LG.Philips LCD Co., Ltd.
Form F-1/A
July 13, 2005
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As filed with the Securities and Exchange Commission on July 13, 2005

Registration No. 333-126448

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 to

FORM F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

LG.Philips LCD Co., Ltd.

(Exact name of Registrant as Specified in Its Charter)

The Republic of Korea	**3679**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

17th Floor, West Tower, LG Twin Towers

20 Yoido-dong, Youngdungpo-gu

Seoul, Republic of Korea, 150-721

82-2-3777-1010

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

LG.Philips LCD America Inc.

150 East Brokaw Road

San Jose, California 95112

(408) 350-7723

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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People s Republic of China	

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered[1]	Proposed maximum aggregate offering price[2][3]	Amount of registration fee[4]
Common Stock, par value (Won)5,000 per share	US$ 1,825,000,000	US$ 214,802.50

(1) American depositary shares evidenced by American depositary receipts issuable upon deposit of the shares of common stock registered hereby have been registered under a separate registration statement on Form F-6. Each American depositary share will represent one-half of one share of common stock.

(2) Includes (i) shares represented by American depositary shares that may be purchased by the underwriters pursuant to an over-allotment option, (ii) all shares of common stock represented by American depositary shares initially offered or sold outside the United States that are thereafter sold or resold in the United States and (iii) a portion of shares of common stock initially offered or sold outside the United States that are thereafter sold or resold in the United States. Offers or sales of American depositary shares and shares of common stock outside the United States are being made pursuant to Regulation S under the Securities Act of 1933, as amended, and are not covered by this registration statement.

(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(4) Of which US$200,090 was previously paid. Pursuant to Rule 457(p) under the Securities Act of 1933, as amended, the registrant offsets the remaining US$14,712.5 against US$70,812.63 of the filing fee associated with the unsold securities under the registration statement of LG.Philips LCD Co., Ltd. initially filed with the Commission on June 24, 2004 (File No. 333-116819).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 13, 2005

LG.Philips LCD Co., Ltd.

American Depositary Shares

Representing

Shares of Common Stock

We are offering approximately US$1.2 billion in aggregate amount of shares of common stock in the form of American depositary shares, or ADSs. Koninklijke Philips Electronics N.V., or Philips Electronics, which currently owns 44.57% of our issued and outstanding common stock, is also offering up to US$300 million in aggregate amount of shares of common stock in the form of ADSs. Each ADS represents one-half of one share of common stock. The ADSs will be evidenced by certificates called American depositary receipts. The shares offered in the form of ADSs in this offering are not eligible for withdrawal from the ADR facility until listed on the Stock Market Division of the Korea Exchange, or Korea Exchange.

Philips Electronics also plans to sell shares of common stock in a transaction in Korea that is expected to take place concurrently with this offering. LG Electronics Inc., or LG Electronics, which currently owns 44.57% of our issued and outstanding common stock, plans to sell, subject to approval by its board of directors, approximately US$400 million in aggregate amount of shares of common stock in the same transaction in Korea. Philips Electronics and LG Electronics intend for the aggregate number of shares of common stock sold by Philips Electronics in the form of ADSs in this offering and in the form of common stock in the transaction in Korea to equal the aggregate number of shares of common stock sold by LG Electronics so that their respective equity interest in us will remain the same after this offering and the transaction in Korea.

The ADSs are listed on the New York Stock Exchange under the symbol LPL. The closing price of our ADSs on the New York Stock Exchange on July 12, 2005 was US$22.66 per ADS. The common shares are listed on the Korea Exchange. The closing price of the common shares on the Korea Exchange on July 12, 2005 was (Won)47,000 per share, which translated to approximately US$45.41 using the noon buying rate announced by the Federal Reserve Bank of New York on that date.

Investing in our common stock and ADSs involves risks. See Risk Factors beginning on page 14.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us	Proceeds to Philips Electronics
Per ADS	US$	US$	US$	US$
Total	US$	US$	US$	US$

We have granted the underwriters the right to purchase up to an additional US$200 million in aggregate amount of shares of common stock in the form of ADSs to cover over-allotments in this offering.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to purchasers on or about , 2005.

Joint Global Coordinators and Joint Bookrunners

Morgan Stanley **UBS Investment Bank**

Morgan Stanley **UBS Investment Bank** **ABN AMRO Rothschild** **Citigroup**

The date of this prospectus is , 2005.

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In this prospectus, the terms we, us and our refer to LG.Philips LCD Co., Ltd. and its subsidiaries unless the context otherwise requires. Unless otherwise indicated, all information in this prospectus assumes the underwriters do not exercise their over-allotment option.

All references to Won or (Won) in this prospectus are to the currency of Korea, all references to U.S. dollars or US$ are to the currency of the United States, all references to Yen or ¥ are to the currency of Japan, all references to RMB or Renminbi are to the currency of the People s Republic of China and all references to Euro or are to the currency of the European Union. Unless otherwise indicated, all references to our common stock have been adjusted to give effect to the 2-for-1 stock split which became effective on May 25, 2004. As a result of the stock split, the par value of our common stock decreased from (Won)10,000 per share to (Won)5,000 per share. Any discrepancies in any table between the totals and the sums of the amounts listed are due to rounding.

For your convenience, this prospectus contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on March 31, 2005, which was (Won)1,015.4 = US$1.00. On July 12, 2005, the noon buying rate was (Won)1,035.0 = US$1.00.

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You should rely only on the information contained in this prospectus. We and Philips Electronics have not authorized anyone to provide you with information that is different. We and Philips Electronics are offering to sell ADSs and seeking offers to buy ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of the ADSs. It is important for you to read and consider all information contained in this prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in the section of this prospectus entitled Where You Can Find Additional Information.

The ADSs may not be offered or sold, directly or indirectly, in Korea or to any resident of Korea, except as permitted by applicable Korean laws and regulations.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements appearing elsewhere in this prospectus. You should read this entire prospectus carefully.

Overview

We are the world s largest merchant supplier, meaning supplier to third parties, of large-size thin film transistor liquid crystal display (TFT-LCD) panels. According to DisplaySearch, one of the leading independent industry research firms, we have been the world s leading merchant supplier based on total units sold since 2002. We manufacture TFT-LCD panels in a broad range of sizes and specifications primarily for use in notebook computers, desktop monitors, televisions and industrial and other applications, and we are one of the world s leading suppliers of high-definition television panels. We also manufacture TFT-LCDs for handheld consumer electronics products, such as mobile phones and personal digital assistants, as well as for industrial and other applications, such as entertainment systems, automobile navigation systems, aircraft instrumentation and medical diagnostic equipment.

In 2004, we sold a total of 27.6 million large-size TFT-LCD panels. According to DisplaySearch, we had a global market share for large-size display panels of approximately 21% based on sales revenue in 2004.

We were formed in September 1999 as a 50-50 joint venture between LG Electronics Inc. and Philips Electronics. In July 2004, we completed our initial public offering of shares and listed shares of our common stock on the Korea Exchange under the identifying code 034220 and our ADSs on the New York Stock Exchange under the symbol LPL. We currently operate six fabrication facilities, called P1, P2, P3, P4, P5 and P6, located in Gumi,

Korea, and three assembly facilities located in Gumi, Korea and Nanjing, China. In addition, in March 2004, we broke ground on a new TFT-LCD display cluster to be developed in Paju, Korea where we are building our seventh fabrication facility, or P7, which is designed to process 1,950 x 2,250 mm glass substrates and has a design capacity of 90,000 sheets per month.

We seek to build our market position based on collaborative customer relationships, a focus on high-end display products and manufacturing productivity. Our end-brand customers include many of the world s leading manufacturers of notebook computers, desktop monitors and televisions. In 2004, for example, our display panels were included in products sold by Dell Computer Corporation, Hewlett-Packard Company, Lenovo (following Lenovo s acquisition of International Business Machine s personal computer business), Apple Computer Inc., Toshiba, NEC Mitsubishi Electric Visual Systems Corporation or NMV, LG Electronics and Philips Electronics, among others. LG Electronics and Philips Electronics are our two principal shareholders, and terms of our sales to them are substantially the same as those of our sales to non-affiliated end-brand customers. Our dedication to customers has helped us win the overall DisplaySearch Customer Satisfaction Award in 2002, 2003, 2004 and 2005.

Our sales were (Won)3,566.7 billion in 2002, (Won)6,098.4 billion in 2003 and (Won)8,324.8 billion (US$8,198.5 million) in 2004. For the three-month period ended March 31, 2005, our sales were (Won)2,064.0 billion (US$2,032.7 million)

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compared to (Won)2,188.0 billion in the corresponding period in 2004. We recorded net income of (Won)348.1 billion in 2002, (Won)1,006.5 billion in 2003 and (Won)1,703.7 billion (US$1,677.9 million) in 2004. For the three-month period ended March 31, 2005, we recorded net loss of (Won)94.5 billion (US$93.1 million) compared to net income of (Won)639.7 billion in the corresponding period in 2004.

Recent Developments

Consolidated income statement data

	Three Months Ended June 30,	
	2004	2005
	(in billions of Won)	
Sales	(Won) 2,330.5	(Won) 2,308.3
Cost of sales	1,468.8	2,159.1
Gross profit	861.7	149.3
Selling, general and administrative expenses	88.4	113.1
Operating income	773.3	36.1
Net income	710.6	38.4

Consolidated balance sheet data

	As of	
	March 31, 2005	June 30, 2005
	(in billions of Won)	
Total current assets	(Won) 3,507.0	(Won) 3,564.6
Property, plant and equipment, net	7,043.2	7,788.4
Total assets	10,933.1	11,750.3
Short-term borrowings	333.2	405.9
Long-term debt, including current portion	2,707.1	3,233.1
Total liabilities	5,364.9	6,185.7

Other financial data

	Three Months Ended June 30,	
	2004	2005

	(in billions of Won)	
Net cash provided by operating activities	(Won) 959.2	(Won) 368.3
Net cash used in investing activities	(1,239.1)	(968.7)
Net cash provided by financing activities	297.5	576.7

Our sales decreased by 1.0% to (Won)2,308.3 billion in the three-month period ended June 30, 2005 from (Won)2,330.5 billion in the corresponding period in 2004, primarily due to a decrease in the average selling price of our panels and an appreciation in the value of the Korean Won against the U.S. dollar, which reduces net sales in Korean Won, which was partially offset by an increase in unit sales of large-size and wide-format panels for notebook computers, desktop monitors and, in particular, televisions. Panels for notebook computers, desktop monitors, televisions and other applications accounted for 18.3%, 53.4%, 24.3% and 4.0%, respectively, of our total sales based on revenue in the three-month period ended June 30, 2005, compared to 22.7%, 59.8%, 12.9% and 4.6%, respectively, in the corresponding period in 2004. Our average selling price per panel for panels used in notebook computers, desktop monitors and televisions decreased by 41.1% to (Won)207,644 per panel in the three-month period ended June 30, 2005 from (Won)352,056 per panel in the corresponding period in 2004.

Our cost of sales increased by 47.0% to (Won)2,159.1 billion in the three-month period ended June 30, 2005 from (Won)1,468.8 billion in the corresponding period in 2004, primarily due to increases in:

- raw material costs resulting from our overall unit sales as well as an increase in sales of larger panels, especially panels for televisions, as a proportion of our overall sales;

- depreciation expenses, resulting from the commencement of depreciation of P6 in August 2004, partially offset by lower depreciation of P3; and

- labor costs, resulting from an increase in the number of production employees hired to meet the operating demands of P6 and P7 and an increase in wage rates.

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As a result of the cumulative effect of the reasons explained above, our gross profit decreased by 82.7% to (Won)149.3 billion in the three-month period ended June 30, 2005, from (Won)861.7 billion in the corresponding period in 2004 and our gross margin declined to 6.5% from 37.0% over the same period.

Our selling, general and administrative expenses increased by 28.0% to (Won)113.1 billion in the three-month period ended June 30, 2005 from (Won)88.4 billion in the corresponding period in 2004, primarily due to an increase in shipping and handling cost as a result of increased sales volume.

As a result of the cumulative effect of the reasons explained above, our operating income decreased by 95.3% to (Won)36.1 billion in the three-month period ended June 30, 2005 from (Won)773.3 billion in the corresponding period in 2004.

Primarily as a result of the decrease in operating income, our net income decreased by 94.6% to (Won)38.4 billion in the three-month period ended June 30, 2005 from (Won)710.6 billion in the corresponding period in 2004.

We had cash and cash equivalents of (Won)1,331.0 billion as of June 30, 2005, compared to (Won)1,350.5 billion as of March 31, 2005. Our primary use of cash has been to fund capital expenditures. In the three-month period ended June 30, 2005, our capital expenditures decreased by 21.1% to (Won)965.9 billion from (Won)1,224.4 billion in the corresponding period in 2004 when we purchased a significant amount of our equipment for P6. We plan to begin purchasing the bulk of our equipment for P7 from the third quarter of 2005.

Our net cash and cash equivalents decreased by (Won)19.5 billion in the three-month period ended June 30, 2005, reflecting net cash provided by our operating activities of (Won)368.3 billion, net cash used in our investment activities of (Won)968.7 billion and net cash provided by our financing activities of (Won)576.7 billion. In the three-month period ended June 30, 2004, our net cash and cash equivalents increased by (Won)17.7 billion, reflecting net cash provided by our operating activities of (Won)959.2 billion, net cash used in our investment activities of (Won)1,239.1 billion and net cash provided by our financing activities of (Won)297.5 billion.

In April 2005, we issued US$475 million in zero coupon convertible bonds due 2010. Our total borrowings as of June 30, 2005 were (Won)3,639.0 billion compared to (Won)3,040.3 billion as of March 31, 2005.

Our sales increased by 11.8% and our cost of sales increased by 3.3% in the three-month period ended June 30, 2005 compared to the three-month period ended March 31, 2005 when we reported sales of (Won)2,064.0 billion and cost of sales of (Won)2,090.1 billion. For the three-month period ended March 31, 2005, we recorded an operating loss of (Won)125.5 billion and a net loss of (Won)94.5 billion.

Strategy

We believe that the most attractive market for TFT-LCD products today is desktop monitors and that it is rapidly transitioning to televisions. We believe that the TFT-LCD market will continue to expand as consumers are drawn to replace conventional cathode ray tube (CRT)-based display products with TFT-LCD products due to their superior performance features. We believe that the market for TFT-LCD products will also expand in scope as new applications for this technology continue to be designed and developed.

We aim to maintain and build upon our current position as the world s largest merchant supplier of large-size TFT-LCD products by strengthening our collaborative relationships with our end-brand customers, focusing on high-end display products, including high-definition television panels, and continuing to enhance our manufacturing productivity. We believe that our technology leadership enables us to make timely investments in advanced manufacturing facilities and process technology migrations and improvements, which in turn positions us to deliver a broad and advanced product portfolio in high volumes and in a cost competitive manner to our customers.

Build strong collaborative relationships with end-brand customers

We plan to continue to focus our resources on expanding our strong collaborative relationships with our key end-brand customers. Our principal end-brand customers include many of the world s leading manufacturers of computer products, such as Dell, Hewlett-Packard, Lenovo, Apple and NMV, as well as leading consumer electronics producers, such as Toshiba, LG Electronics and Philips Electronics. These customers represent a large portion of the global demand for TFT-LCD products, and they value our product and design innovations as well as our ability to provide a reliable and high-quality supply of a wide range of TFT-LCD products in high volumes in the necessary turnaround time.

We seek to collaborate with our end-brand customers in the design and development stages of their new products. The close interactions with our end-brand customers allow us to gain insights into their product development strategies and market trends, and enable us to anticipate customer needs and tailor our research, development and manufacturing activities to take advantage of emerging market opportunities. Our strong customer relationships also mean that we enjoy relatively stable demand from these high-volume customers.

Make timely investments in advanced and flexible manufacturing facilities

Our strategy is to time our investments in next-generation manufacturing facilities that enable us to support a wide range of products. As a result of our investment strategy, our production facilities are among the most advanced in the industry, and our portfolio of six fabrication facilities can produce a wide variety of products at high volumes to provide critical scale and flexibility in serving our customers needs.

In the past, our timely investment strategy, along with faster fab ramp-up, have allowed us to establish a leading position in emerging product categories with high growth potential. We have benefited from the higher margins available early in the life cycles of such products. For example, we built P3 and P4, the world s first fourth- and fifth-generation fabrication facilities optimized for desktop monitor panel production, and have since established ourselves as the largest merchant supplier in terms of both units sold and sales revenue in this category in 2002, 2003 and 2004, based on data from DisplaySearch. Our P5, also a fifth-generation fabrication facility, is optimized for production of larger-size panels for desktop monitors and televisions. Our P6, a sixth-generation fabrication facility, is designed to capitalize on opportunities in the large-size desktop monitor category, such as 17-inch and 20-inch wide-format panels, and in the television category, such as 26-inch wide- format, 32-inch wide-format and 37-inch wide- format panels, all of which are high-definition television panels. We are currently building P7, our first seventh-generation fabrication facility, which will, among other things, be optimized for production of even larger-sized high-definition television panels. We expect Phase I construction of P7 to be completed during the first half of 2006. The flexibility of our operations also allows us to shift our production to the most attractive product market at any given time. For example, as the demand for larger and better monitors continues to grow, we have shifted part of the production in our P3 facility from 15-inch desktop monitor panels to

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20-inch UXGA high-resolution desktop monitor panels, thereby realizing higher margins.

The advanced nature and scale of our facilities is a key driver of our cost competitiveness. We believe it also enables us to better meet the volume, product variety and turnaround time requirements of our customers.

Leverage technology leadership to deliver high-performance products and enhance manufacturing productivity

We plan to continue focusing on our product and manufacturing technology in order to maintain our position as an industry leader in delivering a broad and advanced product portfolio in high volumes and in a cost competitive manner.

In the area of product technology, we plan to continue leading the market in the commercial application of technologies with superior performance characteristics. For example, we were one of the first TFT-LCD manufacturers to apply Super In Plane Switching (S-IPS) technology, which increases viewing angles for large-size desktop monitor and television products, in commercial production. We were the first to develop copper bus lines, which achieve faster video frame rates and brighter displays in larger-size panels, and integrated column spacers, which improve panel ruggedness and enhance viewing uniformity.

We plan to continue focusing our development efforts on design and process innovations. Our advanced design and process technology capabilities have enabled us to deliver substantial improvements in manufacturing productivity, often with only marginal capital investments. For example, our one-drop-fill technology allowed us to significantly reduce the time required to deposit liquid crystal materials into our panels. We were one of the first TFT-LCD manufacturers to reduce the number of mask processes in the TFT array process from five to four. We were also able to improve the input capacity in P1 from its originally designed monthly input capacity of 30,000 substrates to its actual input capacity as of December 2004 of 105,000 substrates per month with only marginal capital investments, which resulted in significant increases in unit output. Our technology capabilities have also enabled us to enhance process efficiencies, thereby increasing our effective capacity. For example, we have been able to increase the number of 15-inch panels we manufacture in P4 from 12 per glass substrate to 15, with no change to substrate size. Our ability to ramp-up P4, P5 and P6 in a short time span with minimal technical difficulties is also an example of our process technology capability.

Focus on large and wide desktop monitor and television products while maintaining a broad product portfolio

Our strategy is to leverage our product technology, timely investments and advanced manufacturing capabilities to lead emerging large-size product categories that offer higher growth potential and higher margins and help shape industry standards in product features such as size and resolution.

Our focus on desktop monitors established us as the largest merchant supplier in this category in 2002, 2003 and 2004 in terms of units sold, based on data from DisplaySearch. The desktop monitor market is currently transitioning from 15-inch to larger panel sizes such as 19-inch and 20-inch, and we believe we are well positioned to capitalize on this opportunity with our full product line-up. In addition, we plan to maintain our leadership position in the premium 20-inch and above desktop monitor category, where we were the first-to-market with products such as 20-inch UXGA, 22-inch WSXGA, 23-inch WUXGA and 30-inch WQXGA+. In 2002, 2003 and 2004, we had the largest market share in this

category in terms of both units sold and sales revenue, according to DisplaySearch.

Currently the LCD television market is experiencing strong growth. We began shipping television products in 2001 with 15-inch panels and have since broadened our product portfolio with the addition of 20-inch conventional format as well as 17-inch, 23-inch, 26-inch, 30-inch, 32-inch, 37-inch, 42-inch and 55-inch wide-format panels. We were the largest merchant supplier in the television category in terms of both units sold and sales revenues in 2002, 2003 and 2004, based on data from DisplaySearch, and we continue to lead the market in introducing larger and higher-performance panels for televisions. For example, we were the first to develop 42-inch, 52-inch wide-format and 55-inch wide-format high-definition television panels.

We believe that our product range across the notebook computer, desktop monitor and television markets is one of the broadest in the industry and that it enables us to strengthen our relationships with our end-brand customers.

Continually reduce costs

We focus on continually lowering our cost structure through:

- Component cost reductions we leverage our scale and leading industry position to obtain lower prices for components. In addition, our strategy is to facilitate the development of a domestic vendor base, which typically offers lower component prices compared to overseas suppliers. Our strategic decision to fabricate our own color filters, one of the higher-cost components, has been an important driver of our cost competitiveness;

- Larger, more advanced manufacturing base we plan to build successive generations of fabrication facilities that provide us with overhead cost advantages and that produce higher volumes of products, enabling us to benefit from economies of scale;

- High glass conversion efficiency we have been able to reduce our costs of production by maximizing glass conversion efficiency, a function of production yield and panel design, allowing us to convert a high proportion of our input glass area into saleable display area. This results in part from our high yield rates and reduced wastage due to superior process control. We are also able to optimize production allocation across our multiple fabs to maximize the glass conversion ratio; and

- Process innovation and research and development our process technology innovations, such as one-drop-fill technology and mask reduction initiatives, have consistently enabled us to improve the throughput of our fabs with minimal capital investment, thereby resulting in lower costs per panel. Our other research and development initiatives, including the introduction of new technologies, component standardization and reduction in the number of requisite components, have also contributed to lower manufacturing costs.

Corporate Information

Our principal executive offices are located at 17th Floor, West Tower, LG Twin Towers, 20 Yoido-dong, Youngdungpo-gu, Seoul, Republic of Korea, 150-721 and our telephone number at that address is +82-2-3777-1010.

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THE OFFERING

Offering of ADSs and common stock	We are offering approximately US$1.2 billion in aggregate amount of shares of our common stock in the form of ADSs (without exercise of any portion of the underwriters over-allotment option). Philips Electronics, our shareholder which currently holds 44.57% of our outstanding shares of common stock, is offering up to US$300 million in aggregate amount of shares of common stock in the form of ADSs. The ADSs sold in this offering will be sold in the U.S., as well as outside the U.S. in reliance on Regulation S.
	Philips Electronics also plans to sell shares of our common stock in a transaction in Korea that is expected to take place concurrently with this offering. In doing so, Philips Electronics may decide to sell shares of common stock in that transaction instead of all or a portion of the ADSs it currently intends to sell in this offering. LG Electronics, our shareholder which currently holds 44.57% of our outstanding shares of common stock, plans to sell, subject to approval of its board of directors, approximately US$400 million in aggregate amount of shares of our common stock in the same transaction in Korea. Philips Electronics and LG Electronics intend for the aggregate number of shares of common stock sold by Philips Electronics in the form of ADSs in this offering and in the form of common stock in the transaction in Korea to equal the aggregate number of shares of common stock sold by LG Electronics so that their respective equity interest in us will remain the same after this offering and the transaction in Korea. Although LG Electronics and Philips Electronics plan to sell their shares as described above, the sale of shares of common stock by LG Electronics and/or Philips Electronics may not be consummated.
	None of the closings of the foregoing transactions is conditioned upon the closing of any of the other transactions.
Offering price	US$ per ADS.

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Selling shareholder	Koninklijke Philips Electronics N.V.
American depositary shares	Each ADS represents one-half of one share of our common stock. The ADSs are evidenced by American depositary receipts, or ADRs. The shares of our common stock to be sold in this offering in the form of ADSs, unless otherwise restricted under Korean law or our articles of incorporation, rank equally with all other outstanding shares of our common stock in all respects, including, without limitation, as to dividend and voting rights, trading on the Korea Exchange upon listing and settlement through the Korea Securities Depository. To understand the terms of the related ADRs, you should carefully read the section in this prospectus entitled Description of American Depositary Shares. That section summarizes the deposit agreement under which the ADRs are issued. You should also read the deposit agreement among Citibank, N.A., as depositary, all holders and beneficial owners of the ADRs and us.
	During the period between the closing of this offering and the listing on the Korea Exchange of the shares of common stock represented by ADSs offered in this offering (and, if applicable, during the period between any closing relating to the exercise of the underwriters over-allotment option and the listing on the Korea Exchange of shares of common stock represented by ADSs issued pursuant to such exercise), you will not be able to withdraw the shares of common stock represented by your ADSs. During such period(s) of time, the cancellation of ADSs for the purpose of withdrawal of shares of common stock from the ADR facility will be conditioned on the prior delivery to the ADR depositary of a certification that the ADSs presented for cancellation were not acquired in this offering. The listing of shares of common stock represented by ADSs offered in this offering (or any shares of common stock issued pursuant to the exercise of the underwriters over-allotment option) is expected to occur within three business days of the relevant closing date.

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Common stock	Our common stock, par value (Won)5,000 per share. See Description of Capital Stock.
Over-allotment option	We have granted the underwriters the right to purchase up to an additional US$200 million in aggregate amount of shares of common stock in the form of ADSs to cover over-allotments.
Use of proceeds	We estimate that the net proceeds received by us from the sale of ADSs in this offering (without exercise of any over-allotment option) will be approximately US$, after payment of all underwriting discounts and commissions and the expenses of the offering payable by us. We intend to use the net proceeds from the offering principally to fund the capital expenditures associated with the construction and equipping of fabrication facilities. We will not receive any of the net proceeds from the sale of ADSs or shares of our common stock by either LG Electronics or Philips Electronics.
Trading market for ADSs	Our outstanding ADSs are listed for trading on the New York Stock Exchange under the symbol LPL. The outstanding ADSs have been listed on the New York Stock Exchange since July 22, 2004. We also expect the ADSs offered pursuant to this offering to be listed on the New York Stock Exchange.
Trading market for common shares	The only trading market for shares of our common stock is the Korea Exchange. The common shares have been listed on the Korea Exchange since July 23, 2004 under the identifying code 034220.
Settlement for ADSs	The ADSs will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company in New York, New York. In general, beneficial interests in the ADSs will be shown on, and transfers of these beneficial interests will be effected only through, records maintained by The Depository Trust Company and its participants. The ADSs sold in this offering are expected to be delivered against payment therefor on or about , 2005, which is the third business day following the date hereof.

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ADR depositary	Citibank, N.A.
Lock-ups	We, LG Electronics and Philips Electronics have each agreed not to (and not to announce an intention to), without the prior written consent of the joint global coordinators on behalf of the underwriters, during the period of 180 days (90 days in the case of LG Electronics and Philips Electronics) after the date of the underwriting agreement, issue, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any of our capital stock or other securities or securities convertible or exchangeable for the foregoing (except, in our case, for any grant, issue or offer of options, rights, warrants or other securities made to any of our directors, officers or employees as part of their compensation), as described in further detail in Underwriting.

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SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The summary consolidated financial and operating data set forth below have been presented on a historical cost basis for all periods presented. The balance sheet data as of March 31, 2005 and the statement of income data for the three months ended March 31, 2004 and 2005 have been derived from our unaudited consolidated financial statements and related notes included in this prospectus. The balance sheet data as of December 31, 2003 and 2004 and the statement of income data for the years ended December 31, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements and related notes included

in this prospectus. These audited and unaudited financial statements and the related notes have been prepared under accounting principles generally accepted in the United States.

The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included in this prospectus.

Consolidated income statement data

	Year Ended December 31,						Three Months Ended March 31,		
	2000	2001	2002	2003	2004	2004(10)	2004	2005	2005(10)
	(in billions of Won, except for per share data)					(in millions of US$, except for per share data)	(unaudited) (in billions of Won, except for per share data)		(in millions of US$, except for per share data)
Sales	(Won) 2,362	(Won) 2,338	(Won) 3,567	(Won) 6,098	(Won) 8,325	US$ 8,199	(Won) 2,188	(Won) 2,064	US$ 2,033
Cost of Sales	1,583	2,493	3,139	4,741	6,246	6,152	1,412	2,090	2,058
Gross profit (loss)	779	(155)	428	1,357	2,079	2,047	776	(26)	(26)
Selling, general and administrative expenses	102	111	129	235	319	314	69	99	98
Operating income (loss)	677	(266)	299	1,122	1,760	1,733	708	(126)	(124)
Other income (expense)	(126)	(96)	67	(61)	(18)	(18)	(17)	(22)	(22)
Income (loss) before income taxes	551	(362)	366	1,061	1,742	1,715	691	(148)	(146)
Provision (benefit) for income taxes	8	(67)	18	54	38	37	51	(53)	(53)
Net income (loss)	543	(295)	348	1,007	1,704	1,678	640	(95)	(93)
Net income (loss) per share[1]	1,873	(1,018)	1,200	3,471	5,586	5.50	2,206	(291)	(0.29)
Diluted net income (loss)	1,873	(1,018)	1,200	3,471	5,586	5.50	2,206	(291)	(0.29)

per share									
Dividends declared per share(2)	1,455	617							
Number of shares as adjusted to reflect changes in capital (in millions)(3)	290	290	290	290	325	325	290	325	325

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Consolidated balance sheet data

	As of December 31,						As of March 31,	
	2000	2001	2002	2003	2004	2004[10]	2005	2005[10]
	(in billions of Won)					(in millions of US$)	(unaudited) (in billions of Won)	(in millions of US$)
Accounts receivable, net	(Won) 282	(Won) 384	(Won) 540	(Won) 1,160	(Won) 954	US$ 940	(Won) 1,169	US$ 1,151
Inventories	355	252	398	336	804	792	737	726
Total current assets	728	725	1,079	2,146	3,399	3,347	3,507	3,454
Property, plant and equipment, net	2,560	2,927	3,259	3,974	6,564	6,464	7,043	6,936
Total assets	(Won) 3,412	(Won) 3,889	(Won) 4,573	(Won) 6,343	(Won) 10,262	US$ 10,106	(Won) 10,933	US$ 10,767
Short-term borrowings	(Won) 215	(Won) 313	(Won) 274	(Won) 159	(Won) 483	US$ 476	(Won) 333	US$ 328
Trade accounts and notes payable	116	165	251	404	583	574	612	603
Other accounts payable[4]	235	555	780	1,023	1,016	1,001	1,474	1,451
Long-term debt, including current portion	833	1,354	1,427	1,785	2,206	2,173	2,707	2,666
Long-term obligation under capital lease, including current portion	46	10						
Total liabilities	1,545	2,496	2,833	3,592	4,599	4,529	5,365	5,284
Capital stock	1,450	1,450	1,450	1,450	1,627	1,602	1,627	1,602
Total stockholders equity	(Won) 1,867	(Won) 1,393	(Won) 1,740	(Won) 2,751	(Won) 5,663	US$ 5,577	(Won) 5,568	US$ 5,483

Other financial data

	Year Ended December 31,						Three Months Ended March 31,		
	2000	2001	2002	2003	2004	2004[10]	2004	2005	2005[10]
	(in billions of Won, except for percentages)					(in millions of US$, except for percentages)	(unaudited) (in billions of Won, except for percentages)		(in millions of US$, except for percentages)
Gross margin[5]	33.0%	(6.6)%	12.0%	22.3%	25.0%	25.0%	35.5%	(1.3)%	(1.3)%
Operating margin[6]	28.7%	(11.4)%	8.4%	18.4%	21.1%	21.1%	32.3%	(6.1)%	(6.1)%
Net margin[7]	23.0%	(12.6)%	9.8%	16.5%	20.5%	20.5%	29.2%	(4.6)%	(4.6)%
EBITDA[8]	(Won) 1,071	(Won) 391	(Won) 1,382	(Won) 2,106	(Won) 3,014	US$ 2,968	(Won)977	(Won)272	US$ 268
Capital expenditures	956	782	1,117	1,438	3,886	3,827	745	450	443

Depreciation and amortization[9]	482	680	958	966	1,235	1,216	273	406	400
Net cash provided by operating activities	835	473	1,053	1,672	2,743	2,701	759	83	82
Net cash used in investing activities	(941)	(804)	(1,126)	(1,453)	(3,893)	(3,834)	(730)	(453)	(446)
Net cash provided by (used in) financing activities	(414)	352	90	215	2,009	1,978	10	359	354

(1) Net income (loss) per share is calculated by dividing net income (loss) by the average number of shares outstanding during the period. Net income (loss) per share is equal to income (loss) from continuing operations.

(2) Dividends declared per share are calculated by dividing total dividends by the average number of shares outstanding during the period.

(3) As of the end of respective periods indicated.

(4) Other accounts payable primarily consist of accounts payable relating to the purchase of fixed assets, principally machinery and equipment.

(5) Gross margin represents gross profit (loss) divided by sales.

(6) Operating margin represents operating income (loss) divided by sales.

(7) Net margin represents net income (loss) divided by sales.

(8) EBITDA is defined as net income (loss) plus: interest income (expense); provision (benefit) for income taxes; depreciation of property, plant and equipment; amortization of intangible assets; and amortization of debt issuance cost. EBITDA is a key financial measure used by our senior management to internally evaluate the performance of our business and for other required or discretionary purposes. Specifically, our significant capital assets are in different stages of depreciation, and because we do not have separate operating divisions, our senior management uses EBITDA internally to measure the performance of these assets on a comparable basis. We also believe that the presentation of EBITDA will enhance an investor s understanding of our operating performance as we believe it is commonly reported and widely used by analysts and investors in our industry. It also provides useful information for comparison on a

more comparable basis of our operating performance and those of our competitors, who follow different accounting policies. For example, depreciation on most of our equipment is made based on a four-year useful life while most of our competitors use different depreciation schedules from our own. EBITDA is not a measure determined in accordance with U.S. GAAP. EBITDA should not be considered as an alternative to operating income, cash flows from operating activities or net income, as determined in accordance with U.S. GAAP. Our calculation of EBITDA may not be comparable to similarly titled measures reported by other companies. A reconciliation of net income (loss) to EBITDA is as follows:

	Year Ended December 31,						Three Months Ended March 31,		
	2000	2001	2002	2003	2004	2004[10]	2004	2005	2005[10]
							(unaudited)		
	(in billions of Won)					(in millions of US$)	(in billions of Won)		(in millions of US$)
Net income (loss)	(Won) 543	(Won) (295)	(Won) 348	(Won) 1,007	(Won) 1,704	US$ 1,678	(Won) 640	(Won) (95)	US$ (93)
Interest expense	64	78	62	84	58	57	17	23	23
Interest income	(26)	(5)	(4)	(6)	(20)	(20)	(4)	(9)	(9)
Provision (benefit) for income taxes	8	(67)	18	55	38	37	51	(53)	(53)
Depreciation of property, plant and equipment	480	675	949	957	1,224	1,206	270	403	397
Amortization of intangible assets	2	3	5	5	6	6	2	2	2
Amortization of debt issuance cost		2	4	4	4	4	1	1	1
EBITDA	(Won) 1,071	(Won) 391	(Won) 1,382	(Won) 2,106	(Won) 3,014	US$ 2,968	(Won) 977	(Won) 272	US$ 268

(9) Depreciation and amortization includes depreciation of property, plant and equipment, amortization of intangible assets and amortization of debt issuance cost.

(10) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,015.4 to US$1.00, the noon buying rate in effect on March 31, 2005 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

Operating data

	Year Ended December 31,			Three Months Ended March 31,	
	2002	2003	2004	2004	2005
	(in thousands)				
Number of panels sold by product category:					
Notebook computers	4,719	7,395	9,125	2,032	2,615
Desktop monitors	5,821	11,930	15,391	3,571	5,702
Televisions	318	1,351	2,401	552	1,043
Other applications[1]	421	6,270	25,330	2,983	9,661
Total	11,280	26,946	52,247	9,138	19,021

	Year Ended December 31,				Three Months Ended March 31,		
	2002	2003	2004	2004[(2)]	2004	2005	2005[(2)]
					(unaudited)		
	(in billions of Won)			(in millions of US$)	(in billions of Won)		(in millions of US$)
Revenue by category:							
Notebook computers	(Won) 1,287	(Won) 1,739	(Won) 2,119	US$ 2,087	(Won) 567	(Won) 382	US$ 376
Desktop monitors	2,027	3,517	4,662	4,591	1,234	1,144	1,127
Televisions	136	686	1,163	1,145	308	450	443
Other applications[(1)]	117	156	381	375	79	88	87
Total	(Won) 3,567	(Won) 6,098	(Won) 8,325	US$ 8,199	(Won) 2,188	(Won) 2,064	US$ 2,033

(1) Includes, among others, panels for handheld consumer electronics products, including mobile phones and personal digital assistants, and industrial and other applications, including entertainment systems, automobile navigation systems, aircraft instrumentation and medical diagnostic equipment. Also includes sales of parts and accessories.

(2) For convenience, the Korean Won amounts are expressed in U.S. dollars at the rate of (Won)1,015.4 to US$1.00, the noon buying rate in effect on March 31, 2005 as quoted by the Federal Reserve Bank of New York. This translation should not be construed as a representation that the Korean Won amounts represent, have been or could be converted to U.S. dollars at that rate or any other rate.

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The occurrence of any of the following events could have a detrimental effect on us. In particular, as we are a non-U.S. company, there are risks associated with investing in our ADSs that are not typical of investments in shares of U.S. companies. If these events occur, the trading price of our common stock and the ADSs could decline, and you may lose all or part of your investment. Additional risks not outlined below or not currently known to us or that we now deem immaterial may also adversely affect us and affect your investment.

Risks Relating to Our Industry

We operate in a highly competitive environment and we may not be able to sustain our current market position.

The TFT-LCD industry is highly competitive. We have experienced pressure on the prices and margins of our major products due largely to additional industry capacity from panel makers in Korea, Taiwan, China and Japan. Our main competitors in the industry include Samsung Electronics, BOE-Hydis, AU Optronics, Chi Mei Optoelectronics, Chunghwa Picture Tubes, HannStar, Quanta Display, SVA-NEC, BOE-OT, Sharp and Hitachi. Some of our competitors may currently, or at some point in the future, have greater financial, sales and marketing, manufacturing, research and development or technological resources than we do. In addition, our competitors may be able to manufacture panels on a larger scale or with greater cost efficiencies than we do and we anticipate increases in production capacity in the near future by other TFT-LCD manufacturers. Any price erosion resulting from strong global competition or additional industry capacity may materially adversely affect our financial condition and results of operations.

Our ability to compete successfully also depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, success or failure of our end-brand customers in marketing their brands and products, component and raw material supply costs, and general economic and industry conditions. We cannot provide assurance that we will be able to compete successfully with our competitors on these fronts and, as a result, we may be unable to sustain our current market position.

Our industry is subject to cyclical fluctuations, including recurring periods of capacity increases, that may adversely affect our operating results.

TFT-LCD manufacturers are vulnerable to cyclical market conditions. Intense competition and demand growth expectations may result in panel manufacturers investing in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities. 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. For example, the overall average selling price of our display panels, including small panel applications, increased by 4.6% from 2001 to 2002 but decreased by 28.4% from 2002 to 2003 and by 29.6% from 2003 to 2004. The overall average selling price of our display panels, including small panel applications, decreased by 54.7% from the three-month period ended March 31, 2004 to the corresponding period in 2005.

Our gross margins have also fluctuated from period to period, from 12.0% in 2002 to 22.3% in 2003 and 25.0% in 2004. Our gross margin was 35.5% in the three-month period ended March 31, 2004 and (1.3)% in the corresponding period in 2005. Principal factors affecting our gross margins include our ability to maintain or increase unit sales volume and market share, minimize the impact of fluctuations in prices and foreign exchange rates and the supply and demand for principal components and raw materials, reduce unit manufacturing costs and introduce new products with higher margins in a timely manner. We anticipate continued capacity expansion in the TFT-LCD industry due to scheduled ramp up of new fabrication facilities, and any large increases in capacity that this may create may further drive down the average selling prices of our panels, which would affect our gross margins. Any decline in prices may be further compounded by a seasonal weakening in demand growth for personal computer products and consumer electronics products. We cannot assure you that any future downturns resulting from any large increases in capacity or other factors affecting the industry would not have a material adverse effect on our business, financial condition and results of operations.

We may experience declines in the average selling prices of our display panels irrespective of cyclical fluctuations in the industry.

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. Although we may be able to take advantage of the higher selling prices typically associated with new products and technologies, we cannot provide assurance that we can maintain these prices in the face of market competition. For example, our gross margin declined from 35.5% in the three-month period ended March 31, 2004 to (1.3)% in the corresponding period in 2005. If we are unable to effectively anticipate and counter the price erosion that accompanies our products, or if we are unable to reduce our manufacturing costs, our profit margins will be negatively affected.

Our operating results fluctuate from period to period, so you should not rely on period-to-period comparisons to predict our future performance.

The TFT-LCD industry is affected by market conditions that are often outside the control of manufacturers. Our results of operations may fluctuate significantly from period to period due to a number of factors, including seasonal variations in consumer demand, capacity ramp up by competitors, industry-wide technological changes, the loss of a key customer and the postponement, rescheduling or cancellation of large orders by a key customer. As a result of these factors and other risks discussed in this section, you should not rely on period-to-period comparisons to predict our future performance.

Risks Relating to Our Company

Our financial condition may be adversely affected if we cannot introduce new products to adapt to rapidly evolving customer needs on a timely basis.

New products are developed in anticipation of future demand. Our success will depend greatly on our ability to respond quickly to emerging customer requirements and to develop new products in anticipation of future demand. Any delay in our development of commercially successful products with reliable quality and advanced features may adversely affect our business.

Success of a new product also depends on other factors such as close cooperation with our customers to gain insights into their product needs and to understand general trends in the market. When developing new products, we often work with equipment suppliers to design equipment that will make our production processes for such new products more efficient. If we are unable to work together with our customers and equipment suppliers, or to sufficiently understand their respective needs and

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capabilities, we may not be able to introduce new products in a timely manner, which may have a material adverse effect on our financial situation.

We plan to continue to expand our operations to meet the growing demand for new applications in consumer electronics and other markets. Because these products, such as televisions, mobile phones and personal digital assistants are expected to be marketed to a diverse group of end users with different specifications, functions and prices, we have developed different sales and marketing strategies to promote our panels for these products. We cannot provide assurance that our expansion strategy for these panels will be successful.

We sell our products to a select group of key customers who may no longer rely on us as a strategic supplier of TFT-LCD products, and any significant decrease in their order levels will negatively affect our financial condition and results of operations.

A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. Sales attributed to our end-brand customers are for their end-brand products and do not include sales to these customers for their system integration activities for other end-brand products, if any. Our top ten end-brand customers, including our two principal shareholders, together accounted for 83.2% of our sales in 2002, 78.8% in 2003 and 77.4% in 2004, and 78.4% and 75.4% in the three-month periods ended March 31, 2004 and 2005, respectively. Our top three end-brand customers together accounted for 34.8% of our sales in 2002, 41.1% in 2003 and 42.9% in 2004, and 45.5% and 44.6% in the three-month periods ended March 31, 2004 and 2005, respectively. In 2004, as well as the three-month period ended March 31, 2005, three end-brand customers, Dell, LG Electronics (excluding its purchases made as a system integrator) and Hewlett-Packard, each contributed to 10% or more of our sales.

We benefit from the strong collaborative relationships we maintain with our end-brand customers by participating in the development of their products and gaining insights about levels of future demand for our products and other industry trends. Customers look to us for a dependable supply of quality products, even during downturns in the industry, and we benefit from the brand recognition of our customers end products. 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 not only in reduced sales, but also in the loss of these benefits.

We cannot provide assurance that these customers will continue to place orders with us in the future at the same levels as in prior periods, or at all.

Any material deterioration in the financial condition of our key end-brand customers, their system integrators or our affiliated trading company will have an adverse effect on our results of operations.

Our top ten end-brand customers accounted for 83.2% of our sales in 2002, 78.8% in 2003 and 77.4% in 2004, and 78.4% and 75.4% in the three-month periods ended March 31, 2004 and 2005, respectively, on an aggregate basis. Although we negotiate directly with our end-brand customers concerning the price and quantity of the sales, we typically invoice their designated system integrators. In addition, a portion of our sales to end-brand customers and their system integrators located in certain regions are sold through our affiliated trading company, LG International Corp. As a result of our significant dependence on a concentrated group of end-brand customers and their designated system integrators, as well as the sales we make to our affiliated trading company, we are exposed to credit risks associated with these entities.

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Changes at our end-brand customers could cause sales of our products to decline.

Mergers, acquisitions, divestments or consolidations involving our end-brand customers can present risks to our business, as management at the new entity may change the way they do business, including their transactions with us, or may decide not to use us as one of their suppliers of TFT-LCD products. In addition, we cannot provide assurance that a combined entity resulting from a merger, acquisition or consolidation will continue to purchase TFT-LCD panels from us at the same level as each entity purchased in the aggregate when they were separate companies or that a divested company will purchase panels from us at all.

Our results of operations depend on our ability to keep pace with changes in technology.

Advances in technology typically lead to rapid declines in sales volumes for products made with older technologies and may lead to these products becoming less competitive in the marketplace, or even obsolete. As a result, we will likely be required to make significant expenditures to develop or acquire new process and product technologies. Also, our ability to manufacture our products by utilizing advanced process technologies to increase production yields at low production cost will be critical to our sustained competitiveness. We cannot provide assurance that we will be able to continue to successfully develop new products through our research and development efforts or through obtaining technology licenses, or that we will keep pace with technological changes in the marketplace.

Our revenues depend on continuing demand for notebook computers, desktop monitors, televisions and other consumer electronics products with TFT-LCD panels. Our sales may not grow at the rate we expect if consumers do not purchase these products.

Currently, our total sales are derived principally from customers using our products in notebook computers, desktop monitors, televisions and other consumer electronics products with display devices. In particular, a significant percentage of our sales is derived from end-brand customers, or their designated system integrators, who use our TFT-LCD panels in their desktop monitors, which accounted for 56.8%, 57.7% and 56.0% of our total sales based on revenue in 2002, 2003 and 2004, respectively, and 56.4% and 55.4% of such sales in the first three months of 2004 and 2005, respectively. A substantial portion of our sales is also derived from end-brand customers, or their designated system integrators, who use our panels in their notebook computers, which accounted for 36.1%, 28.5% and 25.5% of our total sales based on revenue in 2002, 2003 and 2004, respectively, and 25.9% and 18.5% of such sales in the first three months of 2004 and 2005, respectively. We will continue to be dependent on the personal computer industry for a significant portion of our sales and any downturn in the personal computer industry may result in reduced demand for our products, lower average selling prices and/or reduced margins.

In addition, we anticipate that there will be increasing migration from conventional cathode ray tube, or CRT, televisions to TFT-LCD televisions. We have installed, and we expect to continue to install, capacity in anticipation of increased television demand generated by this trend. However, we may be unable to successfully execute our strategy or sustain our growth and profitability if this migration to TFT-LCD televisions does not take place at the anticipated time, or at all. Moreover, we can offer no assurance that threats from competing technologies will not significantly affect and alter our strategy for and competitive position in the television market. If our current strategy to address the expected growth in the television market, in part by increasing our production capacity, fails, our business, financial condition and results of operations would be materially adversely affected.

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The introduction of alternative display panel technologies, including those currently under development by our competitors and us, may erode future sales of TFT-LCD panels, which may have a material adverse effect on our financial condition and results of operations.

New display technologies being developed by other panel makers, such as active matrix organic light emitting diode, or OLED, which is a technology that we are also developing, or alternative display technologies, such as plasma display panel, or PDP, may gain wider market acceptance than TFT-LCD technology, such as in the television market where larger panel sizes generally command higher prices. If consumers do not purchase products utilizing TFT-LCD panels as we expect, or if TFT-LCD technology itself is rendered obsolete, this would have a material adverse effect on our financial condition and results of operations to the extent we cannot offset such loss in demand for TFT-LCD products by selling products using other display technologies.

We will have significant capital requirements in connection with our business strategy and if capital resources are not available we may not be able to implement our strategy and future plans.

In connection with our strategy to expand the diversity and capacity of our TFT-LCD production, we estimate that we will incur significant expenditures for the expansion of existing production lines, construction of new facilities and strategic investments, such as the development of the Paju industrial complex where we are building our seventh fabrication facility, or P7. In Phase I, which we expect to be operational in the first half of 2006, P7 will have an initial capacity of 45,000 sheets per month. We may further expand P7 s manufacturing capacity by an additional 45,000 sheets per month in Phase II, depending on future market and other conditions. We currently estimate that the construction and build-out of P7, at a capacity of 90,000 sheets per month, will cost approximately (Won)5.3 trillion. We expect our capital expenditure for P7 to be approximately (Won)3.1 trillion and our total capital expenditures to be approximately (Won)4.6 trillion (US$4.4 billion) in 2005. We estimate our capital expenditures will be between (Won)3.5 trillion and (Won)4.5 trillion in 2006. These capital expenditures will be made well in advance of any additional sales that will be generated from these expenditures. However, in the event of adverse market conditions, or if our actual expenditures far exceed our planned expenditures, our external financing activities combined with our internal sources of liquidity may not be sufficient to effect our current and future operational plans, and we may decide not to expand the capacity of certain of our facilities, including P7.

The failure to obtain sufficient financing on commercially reasonable terms to complete our expansion plans could delay or derail our ability to pursue our business strategy, which could materially and adversely affect our business and results of operations.

Our manufacturing processes are complex and periodic improvements to increase efficiency can expose us to potential disruptions in operations.

The manufacturing process for TFT-LCD products is highly complex, requiring sophisticated and costly equipment that is periodically modified and updated to improve manufacturing yields and product performance, and reduce unit manufacturing costs. These updates expose us to the risk that from time to time production difficulties will arise that could cause delivery delays, reduced output or both. We cannot provide assurance that we will not experience manufacturing problems in achieving acceptable output, product delivery delays or both as a result of, among other factors, construction delays, difficulties in upgrading or modifying existing production lines or ramping up new plants, difficulties in changing manufacturing line technologies or delays in equipment deliveries, any of which could constrain our capacity and adversely affect our results of operations.

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We may be unable to successfully execute our expansion strategy or manage and sustain our growth on a timely basis, if at all, and, as a result, our business may be harmed.

We have experienced, and expect to continue to experience, rapid growth in the scope and complexity of our operations. For example, we expanded our capacity by commencing mass production at our third fabrication facility, P3, in July 2000, our fourth fabrication facility, P4, in March 2002, our fifth fabrication facility, P5, in May 2003 and at our sixth fabrication facility, P6, in August 2004. We also commenced production at a new module assembly facility in Nanjing, China, in May 2003. In addition, in March 2004, we broke ground on a new TFT-LCD display cluster to be developed in Paju, Korea where we are building our seventh fabrication facility, P7, which is designed to process 1,950 x 2,250 mm glass substrates. We plan to commence mass production at P7 with an initial design capacity of 45,000 sheets per month (Phase I) during the first half of 2006. We may expand P7 s capacity to 90,000 sheets per month (Phase II) depending on future market and other conditions. We are also continually expanding capacities at our existing fabrication facilities by upgrading and modifying our production lines.

This sustained growth may strain our managerial, financial, manufacturing and other resources. We may experience manufacturing difficulties in starting new production lines, upgrading existing facilities or ramping up new plants, including P7, which represents a new and relatively less proven glass size and equipment generation for the industry, as a result of cost overruns, construction delays or shortages of, or quality problems with, materials, labor or equipment, any of which could result in a loss of future revenues. In particular, in the event that we are unable or unwilling to expand the capacity of P7 beyond the initial design capacity of 45,000 sheets per month, our competitiveness and market position would be impaired and our business would be materially adversely affected. In addition, failure to keep up with our competitors in future investments in manufacturing capacity would impair our ability to effectively compete within the TFT-LCD industry. Failure to obtain intended economic benefits from expansion projects could adversely affect our business, financial condition and results of operations.

If we cannot maintain high capacity utilization rates, our profitability will be adversely affected.

The production of TFT-LCD panels entails high fixed costs resulting from considerable expenditures for the construction of complex fabrication and assembly facilities and the purchase of costly equipment. We aim to maintain high capacity utilization rates so that we can allocate these fixed costs over a greater number of panels produced and realize higher gross margins. However, we cannot provide assurance that we will be able to sustain our capacity utilization rates in the future.

We depend on a limited number of third party suppliers for key raw materials, components and manufacturing equipment, and any disruption in their supply will negatively affect our business.

Our production operations depend on obtaining adequate supplies of quality raw materials and components on a timely basis. As a result, it is important for us to control our component and raw material costs and reduce the effects of fluctuations in price and availability. In general, we source most of our raw materials as well as key components of TFT-LCD products such as backlight units, driver integrated circuits and polarizers, from two or three suppliers for each key component. We may experience shortages in the supply of these and other components or raw materials as a result of, among other things, anticipated capacity expansion in the TFT-LCD industry. Our results of operations would be adversely affected if we were unable to obtain adequate supplies of high quality raw materials or components in a timely manner or make alternative arrangements for such supplies, or if

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there were significant increases in the costs of raw materials or components that we could not pass on to our customers.

In addition, 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. The unavailability of equipment, delays in the delivery of equipment, or the delivery of equipment that does not meet our specifications, could delay implementation of our expansion plans and impair our ability to meet customer orders. This could result in a loss of revenues and cause financial stress on our operations.

Purchase orders from our customers, which are placed generally one month in advance of delivery, vary in volume from period to period, and we operate with a modest inventory, which may make it difficult for us to efficiently allocate capacity on a timely basis in response to changes in demand.

Our major customers and their designated system integrators provide us with three- to six-month rolling forecasts of their product requirements. However, firm orders are not placed until one month before delivery when negotiations on purchase prices are also finalized. Firm orders may be less than anticipated based on these three- to six-month forecasts. Due to the cyclicality of the TFT-LCD industry, purchase order levels from our customers have varied from period to period. Although we typically operate with a two- to four-week inventory, it may be difficult for us to adjust production costs or to allocate production capacity in a timely manner to compensate for any such volatility in order volumes. Our inability to respond quickly to changes in overall demand for TFT-LCD products as well as changes in product mix and specifications may result in lost revenues, which would adversely affect our results of operations.

We may experience losses on inventories.

Frequent new product introductions in the computer and consumer electronics industries can result in a decline in the average selling prices of our TFT-LCD panels and the obsolescence of our existing TFT-LCD panel inventory. This can result in a decrease in the stated value of our TFT-LCD panel inventory, which we value at the lower of cost or market value.

We manage our inventory based on our customers and our own forecasts. Although adjustments are regularly made based on market conditions, we typically deliver our goods to the customers one month after a firm order has been placed. While we maintain open channels of communication with our major customers to avoid unexpected decreases in firm orders or subsequent changes to placed orders, and try to minimize our inventory levels, such actions by our customers may have an adverse effect on our inventory management.

We need to observe certain financial and other covenants under the terms of our debt instruments, the failure to comply with which would put us in default under those instruments.

We have issued floating rate notes and debentures which contain financial and other covenants with which we are required to comply on an annual and semi-annual basis. The financial covenants include debt-to-equity ratios, debt-coverage ratios, interest-coverage ratios and total debt limits. The documentation for such debt also contains negative pledges as well as cross-default and cross-acceleration clauses, which give related creditors the right to accelerate the amounts due under such

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debt if an event of default or acceleration has occurred with respect to our existing or future indebtedness, or if any material part of our indebtedness or indebtedness of our subsidiaries is capable of being declared payable before the stated maturity date. In addition, such covenants restrict our ability to raise future debt financing.

If we breach our financial or other covenants, our financial condition will be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

Our results of operations are subject to exchange rate fluctuations.

Our sales and purchases of raw materials and expenditures on capital equipment are denominated mainly in U.S. dollars, Japanese yen and Korean Won, and, in the case of our sales, also in Euros. In 2004, 89.0% of our sales were denominated in U.S. dollars, 5.6% in Euros, 2.2% in Japanese yen and 2.7% in Korean Won. During the same period, 32.0% of our purchases of raw materials were denominated in U.S. dollars, 43.0% in Japanese yen and 25.0% in Korean Won. In addition, 7.7%, 28.4% and 62.4% of our equipment purchases and construction costs, which represented almost all of our total capital expenditures in 2004, were denominated in U.S. dollars, Japanese yen and Korean Won, respectively.

Accordingly, fluctuations in exchange rates, in particular between the U.S. dollar and the Korean Won, affect our gross profit and pre-tax income. In general, an appreciation in the Korean Won against the U.S. dollar has a net negative impact on such results, although it causes a foreign currency translation gain on our foreign-currency debt and currency forward contracts. Although the impact of exchange rate fluctuations has in the past been partially mitigated by the natural offset of our foreign currency receivables with our payables, our foreign-currency debt and our use of foreign exchange forward contracts, we cannot provide assurance that these offsets and hedges will reduce the overall impact of any exchange rate fluctuations in the future.

We will lose a portion of the income tax exemption currently available to us under the foreign direct investment laws of Korea if Philips Electronics reduces its ownership in us.

Philips Electronics investment in us upon the formation of the joint venture was characterized as a foreign direct investment under the Foreign Investment Promotion Act of Korea. Accordingly, we are entitled to an exemption from income taxes pursuant to the Special Tax Treatment Control Law of Korea in an amount proportional to the percentage of foreign direct equity investment in us for the first seven years following the registration of such investment, which for us was in August 1999, and at one-half of that percentage for the subsequent three years. In 2004, we received a tax benefit of (Won)239.6 billion (US$236.0 million), or 13.8% of income before income taxes, as a result of Philips Electronics 47.48% weighted average ownership in us before and after our initial public offering. We will lose 0.27% of the tax exemption benefit for each 1% reduction in Philips Electronics ownership in us, assuming that the income tax rate and qualifying business exemption ratio applicable to us are the same as those in 2005. Losses of portions of this tax exemption could negatively affect our results of operations.

Our business relies on patent rights and our patent rights may be narrowed in scope or found to be invalid or otherwise unenforceable.

Our success will also depend, to a significant extent, on our ability to obtain and enforce our patent rights both in Korea and worldwide. The coverage claimed in a patent application can be

significantly reduced before a patent is issued, either in Korea or abroad. Consequently, we cannot provide assurance that any of our pending or future patent applications will result in the issuance of patents. Patents issued to us may be subjected to further proceedings limiting their scope and may not provide significant proprietary protection or competitive advantage. Our patents also may be challenged, circumvented, invalidated or deemed unenforceable. In addition, because patent applications in certain countries generally are not published until more than 18 months after they are first filed, because we currently monitor patent applications filed only by other parties in Korea, Japan and the United States, and because publication of discoveries in scientific or patent literature often lags behind actual discoveries, we cannot be certain that we were, or any of our licensors was, the first creator of inventions covered by pending patent applications, that we or any of our licensors will be entitled to any rights in purported inventions claimed in pending or future patent applications, or that we were, or any of our licensors was, the first to file patent applications on such inventions.

Furthermore, pending patent applications or patents already issued to us or our licensors may become subject to dispute, and any dispute could be resolved against us. For example, we may become involved in re-examination, reissue or interference proceedings and the result of these proceedings could be the invalidation or substantial narrowing of our patent claims. We also could be subject to court proceedings that could find our patents invalid or unenforceable or could substantially narrow the scope of our patent claims. In addition, depending on the jurisdiction, statutory differences in patentable subject matter may limit the protection we can obtain on some of our inventions.

Failure to protect our intellectual property rights could impair our competitiveness and harm our business and future prospects.

We believe that 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 obtain international protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. However, we cannot assure you that the measures we are taking will effectively deter competitors from improper use of our proprietary technologies. Our competitors may misappropriate our intellectual property, disputes as to ownership of intellectual property may arise and our intellectual property may otherwise become known or independently developed by our competitors.

On August 29, 2002, we filed a complaint in the United States District Court for the Central District of California against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, Inc. We believe that these companies have infringed on six of our United States patents relating to liquid crystal displays and the manufacturing processes for thin-film transistors and liquid crystal displays by selling TFT-LCD products into the United States covered by these patents. We are seeking, among other things, treble damages for past infringement of these patents and for an injunction against future infringement. We also filed a complaint in the United States District Court for the Central District of California against customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jean Co., Lite-On Technology Corp., Lite-On Technology International, Inc., TPV Technology and Invision Peripheral Inc. These several claims were subsequently consolidated into one lawsuit. Currently the matter is in the discovery stage. On May 24, 2004, we sought declaratory relief in the United States District Court for the District of Massachusetts to determine the inventorship of four of these patents. On June 21, 2004, Chunghwa Picture Tubes filed a counter-claim against us in the United States District Court for the Central District of California for alleged infringement of Chunghwa Picture Tubes intellectual property and violation of U.S. antitrust laws. On August 3, 2004, we demanded arbitration of the counter-claims filed by Chunghwa Picture Tubes. The arbitration proceedings are currently in progress before the American Arbitration Association.

On May 27, 2004, we filed a complaint in the United States District Court for the District of Delaware against Tatung Co. and ViewSonic Corp. claiming patent infringement on two of our United States patents relating to rear mountable liquid crystal display devices. We are seeking damages for past infringement and an injunction against future infringement. We also filed a parallel complaint with the Patents County Court in the United Kingdom claiming infringement on one of our U.K. patents relating to the same technology. Tatung Co. is a major shareholder in Chunghwa Picture Tubes.

On January 10, 2005, Chunghwa Picture Tubes filed a complaint in the United States District Court for the Central District of California against LG Electronics and us for alleged infringement of one of their U.S. patents relating to flat panel display mounting systems. On April 25, 2005, we filed our answer to Chunghwa Picture Tubes infringement claim, together with a counter-claim in the United States District Court for the Central District of California for the correction of the legal title of the subject patent. We are also seeking compensation for wrongful prosecution.

On May 13, 2005, we filed a separate complaint in the United States District Court for the District of Delaware against Chunghwa Picture Tubes, Tatung Company, Tatung Co. of America and ViewSonic Corporation claiming infringement of our patents relating to the design and manufacture of liquid crystal display modules. We are seeking, among other things, monetary damages for past infringement and an injunction against future infringement.

Any failure to protect our intellectual property could impair our competitiveness and harm our business and future prospects.

Our rapid introduction of new technologies and products may increase the likelihood that third parties will assert claims that our products infringe upon their proprietary rights.

Although we take and will continue to take steps to ensure that our new products do not infringe upon third party rights, the rapid technological changes that characterize our industry require that we quickly implement new processes and components with respect to our products. Often with respect to recently developed processes and components, a degree of uncertainty exists as to who may rightfully claim ownership rights in such processes and components. Uncertainty of this type increases the risk that claims alleging that such components or processes infringe upon third party rights may be brought against us. If our products or manufacturing processes are found to infringe upon third party rights, we may be subject to significant liabilities and be required to change our manufacturing processes or be prohibited from manufacturing certain products, which could have a material adverse effect on our operations and financial condition.

We may be required to defend against charges of infringement of patent or other proprietary rights of third parties. Although patent and other intellectual property disputes in our industry have often been settled through licensing or similar arrangements, such defense could require us to incur substantial expense and to divert significant resources of our technical and management personnel, and could result in our loss of rights to develop or make certain products or require us to pay monetary damages or royalties to license proprietary rights from third parties. Furthermore, we cannot be certain that the

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necessary licenses would be available to us on acceptable terms, if at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling certain of our products. Any such litigation, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources, either of which could adversely affect our business.

We rely on technology provided by third parties and our business will suffer if we are unable to renew our licensing arrangements with them.

From time to time, we have obtained licenses for patent, copyright, trademark and other intellectual property rights to process and device technologies used in the production of our display panels. We have entered into key licensing arrangements with third parties, for which we have made, and continue to make, periodic license fee payments. In addition, we also have cross-license agreements with certain other third parties. These agreements terminate upon the expiration of the respective terms of the patents.

If we are unable to renew our technology licensing arrangements on acceptable terms, we may lose the legal protection to use certain of the processes we employ to manufacture our products and be prohibited from using those processes, which may prevent us from manufacturing and selling certain of our products, including our key products. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms than we do.

In the future, we may also need to obtain additional patent licenses for new or existing technologies. We cannot provide assurance that these license agreements can be obtained or renewed on acceptable terms or at all, and if not, our business and operating results could be adversely affected.

We rely upon trade secrets and other unpatented proprietary know-how to maintain our competitive position in the TFT-LCD industry and any loss of our rights to, or unauthorized disclosure of, our trade secrets or other unpatented proprietary know-how could negatively affect our business.

We also rely upon trade secrets, unpatented proprietary know-how and continuing technological innovation in our business. We enter into confidentiality agreements with each of our employees and consultants upon the commencement of an employment or consulting relationship. These agreements generally provide that all inventions, ideas, discoveries, improvements and copyrightable material made or conceived by the individual arising out of the employment or consulting relationship and all confidential information developed or made known to the individual during the term of the relationship is our exclusive property. We cannot assure the enforceability of these types of agreements, or that they will not be breached. We also cannot be certain that we will have adequate remedies for any breach. The disclosure of our trade secrets or other know-how as a result of such a breach could adversely affect our business. Disputes may arise concerning the ownership of intellectual property or the applicability or enforceability of our confidentiality agreements, and there can be no assurance that any such disputes would be resolved in our favor. Further, others may acquire or independently develop similar technology, or if patents are not issued with respect to products arising from research, we may not be able to maintain information pertinent to such research as proprietary technology or trade secrets and that could have an adverse effect on our competitive position within the TFT-LCD industry.

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We rely on key researchers and engineers, senior management and production facility operators, and the loss of the services of any such personnel or the inability to attract and retain them may negatively affect our business.

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel, and on our ability to continue to attract, retain and motivate qualified researchers and engineers, especially during periods of rapid growth. In particular, our focus on leading the market in introducing new products and advanced manufacturing processes has meant that we must aggressively recruit engineers with expertise in cutting-edge technologies.

In addition, as a joint venture between LG Electronics and Philips Electronics, we have in the past relied on our affiliation with LG Electronics and Philips Electronics to recruit and retain important research and development personnel. We can offer no assurance that we will be able to realize these advantages if our affiliation with LG Electronics and Philips Electronics is significantly reduced in the future.

We also depend on the services of experienced key senior management, and if we lose their services, it would be difficult to find and integrate replacement personnel in a timely manner, or at all. We also employ highly skilled line operators at our various production facilities.

The loss of the services of any of our key research and development and engineering personnel, senior management or skilled operators without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on our operations.

Our two principal shareholders, LG Electronics and Philips Electronics, which together currently own approximately 89.1% of our voting stock, have, and will continue to have, following LG Electronics and Philips Electronics sale of ADSs and/or our common shares in this offering and/or a transaction in Korea consummated concurrently with this offering, significant influence over corporate decisions.

LG Electronics and Philips Electronics together have, and will continue to have, control of all matters submitted to our shareholders for approval, including electing certain of our directors, amending our articles of incorporation and approving changes of control that may impact you as a minority shareholder, following LG Electronics and Philips Electronics sale of ADSs and/or our common shares in this offering and/or a transaction in Korea consummated concurrently with this offering. The directors elected by these shareholders are able to make decisions affecting our capital structure, including decisions to issue additional capital stock, implement stock repurchase programs and incur indebtedness. See Certain Relationships and Related Party Transactions.

In addition, we engage in a variety of related party transactions with our two principal shareholders and their respective affiliates:

- Purchases from LG Electronics and its affiliates purchases of materials, components and services from LG Electronics and its affiliates, excluding subsidiaries of LG International, amounted to 16.5%, 28.4% and 21.2% of our total purchases of materials, components and services in 2002, 2003 and 2004, respectively, and 23.8% and 7.9% (excluding services purchased from GS Engineering & Construction which, as of January 2005, is no longer an affiliated company of the LG Group) in the three-month periods ended March 31, 2004 and 2005, respectively.

Sales to LG Electronics sales to LG Electronics (including its overseas subsidiaries) on an invoiced basis, which include sales to LG Electronics as an end-brand customer and system integrator, including sales through Serveone (formerly LG MRO Co., Ltd.), amounted to 19.4%, 25.1% and 19.3% of our sales in 2002, 2003 and 2004, respectively, and 21.4% in each of the three-month periods ended March 31, 2004 and 2005.

Sales to Philips Electronics and its affiliates sales to Philips Electronics and its affiliates on an invoiced basis, which include sales to Philips Electronics as an end-brand customer and system integrator, amounted to 3.9%, 9.9% and 14.5% of our sales in 2002, 2003 and 2004, respectively, and 14.4% and 13.3% in the three-month periods ended March 31, 2004 and 2005, respectively.

Purchases from LG International purchases of equipment and components from subsidiaries of LG International amounted to 22.3%, 17.5% and 22.4% of our total equipment and component purchases in 2002, 2003 and 2004, respectively, and 18.6% and 10.4% in the three-month periods ended March 31, 2004 and 2005, respectively.

Sales to LG International sales to subsidiaries of LG International on an aggregate basis amounted to 27.0%, 10.0% and 5.5% of our sales in 2002, 2003 and 2004, respectively, and 4.0% and 2.9% in the three-month periods ended March 31, 2004 and 2005, respectively.

Purchases from Philips Electronics purchases of driver integrated circuits from Philips Electronics semiconductor division amounted to 0.8%, 0.8% and 0.6% of our total purchases of materials, components and services in 2002, 2003 and 2004, respectively, and 0.5% and 0.7% in the three-month periods ended March 31, 2004 and 2005, respectively.

Pursuant to our articles of incorporation and the terms of a shareholders agreement entered into between LG Electronics and Philips Electronics in July 2004, we have a nine-member board of directors which is composed of two outside directors selected by each of LG Electronics and Philips Electronics, one outside director jointly selected by them and four non-outside directors. In March 2005, we established the Outside Director Nomination and Corporate Governance Committee which will nominate our future outside directors. The right to nominate the four non-outside directors of our board depends on the respective ownership interest in us of each of LG Electronics and Philips Electronics. The two shareholders have also agreed to a co-voting arrangement under which each party is obligated to vote in favor of the non-outside director candidates selected by the other party as well as the non-outside candidate jointly selected by the two shareholders. Subject to minimum shareholding requirements, LG Electronics and Philips Electronics are able to nominate our chief executive officer and chief financial officer, respectively, who as our two joint representative directors, must act in concert in order for their actions to bind us. See Principal Shareholders Shareholders Agreement for a description of the composition of our board and Management for a description of the joint representative director system under Korean law. As a result, persons with ties to LG Electronics and Philips Electronics may account for as many as four directors on our board and, will continue to exert substantial influence over the operation of our business.

The interests of LG Electronics and Philips Electronics, and the directors and officers nominated by them, may differ from or conflict with those of us or our other shareholders.

When exercising their rights as our shareholders, either alone or in concert, LG Electronics and Philips Electronics may take into account not only our interests but also their interests and the interests of their affiliates or other joint venture companies in competing display businesses. For example, LG

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Electronics and Philips Electronics merged their respective cathode ray tube businesses into a joint venture company named LG.Philips Displays in 2001. The interests of LG.Philips Displays and other display businesses of LG Electronics and Philips Electronics may at times conflict with ours since the growth of our business depends, in part, on successful competition with other display technologies. These conflicts may result in lost corporate opportunities for us, including opportunities to enter into lines of business that may overlap with those pursued by other display businesses of LG Electronics and Philips Electronics.

Various other conflicts of interest between our two shareholders and us may arise in the future in a number of areas relating to our business and relationships, including potential acquisitions of businesses or properties, incurrence of indebtedness, financial commitments, sales and marketing functions, indemnity arrangements, service arrangements and the exercise by LG Electronics and Philips Electronics of control over our management and affairs. Our board is currently composed of directors and officers who have been appointed by our two shareholders and certain of our directors continue to hold positions at LG Electronics or Philips Electronics. See Our two principal shareholders, LG Electronics and Philips Electronics, which together currently own approximately 89.1% of our voting stock, have, and will continue to have, following LG Electronics and Philips Electronics sale of ADSs and/or our common shares in this offering and/or a transaction in Korea consummated concurrently with this offering, significant influence over corporate decisions above and Principal Shareholders Shareholders Agreement for a description of the composition of our current board of directors.

Labor unrest may disrupt our operations.

As of March 31, 2005, approximately 60% of our total employees, including those of our subsidiaries, were union members, and production employees accounted for substantially all of these members. We have a collective bargaining arrangement with our labor union, which is negotiated once a year. If our relationship with our employees deteriorates and there is labor unrest resulting in a work stoppage or strike, our production facilities will not be able to continue operations and this will have a material adverse effect on our financial condition and results of operations.

We are subject to strict environmental regulations and we may be subject to fines or restrictions that could cause our operations to be interrupted.

Our manufacturing processes generate chemical waste, waste water and other industrial waste at various stages in the manufacturing process, and we are subject to a variety of laws and regulations relating to the use, storage, discharge and disposal of such chemical by-products and waste substances. We have installed various types of anti-pollution equipment, consistent with industry standards, for the treatment of chemical waste and equipment for the recycling of treated waste water at our various facilities. However, we cannot provide assurance that environmental claims will not be brought against us or that the local or national governments will not take steps toward adopting more stringent environmental standards.

Any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, suspension of production or a cessation of operations. In addition, new environmental regulations could require us to acquire costly equipment or to incur other significant compliance expenses that may materially and negatively affect our financial condition and results of operations.

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Risks Relating to this Offering

Future sales of shares of our common stock in the public market may depress our stock price and make it difficult for you to recover the full value of your investment in our common stock or our ADSs.

We, LG Electronics and Philips Electronics have each agreed not to (and not to announce an intention to), without the prior written consent of the joint global coordinators on behalf of the underwriters, during the period of 180 days (90 days in the case of LG Electronics and Philips Electronics) after the date of the underwriting agreement, issue, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any of our capital stock or other securities or securities convertible into or exchangeable for the foregoing (except, in our case, for any grant, issue or offer of options, rights, warrants or other securities made to any of our directors, officers or employees as part of their compensation), as described in further detail in Underwriting.

If our current major shareholders, LG Electronics and Philips Electronics, sell substantial amounts of our common stock in the public market following the expiration of the aforementioned lock-up periods, or if there is a perception that these sales may occur, the market price of our common stock could decline.

If there is significant volatility in the prices of our common stock and our ADSs following this offering, you may lose all or part of your investment, and securities class-action litigation may be brought against us.

Following this offering, the price at which our common stock will trade may be volatile. The stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices of securities. These fluctuations often have been unrelated or disproportionate to the operating performance of publicly traded companies. In the past, following periods of volatility in the market price of a particular company s securities, securities class-action litigation has sometimes been brought against that company. If similar litigation were instituted against us, it could result in substantial costs and divert management s attention and resources from our core business.

Our public shareholders may have more difficulty protecting their interests than they would as shareholders of a U.S. corporation.

Our corporate affairs are governed by our articles of incorporation and by the laws governing Korean corporations. The rights and responsibilities of our shareholders and members of our board of directors under Korean law may be different from those that apply to shareholders and directors of a U.S. corporation. For example, minority shareholder rights afforded under Korean law often require the minority shareholder to meet minimum shareholding requirements in order to exercise certain rights. In the case of public companies, a shareholder must own, individually or collectively with other shareholders, at least 0.01% of our common stock for at least six months in order to file a derivative suit on behalf of us. While the facts and circumstances of each case will differ, the duty of care required of a director under Korean law may not be the same as the fiduciary duty of a director of a U.S. corporation. Holders of our common stock or our ADSs may have more difficulty protecting their interests against actions of our management, members of our board of directors or controlling shareholders than they would as shareholders of a U.S. corporation.

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You may be limited in your ability to deposit or withdraw the common stock underlying the ADSs, which may adversely affect the value of your investment.

Under the terms of our deposit agreement, holders of common stock may deposit such common stock with the depositary s custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary and receive common stock. However, to the extent that a deposit of common stock exceeds the difference between:

the aggregate number of common shares we have consented to allow to be deposited for the issuance of ADSs (including deposits in connection with offerings of ADSs and stock dividends or other distributions relating to ADSs); and

the number of shares of common stock on deposit with the custodian for the benefit of the depositary at the time of such proposed deposit,

such common stock will not be accepted for deposit unless (1) our consent, subject to governmental authorization, with respect to such deposit has been obtained or (2) such consent is no longer required under Korean laws and regulations.

Under the terms of the deposit agreement, no consent is required if the shares of common stock are obtained through a dividend, free distribution, rights offering or reclassification of such stock. The current limit on the number of shares that may be deposited into our ADR facility is 28,595,700 as of July 6, 2005. The number of shares issued or sold in any subsequent offering by us or our affiliates, subject to government authorization, raises the limit on the number of shares that may be deposited into the ADR facility, except to the extent such deposit is prohibited by applicable laws or violates our articles of incorporation, or we determine with the ADR depositary to limit the number of shares of common stock so offered that would be eligible for deposit under the deposit agreement in order to maintain liquidity for the shares in Korea as may be requested by the relevant Korean authorities. We might not consent to the deposit of any additional common stock. As a result, if a holder surrenders ADSs and withdraws common stock, it may not be able to deposit the common stock again to obtain ADSs. In addition, you will not be able to withdraw shares of common stock represented by ADSs offered by us in this offering until these shares are listed on the Korea Exchange.

Holders of ADSs will not have preemptive rights in some circumstances.

The Korean Commercial Code of 1962, as amended, and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares of our common stock in proportion to their existing shareholding ratio whenever new shares are issued, except under certain circumstances as provided in our articles of incorporation. Accordingly, if we issue new shares to non-shareholders based on such exception, a holder of our ADSs may experience dilution in its holdings. Furthermore, if we offer any right to subscribe for additional shares of our common stock or any rights of any other nature to existing shareholders subject to their preemptive rights, the depositary, after consultation with us, may make the rights available to holders of our ADSs or use reasonable efforts to dispose of the rights on behalf of such holders and make the net proceeds available to such holders. The depositary, however, is not required to make available to holders any rights to purchase any additional shares of our common stock unless it deems that doing so is lawful and feasible and;

a registration statement filed by us under the U.S. Securities Act of 1933, as amended, is in effect with respect to those shares; or

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the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act.

Other than our registration rights agreement with each of LG Electronics and Philips Electronics as described in Principal Shareholders Registration Rights Agreement, we are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, a holder of our ADSs may be unable to participate in our rights offerings and may experience dilution in its holdings. If a registration statement is required for a holder of our ADSs to exercise preemptive rights but is not filed by us or is not declared effective, the holder will not be able to exercise its preemptive rights for additional ADSs and it will suffer dilution of its equity interest in us. If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or feasible, it will allow the rights to lapse, in which case the holder will receive no value for these rights.

Holders of ADSs will not be able to exercise dissenter s rights unless they have withdrawn the underlying shares of common stock and become our direct shareholders.

In some limited circumstances, including the transfer of the whole or any significant part of our business and our merger or consolidation with another company, dissenting shareholders have the right to require us to purchase their shares under Korean law. A holder of ADSs will not be able to exercise dissenter s rights unless such holder has withdrawn the underlying common stock and become our direct shareholder.

Dividend payments and the amount you may realize upon a sale of our common stock or ADSs that you hold will be affected by fluctuations in the exchange rate between the U.S. dollar and the Korean Won.

Cash dividends, if any, in respect of the shares represented by our ADSs will be paid to the depositary in Korean Won and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Korean Won and the U.S. dollar will affect, among other things, the amounts a holder will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that a holder would receive upon sale in Korea of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our common stock.

Risks Relating to Korea

If economic conditions in Korea deteriorate, our current business and future growth could be materially and adversely affected.

We are incorporated in Korea, and substantially all of our operations and assets are located in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. From early 1997 until 1999, Korea experienced a significant financial and economic downturn, from which it is widely believed the country has now recovered to a large extent.

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The economic indicators in 2002, 2003 and 2004 have shown mixed signs of recovery and uncertainty, and future recovery or growth of the economy is subject to many factors beyond our control. Events related to the terrorist attacks in the United States that took place on September 11, 2001, recent developments in the Middle East, including the war in Iraq, higher oil prices, the general weakness of the global economy and the outbreak of severe acute respiratory syndrome, or SARS, in Asia and other parts of the world have increased the uncertainty of global economic prospects in general and may continue to adversely affect the Korean economy for some time. Any future deterioration of the Korean and global economy could adversely affect our financial condition and results of operations.

Developments that could hurt Korea s economy in the future include:

- financial problems relating to *chaebols* (Korean conglomerates), or their suppliers, and their potential adverse impact on the Korean economy, including as a result of recent investigations relating to unlawful political contributions by *chaebols*;

- failure or lack of progress in restructuring of *chaebols*, the financial industry, including credit card companies, and other large troubled companies;

- loss of investor confidence arising from corporate accounting irregularit