shareholders' equity</b>                                   | <b>8,289,373</b>        | <b>6,889,676</b>        |
| <b>Total liabilities and shareholders' equity</b>                   | <b>(Won) 13,394,435</b> | <b>(Won) 12,815,847</b> |

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, 2007 and 2006

| <i>(in millions of Korean won, except per share amounts)</i> | <b>2007</b>      | <b>2006</b>      |
|--|------------------|------------------|
| <b>Sales (Notes 27 and 29)</b>                               | (Won) 14,163,131 | (Won) 10,200,660 |
| <b>Cost of sales (Notes 23 and 28)</b>                       | 12,076,688       | 10,688,068       |
| Gross profit (loss)  | 2,086,443        | (487,408)        |
| <b>Selling and administrative expenses (Notes 24 and 28)</b> | 595,308          | 457,800          |
| Operating income (loss)                                      | 1,491,135        | (945,208)        |
| <b>Non-operating income</b>                                  |                  |                  |
| Interest income  | 54,080           | 26,178           |
| Rental income  | 3,796            | 7,811            |
| Foreign exchange gains                                       | 255,307          | 182,386          |
| Gain on foreign currency translation (Note 17)               | 35,620           | 50,945           |
| Gain on valuation of equity method investments (Note 7)      | 29,013           | 58,513           |
| Gain on disposal of property, plant and equipment            | 6,561            | 518              |
| Commission earned (Note 16)                                  | 175,233          | 29,366           |
| Gain on redemption of debentures                             | 1,868            |                  |
| Others   | 10,235           | 15,114           |
|  | 571,713          | 370,831          |
| <b>Non-operating expenses</b>                                |                  |                  |
| Interest expenses  | 185,690          | 159,339          |
| Foreign exchange losses                                      | 192,847          | 234,859          |
| Loss on foreign currency translation (Note 17)               | 35,299           | 13,423           |
| Donations  | 2,314            | 1,821            |
| Loss on disposal of accounts receivable (Note 4)             | 2,685            | 9,922            |
| Loss on valuation of equity method investments (Note 7)      | 35,347           | 11,379           |
| Loss on disposal of available-for-sale securities            |                  | 35               |
| Loss on disposal of property, plant and equipment            | 3,498            | 1,046            |
| Impairment loss on property, plant, and equipment (Note 8)   | 40,098           |                  |
| Loss on disposal of investment assets                        |                  | 118              |
| Ramp up costs (Note 6)                                       |                  | 18,043           |
| Loss on redemption of debentures (Note 13)                   | 19,500           |                  |
| Others   | 8                | 7                |
|  | 517,286          | 449,992          |
| Income (loss) before income tax                              | 1,545,562        | (1,024,369)      |
| Income tax benefit (expense) (Note 21)                       | (201,535)        | 255,056          |

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|   |                 |                 |
|---|-----------------|-----------------|
| Net income (loss)                           | (Won) 1,344,027 | (Won) (769,313) |
| Basic earnings (loss) per share (Note 25)   | (Won) 3,756     | (Won) (2,150)   |
| Diluted earnings (loss) per share (Note 25) | (Won) 3,716     | (Won) (2,150)   |

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, 2007 and 2006

(Date of appropriations : February 29, 2008 and February 28, 2007 for the years ended December 31, 2007 and 2006, respectively)

| <i>(in millions of Korean won, except per share amount)</i>                   | 2007            | 2006            |
|---|-----------------|-----------------|
| <b>Retained earnings before appropriations</b>                                |                 |                 |
| Unappropriated retained earnings carried over from prior year                 | (Won) 2,711,036 | (Won) 3,480,349 |
| Net income (loss)   | 1,344,027       | (769,313)       |
|   | 4,055,063       | 2,711,036       |
| <b>Appropriation of retained earnings</b>                                     |                 |                 |
| Legal reserve   | 26,836          |                 |
| Cash dividend (Dividend per share: (Won)750) (Note 26)                        | 268,362         |                 |
|   | 295,198         |                 |
| <b>Unappropriated retained earnings carried forward to the following year</b> | (Won) 3,759,865 | (Won) 2,711,036 |

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

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statement of Changes in Shareholders' Equity****Year Ended December 31, 2007**

| <i>(in millions of Korean won)</i>                    | <b>Capital<br/>stock</b> | <b>Capital<br/>surplus</b> | <b>Accumulated<br/>other<br/>comprehensive<br/>Income</b> | <b>Retained<br/>earnings</b> | <b>Total</b>    |
|---|--------------------------|----------------------------|---|------------------------------|-----------------|
| Balance as of January 1, 2007                         | (Won) 1,789,079          | (Won) 2,275,172            | (Won) (13,948)  | (Won) 2,839,373              | (Won) 6,889,676 |
| Net income (loss)                                     |                          |                            |   | 1,344,027                    | 1,344,027       |
| Changes in consideration for conversion rights        |                          | 35,899                     |   |                              | 35,899          |
| Changes in equity securities (Note 22)                |                          |                            | 46,772  |                              | 46,772          |
| Changes in gain on valuation of derivatives (Note 22) |                          |                            | (22,925)  |                              | (22,925)        |
| Changes in loss on valuation of derivatives (Note 22) |                          |                            | (4,076)   |                              | (4,076)         |
| Balance as of December 31, 2007                       | (Won) 1,789,079          | (Won) 2,311,071            | (Won) 5,823   | (Won) 4,183,400              | (Won) 8,289,373 |

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, 2007 and 2006**

| <i>(in millions of Korean won)</i>   | <b>2007</b>      | <b>2006</b>      |
|--|------------------|------------------|
| <b>Cash flows from operating activities</b>  |                  |                  |
| Net income (loss)  | (Won) 1,344,027  | (Won) (769,313)  |
| Adjustments to reconcile net income (loss)<br>to net cash provided by operating activities |                  |                  |
| Depreciation (Note 8)  | 2,610,254        | 2,521,931        |
| Amortization of intangible assets (Note 9)   | 45,452           | 44,231           |
| Loss (gain) on disposal of property, plant and equipment, net                              | (3,063)          | 528              |
| Impairment loss on property, plant and equipment (Note 8)                                  | 40,098           |                  |
| Gain on foreign currency translation, net  | (7,932)          | (47,145)         |
| Amortization of discount on debentures   | 45,323           | 35,615           |
| Loss on redemption of debentures, net  | 17,632           |                  |
| Provision for warranty reserve (Note 11)   | 72,058           | 35,641           |
| Provision for severance benefits (Note 14)   | 62,663           | 55,157           |
| Loss (gain) on valuation of equity method investments, net (Note 7)                        | 6,334            | (47,134)         |
| Loss on disposal of available-for-sale securities  |                  | 35               |
| Stock compensation cost (Note 15)  | 560              |                  |
| Loss on disposal of investment assets  |                  | 118              |
|  | <b>2,889,379</b> | <b>2,598,977</b> |
| <b>Changes in operating assets and liabilities</b>   |                  |                  |
| Increase in trade accounts and notes receivable  | (1,381,517)      | (14,465)         |
| Decrease (increase) in inventories   | 54,780           | (263,611)        |
| Increase in other accounts receivable  | (94,090)         | (11,454)         |
| Decrease (increase) in accrued income  | (13,223)         | 549              |
| Decrease in advance payments   | 2,688            | 527              |
| Decrease in prepaid expenses   | 17,591           | 23,964           |
| Decrease (increase) in prepaid value added tax   | (39,367)         | 49,257           |
| Decrease in other current assets   | 16,502           | 24,502           |
| Increase in long-term prepaid expenses   | (46,625)         | (80,434)         |
| Increase in long-term other account receivable   | (364)            |                  |
| Decrease (increase) in non-current deferred income tax                                     | 123,183          | (255,057)        |
| Increase trade accounts and notes payable  | 29,968           | 381,007          |
| Increase (decrease) in other accounts payable  | 42,559           | (35,028)         |
| Increase (decrease) in advances received   | 11,899           | (148)            |
| Decrease in withholdings   | (2,319)          | (2,959)          |
| Increase (decrease) in accrued expenses  | 104,456          | (5,958)          |
| Increase (decrease) in income tax payable  | 72,342           | (19,499)         |
| Decrease in warranty reserve (Note 11)   | (50,778)         | (23,649)         |
| Decrease in other current liabilities  | (5,885)          | (9,089)          |
| Accrued severance benefits transferred from affiliated company, net (Note 14)              | 2,117            | 3,531            |
| Payments of severance benefits (Note 14)   | (48,064)         | (33,921)         |
| Decrease (increase) in severance insurance deposits (Note 14)                              | (45,242)         | 13,829           |

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|   |             |           |
|---|-------------|-----------|
| Decrease in contribution to National Pension Fund (Note 14) | 110         | 68        |
|   | (1,249,279) | (258,038) |
| Net cash provided by operating activities                   | 2,984,127   | 1,571,626 |

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows****Years ended December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i>                          | <b>2007</b>        | <b>2006</b>        |
|---|--------------------|--------------------|
| <b>Cash flows from investing activities</b>                 |                    |                    |
| Proceeds from non-current guarantee deposits                | 412                | 11,185             |
| Proceeds from disposal of property, plant and equipment     | 44,364             | 11,503             |
| Proceeds from disposal of available-for-sale securities     |                    | 349                |
| Proceeds from dividends of equity method investments        | 17,754             | 37,643             |
| Proceeds from disposal of long-term financial instruments   |                    | 3                  |
| Acquisition of equity-method investments (Note 7)           | (102,699)          | (152,481)          |
| Acquisition of short-term financial instruments (Note 3)    | (785,000)          |                    |
| Payments of non-current guarantee deposits                  | (12,009)           | (4,648)            |
| Acquisitions of available-for-sale securities               | (39)               | (53)               |
| Acquisitions of property, plant and equipment (Note 8)      | (1,250,504)        | (2,743,732)        |
| Acquisition of intangible assets (Note 9)                   | (10,477)           | (8,251)            |
| <b>Net cash used in investing activities</b>                | <b>(2,098,198)</b> | <b>(2,848,482)</b> |
| <b>Cash flows from financing activities</b>                 |                    |                    |
| Proceeds from issuance of debentures                        | 508,997            | 399,600            |
| Proceeds from issuance of long-term debts                   | 277,362            | 632,314            |
| Repayment of current portion of long-term debts             | (557,258)          | (432,017)          |
| Early redemption of debentures                              | (590,401)          |                    |
| Repayment of long-term debts                                | (202,946)          |                    |
| <b>Net cash provided by (used in) financing activities</b>  | <b>(564,246)</b>   | <b>599,897</b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>321,683</b>     | <b>(676,959)</b>   |
| <b>Cash and cash equivalents</b>                            |                    |                    |
| Beginning of the year                                       | 788,066            | 1,465,025          |
| End of the year   | (Won) 1,109,749    | (Won) 788,066      |

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, 2007 and 2006****1. The Company**

LG.Philips LCD Co., Ltd. (the "Company") was incorporated in 1985 under its original name of LG Soft, Ltd. and commenced its manufacture and sale of Thin Film Transistor Liquid Crystal Display ( TFT LCD ) in 1999. On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. 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. on August 27, 1999.

The Company listed its shares with the Korea Stock Exchange and with US Securities and Exchange Commission in July 2004.

As of December 31, 2007 and 2006, the Company's shareholders are as follows:

|                                       | 2007                |                                | 2006                |                                |
|---------------------------------------|---------------------|--------------------------------|---------------------|--------------------------------|
|                                       | Number of<br>Shares | Percentage of<br>Ownership (%) | Number of<br>Shares | Percentage of<br>Ownership (%) |
| LG Electronics Inc.                   | 135,625,000         | 37.9                           | 135,625,000         | 37.9                           |
| Koninklijke Philips Electronics N. V. | 71,225,000          | 19.9                           | 117,625,000         | 32.9                           |
| Others                                | 150,965,700         | 42.2                           | 104,565,700         | 29.2                           |
|                                       | 357,815,700         | 100.0                          | 357,815,700         | 100.0                          |

**Table of Contents**

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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2007 and 2006**

**2. Summary of Significant Accounting Policies**

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

**Basis of Financial Statement Presentation**

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

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

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

And as SKFAS Nos. 21 through 23, including No.11, became effective for the Company on January 1, 2007, the Company adopted these Standards in its financial statements as of and for the year ended December 31, 2007. However, the non-consolidated statement of changes in shareholders' equity is not presented comparatively in accordance with SKFAS No. 21.

Due to the adoption of SKFAS No.21, certain amounts in the financial statements as of and for the year ended December 31, 2006, have been reclassified to conform to the December 31, 2007 financial statement presentation. These reclassifications have no effect on previously reported net loss or shareholders' equity.

**Revenue Recognition**

Revenue from the 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, 2007 and 2006**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks, and financial instruments with maturity of three months or less at the time of purchase. These financial instruments are readily convertible into cash without significant transaction costs and bear low risks from changes in value due to interest rate fluctuations.

**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts and notes receivable. Allowances are calculated based on the estimates made through a reasonable and objective method.

**Inventories**

The quantities of inventories are determined using the perpetual method and periodic inventory count, while the costs of inventories are determined using the moving-weighted average method, except for materials-in-transit, which are stated at actual cost using the specific identification method. Inventories are stated at the lower of cost or net realizable value.

**Investments in Securities**

Costs of securities are determined using the moving-weighted average method. Investments in equity securities or debt securities are classified into trading securities, available-for-sale securities and held-to-maturity securities, depending on the acquisition and holding purpose. Investments in equity securities of companies, over which the Company exercises a significant control or influence, are recorded using the equity method of accounting. Trading securities are classified as current assets while available-for-sale securities and held-to-maturity securities are classified as long-term investments, excluding those securities that mature or are certain to be disposed of within one year, which are then classified as current assets.

Held-to-maturity securities are measured at amortized cost while available-for-sale and trading securities are measured at fair value. However, non-marketable securities, classified as available-for-sale securities, are carried at cost when the fair values are not readily determinable.

Gains and losses related to trading securities are recognized in the income statement, while unrealized gains and losses of available-for-sale securities are recognized under other comprehensive income and expense. Realized gains and losses of available-for-sale securities are recognized in the income statement.

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**Equity method Investments**

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. 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. All other changes in equity should be accounted for under other comprehensive income and expense.

**Property, Plant and Equipment**

Property, plant and equipment are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. It also includes the present value of the estimated cost of dismantling and removing the asset, and restoring the site after the termination of the asset's useful life, provided it meets the criteria for recognition of provisions.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation method and estimated useful lives:

|                               | Estimated useful lives | Depreciation Method  |
|-------------------------------|------------------------|----------------------|
| Buildings                     | 20 - 40 years          | Straight-line method |
| Structures                    | 20 - 40 years          | Straight-line method |
| Machinery and equipment       | 4 years                | Straight-line method |
| Vehicles                      | 4 years                | Straight-line method |
| Tools, furniture and fixtures | 4 years                | Straight-line method |

Expenditures incurred after the acquisition or completion of assets are capitalized if they enhance the value of the related assets over their recently appraised value or extend the useful life of the related assets. Routine maintenance and repairs are charged to expense as incurred.

**Intangible Assets**

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated based on using the following depreciation method and estimated useful lives:

|   | Estimated useful lives | Depreciation Method  |
|---|------------------------|----------------------|
| Intellectual property rights                        | 5 - 10 years           | Straight-line method |
| Rights to use electricity and gas supply facilities | 10 years               | Straight-line method |
| Rights to use industrial water facilities           | 10 years               | Straight-line method |
| Software  | 4 years                | Straight-line method |





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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2007 and 2006**

**Government grants**

Government grants received, which are to be repaid, are recorded as liability, while grants without obligation to be repaid are offset against cost of assets purchased with such grants. Grants received for a specific purpose are offset against the specific expense for which it was granted, and other grants are recorded as a gain for the period.

**Capitalized interest**

The Company capitalizes interest expense incurred on borrowings used to finance the cost of manufacturing, acquisition, and construction of inventory and property, plant, and equipment that require more than one year to complete from the initial date of manufacture, acquisition, and construction.

**Impairment loss of Assets**

When the book value of an asset is significantly greater than its recoverable value due to obsolescence, physical damage or an abrupt decline in the market value of the asset, the said decline in value is deducted from the book value to agree with recoverable amount and is recognized as an asset impairment loss for the period. When the recoverable value subsequently exceeds the book value, the impairment amount is recognized as gain for the period to the extent that the revised book value does not exceed the book value that would have been recorded without the impairment. Reversal of impairment of goodwill is not allowed.

**Discounts on Debentures**

Discounts on debentures are amortized over the term of the debentures using the effective interest rate method. Amortization of the discount is recorded as part of interest expense.

**Translation of assets and liabilities denominated in foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates of exchange in effect at the balance sheet date, and the resulting translation gains and losses are recognized in current operations.

**Currency translation for foreign operations**

Assets and liabilities of a foreign branch or company subject to the equity method of accounting for investments are translated into Korean won at the rates of exchange in effect at the balance sheet date, while their equity is translated at the exchange rate at the time of transaction, and income statement accounts at the average rate over the period. Resulting translation gains and losses are recorded as accumulated other comprehensive income and expense. Corresponding gains and losses are recognized as gain or loss when the foreign branch or company is liquidated or sold.

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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2007 and 2006**

**Provisions and Contingent liability**

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and whose amount is reasonably estimable, a corresponding amount of provision is recognized in the financial statements. However, when such outflow is dependent upon a future event, is not certain to occur, or cannot be reliably estimated, a disclosure regarding the contingent liability is made in the notes to the financial statements.

**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 with the Company 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 partially funded the accrued severance benefits through severance insurance deposits with an insurance company. Deposits made by the Company are recorded as deductions from accrued severance benefits. The excess portion of deposits over accrued severance benefits is recorded as other investments. The Company deposits certain portion severance benefits to National Pension Service according to National Pension Law. The deposit amount is recorded as deduction from accrued severance benefits.

**Sale or Discount of Accounts Receivable**

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

**Derivatives**

All derivative instruments are accounted for at their fair value according to the rights and obligations associated with the derivative contracts. The resulting changes in fair value of derivative instruments are recognized either under the income statement or shareholders' equity, depending on whether the derivative instruments qualify as a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument purchased with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The resulting changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized under the shareholders' equity under accumulated other comprehensive income and expense.

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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2007 and 2006**

**Convertible bonds**

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

**Stock Appreciation Plan**

Compensation costs for stock options granted to employees and executives are recognized on the basis of fair value. Under the fair 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 fair value of the award, and is recognized as expense over the agreed minimum service period.

**Income Tax**

Income tax expense includes the current income tax under the relevant income tax law and the changes in deferred tax assets or liabilities. Deferred tax assets and liabilities represent temporary differences between financial reporting and the tax bases of assets and liabilities. Deferred tax assets are recognized for temporary differences which will decrease future taxable income or operating loss to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax effects applicable to items in the shareholders' equity are directly reflected in the shareholders' equity.

**Approval of Non-Consolidated Financial Statements**

The December 31, 2007 non-consolidated financial statements of the Company were approved by the Board of Directors on January 15, 2008.

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Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

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

Cash and cash equivalents, and financial instruments as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions)</i>  | Annual interest<br>rate (%) as of<br>December 31, 2007 | 2007            | 2006          |
|---|--|-----------------|---------------|
| <b>Cash and cash equivalents</b>  |  |                 |               |
| Cash on hand  |  | (Won)           | (Won) 6       |
| Checking accounts   |  | 3               | 34            |
| Time deposits   | 4.9  |                 |               |
|   | ~  |                 |               |
|   | 6.15   | 972,628         | 663,480       |
| Passbook accounts in Foreign currencies<br>of US\$99 million,<br>JP¥ 716 million,<br>EUR 0.1 million,<br>PLN 99 million<br>(2006: US\$ 129 million<br>JP¥ 319 million<br>EUR 1.5 million) | 0.22   |                 |               |
|   | ~  |                 |               |
|   | 4.37   | 137,118         | 124,546       |
|   |  | 1,109,749       | 788,066       |
| <b>Short-term financial instruments</b>   |  |                 |               |
| Time deposits and others  | 5.5  |                 |               |
|   | ~  |                 |               |
|   | 7.0  | 785,000         |               |
| <b>Long-term financial instruments</b>  |  |                 |               |
| Guarantee deposits for checking accounts  |  | 13              | 13            |
|   |  | (Won) 1,894,762 | (Won) 788,079 |

As of December 31, 2007 and 2006, long-term financial instruments represent key money deposits required to maintain checking accounts and accordingly, the withdrawal of such deposits is restricted.

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**4. Receivables**

The Company's receivables, including trade accounts and notes receivable, as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>  | Gross amount    | 2007<br>Allowance for<br>doubtful accounts | Carrying value  |
|-------------------------------------|-----------------|--|-----------------|
| Trade accounts and notes receivable |                 |  |                 |
| Trade accounts receivable           | (Won) 2,436,582 | (Won) 5,139                                | (Won) 2,431,443 |
| Trade notes receivable              | 31,503          |  | 31,503          |
| Other accounts receivable           | 122,917         | 1,230                                      | 121,687         |
| Accrued income                      | 14,186          | 142  | 14,044          |
| Advance payments                    | 2,771           | 28   | 2,743           |
| Long-term other accounts receivable | 368             | 4  | 364             |
|                                     | (Won) 2,608,327 | (Won) 6,543                                | (Won) 2,601,784 |

| <i>(in millions of Korean won)</i>  | Gross amount    | 2006<br>Allowance for<br>doubtful accounts | Carrying value  |
|-------------------------------------|-----------------|--|-----------------|
| Trade accounts and notes receivable |                 |  |                 |
| Trade accounts receivable           | (Won) 1,038,587 | (Won) 910                                  | (Won) 1,037,677 |
| Trade notes receivable              | 11,731          |  | 11,731          |
| Other accounts receivable           | 27,342          | 306  | 27,036          |
| Accrued income                      | 828             | 8  | 820             |
| Advance payments                    | 5,486           | 55   | 5,431           |
|                                     | (Won) 1,083,974 | (Won) 1,279                                | (Won) 1,082,695 |

As of December 31, 2007, there are no trade bills negotiated through banks but not yet matured (2006: (Won)204,528 million).

In October 2006, the subsidiaries entered into a five-year accounts receivable selling program with Standard Chartered Bank, selling accounts receivable of four subsidiaries, namely, LG. Philips LCD America Inc., LG. Philips LCD Germany GmbH, LG. Philips LCD Shanghai Co., Ltd. and LG. Philips LCD Hong Kong Co., Ltd., on a revolving basis, of up to US\$600 million. The Company joined this program in April 2007. As of December 31, 2007, there are no accounts receivable sold. Losses, including the loss on disposal of accounts receivable, and various program and facility fees associated with the Program totaled approximately (Won)574 million for the year ended December 31, 2007.

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**5. Assets and Liabilities Denominated in Foreign Currencies**

As of December 31, 2007 and 2006, 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>                | 2007                  |                  | 2006                  |                  |
|-------------------------------------|-----------------------|------------------|-----------------------|------------------|
|                                     | Korean Won Equivalent | Foreign Currency | Korean Won Equivalent | Foreign Currency |
| Trade accounts and notes receivable | 2,433,577             | US\$ 2,313       | (Won) 1,039,254       | US\$ 994         |
|                                     |                       | JP¥ 4,796        |                       | JP¥ 3,530        |
|                                     |                       | EUR 163          |                       | EUR 71           |
| Other accounts receivable           | 107,136               | US\$ 114         | 12,575                | US\$ 4           |
|                                     |                       | JP¥ 30           |                       | JP¥ 107          |
|                                     |                       | EUR              |                       | EUR 6            |
| Prepaid value added tax             | 74,947                | PLN 197          |                       |                  |
| Trade accounts and notes payable    | 528,269               | US\$ 426         | 383,771               | US\$ 289         |
|                                     |                       | JP¥ 15,336       |                       | JP¥ 14,756       |
| Other accounts payable              | 96,109                | US\$ 85          | 84,466                | US\$ 21          |
|                                     |                       | JP¥ 1,727        |                       | JP¥ 6,999        |
|                                     |                       | EUR 2            |                       | EUR 8            |

**6. Inventories**

Inventories as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i> | 2007          | 2006          |
|------------------------------------|---------------|---------------|
| Finished products                  | (Won) 315,363 | (Won) 311,808 |
| Work-in-process                    | 216,258       | 312,231       |
| Raw materials                      | 110,652       | 129,373       |
| Supplies                           | 78,936        | 101,068       |

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|                       |               |               |
|-----------------------|---------------|---------------|
|                       | 721,209       | 854,480       |
| Less : Valuation loss | (40,613)      | (119,104)     |
|                       | (Won) 680,596 | (Won) 735,376 |

For the year ended December 31, 2007, the Company recorded no ramp-up cost (2006: (Won) 18,043 million) to counter the unusual low volume of production.

**Table of Contents****LG.Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2007 and 2006****7. Equity-method Investments**

Equity-method investments as of December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>                 | No. of shares<br>owned by the<br>Company | Percentage<br>of<br>Ownership<br>(%) | 2007                |                                 |                   |
|--|--|--------------------------------------|---------------------|---------------------------------|-------------------|
|  |  |                                      | Acquisition<br>cost | Market or<br>net asset<br>value | Carrying<br>value |
| LG.Philips LCD America, Inc.                       | 5,000,000                                | 100                                  | (Won) 6,082         | (Won) 10,297                    | (Won) 1,486       |
| LG.Philips LCD Germany GmbH                        | 960,000                                  | 100                                  | 1,252               | 6,645                           |                   |
| LG.Philips LCD Japan Co., Ltd.                     | 1,900                                    | 100                                  | 1,088               | 5,831                           | 2,660             |
| LG.Philips LCD Taiwan Co., Ltd.                    | 11,549,994                               | 100                                  | 6,076               | 15,628                          | 4,918             |
| LG.Philips LCD Nanjing Co., Ltd.                   | ( <sup>1</sup> )                         | 100                                  | 192,704             | 237,881                         | 235,386           |
| LG.Philips LCD HongKong Co., Ltd.                  | 115,000                                  | 100                                  | 1,736               | 7,564                           | 7,564             |
| LG.Philips LCD Shanghai Co., Ltd.                  | ( <sup>1</sup> )                         | 100                                  | 596                 | 3,007                           |                   |
| LG.Philips LCD Poland Sp. z o.o.                   | 4,103,277                                | 80                                   | 131,761             | 154,231                         | 154,231           |
| LG.Philips LCD Guangzhou Co, Ltd.                  | ( <sup>1</sup> )                         | 100                                  | 70,474              | 62,223                          | 58,152            |
| LG.Philips LCD Shenzhen Co., Ltd. ( <sup>2</sup> ) | ( <sup>1</sup> )                         | 100                                  | 469                 | 1,481                           |                   |
| Paju Electric Glass                                | 1,440,000                                | 40                                   | 14,400              | 25,431                          | 24,704            |
|  |  |                                      | (Won) 426,638       | (Won) 530,219                   | (Won) 489,101     |

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



- (1) No shares have been issued according to the local laws or regulation.
- (2) LG.Philips LCD Shenzhen Co., Ltd. was established in 2007.

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

A summary of investees' financial data as of and for the year ended December 31, 2007, prior to the elimination of intercompany transactions, follows:

|                                    | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total<br/>shareholders<br/>equity</b> | <b>Sales</b>     | <b>Net<br/>Income<br/>(loss)</b> |
|------------------------------------|-------------------------|------------------------------|--|------------------|----------------------------------|
| <i>(in millions of Korean won)</i> |                         |                              |  |                  |                                  |
| LG.Philips LCD America, Inc.       | (Won) 227,361           | (Won) 217,064                | (Won) 10,297                             | (Won) 1,561,192  | (Won) 793                        |
| LG.Philips LCD Germany GmbH        | 571,962                 | 565,317                      | 6,645                                    | 2,554,999        | 1,892                            |
| LG.Philips LCD Japan Co., Ltd.     | 174,058                 | 168,227                      | 5,831                                    | 1,335,073        | 888                              |
| LG.Philips LCD Taiwan Co., Ltd.    | 575,849                 | 560,221                      | 15,628                                   | 3,462,567        | 2,896                            |
| LG.Philips LCD Nanjing Co., Ltd.   | 424,772                 | 186,891                      | 237,881                                  | 272,430          | 8,927                            |
| LG.Philips LCD Hong Kong Co., Ltd. | 7,966                   | 402                          | 7,564                                    | 725,313          | 1,496                            |
| LG.Philips LCD Shanghai Co., Ltd.  | 256,811                 | 253,804                      | 3,007                                    | 1,379,368        | 1,820                            |
| LG.Philips LCD Poland Sp.z o.o.    | 350,097                 | 195,866                      | 154,231                                  | 95,446           | 8,964                            |
| LG.Philips LCD Guangzhou Co., Ltd. | 95,691                  | 33,467                       | 62,224                                   | 447              | (11,015)                         |
| LG.Philips LCD Shenzhen Co., Ltd.  | 231,739                 | 230,258                      | 1,481                                    | 524,568          | 947                              |
| Paju Electric Glass                | 117,347                 | 62,205                       | 55,142                                   | 313,773          | 14,329                           |
| Total                              | (Won) 3,033,653         | (Won) 2,473,722              | (Won) 559,931                            | (Won) 12,225,176 | (Won) 31,937                     |

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

The details of adjustments are as follows:

| Company name        | Reason for<br>adjustment              | 2007                                 |                      | Net asset value<br>after adjustment |
|---------------------|---------------------------------------|--------------------------------------|----------------------|-------------------------------------|
|                     |                                       | Net asset value<br>before adjustment | Adjustment<br>amount |                                     |
| Paju Electric Glass | Unification of<br>depreciation method | (Won) 55,142                         | (Won) 8,435          | (Won) 63,577                        |

**Table of Contents****LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006**

The details of the equity method valuation for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007                          |                              |   |  |                   |                                 |
|------------------------------------|-------------------------------|------------------------------|---|--|-------------------|---------------------------------|
|                                    | Balance as of January 1, 2007 | Acquisitions during the year | Gain (loss) on valuation of equity method investments | Accumulated other comprehensive income | Retained Earnings | Balance as of December 31, 2007 |
| <b>Investee</b>                    |                               |                              |   |  |                   |                                 |
| LG.Philips LCD America, Inc.       | (Won) 8,535                   | (Won)                        | (Won) (7,144)   | (Won) 95                               | (Won)             | (Won) 1,486                     |
| LG.Philips LCD Germany GmbH        | 7,383                         |                              | (8,072)   | 689                                    |                   |                                 |
| LG.Philips LCD Japan Co., Ltd.     | 4,048                         |                              | (1,773)   | 385                                    |                   | 2,660                           |
| LG.Philips LCD Taiwan Co., Ltd.    | 6,413                         |                              | (1,741)   | 246                                    |                   | 4,918                           |
| LG.Philips LCD Nanjing Co., Ltd.   | 205,224                       | 14,850                       | 9,863   | 18,594                                 | (13,145)          | 235,386                         |
| LG.Philips LCD HongKong Co., Ltd.  | 4,184                         |                              | 3,326   | 54                                     |                   | 7,564                           |
| LG.Philips LCD Shanghai Co., Ltd.  | 3,777                         |                              | (997)   | 389                                    | (3,169)           |                                 |
| LG.Philips LCD Poland Sp. z o.o.   | 65,806                        | 55,170                       | 8,964   | 24,291                                 |                   | 154,231                         |
| LG.Philips LCD Guangzhou Co., Ltd. | 36,891                        | 32,210                       | (15,086)  | 4,137                                  |                   | 58,152                          |
| LG.Philips LCD Shenzhen Co., Ltd.  |                               | 469                          | (534)   | 65                                     |                   |                                 |
| Paju Electric Glass                | 19,284                        |                              | 6,860   |  | (1,440)           | 24,704                          |
|                                    | (Won) 361,545                 | (Won) 102,699                | (Won) (6,334)   | (Won) 48,945                           | (Won) (17,754)    | (Won) 489,101                   |

| <i>(in millions of Korean won)</i> | 2006                          |                              |   |   |                   |                                 |
|------------------------------------|-------------------------------|------------------------------|---|---|-------------------|---------------------------------|
|                                    | Balance as of January 1, 2006 | Acquisitions during the year | Gain (loss) on valuation of equity method investments | Accumulated other comprehensive income (loss) | Retained Earnings | Balance as of December 31, 2006 |
| <b>Investee</b>                    |                               |                              |   |   |                   |                                 |
| LG.Philips LCD America, Inc.       | (Won) 6,388                   | (Won)                        | (Won) 2,917   | (Won) (770)                                   | (Won)             | (Won) 8,535                     |

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|                                       |         |        |          |          |          |         |
|---------------------------------------|---------|--------|----------|----------|----------|---------|
| LG.Philips LCD<br>Germany GmbH        | 2,100   |        | 5,178    | 105      |          | 7,383   |
| LG.Philips LCD<br>Japan Co., Ltd.     | 3,787   |        | 680      | (419)    |          | 4,048   |
| LG.Philips LCD<br>Taiwan Co., Ltd.    | 7,460   |        | (68)     | (979)    |          | 6,413   |
| LG.Philips LCD<br>Nanjing Co., Ltd.   | 176,814 | 37,643 | 39,370   | (10,960) | (37,643) | 205,224 |
| LG.Philips LCD<br>HongKong Co., Ltd.  | 2,643   |        | 1,927    | (386)    |          | 4,184   |
| LG.Philips LCD<br>Shanghai Co., Ltd.  | 611     |        | 3,313    | (147)    |          | 3,777   |
| LG.Philips LCD<br>Poland Sp. z o.o.   | 9       | 76,574 | (10,355) | (422)    |          | 65,806  |
| LG.Philips LCD<br>Guangzhou Co., Ltd. |         | 38,264 | (956)    | (417)    |          | 36,891  |
| Paju Electric Glass                   | 14,156  |        | 5,128    |          |          | 19,284  |

(Won) 213,968 (Won) 152,481 (Won) 47,134 (Won) (14,395) (Won) (37,643) (Won) 361,545

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

As of December 31, 2007 and 2006, the eliminated unrealized gains or losses in the valuation of equity method investments are as follows:

| <i>(in millions of Korean won)</i> | 2007           |                                     |                | 2006          |                                     |                |
|------------------------------------|----------------|-------------------------------------|----------------|---------------|-------------------------------------|----------------|
|                                    | Inventories    | Property,<br>plant and<br>equipment | Total          | Inventories   | Property,<br>plant and<br>equipment | Total          |
| <b>Investee</b>                    |                |                                     |                |               |                                     |                |
| LG.Philips LCD America, Inc.       | (Won) (8,811)  | (Won)                               | (Won) (8,811)  | (Won) (874)   | (Won)                               | (Won) (874)    |
| LG.Philips LCD Germany GmbH        | (14,113)       |                                     | (14,113)       | 3,319         |                                     | 3,319          |
| LG.Philips LCD Japan Co., Ltd.     | (3,171)        |                                     | (3,171)        | (511)         |                                     | (511)          |
| LG.Philips LCD Taiwan Co., Ltd.    | (10,624)       |                                     | (10,624)       | (5,987)       |                                     | (5,987)        |
| LG.Philips LCD Nanjing Co., Ltd.   |                | (2,496)                             | (2,496)        | 107           | (3,538)                             | (3,431)        |
| LG.Philips LCD HongKong Co., Ltd.  |                |                                     |                | (1,830)       |                                     | (1,830)        |
| LG.Philips LCD Shanghai Co., Ltd.  | (5,655)        |                                     | (5,655)        | (190)         |                                     | (190)          |
| LG.Philips LCD Poland Sp. z o.o.   |                |                                     |                |               |                                     |                |
| LG.Philips LCD Guangzhou Co., Ltd. |                | (4,071)                             | (4,071)        |               |                                     |                |
| LG.Philips LCD Shenzhen Co., Ltd.  | (10,126)       |                                     | (10,126)       |               |                                     |                |
| Paju Electric Glass                | (726)          |                                     | (726)          | (1,347)       |                                     | (1,347)        |
|                                    | (Won) (53,226) | (Won) (6,567)                       | (Won) (59,793) | (Won) (7,313) | (Won) (3,538)                       | (Won) (10,851) |

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LG.Philips LCD Co., Ltd.

**Notes to Non-Consolidated Financial Statements**

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**8. Property, Plant and Equipment**

Changes in property, plant and equipment for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007          |                 |               |                            |                              |                           |
|------------------------------------|---------------|-----------------|---------------|----------------------------|------------------------------|---------------------------|
|                                    | Land          | Buildings       | Structures    | Machinery and<br>equipment | Tools                        | Furniture and<br>fixtures |
| Balance as of January 1,<br>2007   | (Won) 317,161 | (Won) 1,618,448 | (Won) 134,604 | (Won) 5,671,549            | (Won) 62,114                 | (Won) 151,398             |
| Acquisition during the year        |               | 34,040          |               | 12,027                     | 778                          | 5,821                     |
| Capitalized interest               |               | 188             |               | 2,676                      |                              |                           |
| Depreciation                       |               | (89,252)        | (7,997)       | (2,396,982)                | (42,879)                     | (72,074)                  |
| Impairment loss <sup>1</sup>       |               |                 |               | (16,139)                   |                              |                           |
| Disposal                           | (77)          | (3,541)         |               | (36,591)                   | (430)                        | (605)                     |
| Transfer                           | (2,534)       | 86,505          | 419           | 616,090                    | (2,160)                      | 17,808                    |
| Subsidy (increase) decrease        |               |                 |               | (153)                      |                              |                           |
| Balance as of December 31,<br>2007 | (Won) 314,550 | (Won) 1,646,388 | (Won) 127,026 | (Won) 3,852,477            | (Won) 17,423                 | (Won) 102,348             |
| Acquisition cost                   | (Won) 314,550 | (Won) 1,989,107 | (Won) 169,317 | (Won) 14,220,479           | (Won) 115,943                | (Won) 436,509             |
| Accumulated depreciation           | (Won)         | (Won) 342,719   | (Won) 42,291  | (Won) 10,351,863           | (Won) 98,520                 | (Won) 334,161             |
| Accumulated impairment<br>loss     | (Won)         | (Won)           | (Won)         | (Won) 16,139               | (Won)                        | (Won)                     |
|                                    |               | Vehicles        | Others        | Machinery-<br>in-transit   | Construction-<br>in-progress | Total                     |
| Balance as of January 1, 2007      |               | (Won) 5,341     | (Won) 8,460   | (Won) 42,010               | (Won) 848,991                | (Won) 8,860,076           |
| Acquisition during the year        |               | 16              | 49            | 125,935                    | 492,065                      | 670,731                   |
| Capitalized interest               |               |                 |               |                            | 22,353                       | 25,217                    |
| Depreciation                       |               | (2,366)         |               |                            |                              | (2,611,550)               |
| Impairment loss <sup>1</sup>       |               |                 |               |                            | (23,959)                     | (40,098)                  |
| Disposal                           |               | (56)            |               |                            |                              | (41,300)                  |
| Transfer                           |               | 322             |               | (148,902)                  | (599,871)                    | (32,323)                  |
| Subsidy (increase) decrease        |               |                 |               |                            |                              | (153)                     |
| Balance as of December 31, 2007    |               | (Won) 3,257     | (Won) 8,509   | (Won) 19,043               | (Won) 739,579                | (Won) 6,830,600           |

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|                             |              |             |              |               |                  |
|-----------------------------|--------------|-------------|--------------|---------------|------------------|
| Acquisition cost            | (Won) 10,291 | (Won) 8,509 | (Won) 19,043 | (Won) 739,579 | (Won) 18,023,327 |
| Accumulated depreciation    | (Won) 7,034  | (Won)       | (Won)        | (Won)         | (Won) 11,176,588 |
| Accumulated impairment loss | (Won)        | (Won)       | (Won)        | (Won)         | (Won) 16,139     |

**Table of Contents****LG.Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2007 and 2006**

| <i>(in millions of Korean won)</i> | 2006          |                 |               |                            |                              |                           |
|------------------------------------|---------------|-----------------|---------------|----------------------------|------------------------------|---------------------------|
|                                    | Land          | Buildings       | Structures    | Machinery and<br>equipment | Tools                        | Furniture and<br>fixtures |
| Balance as of January 1,<br>2006   | (Won) 316,236 | (Won) 1,633,119 | (Won) 122,772 | (Won) 5,078,844            | (Won) 50,471                 | (Won) 146,673             |
| Acquisition during the year        |               | 30,971          | 748           | 34,529                     | 69                           | 33,174                    |
| Capitalized interest               |               | 1               | 2             | 19,723                     |                              |                           |
| Depreciation                       |               | (83,756)        | (7,447)       | (2,333,913)                | (21,742)                     | (73,419)                  |
| Disposal                           |               | (1,168)         |               | (993)                      | (1)                          | (109)                     |
| Transfer                           | 925           | 40,442          | 20,499        | 2,873,435                  | 33,317                       | 45,079                    |
| Subsidy (increase) decrease        |               | (1,161)         | (1,970)       | (76)                       |                              |                           |
| Balance as of December 31,<br>2006 | (Won) 317,161 | (Won) 1,618,448 | (Won) 134,604 | (Won) 5,671,549            | (Won) 62,114                 | (Won) 151,398             |
| Acquisition cost                   | (Won) 317,161 | (Won) 1,874,417 | (Won) 168,772 | (Won) 13,753,973           | (Won) 138,303                | (Won) 411,459             |
| Accumulated depreciation           | (Won)         | (Won) 255,969   | (Won) 34,168  | (Won) 8,082,424            | (Won) 76,189                 | (Won) 260,061             |
|                                    |               | Vehicles        | Others        | Machinery-<br>in-transit   | Construction-<br>in-progress | Total                     |
| Balance as of January 1, 2006      |               | (Won) 5,560     | (Won) 6,052   | (Won) 505,787              | (Won) 1,122,945              | (Won) 8,988,459           |
| Acquisition during the year        |               | 74              |               | 596,088                    | 1,686,893                    | 2,382,546                 |
| Capitalized interest               |               |                 |               |                            | 6,401                        | 26,127                    |
| Depreciation                       |               | (2,457)         |               |                            |                              | (2,522,734)               |
| Disposal                           |               |                 |               | (9,759)                    |                              | (12,030)                  |
| Transfer                           |               | 2,164           | 2,408         | (1,050,106)                | (1,968,431)                  | (268)                     |
| Subsidy (increase) decrease        |               |                 |               |                            | 1,183                        | (2,024)                   |
| Balance as of December 31, 2006    |               | (Won) 5,341     | (Won) 8,460   | (Won) 42,010               | (Won) 848,991                | (Won) 8,860,076           |
| Acquisition cost                   |               | (Won) 12,293    | (Won) 8,460   | (Won) 42,010               | (Won) 848,991                | (Won) 17,575,839          |
| Accumulated depreciation           |               | (Won) 6,952     | (Won)         | (Won)                      | (Won)                        | (Won) 8,715,763           |

<sup>1</sup> For the year ended December 31, 2007, the Company recorded impairment loss of (Won)40,098 million due to the change in the facilities investment plan.



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As of December 31, 2007, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)415,857 million (2006: (Won)403,198 million).

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Notes to Non-Consolidated Financial Statements

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The Company capitalizes the loss on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment. Capitalized loss on foreign exchange rate fluctuations and interest expenses for the year ended December 31, 2007, amount to (Won)25,217 million (2006: (Won)26,127 million).

For the year ended December 31, 2007, net loss on foreign currency translation, arising from foreign currency borrowings, which was deducted from capitalized interest expenses, is (Won)7,510 million (2006: net loss of (Won)9,628 million).

For the year ended December 31, 2007, the accumulated effects of capitalized expenses on significant accounts in the balance sheet and statement of operations are as follows:

**Balance Sheet**

| <i>(in millions of Korean won)</i> | If interest expenses were capitalized |                          | If interest expenses were expensed as incurred |                          | Difference       |                          |
|------------------------------------|---------------------------------------|--------------------------|--|--------------------------|------------------|--------------------------|
|                                    | Acquisition cost                      | Accumulated depreciation | Acquisition cost                               | Accumulated depreciation | Acquisition cost | Accumulated depreciation |
| Property, plant and equipment      | (Won) 18,023,327                      | (Won) 11,176,588         | (Won) 17,883,249                               | (Won) 11,146,931         | (Won) 140,078    | (Won) 29,657             |

**Statement of Income**

| <i>(in millions of Korean won)</i>   | If interest expenses were capitalized |           | If interest expenses were expensed as incurred |           | Difference |
|--------------------------------------|---------------------------------------|-----------|--|-----------|------------|
| Depreciation                         | (Won)                                 | 2,611,550 | (Won)  | 2,610,830 | (Won) 720  |
| Interest expense                     |                                       | 185,690   |  | 218,417   | (32,727)   |
| Gain on foreign currency translation |                                       | 35,620    |  | 43,130    | 7,510      |
| Net income                           |                                       | 1,344,027 |  | 1,319,530 | (24,497)   |

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**9. Intangible Assets**

Changes in intangible assets for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | Intellectual<br>property<br>rights | Rights for<br>usage of<br>electricity<br>and gas<br>supply<br>facilities | 2007  |             | Total         |
|------------------------------------|------------------------------------|--|---|-------------|---------------|
|                                    |                                    |  | Rights for<br>usage of<br>industrial<br>water<br>facilities | Software    |               |
| Balance as of January 1, 2007      | (Won) 106,324                      | (Won) 437  | (Won) 7,421   | (Won)       | (Won) 114,182 |
| Increase during the year           | 10,477                             | 32,177   | 146   |             | 42,800        |
| Reversal                           |                                    |  |   |             |               |
| Amortization                       | (43,880)                           | (328)  | (1,244)   |             | (45,452)      |
| Balance as of December 31, 2007    | (Won) 72,921                       | (Won) 32,286   | (Won) 6,323   | (Won)       | (Won) 111,530 |
| Acquisition cost                   | (Won) 444,883                      | (Won) 32,760   | (Won) 12,445  | (Won) 9,713 | (Won) 499,801 |
| Accumulated amortization           | (Won) 371,962                      | (Won) 474  | (Won) 6,122   | (Won) 9,713 | (Won) 388,271 |

| <i>(in millions of Korean won)</i> | Intellectual<br>property<br>rights | Rights for<br>usage of<br>electricity<br>and gas<br>supply<br>facilities | 2006  |             | Total         |
|------------------------------------|------------------------------------|--|---|-------------|---------------|
|                                    |                                    |  | Rights for<br>usage of<br>industrial<br>water<br>facilities | Software    |               |
| Balance as of January 1, 2006      | (Won) 141,013                      | (Won) 228  | (Won) 8,653   | (Won)       | (Won) 149,894 |
| Increase during the year           | 8,251                              | 268  |   |             | 8,519         |
| Reversal                           |                                    |  |   |             |               |
| Amortization                       | (42,940)                           | (59)   | (1,232)   |             | (44,231)      |
| Balance as of December 31, 2006    | (Won) 106,324                      | (Won) 437  | (Won) 7,421   | (Won)       | (Won) 114,182 |
| Acquisition cost                   | (Won) 434,407                      | (Won) 583  | (Won) 12,299  | (Won) 9,713 | (Won) 457,002 |
| Accumulated amortization           | (Won) 328,083                      | (Won) 146  | (Won) 4,878   | (Won) 9,713 | (Won) 342,820 |

The Company has classified the amortization as part of manufacturing overhead costs. The amortization expense for the year ended December 31, 2007, amounts to (Won)45,452 million (2006: (Won)44,231 million).



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Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

The details of intellectual property rights as of December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | Description                         | 2007         | 2006          | Remaining Period |
|------------------------------------|-------------------------------------|--------------|---------------|------------------|
| Intellectual property rights       | Patent relating to TFT-LCD business | (Won) 72,921 | (Won) 106,324 | 3~10 years       |

The Company expensed research and development costs of (Won)414,416 million for the year ended December 31, 2007 (2006: (Won)436,112 million).

For the years ended December 31, 2007 and 2006, 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>    | 2007         | 2006         |
|---------------------------------------|--------------|--------------|
| Training expenses                     | (Won) 7,579  | (Won) 13,247 |
| Advertising expenses                  | 30,377       | 24,024       |
| Expenses for foreign market expansion | 6,254        | 5,255        |
|                                       | (Won) 44,210 | (Won) 42,526 |

**10. Insurance Coverage**

As of December 31, 2007, inventories and property, plant and equipment are insured against fire and other casualty losses for up to (Won) 19,798,552 million, and inventories located in LG.Philips LCD Nanjing Co., Ltd. and LG.Philips LCD Poland Sp. z o.o. for up to US\$ 130 million and EUR 134million, respectively. Additionally, as of December 31, 2007, the Company insured directors and officers liabilities for up to US\$ 100 million.

**11. Warranty Reserve**

Changes in warranty reserve for the years ended December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i>   | 2007         | 2006         |
|--------------------------------------|--------------|--------------|
| Balance at the beginning of the year | (Won) 28,015 | (Won) 16,023 |
| Increase                             | 72,058       | 35,641       |

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|                                |              |              |
|--------------------------------|--------------|--------------|
| Decrease                       | 50,778       | 23,649       |
| Balance at the end of the year | (Won) 49,295 | (Won) 28,015 |

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Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**12. Current Portion of Long-Term Debts and Debentures**

Current portion of long-term debts and debentures as of December 31, 2007 and 2006, consists of the following:

*(in millions of Korean won)*

| Type of borrowing  | Creditor                            | Annual interest rates (%) as of |               |               |
|--|-------------------------------------|---------------------------------|---------------|---------------|
|  |                                     | December 31, 2007               | 2007          | 2006          |
| Long-term debts in won   | Korea Export-Import Bank and others | 5.88 ~ 6.34                     | (Won) 61,767  | (Won) 39,267  |
| Corporate bonds in won   |                                     | 5.0                             | 250,000       | 300,000       |
| Corporate bonds in foreign currency  | -                                   |                                 |               | 185,920       |
| Long-term debts in foreign currency of<br>US\$ 42 million (2006:US\$234 million) |                                     | 6ML + 1.20                      |               |               |
|  | Korea Development Bank and others   | 3ML + 0.99 ~ 1.35               | 39,404        | 32,071        |
|  |                                     |                                 | 351,171       | 557,258       |
| Less : Discounts on debentures   |                                     |                                 | (890)         | (4,169)       |
|  |                                     |                                 | (Won) 350,281 | (Won) 553,089 |

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Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

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

Long-term debts and debentures as of December 31, 2007 and 2006, consist of the following:

*(in millions of Korean won)*

| Type of borrowing  | Annual interest rates (%) as of December 31, 2007 | 2007            | 2006            |
|--|---|-----------------|-----------------|
| <b>Won currency debentures</b>   |   |                 |                 |
| Non-guaranteed, payable through 2010   | 3.5 ~ 5.0   | (Won) 1,180,000 | (Won) 1,550,000 |
| Private debentures, payable in 2011  | 5.3 ~ 5.89  | 600,000         | 600,000         |
| Less   |   |                 |                 |
| : Current portion  |   | (250,000)       | (300,000)       |
| Discounts on debentures  |   | (8,636)         | (16,036)        |
|  |   | 1,521,364       | 1,833,964       |
| <b>Foreign currency debentures</b>   |   |                 |                 |
| Floating rate notes (2006: US\$200 million)  |   |                 | 185,920         |
|  |   |                 | 185,920         |
| Less   |   |                 |                 |
| : Current portion  |   |                 | (185,920)       |
| <b>Convertible bonds<sup>1</sup></b>   |   |                 |                 |
| US dollar-denominated bonds, payable through 2012 of US\$ 550 million (2006: US\$ 475 million) |   | 511,555         | 483,780         |
| Add  |   |                 |                 |
| : Call premium   |   | 85,788          | 84,613          |
| Less   |   |                 |                 |
| : Discount on debentures   |   | (2,237)         | (2,139)         |
| Conversion adjustment  |   | (118,323)       | (80,827)        |
|  |   | 476,783         | 485,427         |
|  |   | (Won) 1,998,147 | (Won) 2,319,391 |
| <b>Won currency loans</b>  |   |                 |                 |
| General loans  | 5.88 ~ 6.34                                       | (Won) 109,117   | (Won) 238,383   |
|  | 4.25  | 18,982          | 14,634          |



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|                               |                 |   |               |               |
|-------------------------------|-----------------|---|---------------|---------------|
| Less                          |                 |   |               |               |
| :                             | Current portion |   | (61,767)      | (39,267)      |
|                               |                 |   | 66,332        | 213,750       |
| <b>Foreign currency loans</b> |                 |   |               |               |
| General loans                 |                 | 6ML+0.69~1.2,<br>3ML+0.66~1.35,<br>3ML+0.35~0.53, |               |               |
|                               |                 | 6ML+0.41  | 780,582       | 648,861       |
| Less                          |                 |   |               |               |
| :                             | Current portion |   | (39,404)      | (32,071)      |
|                               |                 |   | 741,178       | 616,790       |
|                               |                 |   | (Won) 807,510 | (Won) 830,540 |

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<sup>1</sup> On April 19, 2005, the Company issued US dollar-denominated convertible bonds totaling US\$475 million, with a zero coupon rate. On or after June 27, 2005 through April 4, 2010, the bonds are convertible into common shares at a conversion price of (Won)58,251 per share of common stock, subject to adjustment based on certain events. The bonds will mature in five years from the issue date and will be repaid at 117.49% of the principal amount at maturity. The bondholders have a put option to be repaid at 108.39% of the principal amount on October 19, 2007. On September 19, 2007, put option for US\$459.6 million was exercised and bonds were paid on October 19, 2007. On the same date, the Company exercised its call option to pay off the rest of convertible bonds amounting to US\$15.4 million which were paid in November 2007. For the year ended December 31, 2007, the Company recorded loss on redemption of debentures of (Won)19,216 million due to the redemption of convertible bonds.

On April 18, 2007, the Company issued US dollar-denominated convertible bonds totaling US\$550 million, with a zero coupon rate. On or after April 19, 2008 through April 3, 2012, the bonds are convertible into common shares at a conversion price of (Won)49,070 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 116.77 % of their principal amount at maturity. The bondholders have a put option to be repaid at 109.75 % of their principal amount on April 18, 2010. As of December 31, 2007, the number of non-converted common shares is 10,464,234. The Company is entitled to exercise a call option after three years from the closing date at the amount of the principal and interests, calculated at 3.125% of the yield to maturity, from the closing date to the repayment date. The call option can be exercised only when the market price of the common shares on each of 20 trading days in 30 consecutive trading days ending on the trading day immediately prior to the date upon which notice of such redemption is published exceeds at least 130% of the conversion price. In addition, in the event that at least 90% of the initial principal amount of the bonds have been redeemed, converted, or purchased and cancelled, the remaining bonds may also be redeemed, at the Company's option, at the amount of the principal and interests from the closing date to the repayment date prior to their maturity.

As of December 31, 2007, the foreign currency loans denominated in U.S. dollars amount to US\$ 832 million (2006: US\$ 698 million).

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The aggregate annual maturities of long-term debts outstanding as of December 31, 2007, exclusive of adjustments relating to discounts, are as follows:

(in millions of Korean won)

| For the      |                         |                    |                   |                        |                 |
|--------------|-------------------------|--------------------|-------------------|------------------------|-----------------|
| Year ending  | Won currency debentures | Won currency loans | Convertible bonds | Foreign currency loans | Total           |
| December 31, |                         |                    |                   |                        |                 |
| 2009         | (Won) 530,000           | (Won) 40,451       | (Won)             | (Won)                  | (Won) 570,451   |
| 2010         | 600,000                 | 9,873              |                   | 4,691                  | 614,564         |
| 2011         | 400,000                 | 3,797              |                   | 478,482                | 882,279         |
| 2012         |                         | 3,796              | 511,555           | 234,550                | 749,901         |
| 2013         |                         | 3,796              |                   | 23,455                 | 27,251          |
| Thereafter   |                         | 4,619              |                   |                        | 4,619           |
|              | (Won) 1,530,000         | (Won) 66,332       | (Won) 511,555     | (Won) 741,178          | (Won) 2,849,065 |

**14. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2007 and 2006, consist of the following:

| (in millions of Korean won)                      | 2007          | 2006          |
|--|---------------|---------------|
| Balance at the beginning of the year             | (Won) 136,759 | (Won) 111,992 |
| Actual severance payments                        | (48,064)      | (33,921)      |
| Transferred from/to affiliated companies, net    | 2,117         | 3,531         |
| Provision for severance benefits                 | 62,663        | 55,157        |
|  | 153,475       | 136,759       |
| Cumulative deposits to the National Pension Fund | (530)         | (640)         |
| Severance insurance deposit                      | (99,510)      | (54,268)      |
| Balance at the end of the year                   | (Won) 53,435  | (Won) 81,851  |

The severance benefits are funded approximately 64.8% as of December 31, 2007 (2006 : 39.7%), 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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On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) to certain executives. Under the terms of this plan, the 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 per share due to the additional issuance of common stock in 2005. These SARs are exercisable starting April 8, 2008, through April 7, 2012. Additionally, when the increase rate of the Company's share price is the same or less than the increase rate of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the initially granted shares is exercisable.

The options activity under the SARs for the years ended December 31, 2007 and 2006, follows:

|  | 2007    | 2006    |
|--|---------|---------|
| Beginning, number of shares under SARs | 260,000 | 410,000 |
| Options granted                        |         |         |
| Options canceled/expired <sup>1</sup>  | 40,000  | 150,000 |
| Ending, number of shares under SARs    | 220,000 | 260,000 |

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

The Company recognized compensation costs of (Won)560 million for the year ended December 31, 2007 (2006 : nil).

**16. Commitments and Contingencies**

As of December 31, 2007, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of December 31, 2007, the Company has a revolving credit facility agreement with several banks totaling (Won)200,000 million and US\$ 100 million.

As of December 31, 2007, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities of up to an aggregate of US\$1,143.5 million. The Company has agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US\$35.5 million.

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

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As of December 31, 2007, the Company entered into a payment guarantee agreements with a syndicate of banks including Kookmin bank and Societe Generale in connection with a EUR 90 million term loan credit facility of LG.Philips LCD Poland Sp. z o.o.

As of December 31, 2007, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi and others, and has trademark license agreements with LG Corporation and Koninklijke Philips Electronics N.V.

The Company is involved in several legal proceedings and claims arising in the ordinary course of business. On August 29, 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process of TFT-LCDs in the United States District Court for the Central District of California. On November 21, 2006, the Jury in California issued a verdict that Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America had willfully infringed a patent owned by the Company, and awarded the Company US\$53.5 million in damages. On September 12, 2007, the United States District Court in California granted the Company's request for enhanced damages, interest for the damages, and additional damages of continuing infringement and legal fees. On September 17, 2007, the United States District Court in California granted the Company's request for permanent injunction against Chunghwa Picture Tubes to stop sale or import of infringing products in the United States.

On May 27, 2004, the Company filed a complaint in the United States District Court for the District of Delaware against Tatung Co., the parent company of Chunghwa Picture Tubes, and ViewSonic Corp., and others claiming patent infringement of rear mountable liquid crystal display devices.

On January 10, 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against LG Electronics Inc. and the Company in the United States District Court for the Central District of California. On March 29, 2007, the United States District Court for the Central District of California dismissed the case without prejudice.

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

On November 26, 2007, the Company and Chunghwa Picture Tubes signed a settlement and patent agreement regarding the dismissal of two pending claims, and a cross licensing agreement allowing the companies to share patented technology. As part of the settlement, Chunghwa Picture Tubes will pay a settlement payment to the Company in compensation. The settlement payment is included in commission earned under non-operating income.

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On January 9, 2006, New Medium Technology LLC, AV Technologies LLC, IP Innovation LLC, and Technology Licensing Corporation filed a complaint for patent infringement against the Company in the United States District Court for the Northern District of Illinois. On June 28, 2007, the Company settled with IP Innovation LLC and Technology Licensing Corporation, and the case was dismissed on July 6, 2007.

On December 1, 2006, the Company filed a complaint against Chi Mei Optoelectronics Corp., AU Optronics Corp., Tatung Company, ViewSonic Corp. and others alleging patent infringement related to liquid crystal display and manufacturing process for TFT-LCDs in the United States District Court for the District of Delaware. On March 8, 2007, AU Optronics Corp. countersued the Company in the United States District Court for the Western District of Wisconsin, but the case was transferred to United States District Court for the District of Delaware due to the Company's motion to transfer. On May 4, 2007, Chi Mei Optoelectronics Co. countersued the Company for patent infringement in the United States District Court for the Eastern District of Texas.

On December 6, 2007, the Company and Tatung Co. signed a settlement agreement regarding the dismissal of pending claims. On January 19, 2008, the Company and ViewSonic Corp. signed a settlement agreement regarding the dismissal of pending claims.

On April 14, 2006, Positive Technologies, Inc. filed a complaint in the United States District Court for the Eastern District of Texas against, among others, several of the Company's customers, including BenQ America Corp., Hitachi America Ltd., Panasonic Corp. of North America, Philips Electronics North America Corp. and Toshiba America, Inc. for alleged infringement of two of its patents relating to LCD displays. Positive Technologies, Inc. is seeking, among other things, damages for past infringement. On March 7, 2007, the United States District Court for the Eastern District of Texas granted the Company's intervention in the patent infringement case brought by Positive Technologies, Inc.

On February 2, 2007, Anvik Corporation filed a patent infringement case against the Company, along with other LCD manufacturing companies, in connection with the usage of photo-masking equipment manufactured by Nikon Corporation.

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

The Company is currently under investigation by the fair trade or antitrust authorities in Korea, Japan, US and other markets with respect to possible anti-competitive activities in the LCD industry. As of December 31, 2007, the Company, along with a number of other companies in the LCD industry, has been named as defendants in a number of purported federal class actions in the United States alleging that the defendants violated the antitrust laws in connection with the sale of LCD panels.

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**Notes to Non-Consolidated Financial Statements****December 31, 2007 and 2006**

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

Each of these matters remains in the very early stages and the Company is not in a position to predict their outcome. However, the Company intends to defend itself vigorously in these matters.

**17. Derivatives**

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 the sale of products, 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                         |
|--------------------------|------------------|-----------------|--|---------------------------------------|
| ABN Amro Bank and others | US\$ 1,550       | (Won) 1,420,488 | (Won)898.9:US\$1 ~<br>(Won)938.8:US\$1     | January 2, 2008<br>March 3, 2008      |
| Woori Bank and others    | EUR 80           | (Won) 104,989   | (Won)1,297.76:EUR1 ~<br>(Won)1,352.36:EUR1 | January 2, 2008<br>February 27, 2008  |
| BNP Paribas and others   | (Won) 39,934     | JP¥ 5,000       | (Won)7.922:JP¥1 ~<br>(Won)8.052:JP¥1       | January 14, 2008<br>February 14, 2008 |
| ABN Amro Bank and others | US\$ 87          | JP¥ 10,000      | JP¥113.46:US\$1 ~<br>JP¥116.05:US\$1       | January 14, 2008<br>February 20, 2008 |

As of December 31, 2007, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)4,610 million and (Won)34,974 million, respectively. Total unrealized gains and losses of (Won)2,544 million and (Won)21,409 million, respectively, were charged to operations for the year ended December 31, 2007, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports and the purchase of materials, were recorded as accumulated other comprehensive income.





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The forecasted hedged transactions are expected to be completed on March 3, 2008. The aggregate amount of all deferred gains and losses of (Won)2,066 million and (Won)13,565 million, respectively, recorded net of tax under accumulated other comprehensive income, are expected to be included in the determination of gain and loss within a year from December 31, 2007.

For the year ended December 31, 2007, the Company recorded realized exchange gains of (Won)55,132 million (2006: (Won)246,904 million) on foreign currency forward contracts upon settlement, and realized exchange losses of (Won)53,562 million (2006 : (Won)78,768 million).

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

A summary of these contracts is as follows:

(in millions)

| Contracting party | Buying position | Selling position | Contract foreign exchange rate   | Maturity date |
|-------------------|-----------------|------------------|----------------------------------|---------------|
| Kookmin Bank      | US\$ 150        |                  | 3M Libor ~                       | Aug. 29, 2011 |
| and others        |                 | (Won) 143,269    | 3M Libor+ 0.53%<br>4.54% - 5.35% | Jan. 31, 2012 |

As of December 31, 2007, no unrealized gains and unrealized losses of (Won) 3,452 million were recognized as accumulated other comprehensive income as these contracts fulfilled the requirements for hedge accounting for financial statement purposes, while unrealized losses of (Won)(671) million were charged to current income as these contracts did not fulfill those requirements.

For the year ended December 31, 2007, the Company recorded realized gains of (Won)919 million (2006: (Won) 361 million) and no realized loss (2006: (Won) 26,174 million) on cross-currency swap contracts upon settlement.

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

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A summary of these contracts is as follows:

(in millions)

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

As of December 31, 2007, unrealized losses of (Won)4,910 million were recognized as accumulated other comprehensive income as these contracts fulfilled the requirements for hedge accounting for financial statement purposes.

For the year ended December 31, 2007, the Company recorded realized gains of (Won)4 million (2006 : (Won)6 million) and realized losses of (Won)257 million (2006 : (Won)27 million) on interest rate swap contracts upon settlement.

The Company entered into option contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. These transactions did 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 income as gains or losses as the exchange rates change.

A summary of such contracts follows:

(in millions)

| Contracting party | USD Put Buying | USD Call Selling | Strike Price        | Maturity date   |
|-------------------|----------------|------------------|---------------------|-----------------|
| KDB and others    | US\$ 180       | US\$ 180         | (Won)917.00:US\$1 - | Jan. 11, 2008 - |
|                   |                |                  | (Won)932.00:US\$1   | Mar. 31, 2008   |

(in millions)

| Contracting party   | JPY Call Buying | JPY Put Selling | Strike Price      | Maturity date   |
|---------------------|-----------------|-----------------|-------------------|-----------------|
| Citibank and others | JP¥ 10,000      | JP¥ 10,000      | (Won)7.850:JP¥1 - | Jan. 11, 2008 - |
|                     |                 |                 | (Won)8.300:JP¥1   | Feb. 14, 2008   |

As of December 31, 2007, unrealized gains of (Won) 4,080 million and unrealized losses of (Won) 775 million were charged to current income, as these contracts did not fulfill the requirements for hedge accounting for financial statement purposes.

For the year ended December 31, 2007, the Company recorded realized gains of (Won)54 million (2006: nil) and no losses (2006: nil) upon settlement of target forward option contracts, and realized gains of (Won)5,808 million and losses of (Won)832 million (2006 : nil) upon settlement of range forward options.



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December 31, 2007 and 2006

**18. Capital Stock**

On February 28, 2007, at their Annual General Meeting, the shareholders approved the increase in the authorized shares from 400 million to 500 million. The number of issued common shares as of December 31, 2007 and 2006, is 357,815,700.

There are no movements in common stock from January 1, 2006 to December 31, 2007.

**19. Capital Surplus and Retained Earnings**

Capital surplus as of December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i> | 2007            | 2006            |
|------------------------------------|-----------------|-----------------|
| Additional paid in capital         | (Won) 2,251,113 | (Won) 2,251,113 |
| Conversion rights <sup>1</sup>     | 59,958          | 24,059          |
|                                    | (Won) 2,311,071 | (Won) 2,275,172 |

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

Retained earnings as of December 31, 2007 and 2006, consist of:

| <i>(in millions of Korean won)</i>   | 2007            | 2006            |
|--------------------------------------|-----------------|-----------------|
| Legal reserve                        | (Won) 60,086    | (Won) 60,086    |
| Reserve for business rationalization | 68,251          | 68,251          |
| Unappropriated retained earnings     | 4,055,063       | 2,711,036       |
|                                      | (Won) 4,183,400 | (Won) 2,839,373 |

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

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**20. Accumulated other comprehensive income**

Accumulated other comprehensive income as of December 31, 2007 and 2006, consists of:

| <i>(in millions of Korean won)</i>                       | <b>2007</b>  | <b>2006</b>    |
|--|--------------|----------------|
| Changes in equity securities <sup>1</sup>                | (Won) 20,222 | (Won) (26,550) |
| Gain on valuation of derivative instruments <sup>1</sup> | 1,498        | 24,423         |
| Loss on valuation of derivative instruments <sup>1</sup> | (15,897)     | (11,821)       |
|  | (Won) 5,823  | (Won) (13,948) |

<sup>1</sup> Net of tax effects.**21. Income Taxes**

Income tax expense (benefit) for the years ended December 31, 2007 and 2006, consists of :

| <i>(in millions of Korean won)</i>                             | <b>2007</b>   | <b>2006</b>     |
|--|---------------|-----------------|
| Current accrued income taxes                                   | (Won) 78,352  | (Won)           |
| Changes in deferred income taxes from temporary differences    | 6,949         | (16,319)        |
| Changes in deferred income taxes from tax credit               | (126,711)     | 16,017          |
| Changes in deferred income taxes added to shareholders' equity | (5,548)       | (6,261)         |
| Changes in deferred income taxes from losses carryforward      | 248,493       | (248,493)       |
| Income tax expense (benefit)                                   | (Won) 201,535 | (Won) (255,056) |

<sup>1</sup> Changes in deferred income taxes added to shareholders' equity as of December 31, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i>          | <b>2007</b>   | <b>2006</b> |
|---|---------------|-------------|
| Changes in deferred income taxes            |               |             |
| Changes in equity securities <sup>1</sup>   | (Won) (2,173) | (Won) (426) |
| Gain on valuation of derivative instruments | 8,696         | (676)       |
| Loss on valuation of derivative instruments | 1,546         | (1,081)     |
|   | 8,069         | (2,183)     |

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|                       |               |               |
|-----------------------|---------------|---------------|
| Changes in income tax |               |               |
| Conversion rights     | (13,617)      | (4,078)       |
|                       | (Won) (5,548) | (Won) (6,261) |

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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, 2007 and 2006, are as follows:

| <i>(in millions of Korean won)</i>                   | <b>2007</b>   | <b>2006</b>   |
|--|---------------|---------------|
| Inventories  | (Won) 5,726   | (Won) 21,098  |
| Equity method investments                            | (13,960)      | (11,578)      |
| Derivatives  | 3,898         | 492           |
| Property, plant and equipment                        | 47,713        | 40,875        |
| Tax credit carryforward                              | 403,670       | 436,486       |
| Deferred income taxes added to shareholders' equity  | 6,303         | (10,892)      |
| Deferred income taxes from losses carryforward       |               | 248,493       |
| Others   | 10,982        | 27,616        |
| Deduction of unrealizable deferred income tax assets |               | (159,527)     |
|  | (Won) 464,332 | (Won) 593,063 |

Available tax credits As of December 31, 2007, amounted to (Won)448,522 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

As of December 31, 2007, as the possibility of sale of investments or payment of dividends from subsidiaries in the near future is minimal, the Company did not recognize (Won)41,500 million of temporary differences related to the valuation of equity method investments.

The reconciliation between income before income taxes and taxable income (loss) for the years ended December 31, 2007 and 2006, follows :

| <i>(in millions of Korean won)</i> | <b>2007</b>     | <b>2006</b>       |
|------------------------------------|-----------------|-------------------|
| Income(loss) before income taxes   | (Won) 1,545,562 | (Won) (1,024,369) |
| Add (deduct) :                     |                 |                   |
| Temporary differences              | (36,281)        | 115,712           |
| Permanent differences              | 93,806          | 5,047             |
| Taxable income (loss)              | (Won) 1,603,087 | (Won) (903,610)   |

The statutory income tax rate, including resident tax surcharges, applicable to the Company is 27.5% for years ended December 31, 2007 and 2006.



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LG.Philips LCD Co., Ltd.

**Notes to Non-Consolidated Financial Statements****December 31, 2007 and 2006**

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, 2007, is 13.04% (2006: 24.90%).

Changes in accumulated temporary differences for the year ended December 31, 2007, are as follows:

| <i>(in millions of Korean won)</i> | <b>January 1, 2007</b> | <b>Increase (decrease)</b> | <b>December 31, 2007</b> |
|------------------------------------|------------------------|----------------------------|--------------------------|
| Inventories                        | (Won) 76,719           | (Won) (53,859)             | (Won) 22,860             |
| Equity method investments          | (42,100)               | (8,479)                    | (50,579)                 |
| Derivatives                        | 1,790                  | 13,771                     | 15,561                   |
| Property, plant and equipment      | 148,635                | 27,991                     | 176,626                  |
| Warranty reserve                   | 28,015                 | 21,280                     | 49,295                   |
| Others                             | 39,219                 | (43,943)                   | (4,724)                  |
| <b>Total</b>                       | <b>(Won) 252,278</b>   | <b>(Won) (43,239)</b>      | <b>(Won) 209,039</b>     |
| Deduction from capital             | (Won) (39,607)         | (Won) (20,175)             | (Won) (59,782)           |
| Net loss carryforward              | (Won) 903,610          | (Won) (903,610)            | (Won)                    |
| Tax credit carryforward            | (Won) 436,486          | (Won) (12,036)             | (Won) 448,522            |

**22. Comprehensive Income and Loss**

Comprehensive income and loss for the years ended December 31, 2007 and 2006, consist of the following :

| <i>(in millions of Korean won)</i>  | <b>2007</b>     | <b>2006</b>     |
|---|-----------------|-----------------|
| Net income (loss)   | (Won) 1,344,027 | (Won) (769,313) |
| Other comprehensive income (loss):  | 19,771          | (12,530)        |
| Changes in equity method securities<br>(tax effect : (Won)2,173) million in 2007) | 46,772          | (14,821)        |
| Gain on valuation of derivatives<br>(tax effect : 8,696 million in 2007)          | (22,925)        | (4,870)         |

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|   |                 |                 |
|---|-----------------|-----------------|
| Loss on valuation of derivatives<br>(tax effect : (Won)1,546 million in 2007) | (4,076)         | 7,161           |
| Comprehensive income (loss)   | (Won) 1,363,798 | (Won) (781,843) |

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**23. Cost of Sales**

Cost of sales for the years ended December 31, 2007 and 2006, consists of the following :

| <i>(in millions of Korean won)</i> | 2007             | 2006             |
|------------------------------------|------------------|------------------|
| Finished goods                     |                  |                  |
| Beginning balance of inventories   | (Won) 256,002    | (Won) 173,404    |
| Cost of goods manufactured         | 12,109,882       | 9,785,536        |
| Ending balance of inventories      | (310,975)        | (256,002)        |
|                                    | 12,054,909       | 9,702,938        |
| Others                             | 21,779           | 985,130          |
|                                    | (Won) 12,076,688 | (Won) 10,688,068 |

**24. Selling and Administrative Expenses**

Selling and administrative expenses for the years ended December 31, 2007 and 2006, consist of the following:

| <i>(in millions of Korean won)</i>         | 2007          | 2006          |
|--|---------------|---------------|
| Salaries                                   | (Won) 83,665  | (Won) 43,932  |
| Severance benefits                         | 8,480         | 5,586         |
| Employee benefits                          | 8,718         | 5,537         |
| Freight expenses                           | 151,904       | 165,098       |
| Rental expenses                            | 4,268         | 3,154         |
| Commission expenses                        | 71,183        | 54,667        |
| Entertainment expenses                     | 1,903         | 1,275         |
| Depreciation                               | 7,071         | 3,105         |
| Taxes and dues                             | 2,222         | 1,726         |
| Advertising expenses                       | 30,377        | 24,024        |
| Promotional expenses                       | 18,117        | 11,378        |
| Development costs                          | 3,218         | 1,554         |
| Research expenses                          | 102,864       | 81,081        |
| Bad debt expenses                          | 5,296         | (33)          |
| Product warranty expenses and SVC expenses | 72,058        | 35,641        |
| Others                                     | 23,964        | 20,075        |
|  | (Won) 595,308 | (Won) 457,800 |



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LG.Philips LCD Co., Ltd.

**Notes to Non-Consolidated Financial Statements****December 31, 2007 and 2006****25. Earnings Per Share**

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

Earnings (Loss) per share for the three-month periods and years ended December 31, 2007 and 2006, are calculated as follows:

| <i>(in millions, except for per share amount)</i>         | For the three-month<br>periods ended December 31, |                 | For the years<br>ended December 31, |                 |
|---|---|-----------------|-------------------------------------|-----------------|
|   | 2007  | 2006            | 2007                                | 2006            |
| Net income (loss) as reported on the statements of income | (Won) 759,908                                     | (Won) (174,345) | (Won) 1,344,027                     | (Won) (769,313) |
| Weighted-average number of common shares outstanding      | 358   | 358             | 358                                 | 358             |
| Basic earnings (loss) per share                           | (Won) 2,124                                       | (Won) (487)     | (Won) 3,756                         | (Won) (2,150)   |
| Diluted earnings (loss) per share                         | (Won) 2,076                                       | (Won) (487)     | (Won) 3,716                         | (Won) (2,150)   |

Diluted earnings (Loss) per share for the three-month periods and years ended December 31, 2007, are calculated as follows:

| <i>(in millions, except for per share amount)</i>   | For the three-month<br>period ended | For the year<br>ended |
|---|-------------------------------------|-----------------------|
|   | December 31, 2007                   | December 31, 2007     |
| Net income allocated to common stock  | (Won) 759,908                       | (Won) 1,344,027       |
| Add : Interest expense on convertible bonds <sup>1</sup>                                      | 4,765                               | 13,186                |
| Diluted net income allocated to common stock  | 764,673                             | 1,357,213             |
| Weighted average number of common shares and diluted securities outstanding during the period | 368                                 | 365                   |
| Diluted earnings per share  | (Won) 2,076                         | (Won) 3,716           |

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



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December 31, 2007 and 2006

**26. Dividends**

The details of cash dividends for the year ended December 31, 2007, are as follows:

| <i>(in millions, except for per share amount)</i> | 2007          |                       |
|---|---------------|-----------------------|
| Number of outstanding shares                      | 358           |                       |
| Dividend ratio                                    | 15%           | ((Won) 750 per share) |
| Dividend amount                                   | (Won) 268,362 |                       |

The dividend payout ratio and dividend yield ratio for the year ended December 31, 2007, are as follows:

|                       | 2007   |
|-----------------------|--------|
| Dividend payout ratio | 19.97% |
| Dividend yield ratio  | 1.52%  |

**27. Related Party Transactions**

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

Significant transactions which occurred in the ordinary course of business with related companies for the years ended December 31, 2007 and 2006, and the related account balances outstanding as of December 31, 2007 and 2006, are summarized as follows:

| <i>(in millions of Korean won)</i>                                     | Sales <sup>1</sup> |                 | Purchases <sup>1</sup> |                 |
|--|--------------------|-----------------|------------------------|-----------------|
|  | 2007               | 2006            | 2007                   | 2006            |
| Parent company <sup>2</sup>  | (Won) 919,862      | (Won) 833,218   | (Won) 81,276           | (Won) 134,163   |
| Companies that has significant influence over the Company <sup>3</sup> |                    | 525             | 31,011                 | 87,701          |
| Overseas subsidiaries <sup>4</sup>                                     | 11,356,386         | 8,632,419       | 370,669                | 149,502         |
| Equity-method investee <sup>5</sup>                                    |                    | 6               | 309,162                | 162,182         |
| Other related parties <sup>6</sup>                                     | 462,414            | 238,638         | 1,825,481              | 2,049,447       |
| Total  | (Won) 12,738,662   | (Won) 9,704,806 | (Won) 2,617,599        | (Won) 2,582,995 |

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- <sup>1</sup> Includes sales of (Won) 35,693million and purchases of property, plant and equipment of (Won) 194,046 million.



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| <i>(in millions of Korean won)</i>                                     | Receivables     |                 | Payables      |               |
|--|-----------------|-----------------|---------------|---------------|
|  | 2007            | 2006            | 2007          | 2006          |
| Parent company <sup>2</sup>  | (Won) 124,560   | (Won) 70,626    | (Won) 25,851  | (Won) 13,501  |
| Companies that has significant influence over the Company <sup>3</sup> | 2,717           | 2,519           | 8,629         | 6,375         |
| Overseas subsidiaries <sup>4</sup>                                     | 1,921,164       | 963,098         | 67,342        | 27,449        |
| Equity-method investee <sup>5</sup>                                    |                 |                 | 30,291        | 22,535        |
| Other related parties <sup>6</sup>                                     | 52,097          | 22,897          | 344,757       | 424,572       |
| Total  | (Won) 2,100,538 | (Won) 1,059,140 | (Won) 476,870 | (Won) 494,432 |

<sup>2</sup> LG Electronics Inc.

<sup>3</sup> LG Corp., Koninklijke Philips Electronics N.V.

<sup>4</sup> LG Philips LCD America, Inc., LG Philips LCD Taiwan Co., Ltd., LG Philips LCD Japan Co., Ltd., LG Philips LCD Germany GmbH,

LG Philips LCD Nanjing Co., Ltd., LG Philips LCD Shanghai Co., Ltd.,

LG Philips LCD Hong Kong Co., Ltd., LG.Philips LCD Poland Sp. z o.o.,

LG.Philips LCD Guangzhou Co.,Ltd., LG.Philips LCD Shenzhen Co.,Ltd.,

Global Professional Sourcing Co., Ltd.

<sup>5</sup> Paju Electric Glass Co., Ltd.

<sup>6</sup> LG Management Development Institute Co., Ltd., LG Micron Ltd., LG Household and Healthcare, LG CNS, LG N-sys, LG Powercom Corp., Serveone, LG Innotek,

LG Telecom Co., Ltd., LG Chem Co., Ltd., LG International, LG Dacom Corporation,

Hi Logistics Co. Ltd., Siltron Inc., Lusem Co., Ltd., and others.

Key management<sup>7</sup> compensation costs for the years ended December 31, 2007 and 2006, consist of:

| <i>(in millions of Korean won)</i> | 2007        | 2006        |
|------------------------------------|-------------|-------------|
| Officers salaries                  | (Won) 1,732 | (Won) 1,506 |

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|                                |             |             |
|--------------------------------|-------------|-------------|
| Post-retirement benefits       | 688         | 374         |
| Compensation for stock options | 560         |             |
|                                | (Won) 2,980 | (Won) 1,880 |

<sup>7</sup> Key management refers to the directors who have significant control and responsibilities on the Company's operations and business. Total ceiling for compensation for such directors in 2007 is (Won) 13.4 billion.

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**28. Value Added Information**

Value added information for the years ended December 31, 2007 and 2006, consists of the following:

| <i>(in millions of Korean won)</i> | Cost of sales   | Selling and<br>administrative<br>expenses | 2007<br>Research and<br>development<br>expenses | Construction<br>-in-progress | Total           |
|------------------------------------|-----------------|---|---|------------------------------|-----------------|
| Salaries and wages                 | (Won) 561,497   | (Won) 83,665                              | (Won) 45,840                                    | (Won) 214                    | (Won) 691,216   |
| Severance benefits                 | 49,971          | 8,480                                     | 3,691   | 521                          | 62,663          |
| Employee fringe benefits           | 87,003          | 8,718                                     | 4,932   | 9                            | 100,662         |
| Rent                               | 2,761           | 4,268                                     | 522   |                              | 7,551           |
| Depreciation <sup>1</sup>          | 2,628,428       | 7,071                                     | 20,207  | 1,296                        | 2,657,002       |
| Taxes and dues                     | 7,175           | 2,222                                     | 252   |                              | 9,649           |
|                                    | (Won) 3,336,835 | (Won) 114,424                             | (Won) 75,444                                    | (Won) 2,040                  | (Won) 3,528,743 |

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

<sup>1</sup> Includes amortization of intangible assets.

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LG.Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2007 and 2006

**29. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 93% of total sales for the year ended December 31, 2007.

The following is a summary of operations by country based on the location of the customers for the years ended December 31, 2007 and 2006:

(in millions of Korean won)

| Sales | Domestic        | Taiwan          | Japan           | America         | China           | Europe          | Others          | Total            |
|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| 2007  | (Won) 1,026,253 | (Won) 3,432,418 | (Won) 1,333,123 | (Won) 1,519,095 | (Won) 2,762,241 | (Won) 2,439,346 | (Won) 1,650,655 | (Won) 14,163,131 |
| 2006  | (Won) 845,693   | (Won) 1,973,185 | (Won) 1,148,192 | (Won) 967,723   | (Won) 2,979,621 | (Won) 1,796,180 | (Won) 490,066   | (Won) 10,200,660 |

**30. Supplemental Cash Flow Information**

Significant transactions not affecting cash flows for the years ended December 31, 2007 and 2006, are as follows:

| (in millions of Korean won)   | 2007          | 2006          |
|---|---------------|---------------|
| Other accounts payable arising from the purchase of property, plant and equipment | (Won) 184,043 | (Won) 740,048 |

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

Significant operating results for the three-month periods ended December 31, 2007 and 2006, are as follows :

| (in millions of Korean won, except per share amount) | 2007            | 2006            |
|--|-----------------|-----------------|
| Sales  | (Won) 4,314,493 | (Won) 2,967,139 |
| Cost of sales  | 3,264,894       | 3,003,570       |
| Operating income (loss)                              | 880,903         | (150,838)       |
| Net income (loss)                                    | 759,908         | (174,345)       |
| Basic earnings (loss) per share                      | 2,124           | (487)           |
| Diluted earnings (loss) per share                    | 2,076           | (487)           |



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

**Notes to Non-Consolidated Financial Statements**

**December 31, 2007 and 2006**

**32. Subsequent Events**

On January 1, 2008, the Company entered into a contract to acquire the Active Matrix-Organic Light Emitting Diodes ( AM OLED ) business from LG Electronics Inc., its parent company, by taking over the AM OLED business related inventories, intellectual property rights and employees.

On February 4, 2008, the Board of Directors changed the trade name of the Company to LG Display Co., Ltd. This change will be ratified by the shareholders during the 23rd Shareholders Meeting scheduled to be held on February 29, 2008.

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

**Report of Independent Accountants**

**Review of Internal Accounting Control System**

To the President of

LG.Philips LCD Co., Ltd.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ( IACS ) of LG.Philips LCD Co., Ltd.(the Company ) as of December 31, 2007. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that based on its assessment of the operations of the IACS as of December 31, 2007, the Company's IACS has been designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association.

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

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

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

Our review is based on the Company's IACS as of December 31, 2007, and we did not review management's assessment of its IACS subsequent to December 31, 2007. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

February 15, 2008



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

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

LG.Philips LCD Co., Ltd.

I, as the Internal Accounting Control Officer ( IACO ) of LG.Philips LCD Co., Ltd. ( the Company ), assessed the status of the design and operations of the Company 's internal accounting control system ( IACS ) for the year ended December 31, 2007.

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

Based on the assessment on the operations of the IACS, the Company 's IACS has been effectively designed and is operating as of December 31, 2007, in all material respects, in accordance with the IACS standards.

January 14, 2008

Ron H. Wirahadiraksa  
Internal Accounting Control System Officer

Kwon Young Soo  
Chief Executive Officer or President

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**SIGNATURES**

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

LG Display Co., Ltd.  
(Registrant)

Date: March 28, 2008

By: /s/ DongJoo Kim  
(Signature)

Name: DongJoo Kim

Title: Vice President/Finance & Risk Management Department