

LG.Philips LCD Co., Ltd.  
Form 6-K  
August 14, 2006

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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

For the month of August 2006

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## LG.Philips LCD Co., Ltd.

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

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registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes  No

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SEMIANNUAL REPORT

(From January 1, 2006 to June 30, 2006)

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

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

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

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## 1. Overview

### A. Industry

#### (1) Industry characteristics and growth potential

TFT-LCD technology is one of the most widely used technologies in the manufacture of flat panel displays and the demand for flat panel displays is growing rapidly. The flat panel display industry is characterized by high entry barriers due to rapidly evolving technology, capital-intensive characteristics, and the significant investments required to achieve economies of scale, among other factors. There is strong competition between a limited number of players within the industry and production capacity in the industry, including ours, is being continually increased.

The demand for LCD panels for Notebook Computers & Monitors has been closely related to the IT industry cycle. The demand for LCD panels for TVs is growing with the start of HDTV broadcasting and as LCD TV is anticipated to play a key role in the digital display market. There is a competition between TFT-LCD and PDP technologies in the area of large flat TV products. In addition, LCD panel markets for applications, such as mobile phones, PDAs, medical applications and automobile navigation systems, among others, are growing steadily.

The average selling prices of our display panels have declined in general and are expected to continually decline with time irrespective of industry-wide fluctuations as a result of, among other factors, technology advances and cost reductions.

#### (2) Cyclicity

The TFT-LCD business has high cyclicity as well as being a capital intensive business. In spite of the increase in demand for products, this industry has experienced periodic volatility caused by imbalances between demand and supply due to capacity expansion within the industry.

Intense competition and expectations of demand growth may lead panel manufacturers to invest in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities.

During such surges in capacity growth, our customers can exert and have exerted strong downward pricing pressure, resulting in sharp declines in average selling prices and significant fluctuations in our gross margins. Conversely, demand surges and fluctuations in the supply chain can lead to price increases.

#### (3) Competitiveness

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

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

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

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

Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain the experienced key staffs and highly skilled line operators.

(4) Sourcing material

Materials are sourced in-house (color filters) as well as from domestic and overseas vendors. Recently, the domestic portion has grown due to the active participation of domestic vendors.

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

We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors.

(5) Others

Most TFT-LCD panel makers are located in Asia.

- a. Korea: LG.Philips LCD, Samsung Electronics (including Joint Venture between Samsung Electronics and Sony Corporation), BOE-Hydis
- b. Taiwan: AU Optronics, Chi Mei Optoelectronics, CPT, QDI, etc.
- c. Japan: Sharp, IPS-Alpha, etc.
- d. China: SVA-NEC, BOE-OT, etc.

B. Company

(1) Business overview

We started the TFT-LCD business in 1998. We currently operate seven fabrication facilities located in Gumi and Paju, Korea and four module facilities located in Gumi & Paju, Korea and Nanjing, China.

We became the first LCD maker in the world which commenced commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002, and we started mass production at our 6th generation fab (P6) in August 2004, which allows us to produce LCD panels for large TVs and monitors. Following mass production at our 7th generation fab (P7) in January 2006, we became a panel maker who operates both 6th and 7th generation lines, which we believe will strengthen our position as a leader in the LCD TV market.

Non-consolidated sales revenue in the first half of 2006 increased by about 19% to KRW 4,504 billion compared to KRW 3,799 billion in the first half of 2005.

Due to a sudden fall in product prices and appreciation of KRW, we incurred a non-consolidated operating loss of KRW 410 billion in the first half of 2006 compared with an operating loss of KRW 134 billion in the first half of 2005. We also incurred a non-consolidated net loss of KRW 274 billion in the first half of 2006 compared with a non-consolidated net loss of KRW 38 billion in the first half of 2005.

Business area of the company for disclosure is limited to LCD business.

(2) Market shares

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

	Q1 2006	2005	2004
Panel for Notebook Computer	21.1%	22.5%	19.6%
Panel for Monitor	16.3%	22.5%	22.6%
Panel for TV	22.6%	23.9%	19.8%
Total	19.3%	22.2%	20.9%

\* Source: DisplaySearch Q2 2006

(3) Market characteristics

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

(4) New business

Due to our downward adjustment of 2006 capital expenditure, P7 is expected to reach a production capacity of 75,000 input glass sheets per month by the end of 2006.

We have commenced building construction of P8 at our Paju display cluster in Korea in anticipation of growth in the TFT-LCD market, and decided to invest in a multi-purpose generation 5.5 facility at P8 plant to meet our customer's forthcoming needs, particularly in the expanding wide format notebook and high-end monitor segments.

In September 2005, we entered into an agreement to build a back-end module production plant in Wroclaw, Poland, becoming the first global LCD industry player to commence such a production facility in Europe. We broke ground on the plant in June 2006 and expect to begin production during the first half of 2007.

In May 2006, we have entered into an investment agreement with the Guangzhou Development District Administrative Committee to construct a module production plant in Guangzhou, China, and in August 2006, we established LG.Philips LCD Guangzhou Co., Ltd.



(5) Organization chart as of June 30, 2006

JRD : Joint Representative Director

CEO : Chief Executive Officer

CFO : Chief Financial Officer

COO : Chief Operating Officer

CTO : Chief Technology Officer

CMSO: Chief Marketing Sales Officer

\* We reorganized our organization and adopted three business units on August 1, 2006 and the above chart is before the reorganization.

**2. Information Regarding Shares**

A. Change in Capital Stock

(Unit : KRW , Share)

Date	Descriptions	Change of Number of	
		Common Shares	Face amount per share
July 23, 2004	Initial Public Offering*	33,600,000	5,000
September 8, 2004	Over-allotment Option**	1,715,700	5,000
July 27, 2005	Follow-on Offering***	32,500,000	5,000

\* ADSs offering : 24,960,000 shares (US\$30 per Share, US\$15 per ADS) Offering of common stock : 8,640,000 shares (KRW34,500 per Share)

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

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

B. Convertible Bonds

(Unit : USD, Share)

Item	Contents
Issuing Date	April 19, 2005
Maturity	April 19, 2010
(Redemption Date after Put Option Exercise)	(October 19, 2007)
Face Amount	475,000,000
Offering method	Public Offering
Conversion period	Convertible into shares of common stock in the period from June 27, 2005 to April 4, 2010
Conversion price	KRW 58,251 per share*
Conversion status	None
Number of shares already converted	8,276,681 shares if all convertible bonds are converted*
Number of convertible shares	
Remarks	Registered form  Listed on Singapore Exchange

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

C. Shareholder List

(1) Total shares issued : 357,815,700 shares as of June 30, 2006

(2) Largest shareholder and related parties as of June 30, 2006

(Unit: share)

Name	January 1, 2006	Increase/Decrease	June 30, 2006
LG Electronics	135,625,000 (37.90%)		135,625,000 (37.90%)
Total	135,625,000 (37.90%)		135,625,000 (37.90%)

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

(Unit: share)

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

\* ADSs Depository

D. Voting rights as of December 31, 2005

		(Unit: share)
<b>Description</b>		<b>Number of shares</b>
1. Shares with voting rights [A-B]		357,815,700
A. Total shares issued		357,815,700
B. Shares without voting rights		
2. Shares with restricted voting rights		
Total number of shares with voting rights [1-2]		357,815,700

E. Dividends

(1) Dividends during the recent 3 fiscal years

<b>Description</b>	<b>1H 2006</b>	<b>2005</b>	<b>2004</b>
Par value (Won)	5,000	5,000	5,000
Net income (Million Won)	(-)274,002	517,012	1,655,445
Earnings per share (Won)	(-)766	1,523	5,420
Retained earning for dividends (Million Won)	3,206,347	3,480,349	2,963,337
Total cash dividend amount (Million Won)			
Total stock dividend amount (Million Won)			
Cash dividend payout ratio (%)			
Cash dividend yield (%)			
Stock dividend yield (%)			
Cash dividend per share (Won)			
Stock dividend per share (Won)			

- \* Earnings per share are calculated based on par value of 5,000 Won. (Stock split was made from par value of 10,000 Won to par value of 5,000 Won per share as of May 25, 2004.)
- \* Retained earning for dividends is the amount before dividends are paid.
- \* Earnings per share was calculated by net income divided by weighted average number of common stock.

**3. Major Products and Materials**

A. Major products in 1H 2006

(Unit: In billions of Won)

Business area	Sales types	Items (Market)	Specific use	Major	
				trademark	Sales (%)
TFT-LCD	Product/ Service/ Other Sales	TFT-LCD (Overseas)	Notebook Computer, Monitor, TV, Applications Panels, etc.	LG.Philips LCD	4,090 (90.8)%
		TFT-LCD (Korea*)	Notebook Computer, Monitor, TV, Applications Panels, etc.	LG.Philips LCD	414 (9.2)%
Total					4,504 (100)%

\* Local export was included.

B. Average selling price trend of major products

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

Description	1H 2006	2005	2004
TFT-LCD panel	1,837	2,247	3,066

\* Half-finished products in cell format are excluded.

- (1) Assumptions for calculations

Average selling price per m<sup>2</sup> for the relevant period

- (2) Major factors contributing to price fluctuation

Price change due to fluctuation in market

Price change due to change in model mix

C. Major materials

(Unit: In billions of Won)

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Business area	Purchase types	Items	Specific use	Purchase amount		Remarks
					(%)	
		Glass		620	(21.4)%	Samsung Corning Precision
TFT-LCD	Materials		LCD Panel			Glass Co., Ltd., NEG, etc.
		Back-Light	Manufacturing	750	(25.9)%	Heesung Electronics Ltd., etc.
		Polarizer		269	(9.3)%	LG Chem., etc.
		Others		1,255	(43.4)%	
Total				2,894	(100.0)%	

D. Price trend of major materials

Description	(Unit : Won)		
	1H 2006	2005	2004
Glass	83,049	82,944	76,080
Back-Light	56,957	46,020	35,800
Polarizer	7,880	8,386	8,256

- (1) Assumption for calculation

Average unit price of major raw materials

- (2) Major factors contributing to price fluctuations

Difference between demand and supply

Change in size of raw materials and changes in quantity

Continuous cost reduction efforts by key vendors

**4. Production and Equipment**

A. Production capacity and calculation

- (1) Production capacity

(Unit : 1,000 Glass sheets)

Business area	Items	Business place	1H 2006	2005	2004
TFT-LCD	TFT-LCD	Gumi, Paju	4,607	8,128	6,644

- (2) Calculation of Capacity

a. Method

- (1) Assumptions for calculation

Based on input glass

(2) Calculation method

Input capacity of recent month x given periods (6 months) in case of 1H 2006

Average monthly input capacity for 4th quarter x given periods (12 months) in case of 2005 and 2004.

b. Average working hours

Refer to B-(2)

B. Production performance and working ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	1H 2006	2005	2004
TFT-LCD	TFT-LCD	Gumi, Paju	4,370	7,544	6,033

\* Based on input glass

(2) Working Ratio

(Unit: Hours)

Business place (area)	Available working hours of 1H 2006	Real working hours of 1H 2006	Average working ratio
Gumi, Paju (TFT-LCD)	4,344 (24 hours X 181 Days)	4,344 (24 hours X 181 Days)	100%

C. Investment plan

(1) Investment in progress

(Unit: In billions of Won)

Business area	Description	Investment period	Investment Assets	Investment effect	Total investment	Already invested	To be invested	Remarks
TFT-LCD	New / Expansion, etc.	Q1 04~	Building/ Machinery, etc.	Capacity expansion	8,050	5,800	2,250	

(2) Investment Plan (Consolidated basis)

(Unit: In billions of Won)

Business area	Project	Expected yearly investment 2006	Investment 2007**	Investment 2008**	Investment effects	Remarks
TFT-LCD		* 3,035				



New /  
Expansion,  
etc.

Capacity  
Expansion,  
etc.

- 
- \* Expected investments in 2006 are subject to change depending on market environment and was adjusted downward from KRW 4,230B.
  - \*\* Expected investment in 2007 and 2008 cannot be projected due to industry characteristics.

**5. Sales**

## A. Sales performance

(Unit: In billions of Won)

Business area	Sales	Items		1H 2006	1H 2005	2005
	types	(Market)				
TFT-LCD	Products, etc.	TFT-LCD	Overseas	4,090	3,436	8,114
			Korea*	414	363	776
			Total	4,504	3,799	8,890

\* Local export was included.

## B. Sales route and sales method

## (1) Sales organization

As of June 30, 2006, Sales departments for Notebook Computer, Monitor and TV panels, qualification department and sales planning & administration department are grouped under the Chief Marketing Sales Officer. Sales department for Application and Customer Service department for Application are in the Application Division.

\* On August 1, 2006, we reorganized our organization and adopted three business units - IT business, Television business and small and medium display business unit. As each business unit has individual sales and customer support function, the above mentioned & existing sales departments were reorganized into each business unit.

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

## (2) Sales route

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

LG.Philips LCD HQ & Overseas manufacturing subsidiary, etc. → System integrators, Branded customers → End users

(3) Sales methods and conditions

Direct sales & sales through overseas subsidiaries, etc.

(4) Sales strategy

To secure stable sales to major PC makers and the leading consumer electronics makers globally

To increase sales of premium Notebook Computer products, to strengthen sales of the larger size and high-end Monitor segment and to lead the large and wide LCD TV market

To diversify our market in the application segment, including products such as mobile phone, automobile navigation systems, aircraft instrumentation and medical diagnostic equipment, etc.

**6. Directors & Employees**

A. Members of Board of Directors as of June 30, 2006

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

B. Committees of the Board of Directors

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

C. Director & Officer Liability Insurance

(1) Overview of Director & Officer Liability Insurance (as of June 30, 2006)

(Unit: USD)

<b>Name of insurance</b>	<b>Premium paid in 1H 2006</b>	<b>Limit of liability</b>	<b>Remarks</b>
Directors & Officers			
Liability Insurance		100,000,000	

\* Premium of USD2,623,000 was paid on July 2005 for director & officer liability insurance with coverage until July 2006. (In July 2006, LPL renewed director & officer liability insurance with coverage until July 2007.)

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

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

(3) The insured

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

(4) The Covered Risks

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

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

(5) Exclusions

1. General Exclusions (any loss related to following items)

Any illegal gaining of personal profit, dishonest or criminal act;

Remuneration payment to the Insureds without the previous approval of the stockholders, which payment was illegal;

Profits in fact made from the purchase or sale of securities of the Company using non- public information in an illegal manner;

Payment of commissions, gratuities, benefits or any other favor provided to political group, government official, director, officer, employee or any person having an ownership interest in any customers of the company or their agent(s), representative(s) or member(s) of their family or any other entity(ies) with which they are affiliated.

Wrongful Acts alleged in any claim which has been reported under any policy of which this policy is a renewal or replacement;

Any pending or prior litigation as of the inception date of this policy, or derived from the same facts as alleged in such pending or prior litigation, etc. ;

Wrongful Act which Insured knew or should reasonably have foreseen at the inception date of this policy;

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Pollutants, contamination;

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

Nuclear material, radioactive contamination;

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

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

2. Special Exclusions (any loss related to following items)

Punitive Damage

Nuclear Energy Liability

Mutual claim between Insureds

Claim of 15% Closely Held entity

Claim of Regulator

Professional Service liability

SEC (Securities and Exchange Commission) 16(b)

ERISA(Employee Retirement Income Security Act)

The so called Year 2000 Problem

War & Terrorism

Asbestos/Mould liability

Patent / Copyright liability, etc.

D. Employees

(as of June 30, 2006)

(Unit: person, in millions of Won)

Sex	Details of employees			Total in 1H 2006	Total Salary in 1H 2006	Per Capita Salary	Average Service Year
	Office Worker	Line Worker	Others				
Male	5,592	5,703		11,295	223,115	20	3.8
Female	465	5,333		5,798	80,406	14	1.9
<b>Total</b>	<b>6,057</b>	<b>11,036</b>		<b>17,093</b>	<b>303,521</b>	<b>18</b>	<b>3.1</b>

\* Directors and executive officers are excluded.



## E. Stock Option

The following table sets forth certain information regarding our stock option plan as of June 30, 2006.

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

**7. Financial Information**

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

(Unit: In millions of Won)

Description	1H 2006	2005	2004	2003	2002
[Current Assets]	2,773,422	3,196,934	2,638,616	1,918,329	806,156
Quick Assets	1,943,545	2,725,169	2,170,617	1,644,838	463,539
Inventories	829,877	471,765	467,999	273,491	342,617
[Fixed Assets]	10,413,832	9,798,981	6,960,077	4,295,753	3,613,748
Investments	834,511	660,628	409,955	203,343	147,832
Tangible Assets	9,396,713	8,988,459	6,366,651	3,874,428	3,210,884
Intangible Assets	182,608	149,894	183,471	217,982	255,032
Total Assets	13,187,254	12,995,915	9,598,693	6,214,082	4,419,904
[Current Liabilities]	2,404,532	2,594,282	1,900,765	2,044,005	1,117,066
[Non-current Liabilities]	3,359,041	2,726,036	1,925,286	1,276,045	1,436,775
Total Liabilities	5,763,573	5,320,318	3,826,051	3,320,050	2,553,841
[Capital Stock]	1,789,079	1,789,079	1,626,579	1,450,000	1,450,000
[Capital Surplus]	2,275,172	2,279,250	1,012,271		
[Retained Earnings ]	3,334,684	3,608,686	3,091,674	1,436,229	417,129
[Capital Adjustment]	24,746	(-1,418)	42,118	7,803	(-1,066)
Total Shareholder s Equity	7,423,681	7,675,597	5,772,642	2,894,032	1,866,063
Sales Revenues	4,504,035	8,890,155	8,079,891	6,031,261	3,518,289
Operating Income	(-409,923)	447,637	1,640,708	1,086,517	215,724
Ordinary Income	(-390,618)	367,281	1,683,067	1,009,731	293,249
Net Income	(-274,002)	517,012	1,655,445	1,019,100	288,792

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

## B. R&amp;D Expense

## (1) Summary

(Unit: In millions of Won)

Account		1H 2006	2005	2004	Remarks
	Direct Material Cost	144,676	253,930	170,051	
	Direct Labor Cost	43,928	72,142	58,202	
	Depreciation Expense	9,506	11,710	11,078	
	Others	16,135	23,979	13,874	
	R&D Expense Total	214,245	361,761	253,205	
Accounting	Selling & Administrative Expenses	35,816	55,057	43,095	
Treatment	Manufacturing Cost	178,429	306,704	210,110	
	R&D Expense / Sales Ratio	4.76%	4.07%	3.13%	

[Total R&amp;D Expense/Sales for the period×100]

\* Capex for R&amp;D, Manufacturing Cost for R&amp;D test run are excluded.

(2) R&amp;D achievements

[Achievement in 2004]

## 1) Development of 20.1-inch AMOLED

Joint development of 20.1-inch AMOLED with LG Electronics

Development of world's largest 20.1-inch wide AMOLED based on LTPS technology

## 2) Development of copper bus line

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

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

Stitch Lithography and Segmented Circuit Driving to cope with large-size LCD Panel

Achievement of High Contrast Ratio and Fast Response Time through new technologies

Application of innovative panel technology to solve the weak point (gravity/touch stains) of large size

## 4) Development of Ultra High Resolution Product (30-inch)

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World's 1st success in mass production of LCM applying Cu Line(source & gate Area)

Achievement of Ultra High Resolution (2560x1600 : 101ppi)

5) Development of the world's lowest power-consumption, 32-inch Wide LCD TV Model

Development of the world's lowest power consumption, under 90W model (EEFL applied)

High Contrast Ratio, Fast Response Time (DCR + ODC applied)

[Achievement in 2005]

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

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

Development of 6200nit luminance backlight

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

Joint development with E-ink Corporation

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

(Copper bus Line)

World's 1st mass production of copper bus line Model

Realize Full HD Resolution (1920x1080)

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

The lowest power consumption of below 120W (applying EEFL)

High Contrast Ratio, Fast Response Time with DCR, ODC Technology.

[Achievement in 2006]

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

Slim model (10t - 7t), featuring 500nit, NTSC 72%

Development of Slim and High Brightness Backlight

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

High quality image without noise or signal distortion, applying low resistance copper bus line

High dignity picture for Full HDTV

12) 32-inch/42-inch HCFL Scanning Backlight applied LCD TV Model Development

Realization of MBR (Motion Blur Reduction) by application of Backlight Scanning Technology

Lamp Quantity Reduction by HCFL (Hot Cathode Fluorescent Lamp) Application  
13) World's largest 20.1-inch TFT-LCD for Notebook Computer Development

S-IPS Mode, sRGB, Realization of DCR 3000:1 by Backlight Control, Brightness 300nit

C. Domestic Credit Rating

Subject	Month of Rating	Credit	Rating Agency	
		Rating	(Rating range)	
Corporate Debenture	April 2004	AA-	National Information & Credit Evaluation, Inc.  (AAA ~ D)	
	October 2004	AA-		
	March 2005	AA-		
	June 2005	AA-		
	June 2006	AA-		
	May 2004	AA-		Korea Investors Service, Inc.  (AAA ~ D)
	October 2004	AA-		
	March 2005	AA-		
	June 2005	AA-		
	June 2006	AA-		
	Commercial Paper	April 2004	A1	
		December 2004	A1	
June 2005		A1		
January 2006		A1	Korea Investors Service, Inc.  (A1 ~ D)	
June 2006		A1		
May 2004		A1		
	October 2004	A1		
	June 2006	A1		

D. Remuneration for directors in 1H 2006

(Unit: In millions of Won)

Classification	Salary Paid	Approved Salary at	Per Capita Average	Remarks
		Shareholders Meeting	Salary Paid	
Inside Directors				
(4 persons)	651		163	
Outside Directors		13,400		
(5 persons)	140		28	Audit committee consists of three outside directors.

## E. Derivative contracts

## (1) Foreign currency forward contracts

(Unit: In millions)

Contracting party	Selling position	Buying position	Contract foreign exchange rate	Maturity date
HSBC and others	US\$ 3,091	(Won)3,017,525	(Won) 925.22:US\$1 ~ (Won) 1,050.70:US\$1	July 3, 2006 ~ June 12, 2007
CITI and others	EUR 272	(Won)326,678	(Won) 1,156.54:EUR1 ~ (Won) 1,279.28:EUR1	July 6, 2006 ~ June 13, 2007
ABN AMRO and others	(Won)478,337	JP¥ 55,600	(Won) 8.1720:JP¥1 ~ (Won) 9.5480:JP¥1	July 3, 2006 ~ June 12, 2007
Korea Exchange Bank and others	US\$ 188	JP¥ 21,200	JP¥109.317:US\$1 ~ JP¥116.534:US\$1	July 12, 2006 ~ September 29, 2006

## (2) Cross Currency Swap

(Unit: In millions)

Contracting party	Contract Amount	Contract interest rate	Maturity date
ABN AMRO and others	Buying position US\$ 300	3-Month Libor	July 12, 2006 ~ December 8, 2006
others	Selling position (Won) 310,590	3.65% ~ 4.40%	

## (3) Interest Rate Swap

(Unit: In millions)

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



## (4) Currency Option

(Unit: In millions)

Contracting party	USD Put Option		USD Call Option		Strike Price	Maturity date
	Buying Position		Selling Position			
Korea						
Development	US\$	50	US\$	100	(Won) 957.30:US\$1 ~ (Won) 966.50:US\$1	May 21, 2007 ~ June 21, 2007
Bank and others						

## F. Status of Equity Investment as of June 30, 2006

Company	Total issued and		Number of shares owned by us	Ownership ratio
	outstanding shares			
LG.Philips LCD America, Inc.	5,000,000		5,000,000	100%
LG.Philips LCD Japan Co., Ltd.	1,900		1,900	100%
LG.Philips LCD Germany GmbH	960,000		960,000	100%
LG.Philips LCD Taiwan, Co., Ltd.	11,549,994		11,549,994	100%
LG.Philips LCD Nanjing Co., Ltd.	(*)		(*)	100%
LG.Philips LCD Hong Kong Co., Ltd.	115,000		115,000	100%
LG.Philips LCD Shanghai Co., Ltd.	(*)		(*)	100%
LG.Philips LCD Poland Sp. z o.o. (**)	500		500	100%
Paju Electric Glass Co., Ltd.	3,600,000		1,440,000	40%

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

\*\* In July 4, 2006, we injected the paid-in capital of US\$ 10,000,000 into LG.Philips LCD Poland Sp. z o.o. and our ownership ratio thereafter remained 100%.

\*\*\* In August 2006, we injected the paid-in capital of US\$ 1,000,000 into LG.Philips LCD Guangzhou Co., Ltd. and our ownership ratio thereafter remained 100%.

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

**Interim Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

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

**Interim Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

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**Report of Independent Accountants**

To the Board of Directors and Shareholders of

LG.Philips LCD Co., Ltd.

We have reviewed the accompanying non-consolidated balance sheet of LG.Philips LCD Co., Ltd. (the Company ) as of June 30, 2006, and the related non-consolidated statements of operations and cash flows for the three-month and six-month periods ended June 30, 2006 and 2005, expressed in Korean won. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our reviews.

We conducted our reviews in accordance with the quarterly review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of LG.Philips LCD Co., Ltd. as of December 31, 2005, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated January 20, 2006. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2005, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2005.

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

**SAMIL PRICEWATERHOUSECOOPERS**

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

Seoul, Korea

July 14, 2006

This report is effective as of July 14, 2006, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**LG. Philips LCD Co., Ltd.****Non-Consolidated Balance Sheets****June 30, 2006 and December 31, 2005****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	(Won) 719,900	(Won) 1,465,025
Available-for-sale securities	15	354
Trade accounts and notes receivable, net (Notes 8 and 11)	950,485	1,034,196
Inventories, net (Note 4)	829,877	471,765
Other accounts receivable, net (Note 11)	11,703	15,751
Accrued income, net	1,044	1,369
Advanced payments, net	3,761	5,959
Prepaid expenses	64,439	20,532
Prepaid value added tax	64,355	102,094
Deferred income tax assets (Note 9)	19,499	4,647
Others (Note 8)	108,344	75,242
<b>Total current assets</b>	<b>2,773,422</b>	<b>3,196,934</b>
Property, plant and equipment, net	9,396,713	8,988,459
Long-term financial instruments (Note 3)	16	16
Equity-method investments	282,860	213,968
Non-current guarantee deposits	17,864	24,000
Long-term prepaid expenses	116,854	83,023
Deferred income tax assets (Note 9)	416,917	339,621
Intangible assets, net	182,608	149,894
<b>Total assets</b>	<b>(Won) 13,187,254</b>	<b>(Won) 12,995,915</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities		
Trade accounts and notes payable (Note 11)	(Won) 538,371	(Won) 563,874
Other accounts payable (Note 11)	1,277,118	1,445,471
Advances received	3,541	609
Withholdings	6,598	12,004
Accrued expenses	72,656	73,772
Income tax payable		19,499
Warranty reserve	18,375	16,023
Current maturities of debentures and long-term debts (Note 5)	434,808	429,352
Others (Note 8)	53,065	33,678
<b>Total current liabilities</b>	<b>2,404,532</b>	<b>2,594,282</b>
Debentures, net of current maturities and discounts on debentures (Note 6)	2,789,006	2,385,272
Long-term debts, net of current maturities (Note 6)	505,529	297,577
Accrued severance benefits, net	64,506	43,187
<b>Total liabilities</b>	<b>5,763,573</b>	<b>5,320,318</b>
Commitments and contingencies (Note 8)		

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Shareholders' equity		
Capital stock		
Common stock, (Won)5,000 par value per share ; 400 million shares authorized ; 358 million shares issued and outstanding	1,789,079	1,789,079
Capital surplus	2,275,172	2,279,250
Retained earnings	3,334,684	3,608,686
Capital adjustments	24,746	(1,418)
Total shareholders' equity	7,423,681	7,675,597
Total liabilities and shareholders' equity	(Won) 13,187,254	(Won) 12,995,915

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

See Report of Independent Accountants

## LG. Philips LCD Co., Ltd.

## Non-Consolidated Statements of Operations

## Three-Month and Six-Month Periods Ended June 30, 2006 and 2005

(Unaudited)

<i>(in millions of Korean won, except per share amounts)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2006	2005	2006	2005
<b>Sales (Notes 11 and 12)</b>	(Won) 2,086,362	(Won) 2,028,538	(Won) 4,504,035	(Won) 3,798,846
<b>Cost of sales (Note 11)</b>	2,392,653	1,909,089	4,666,630	3,767,219
Gross profit (loss)	(306,291)	119,449	(162,595)	31,627
<b>Selling and administrative expenses</b>	138,897	90,564	247,328	165,139
Operating income (loss)	(445,188)	28,885	(409,923)	(133,512)
<b>Non-operating income</b>				
Interest income	7,323	11,717	17,290	20,554
Rental income	2,234		4,043	
Foreign exchange gains	48,963	12,692	111,317	56,352
Gain on foreign currency translation	27,502	42,366	46,640	35,106
Gain on valuation of equity method investments	68,445	3,465	81,702	6,956
Gain on disposal of property, plant and equipment	90	790	90	1,996
Others	14,466	4,267	19,128	7,427
	169,023	75,297	280,210	128,391
<b>Non-operating expenses</b>				
Interest expenses	35,302	27,962	71,036	47,259
Foreign exchange losses	47,716	43,949	133,867	73,210
Loss on foreign currency translation	32,484	15,505	32,484	29,390
Donations	1,067	83	1,254	93
Loss on disposal of accounts receivable	2,887	2,992	3,063	4,953
Loss on disposal of available-for-sale securities	35		35	
Loss on disposal of property, plant and equipment	1	8	1,046	22
Loss on valuation of equity method investments	57	13,255	72	2,080
Ramp up costs	7,104		18,043	
Others	1		5	
	126,654	103,754	260,905	157,007
Income (loss) before income taxes	(402,819)	428	(390,618)	(162,128)
Income tax benefit	(81,299)	(40,638)	(116,616)	(124,364)
Net income (loss)	(Won) (321,520)	(Won) 41,066	(Won) (274,002)	(Won) (37,764)
Ordinary income (loss) per share (Note 10)	(Won) (899)	(Won) 126	(Won) (766)	(Won) (116)
Earnings (loss) per share (Note 10)	(Won) (899)	(Won) 126	(Won) (766)	(Won) (116)
Diluted ordinary income (loss) per share (Note 10)	(Won) (899)	(Won) 126	(Won) (766)	(Won) (116)



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Diluted earnings (loss) per share (Note 10)	(Won)	(899)	(Won)	126	(Won)	(766)	(Won)	(116)
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The accompanying notes are an integral part of these non-consolidated financial statements.

See Report of Independent Accountants

## LG. Philips LCD Co., Ltd.

## Non-Consolidated Statements of Cash Flows

## Three-Month and Six-Month Periods Ended June 30, 2006 and 2005

(Unaudited)

<i>(in millions of Korean won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2006	2005	2006	2005
<b>Cash flows from operating activities</b>				
Net income (loss)	(Won) (321,520)	(Won) 41,066	(Won) (274,002)	(Won) (37,764)
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Loss on disposal of available-for-sale securities	35		35	
Loss (gain) on valuation of equity method investments (68,388)	9,790	(81,630)	(4,876)	
Amortization of intangible assets	13,694	11,351	24,678	22,663
Depreciation	588,142	402,756	1,191,944	797,892
Loss (gain) on disposal of property, plant and equipment, net	(89)	(782)	956	(1,974)
Gain on foreign currency translation, net	4,539	(23,384)	(18,185)	(2,718)
Amortization of discount on debentures	9,141	7,969	18,184	11,370
Provision for warranty reserve	5,980	3,516	12,573	4,826
Provision for severance benefits	15,747	14,796	31,385	26,555
Stock compensation cost	(11)	239		239
	568,790	426,251	1,179,940	853,977
<b>Changes in operating assets and liabilities</b>				
Decrease (increase) in trade accounts and notes receivable 248,028	(43,991)	84,270	(303,476)	
(Increase) decrease in inventories	(156,335)	(10,172)	(358,112)	10,418
(Increase) decrease in other accounts receivable	(2,102)	3,589	4,041	847
Decrease (increase) in accrued income	329	1,192	325	(786)
(Increase) decrease in advance payments	(1,687)	(2,890)	2,197	1,254
Decrease (increase) in prepaid expenses	15,391	3,681	(35,092)	365
(Increase) decrease in prepaid value added tax	(17,172)	12,271	37,739	3,984
(Increase) decrease in other current assets	(10,074)	34,334	24,409	64,853
Decrease (increase) in long-term prepaid expenses	(4,879)	3,056	(42,644)	(16,878)
Increase in current deferred income tax	(18,645)	(938)	(31,802)	(37,031)
(Decrease) increase trade accounts and notes payable (72,700)	33,041	(24,462)	43,009	
(Decrease) increase in other accounts payable	(19,617)	(4,786)	(55,050)	18,933
(Increase) decrease in advances received	236	(24)	2,932	397
(Decrease) increase in withholdings	(1,201)	163	(5,406)	812
Increase (decrease) in accrued expenses	17,920	9,250	(1,117)	(57,429)
Decrease in income tax payable	(14,256)	(39,129)	(19,499)	(74,581)
Decrease in reserve warranty	(5,338)	(3,801)	(10,221)	(6,832)
Decrease in other current liabilities		(15,070)	(2,964)	(27,974)
Accrued severance benefits transferred from affiliated company, net	976	279	31,385	557
Payments of severance benefits	(9,084)	(6,589)	(51,291)	(8,703)
Decrease in severance insurance deposit	3,976	3,049	9,801	3,485
Decrease in contribution to National Pension Fund	36	44	37	39
Increase in non-current deferred income tax	(57,787)	(39,679)	(84,815)	(87,333)

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	(103,985)	(63,120)	(525,339)	(472,070)
Net cash provided by operating activities	143,285	404,197	380,599	344,143

**LG. Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows****Three-Month and Six-Month Periods Ended June 30, 2006 and 2005****(Unaudited)**

<i>(in millions of Korean won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2006	2005	2006	2005
<b>Cash flows from investing activities</b>				
Acquisition of equity-method investments				(667)
Acquisitions of available-for-sale securities	(30)	(5)	(45)	(206)
Proceeds from disposal of available-for-sale securities 349		349		
Proceeds from non-current guarantee deposits	10,716	25	10,721	25
Payments of non-current guarantee deposits	(2)	(3,799)	(4,585)	(4,961)
Acquisitions of property, plant and equipment	(936,727)	(930,481)	(1,763,331)	(1,353,906)
Proceeds from disposal of property, plant and equipment 785	813	785	2,477	
Acquisition of intangible assets	(1,919)		(3,885)	(2,309)
Net cash used in investing activities	(926,828)	(933,447)	(1,759,991)	(1,359,547)
<b>Cash flows from financing activities</b>				
Repayment of current portion of long-term debts			(9,783)	
Proceeds from issuance of long-term debts	94,450		244,450	101,900
Proceeds from issuance of debentures	399,600	480,662	399,600	873,684
Net cash provided by financing activities	494,050	480,662	634,267	975,584
Net decrease in cash and cash equivalents	(289,493)	(48,588)	(745,125)	(39,820)
<b>Cash and cash equivalents</b>				
Beginning of the period	1,009,393	1,283,757	1,465,025	1,274,989
End of the period	(Won) 719,900	(Won) 1,235,169	(Won) 719,900	(Won) 1,235,169

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

See Report of Independent Accountants

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**1. The Company**

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

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

**2. Summary of Significant Accounting Policies**

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

**Basis of Financial Statement Presentation**

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

**Accounting Estimates**

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

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****Application of the Statements of Korean Financial Accounting Standards**

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

**3. Financial Instruments**

As of June 30, 2006 and December 31, 2005, long-term financial instruments represent key money deposits required to maintain checking accounts and, accordingly, the withdrawal of such deposits is restricted.

**4. Inventories**

Inventories as of June 30, 2006 and December 31, 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Finished products	(Won) 529,420	(Won) 191,918
Work-in-process	286,702	131,483
Raw materials	146,262	124,999
Supplies	64,229	59,750
	1,026,613	508,150
Less : Valuation loss	(196,736)	(36,385)
	(Won) 829,877	(Won) 471,765

For the six-month period ended June 30, 2006, the Company recorded ramp-up costs of (Won)18,043 million to counter the unusually low volume of production.

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**5. Current Maturities of Long-Term Debts**

Current maturities of long-term debts as of June 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

Type of borrowing	Creditor	Annual interest rates (%) as of June 30, 2006	2006	2005
Long-term Korean won loans	Korea Export-Import Bank	5.9-6.1	(Won) 39,267	(Won) 29,417
Long-term Korean won debentures		6.0	200,000	200,000
Long-term foreign currency loans of US\$ 6 million	Korea	6M Libor + 1.2	5,716	
	Export-Import Bank			
Long-term foreign currency loans of US\$ 17.5 million	Woori Bank	3M Libor + 1.0	16,670	17,727
Long-term foreign currency debentures of US\$ 182.5 million		3M Libor + 1.0	173,850	184,872
		435,503	432,016	
Less : Discounts on debentures			(695)	(2,664)
			(Won) 434,808	(Won) 429,352

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****6. Long-Term Debts**

Long-term debts as of June 30, 2006 and December 31, 2005, consist of the following:

*(in millions of Korean won)*

Type of borrowing	Annual interest rates (%) as of June 30, 2006		2006	2005
<b>Won currency debentures</b>				
Non-guaranteed, payable through 2010	3.5	6.0	(Won) 1,750,000	(Won) 1,750,000
Private debentures, payable through 2011	5.3	5.9	600,000	200,000
Less : Current maturities			(200,000)	(200,000)
Discounts on debentures			(24,014)	(28,120)
			2,125,986	1,721,880
<b>Foreign currency debentures</b>				
Floating rate notes, payable through 2007	3M Libor + 0.6 -			
	3M Libor + 1.0		286,733	304,913
Term notes, payable through 2006	3M Libor + 1.0		77,637	82,559
			364,370	387,472
Less : Current maturities			(173,850)	(184,872)
Discount on debentures			(1,417)	(1,960)
			189,103	200,640
<b>Convertible bonds<sup>1</sup></b>				
US dollar-denominated bonds, payable through 2010			483,780	483,780
Add : Call premium			84,613	84,613
Less : Current maturities				
Discount on debentures			(2,436)	(2,724)
Conversion adjustment			(92,040)	(102,917)
			473,917	462,752
<b>Total debentures</b>			(Won) 2,789,006	(Won) 2,385,272
<b>Won currency loans</b>				
General loans	3.75	6.1	(Won) 266,637	(Won) 126,420
Less : Current maturities			(39,267)	(29,417)
			227,370	97,003



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**Foreign currency loans**

General loans	3M Libor+.099, 3M Libor+1.0, 3M Libor+1.35, 6M Libor+0.41, 6M Libor+1.2	300,545	218,301
Less : Current maturities		(22,386)	(17,727)
		278,159	200,574
<b>Total long-term loans</b>		(Won) 505,529	(Won) 297,577

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

<sup>1</sup> On April 19, 2005, the Company issued US dollar-denominated convertible bonds totaling US\$475 million, with a zero coupon rate. On or after June 27, 2005 through April 4, 2010, the bonds are convertible into common shares at a conversion price of (Won)58,251 per share of common stock, subject to adjustment based on certain events. The bonds will mature in five years from the issue date and will be repaid at 117.49 % of their principal amount at maturity. The bondholders have a put option to be repaid at 108.39 % of their principal amount on October 19, 2007. As of June 30, 2006, the number of non-converted common shares is 8,276,681.

As of June 30, 2006, foreign currency debentures denominated in U.S. dollars amount to US\$ 383 million (December 31, 2005 : US\$ 383 million) and foreign currency loans denominated in U.S. dollars amount to US\$ 315 million (December 31, 2005 : US\$ 215 million).

**7. Stock Appreciation Plan**

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

The options activity under the SARs since April 7, 2005 is as follows:

	<b>Number of shares under SARs</b>
Option granted as of April, 7, 2005	450,000
Options canceled <sup>1</sup>	40,000
<b>Balance, June 30, 2006</b>	<b>410,000</b>
Exercise price	(Won) 44,050

<sup>1</sup> Options canceled due to the retirement of an executive officer in 2005.

The Company did not recognize any compensation costs as market price is below the exercise price as of June 30, 2006.

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**8. Commitments and Contingencies**

As of June 30, 2006, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of June 30, 2006, the Company has revolving credit facility agreements with several banks totaling (Won)300,000 million and US\$100 million (December 31, 2005 : (Won)450,000 million and US\$100 million).

As of June 30, 2006, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities for up to an aggregate of US\$1,150 million. The Company has agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US\$145 million. The amount of negotiated foreign currency receivables outstanding as of June 30, 2006, is (Won)278,785 million (December 31, 2005 : (Won)303,904 million).

As of June 30, 2006, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi and others, and has trademark license agreements with LG Corporation and Philips Electronics.

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

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

A summary of these contracts follows :

*(in millions)*

Contracting party	Selling position		Buying position		Contract foreign exchange rate	Maturity date
HSBC and others	US\$	3,091	(Won) 3,017,525	(Won) 925.22:US\$1-(Won)1,050.70:US\$1		July 3, 2006 - June 12, 2007
Citibank and others	EUR	272	(Won) 326,678	(Won)1,156.54:EUR1-(Won)1,279.28:EUR1		July 6, 2006 - June 13, 2007
ABN AMRO and others	(Won)	478,337	JP¥ 55,600	(Won)8.1720:JP¥1- (Won)9.5480:JP¥1		July 3, 2006 - June 12, 2007
KEB and others	US\$	188	JP¥ 21,200	JP¥109.32:US\$1- JP¥116.53:US\$1		July 12, 2006 - September 29, 2006

As of June 30, 2006, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)95,096 million and (Won)28,175 million, respectively. Total unrealized gains and losses of (Won)2,623 million and (Won)8,329 million, respectively, were charged to operations for the six-month period ended June 30, 2006, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The forecasted hedged transactions are expected to occur on June 13, 2007. The aggregate amount of all deferred gains and losses of (Won)92,473 million and (Won)19,846 million, respectively, recorded net of tax under capital adjustments, are expected to be included in the determination of gain and loss within a year from June 30, 2006.

For the six-month period ended June 30, 2006, the Company recorded realized gains of (Won)149,897 million (2005: (Won)65,481 million) on foreign currency forward contracts upon settlement, and realized losses of (Won)34,503 million (2005: (Won)14,166 million).

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

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

A summary of these contracts follows :

*(in millions)*

Contracting party	Buying position	Selling position	Contract foreign exchange rate	Maturity date
ABN AMRO and others	US\$ 300	(Won) 310,590	3M Libor 3.65% - 4.40%	July 12, 2006 - December 8, 2006

As of June 30, 2006, unrealized losses of (Won)18,432 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

For the six-month period ended June 30, 2006, the Company recorded realized gains of (Won)(620) million (2005 : (Won)10 million) and realized losses of (Won)5,810 million (2005: (Won)8,751 million) on cross-currency swap contracts upon settlement.

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

A summary of these contracts follows :

*(in millions)*

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

As of June 30, 2006, unrealized losses of (Won)291 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

The Company entered into interest rate swap contracts to manage the exposure to changes in interest rates related to floating rate notes. These transactions do not meet the requirements for hedge accounting for financial statement purposes. Therefore, the resulting realized and unrealized gains or losses, measured by quoted market prices, are recognized in current operations as gains or losses as the exchange rates change.

A summary of these contracts follows :

(in millions)

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

As of June 30, 2006, unrealized gains of (Won)293 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

The Company is facing several legal proceedings and claims arising from the ordinary course of business. In August 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs. Subsequently, the Company filed a complaint against the customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TPV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court under the Central District of California for alleged infringement of certain patents and violation of U.S. antitrust laws. The Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In June 2006, the American Arbitration Association decided in favor of the Company.

In May 2004, the Company filed a complaint against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp. and others, claiming patent infringement of rear mountable liquid crystal display devices in the United States District of Delaware and the Patent Country Court in the United Kingdom. On November 28, 2005, the Company lost its patent infringement case against Tatung Company and ViewSonic Corp. at first instance in Patent Country Court in United Kingdom. On March 13, 2006, the Company appealed the decision at the Court of Appeals.

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005, the United States District Court under the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the Company has revised its claim and has refiled the above complaint including the side mounting patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

**9. Deferred income tax assets (liabilities)**

Deferred income tax assets (liabilities) as of June 30, 2006 and December 31, 2005, consist of the following :

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Inventories	(Won) 28,083	(Won) 8,354
Investments	(8,002)	7,584
Other current assets (liabilities)	6,637	(4,133)
Property, plant and equipment	35,621	34,403
Tax credit carryforwards	396,114	292,976
Deferred income taxes added to shareholders' equity	(29,098)	(4,631)
Deficit carryforwards	99,940	
Others	14,757	9,715
	544,052	344,268
Less: Valuation allowance	(107,636)	
	(Won) 436,416	(Won) 344,268

As the Company anticipates that all tax benefits from the loss carryforwards and tax credits would not be fully realized, a valuation allowance amounting to (Won)107,636 million has been provided as of June 30, 2006.

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****10. Earnings Per Share**

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

Earnings (loss) per share for the three-month and six-month periods ended June 30, 2006 and 2005, is calculated as follows:

<i>(in millions, except for per share amount)</i>	<b>For the three-month periods ended June 30,</b>		<b>For the six-month periods ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Net income (loss) as reported on the statements of operations	(Won) (321,520)	(Won) 41,066	(Won) (274,002)	(Won) (37,764)
Weighted-average number of common shares outstanding	358	325	358	325
<b>Earnings (loss) per share</b>	<b>(Won) (899)</b>	<b>(Won) 126</b>	<b>(Won) (766)</b>	<b>(Won) (116)</b>

The Company has issued no diluted securities until convertible bonds were issued on April 19, 2005. Diluted loss per share is identical to basic loss per share and diluted ordinary loss per share to basic ordinary loss per share as the Company recorded net loss and ordinary loss during the three-month period and six-month periods ended June 30, 2006, and six-month period ended June 30, 2005. Additionally, diluted earnings per share is identical to basic earnings per share and diluted ordinary income per share to basic ordinary income per share as convertible bonds have no dilutive effect for the three-month period ended June 30, 2005.

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

Dilutive effect for the three-month period ended June 30, 2005, is as follows:

<i>(in millions, except for per share amount)</i>	<b>For the three-month period ended June 30, 2005</b>	
Net income allocated to common stock	(Won)	41,066
Add : Interest expense on convertible bonds <sup>1</sup>		3,623
Diluted net income allocated to common stock		44,689
 Weighted average number of common shares and diluted securities outstanding during the year		 332
Diluted earnings per share <sup>2</sup>	(Won)	135

<sup>1</sup> Net of (Won)680 million tax effect.

<sup>2</sup> Convertible bonds have no dilutive effect as these amounts exceed basic earning per share.

Additionally, earnings per share for the three-month period ended March 31, 2006 and for the year ended December 31, 2005, are as follows:

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
Basic earnings per share	(Won) 133	(Won) 1,523
Diluted earnings per share	(Won) 133	(Won) 1,523

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****11. Related Party Transactions**

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

Significant transactions which occurred in the ordinary course of business with related companies for the six-month periods ended June 30, 2006 and 2005, and the related account balances outstanding as of June 30, 2006 and December 31, 2005, are summarized as follows:

	Sales <sup>1</sup>		Purchases <sup>1</sup>	
	2006	2005	2006	2005
<i>(in millions of Korean won)</i>				
<b>Parent companies</b>				
LG Electronics Inc.-domestic	(Won) 222,736	(Won) 187,681	(Won) 97,080	(Won) 73,254
LG Electronics Inc.-overseas	204,511	50,041		2
Philips-domestic			11,714	77
Philips-overseas			17,637	26,067
<b>Company that has significant influence over the Company</b>				
LG Corporation			5,853	5,042
<b>Overseas subsidiaries</b>				
LG.Philips LCD America, Inc.	406,065	377,299	3	6
LG.Philips LCD Taiwan Co., Ltd.	465,622	335,167	47	
LG.Philips LCD Japan Co., Ltd.	628,360	377,427		
LG.Philips LCD Germany GmbH.	740,260	427,023	13,698	8,085
LG.Philips LCD Nanjing Co., Ltd.	987,820	1,264,446	25,740	907
LG.Philips LCD Shanghai Co., Ltd.	315,778	360,035	15	
LG.Philips LCD Hongkong Co., Ltd.	222,360	212,448	2	
LG.Philips LCD Poland Sp. zo.o.	47			
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.	6		54,864	
<b>Other related parties</b>				
LG Chem Ltd.			267,731	174,345
LG International domestic		392	3,280	1,360
LG International overseas	47,200	12,501	700,858	476,021
Serveone	263		89,419	48,443
Micron Ltd.	91		53,837	55,577
LG CNS	5		57,894	56,294
Others	14,597	37,449	55,553	28,846
<b>Total</b>	<b>(Won) 4,255,721</b>	<b>(Won) 3,641,909</b>	<b>(Won) 1,455,225</b>	<b>(Won) 954,326</b>

<sup>1</sup> Includes sales of (Won)788 million and purchases of property, plant and equipment of (Won)726,720 million.

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

	Receivables		Payables	
	2006	2005	2006	2005
<i>(in millions of Korean won)</i>				
<b>Parent companies</b>				
LG Electronics Inc.-domestic	(Won) 59,257	(Won) 27,383	(Won) 81,594	(Won) 66,251
LG Electronics Inc.-overseas	145,719	40,773	2,510	370
Philips-domestic			4,697	291
Philips-overseas	582	171	2,264	4,244
<b>Company that has significant influence over the Company</b>				
LG Corporation	2,649	10,970		1,692
<b>Overseas subsidiaries</b>				
LG.Philips LCD America, Inc.	53,567	22,683		
LG.Philips LCD Taiwan Co., Ltd.	107,117	53,521	26	1
LG.Philips LCD Japan Co., Ltd.	76,343	130,090	3	1
LG.Philips LCD Germany GmbH.	140,930	103,637	13,718	8,886
LG.Philips LCD Nanjing Co., Ltd.	206,220	375,158	24,192	3,068
LG.Philips LCD Shanghai Co.,Ltd.	60,065	202,329		
LG.Philips LCD Hongkong Co., Ltd.	56,893	45,863	50	48
LG.Philips LCD Poland Sp. zo.o.	325	1		
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.			11,822	
<b>Other related parties</b>				
LG Chem Ltd.			44,320	44,602
LG International domestic		11	1,053	986
LG International overseas	21,498	3,114	212,207	191,252
Serveone	2,373		29,827	36,792
Micron Ltd.			38,774	55,234
LG CNS			17,123	32,127
Others	10,273	21,409	8,338	9,791
<b>Total</b>	<b>(Won) 943,811</b>	<b>(Won) 1,037,113</b>	<b>(Won) 492,518</b>	<b>(Won) 455,636</b>

Significant management<sup>1</sup> compensation costs for the six-month period ended June 30, 2006, are as follows:*(in millions of Korean won)*

Short-term employee salaries	(Won) 791
Post-retirement benefits	228
	(Won) 1,019

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

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**12. Segment Information**

The Company operates only one segment, the TFT-LCD division where export sales represents 91 % of total sales.

The following is a summary of operations by country based on the location of the customers for the six-month periods ended June 30, 2006 and 2005.

*(in millions of Korean won)*

Sales	Domestic	Taiwan	Japan	America	China	Europe	Others	Total
2006	(Won) 413,961	(Won) 465,642	(Won) 632,187	(Won) 406,284	(Won) 1,557,279	(Won) 815,976	(Won) 212,706	(Won) 4,504,035
2005	(Won) 363,261	(Won) 334,992	(Won) 376,857	(Won) 377,613	(Won) 1,824,175	(Won) 445,155	(Won) 76,793	(Won) 3,798,846

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Consolidated Balance Sheets****June 30, 2006 and December 31, 2005****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	(Won) 778,877	(Won) 1,579,452
Available-for-sale securities	15	354
Trade accounts and notes receivable, net (Notes 8 and 11)	985,798	1,266,899
Inventories, net (Note 4)	1,270,899	690,785
Other accounts receivable, net (Note 11)	78,462	66,203
Accrued income, net	1,044	1,369
Advance payments, net	4,019	5,994
Prepaid expenses	65,360	21,603
Prepaid value added tax	99,240	131,230
Deferred income tax assets (Note 9)	20,730	5,373
Other current assets	109,337	76,806
<b>Total current assets</b>	<b>3,413,781</b>	<b>3,846,068</b>
Property, plant and equipment, net		
Long-term financial instruments (Note 3)	16	16
Available-for-sale securities	1	1
Equity method investments	16,592	14,156
Non-current guarantee deposits	23,191	28,070
Long-term prepaid expenses	116,933	83,112
Deferred income tax assets (Note 9)	422,213	343,754
Intangible assets, net	190,984	159,306
<b>Total assets</b>	<b>(Won) 13,885,711</b>	<b>(Won) 13,674,082</b>
<b>Liabilities and Shareholders Equity</b>		
Current liabilities		
Short-term borrowings (Note 5)	(Won) 342,272	(Won) 308,969
Trade accounts and notes payable (Note 11)	632,011	693,588
Other accounts payable (Note 11)	1,353,075	1,474,556
Advances received	56,387	58,431
Withholdings	7,674	12,055
Accrued expenses	62,362	69,968
Income taxes payable	4,549	21,788
Current maturities of long-term debt (Note 6)	445,573	440,840
Warranty reserve	26,268	24,947
Other current liabilities	53,094	33,693
<b>Total current liabilities</b>	<b>2,983,265</b>	<b>3,138,835</b>
Debtures, net of current maturities and discounts on debtures (Note 6)		
Long-term debt, net of current maturities (Note 6)	2,789,006	2,385,272
Accrued severance benefits, net	64,534	43,206
Long-term accrued expenses	210	475
Deferred income tax liabilities	26	475



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Total liabilities	6,462,030	5,998,485
Commitments and contingencies (Note 8)		
Shareholders' equity		
Capital stock		
Common stock, (Won)5,000 par value per share; 400 million shares authorized ;		
358 million shares issued and outstanding (2005 : 358 million)	1,789,079	1,789,079
Capital Surplus	2,275,172	2,279,250
Retained earnings	3,334,684	3,608,686
Capital adjustments	24,746	(1,418)
Total shareholders' equity	7,423,681	7,675,597
Total liabilities and shareholders' equity	(Won) 13,885,711	(Won) 13,674,082

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

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Operations****For the Six-Month Periods Ended June 30, 2006 and 2005****(Unaudited)**

<i>(in millions of Korean won, except per share amounts)</i>	<b>2006</b>	<b>2005</b>
<b>Sales (Notes 11 and 12)</b>	(Won) 4,786,132	(Won) 4,372,376
<b>Cost of sales (Note 11)</b>	4,823,308	4,270,897
Gross profit (loss)	(37,176)	101,479
<b>Selling and administrative expenses</b>	283,210	206,569
Operating loss	320,386	105,090
<b>Non-operating income</b>		
Interest income	18,385	21,041
Rental income	4,043	
Foreign exchange gains	187,984	90,186
Gain on foreign currency translation	52,832	39,845
Gain on valuation of investments using the equity method of accounting	2,509	
Gain on disposal of property, plant and equipment	92	33
Others	15,538	6,239
	281,383	157,344
<b>Non-operating expenses</b>		
Interest expense	74,944	50,721
Foreign exchange losses	206,745	110,800
Loss on foreign currency translation	36,483	38,215
Donations	1,260	93
Loss on disposal of accounts receivable	9,811	9,001
Loss on disposal of available-for-sale securities	35	
Loss on valuation of investments using the equity method of accounting		11
Loss on disposal of property, plant and equipment	1,052	32
Ramp up cost	18,043	
Others	273	197
	348,646	209,070
Loss before income taxes	387,649	156,816
Income tax benefit	113,647	119,030
Net loss	(Won) 274,002	(Won) 37,786
Ordinary loss per share (Note 10)	(Won) 766	(Won) 116
Loss per share (Note 10)	(Won) 766	(Won) 116
Diluted ordinary loss per share (Note 10)	(Won) 766	(Won) 116

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Diluted loss per share (Note 10)	(Won)	766	(Won)	116
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The accompanying notes are an integral part of these consolidated financial statements.

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**LG. Philips LCD Co., Ltd. and Subsidiaries**
**Consolidated Statements of Cash Flows**
**For the Six-Month Periods Ended June 30, 2006 and 2005**
**(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Net Loss	(Won) 274,002	(Won) 37,786
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,219,053	814,200
Amortization of intangible assets	25,221	23,127
Provision for severance benefits	31,402	26,574
Loss (gain) on foreign currency translation, net	(19,593)	1,765
Loss on disposal of available-for-sale securities	35	
Loss (gain) on disposal of property, plant and equipment, net	960	(1)
Amortization of discount on debentures	18,184	11,370
Loss (gain) on valuation of investments using the equity-method of accounting, net	(2,509)	11
Stock compensation cost		239
Others	22,204	9,155
	1,294,957	886,440
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	281,576	(309,121)
(Increase) decrease in inventories	(580,114)	84,063
(Increase) decrease in other accounts receivable	(12,265)	1,739
Decrease (increase) in accrued income	325	(786)
Decrease in advance payments	1,974	1,074
Increase in prepaid expenses	(34,943)	(138)
Decrease (increase) in prepaid value added tax	31,990	(6,252)
Decrease in other current assets	25,012	65,616
Increase in current deferred income tax assets	(32,307)	(36,924)
Increase in long-term accrued expenses	210	
Increase in long-term prepaid expenses	(42,635)	(16,878)
Increase in non-current deferred income tax assets	(85,978)	(88,251)
(Decrease) increase in trade accounts and notes payable	(60,271)	67,412
(Decrease) increase in other accounts payable	(55,493)	15,485
Decrease in advances received	(1,940)	(50)
(Decrease) increase in withholdings	(4,381)	2,414
Decrease in accrued expenses	(7,606)	(57,492)
Decrease in income taxes payable	(17,240)	(72,440)
Decrease in warranty reserve	(20,883)	(8,819)
Decrease in other current liabilities	(2,952)	(27,961)
(Decrease) increase in deferred income tax liabilities	(448)	23
Accrued severance benefits transferred from affiliated company, net 31,385	557	
Payment of severance benefits	(51,297)	(8,722)
Decrease in severance insurance deposits	9,801	3,485
Decrease in contributions to the National Pension Fund	37	39
Decrease (increase) in consolidation adjustments, net	(20,612)	(1,396)
	(649,055)	(393,323)

Net cash provided by operating activities	(Won) 371,900	(Won) 455,331
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**LG. Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statements of Cash Flows****For the Six-Month Periods Ended June 30, 2006 and 2005****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
<b>Cash flows from investing activities</b>		
Acquisition of equity-method investments	(Won) (667)	(667)
Acquisition of available-for-sale securities	(45)	(206)
Proceeds from disposal of available-for-sale securities	349	
Proceeds from non-current guarantee deposits	9,464	81
Payment of non-current guarantee deposits	(4,584)	(4,960)
Acquisition of property, plant and equipment	(1,837,279)	(1,415,708)
Proceeds from disposal of property, plant and equipment	789	2,504
Acquisition of intangible assets	(3,393)	(2,428)
Increase of short-term loan	(5)	(7)
<b>Net cash used in investing activities</b>	<b>(1,834,704)</b>	<b>(1,421,391)</b>
<b>Cash flows from financing activities</b>		
Repayment of short-term borrowings		(77,323)
Repayment of current portion of long-term debt	(15,248)	(5,872)
Proceeds from issuance of debentures	399,600	873,684
Proceeds from issuance of long-term debt	277,877	145,305
<b>Net cash provided by financing activities</b>	<b>662,229</b>	<b>935,794</b>
Net increase (decrease) in cash and cash equivalents	(800,575)	(30,266)
<b>Cash and cash equivalents</b>		
Beginning of the period	1,579,452	1,361,239
End of the period	(Won) 778,877	(Won) 1,330,973

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

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****1. The Companies**

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

**The Controlling Company**

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

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

**Consolidated Subsidiaries**

Consolidated subsidiaries as of June 30, 2006, are as follows:

	<b>Total issued and outstanding shares</b>	<b>No. of shares owned by the Controlling Company</b>	<b>Percentage of Ownership (%)</b>
<b>Overseas Subsidiaries</b>			
LG.Philips LCD America, Inc.	5,000,000	5,000,000	100
LG.Philips LCD Japan Co., Ltd.	1,900	1,900	100
LG.Philips LCD Germany GmbH	960,000	960,000	100
LG.Philips LCD Taiwan Co., Ltd.	11,550,000	11,549,994	100
LG.Philips LCD Nanjing Co., Ltd.	<sup>1</sup>	<sup>1</sup>	100
LG.Philips LCD Hong Kong Co., Ltd.	115,000	115,000	100
LG.Philips LCD Shanghai Co., Ltd.	<sup>1</sup>	<sup>1</sup>	100
LG.Philips LCD Poland Sp.zo.o.	500	500	100

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

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

**Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

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

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

LPLA was incorporated in California, U.S.A. in September 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of June 30, 2006 and December 31, 2005, its capital stock amounted to US\$ 5 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLJ was incorporated in Tokyo, Japan in October 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of June 30, 2006 and December 31, 2005, its capital stock amounted to JP¥ 95 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLG was incorporated in Düsseldorf, Germany in November 1999, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of June 30, 2006 and December 31, 2005, its capital stock amounted to EUR 1 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLT was incorporated in Taipei, Taiwan in April 1999, to sell TFT-LCD products and its shares were acquired by the Company in May 2000. As of June 30, 2006 and December 31, 2005, its capital stock amounted to NTD 116 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLNJ was incorporated in Nanjing, China in July 2002, to manufacture and sell TFT-LCD products. As of June 30, 2006 and December 31, 2005, its capital stock amounted to CNY 1,069 million and is wholly owned by LG. Philips LCD Co., Ltd.

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

LPLHK was incorporated in Hong Kong in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of June 30, 2006 and December 31, 2005, its capital stock amounted to HK\$ 12 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

LPLSH was incorporated in Shanghai, China in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of June 30, 2006 and December 31, 2005, its capital stock amounted to CNY 4 million and is wholly owned by LG.Philips LCD Co., Ltd.



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

**Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

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

LPL Poland was incorporated in Poland on September 6, 2005, to manufacture and sell the TFT-LCD products of LG. Philips LCD Co., Ltd. As of June 30, 2006 and December 31, 2005, its capital stock amounted to (Won)16 million and is 100% owned by LG. Philips LCD Co., Ltd.

**Equity-method investment**

The primary business activity of the equity-method investment follows:

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

PEG was incorporated in Paju, Korea in January 2005, to produce electric glass. As of June 30, 2006 and December 31, 2005, its capital stock amounted to (Won)36,000 million and 40% shares of PEG are owned by LG.Philips LCD Co., Ltd.

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****Consolidated Subsidiaries**

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

**Condensed Balance Sheets**

<i>(in millions of Korean won)</i>	<b>LG.Philips LCD</b>				
	<b>LG.Philips LCD America, Inc.</b>	<b>LG.Philips LCD Germany GmbH</b>	<b>LG.Philips LCD Japan Co., Ltd.</b>	<b>LG.Philips LCD Taiwan Co., Ltd.</b>	<b>Nanjing Co., Ltd.</b>
Current assets	(Won) 121,869	(Won) 288,058	(Won) 116,215	(Won) 322,763	(Won) 553,433
Non-current assets	1,521	1,327	1,025	3,471	302,090
<b>Total assets</b>	<b>(Won) 123,390</b>	<b>(Won) 289,385</b>	<b>(Won) 117,240</b>	<b>(Won) 326,234</b>	<b>(Won) 855,523</b>
Current liabilities	(Won) 112,803	(Won) 286,142	(Won) 112,850	(Won) 313,996	(Won) 539,720
Non-current liabilities			29		119,460
<b>Total liabilities</b>	<b>112,803</b>	<b>286,142</b>	<b>112,879</b>	<b>313,996</b>	<b>659,180</b>
Capital stock	6,082	1,252	1,088	4,189	140,212
Retained earnings	6,639	2,319	4,358	10,407	76,900
Capital adjustments	(2,134)	(328)	(1,085)	(2,358)	(20,769)
<b>Total shareholders equity</b>	<b>10,587</b>	<b>3,243</b>	<b>4,361</b>	<b>12,238</b>	<b>196,343</b>
<b>Total liabilities and shareholders equity</b>	<b>(Won) 123,390</b>	<b>(Won) 289,385</b>	<b>(Won) 117,240</b>	<b>(Won) 326,234</b>	<b>(Won) 855,523</b>

<i>(in millions of Korean won)</i>	<b>LG. Philips LCD HongKong Co., Ltd.</b>	<b>LG. Philips LCD Shanghai Co., Ltd.</b>	<b>LG. Philips LCD Poland Sp. zo.o.</b>	<b>Total</b>
	Current assets	(Won) 181,508	(Won) 192,555	(Won) 2,936
Non-current assets	435	267	18,674	328,810
<b>Total assets</b>	<b>(Won) 181,943</b>	<b>(Won) 192,822</b>	<b>(Won) 21,610</b>	<b>(Won) 2,108,147</b>
Current liabilities	(Won) 175,988	(Won) 189,967	(Won) 23,446	(Won) 1,754,912
Non-current liabilities	26		210	119,725
<b>Total liabilities</b>	<b>176,014</b>	<b>189,967</b>	<b>23,656</b>	<b>1,874,637</b>
Capital stock	1,736	596	16	155,171
Retained earnings	4,846	2,824	(2,123)	106,170

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Capital adjustments	(653)	(565)	61	(27,831)
Total shareholders' equity	5,929	2,855	(2,046)	233,510
Total liabilities and shareholders' equity	(Won) 181,943	(Won) 192,822	(Won) 21,610	(Won) 2,108,147

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****Condensed Statements of Income**

	<b>LG.Philips</b>					<b>LG.Philips LCD, Nanjing Co., Ltd.</b>
	<b>LG.Philips LCD, America, Inc.</b>	<b>LCD, Germany GmbH</b>	<b>LG.Philips LCD, Japan Co., Ltd.</b>	<b>LG.Philips LCD, Taiwan Co., Ltd.</b>		
<i>(in millions of Korean won)</i>						
Sales	(Won) 461,509	(Won) 644,582	(Won) 658,802	(Won) 1,202,828	(Won) 1,570,903	
Cost of sales	451,547	638,423	653,777	1,195,184	1,535,037	
Gross profit	9,962	6,159	5,025	7,644	35,866	
Selling and administrative expenses	5,581	4,636	3,500	3,574	32,296	
Operating income (loss)	4,381	1,523	1,525	4,070	3,570	
Non-operating income (expense)	(873)	(1,273)	(702)	(3,171)	429	
Ordinary income (loss)	3,508	250	823	899	3,999	
Income tax expense	1,314	284	406	251	103	
Net income (loss)	(Won) 2,194	(Won) (34)	(Won) 417	(Won) 648	(Won) 3,896	

	<b>LG. Philips LCD</b>			<b>Total</b>
	<b>HongKong Co., Ltd.</b>	<b>Shanghai Co., Ltd.</b>	<b>Poland Sp. zo.o.</b>	
<i>(in millions of Korean won)</i>				
Sales	(Won) 457,415	(Won) 422,428	(Won) 1	(Won) 5,418,468
Cost of sales	451,069	418,331		5,343,368
Gross profit	6,346	4,097	1	75,100
Selling and administrative expenses	3,620	4,013	1,993	59,213
Operating income (loss)	2,726	84	(1,992)	15,887
Non-operating income (expense)	314	357	(125)	(5,044)
Ordinary income (loss)	3,040	441	(2,117)	10,843
Income tax expense	461	151		2,970
Net income (loss)	(Won) 2,579	(Won) 290	(Won) (2,117)	(Won) 7,873

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

**Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Company and its consolidated subsidiaries (collectively referred to as the consolidated companies) in the preparation of the accompanying consolidated financial statements, are same as those followed by the company in its preparation of annual consolidated financial statements and are summarized below.

**Basis of Consolidated Financial Statement Presentation**

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

**Accounting Estimates**

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

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

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 15 through 17 became applicable to the Company on January 1, 2005, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2005.

And as SKFAS Nos. 18 through 20 became effective for the Company on January 1, 2006, the Company adopted these Standards in its financial statements for the six-month period ended June 30, 2006.

**3. Financial Instruments**

As of June 30, 2006 and December 31, 2005, long-term financial instruments represent key money deposits required to maintain checking accounts and, accordingly, the withdrawal of such deposits is restricted.

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****4. Inventories**

Inventories as of June 30, 2006 and December 31, 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Finished products	(Won) 986,440	(Won) 355,532
Work-in-process	286,707	170,775
Raw materials	148,020	142,717
Supplies	64,403	66,142
	1,485,570	735,166
Less : Valuation loss	(214,671)	(44,381)
	(Won) 1,270,899	(Won) 690,785

For the six-month period ended June 30, 2006, the Company recorded ramp-up cost of (Won)18,043 million to counter the unusually low volume of production.

**5. Short-Term Borrowings**

Short-term borrowings as of June 30, 2006 and December 31, 2005, are as follows:

<i>(in millions of Korean won)</i>	<b>Creditor</b>	<b>Annual interest rates (%) as of June 30, 2006</b>	<b>2006</b>	<b>2005</b>
Documents against acceptance of US\$ 288 million, EUR 4 million (2005 : US\$ 300 million)	Woori Bank and others	3M Libor + 0.7 0.9	(Won) 278,785	(Won) 303,904
General loans of US\$ 35 million, JP ¥2,375 million EUR 2 million, PLN 27 million (2005 : US\$ 5 million)	Mizuho Bank and others	3M Libor + 0.5 0.8	63,487	5,065
			(Won) 342,272	(Won) 308,969

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**LG. Philips LCD Co., Ltd. and Subsidiaries**
**Notes to Consolidated Financial Statements**
**June 30, 2006 and 2005, and December 31, 2005**
**(Unaudited)**
**6. Long-Term Debts**

Long-term debts as of June 30, 2006 and December 31, 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>Annual interest</b>		
	<b>rates (%) as of</b>		
	<b>June 30, 2006</b>	<b>2006</b>	<b>2005</b>
<b>Won currency debentures</b>			
Non-guaranteed, payable through 2010	3.5 ~ 6.0	(Won) 1,750,000	(Won) 1,750,000
Private debentures, payable in 2011	5.3 ~ 5.9	600,000	200,000
Less: Current maturities		(200,000)	(200,000)
Discounts on debentures		(24,014)	(28,120)
		2,125,986	1,721,880
<b>Foreign currency debentures</b>			
Floating rate notes, payable through 2007	3ML+0.6 3ML+1.0	286,733	304,913
Term notes, payable through 2006	3ML+1.0, 6ML+1.2	77,637	82,559
		364,370	387,472
Less: Current maturities		(173,850)	(184,872)
Discount on debentures		(1,417)	(1,960)
		189,103	200,640
<b>Convertible bonds<sup>1</sup></b>			
US dollar-denominated bonds, payable through 2010		483,780	483,780
Add : Call premium		84,613	84,613
Less : Current maturities			
Discount on debentures		(2,436)	(2,724)
Conversion adjustment		(92,040)	(102,917)
		473,917	462,752
		(Won) 2,789,006	(Won) 2,385,272
<b>Won currency loans</b>			
General loans	5.9 ~ 6.1	(Won) 108,017	(Won) 117,800
	5.34	150,000	
	3.75	8,620	8,620
Less : Current maturities		(39,267)	(29,417)
		227,370	97,003

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**Foreign currency loans**

General loans	5.3 ~ 6.2,	130,225	144,607
	3ML+1.0,	16,670	17,727
	6ML+0.41,	95,260	
	6ML+1.2,	45,725	48,624
	3ML+1.35,	95,260	101,300
	3ML+0.99	47,630	50,650
Less : Current maturities		(33,151)	(29,214)
		397,619	333,694
		(Won) 624,989	(Won) 430,697

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

<sup>1</sup> On April 19, 2005, the Company issued US dollar-denominated convertible bonds totaling US\$475 million, with a zero coupon rate. On or after June 27, 2005 through April 4, 2010, the bonds are convertible into common shares at a conversion price of (Won)58,251 per share of common stock, subject to adjustment based on certain events. The bonds will mature in five years from the issue date and will be repaid at 117.49 % of their principal amount at maturity. The bondholders have a put option to be repaid at 108.39 % of their principal amount on October 19, 2007. As of June 30, 2006, the number of non-converted common shares is 8,276,681.

As of June 30, 2006, the foreign currency debentures denominated in U.S. dollars amount to US\$ 383 million (December 31, 2005 : US\$ 383 million), while the foreign currency loans denominated in U.S. dollars and Chinese yuan renminbi amounted to US\$ 419 million and CNY 260 million (December 31, 2005 : US\$ 326 million and CNY 263 million), respectively.

Current maturities of long-term debts as of June 30, 2006 and December 31, 2005, consist of the following:

(in millions of Korean won)

Type of borrowing	Annual interest rate (%) as of June 30, 2006	2006	2005
Long-term Korean won loans	5.9-6.1	(Won) 39,267	(Won) 29,417
Long-term Korean won debentures	6.0	200,000	200,000
Long-term foreign currency loans of US\$ 34 million (2005: US\$ 28 million)	3ML+1.0, 6.15	33,151	29,215
Long-term foreign currency debentures of US\$ 183 million (2005: US\$ 183 million)	3ML+1.0	173,850	184,872
		446,268	443,504
Less: Discount on debentures		(695)	(2,664)
		(Won) 445,573	(Won) 440,840

**7. Stock Appreciation Plan**

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

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

**Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

The options activity under the SARs since April 7, 2005 is as follows:

	<b>Number of shares</b>
	<b>under SARs</b>
Option granted as of April, 7, 2005	(Won) 450,000
Options canceled <sup>1</sup>	40,000
<b>Balance, June 30, 2006</b>	<b>(Won) 410,000</b>
Exercise price	(Won) 44,050

<sup>1</sup> Options canceled due to the retirement of an executive officer in 2005.

The Company did not recognize any compensation costs as market price is below the exercise price as of June 30, 2006.

**8. Commitments and Contingencies**

As of June 30, 2006, the Controlling Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of June 30, 2006, the Controlling Company has a revolving credit facility agreement with several banks totaling (Won)300,000 million and US\$100million (December 31, 2005: (Won)450,000 million and US\$100 million).

LG. Philips LCD America Inc. entered into a line of credit agreement, up to US \$10 million with Comerica Bank. LG. Philips LCD Japan Co., Ltd. and LG. Philips LCD Taiwan Co., Ltd. are provided with repayment guarantees from Mitsubishi UFJ Bank and ABN AMRO Bank amounting to JP ¥1,300 million and NTD40 million, respectively, relating to their local tax payments.

As of June 30, 2006, the Controlling Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US\$1,150 million. The Controlling Company has agreements with several banks in relation to the opening of letters of credit amounting to (Won)90,000 million and US\$145 million. The amount of negotiated foreign currency receivables outstanding as of June 30, 2006, is (Won)278,785million (December 31, 2005: (Won)303,904 million).

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

In September 2004, the Company entered into a five-year accounts receivable securitization program (the Program) with a financial institution. The Program allows the Company to sell, on a revolving basis, an undivided interest up to US\$450 million in eligible accounts receivables of four subsidiaries, namely, LG.Philips LCD America ( LPLA ), LG.Philips LCD Germany ( LPLG ), LG.Philips LCD Taiwan ( LPLT ) and LG.Philips LCD Japan ( LPLJ ), while retaining a subordinated interest in a portion of the receivables. The eligible receivables of LPLA and LPLG are sold without legal recourse to third party conduits through LG. Philips LCD America Finance Corporation, a qualifying bankruptcy-remote special purpose entity, which is wholly owned by LPLA but is not consolidated for financial reporting purposes. The eligible receivables of LPLT and LPLJ are sold without legal recourse to third party conduits through ABN AMRO Taipei Branch and ABN AMRO Tokyo Branch, respectively.

As of June 30, 2006, the outstanding balance of securitized accounts receivable held by the third party conduits totaled (Won)400,145 million (December 31, 2005: (Won)272,571 million), of which the Company's subordinated retained interest was (Won)78,720 million (December 31, 2005: (Won)52,532 million). Accordingly, (Won)321,425 million (December 31, 2005: (Won)220,039 million) of accounts receivable balances, net of applicable allowances, was removed from the consolidated balance sheet at June 30, 2006. Losses including the loss on sale of receivables, various program and facility fees associated with the Program totaled approximately (Won)3,043 million for the six-month period ended June 30, 2006.

As of June 30, 2006, in relation to its TFT-LCD business, the Company has technical license agreements with Hitachi and others, and has trademark license agreements with LG Corporation and Philips Electronics.

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

A summary of these contracts follows:

(in millions)

Contracting party	Selling position	Contract foreign			Maturity date
		Buying position	exchange rate		
HSBC and others	US\$ 3,091	(Won) 3,017,525	(Won)925.22:US\$1-(Won)1,050.70:US\$1		July 3, 2006 - June 12, 2007
Citi bank and others	EUR 272	(Won) 326,678	(Won)1,156.54:EUR1-(Won)1,279.28:EUR1		July 6, 2006 - June 13, 2007
ABN AMRO and others	(Won) 478,337	JP¥ 55,600	(Won)8.1720:JP ¥ 1- (Won)9.5480:JP ¥ 1		July 3, 2006 - June 12, 2007
KEB and others	US\$ 188	JP¥ 21,200	JP ¥ 109.32:US\$1-JP ¥ 116.53:US\$1		July 12, 2006 - September 29, 2006

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

As of June 30, 2006, the Controlling Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)95,096 million and (Won)28,175 million, respectively. Total unrealized gains and losses of (Won)2,623 million and (Won)8,329 million, respectively, were charged to operations for the six-month period ended June 30, 2006, as these contracts did not meet the requirements for a cash flow hedge. Net unrealized gains and losses, net of related taxes, incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The forecasted hedged transactions are expected to occur on June 13, 2007. The aggregate amount of all deferred gains and losses of (Won)92,473 million and (Won)19,846 million, respectively, recorded net of tax under capital adjustments, are expected to be included in the determination of gain and loss within a year from June 30, 2006.

For the six-month period ended June 30, 2006, the Company recorded realized gains of (Won)149,897 million (2005: (Won)65,481 million) on foreign currency forward contracts upon settlement, and for the six-month period ended June 30, 2006, realized losses amounted to (Won)34,503 million (2005: (Won)14,166 million).

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

A summary of such contracts follows:

*(in millions)*

Contracting party	Buying position	Selling position	Contract foreign exchange rate	Maturity date
ABN AMRO and others	US\$ 300	(Won) 310,590	3M Libor	July 12, 2006 - December 8, 2006
			3.65% - 4.40%	

As of June 30, 2006, unrealized losses of (Won)18,432 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

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

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**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

A summary of these contracts follows:

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

As of June 30, 2006, unrealized losses of ?291 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

For the six-month period ended June 30, 2006, the Company recorded realized gains of ?(620) million (2005: ?10 million) and realized losses of ?5,810 million (2005: ?8,751 million) on cross-currency swap contracts upon settlement.

The Controlling Company entered into interest rate swap contracts to manage the exposure to changes in interest rates related to floating rate notes. These transactions do not meet the requirements for hedge accounting for financial statement purposes. Therefore, the resulting realized and unrealized gains or losses, measured by quoted market prices, are recognized in current operations as gains or losses as the exchange rates change.

A summary of such contracts follows:

<i>(in millions)</i> Contracting party	Contract amount	Contract foreign exchange rate	Maturity date
SC First Bank	US\$ 150	Accept floating rate Pay fix rate	6M Libor 5.375% - 5.644%

As of June 30, 2006, unrealized gains of ?293 million were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

The Controlling Company is subject to several legal proceedings and claims arising in the ordinary course of business. In August 2002, the Controlling Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs. Subsequently, the Controlling Company filed a complaint against customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TPV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Controlling Company in the United States District Court for the Central District of California for alleged infringement of certain patents and violation of U.S. antitrust laws. The Controlling Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)**

ownership of certain patents. In June 2006, the American Arbitration Association decided that the ownership of certain patents is in the Company.

In May 2004, the Controlling Company filed a complaint against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp. and others, claiming patent infringement of rear mountable liquid crystal display devices in the United States District of Delaware and the Patent Country Court in the United Kingdom. On November 28, 2005, the Controlling Company lost its patent infringement case against Tatung Company and ViewSonic Corp. at first instance in Patent Country Court in United Kingdom. On March 13, 2006, the Controlling Company appealed the decision at the Court of Appeals.

In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Controlling Company. On May 13, 2005, the Controlling Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005, the United States District Court for the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the Controlling Company has revised its claim and has refilled the above complaint including the side mounting patent. The Controlling Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Controlling Company's financial condition, results of operations or cash flows.

**9. Deferred Income Tax Assets**

Deferred income tax assets as of June 30, 2006 and December 31, 2005, consist of the following:

<i>(in millions of Korean won)</i>	<b>2006</b>	<b>2005</b>
Inventories	(Won) 29,936	(Won) 8,570
Other current assets	6,637	(4,133)
Property, plant and equipment	39,559	34,762
Tax credit carryforward	396,114	292,976
Deferred income taxes added to shareholders' equity	(29,098)	(4,631)
Deficit carryforward	99,940	
Others	7,491	21,108
	550,579	348,652
Allowance for deferred income tax assets	(107,636)	
	(Won) 442,943	(Won) 348,652

The Company will not realize all benefits of the loss carryforwards and tax credits recorded. Accordingly, a valuation allowance amounting to (Won)107,636 million has been provided as of June 30, 2006.

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****10. Loss Per Share**

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

Loss per share for the six-month periods ended June 30, 2006 and 2005, are calculated as follows:

<i>(in millions, except per share amounts)</i>	<b>2006</b>	<b>2005</b>
Net loss as reported on the statements of operations	274,002	37,764
Weighted-average number of common shares outstanding	358	325
<b>Loss per share</b>	<b>766</b>	<b>116</b>

The Company has issued no diluted securities until the Company issued convertible bonds on April 19, 2005. Diluted loss per share is identical to basic loss per share and diluted ordinary loss per share to basic ordinary loss per share as the company recorded net loss and ordinary loss during the six-month periods ended June 30, 2006 and 2005.

Additionally, earnings per share for the year ended December 31, 2005, were as follows:

	<b>Year ended December 31, 2005</b>
Basic earning per share	(Won) 1,523
Diluted earnings per share	(Won) 1,523

**11. Related Party**

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

Significant transactions which occurred in the normal course of business with related companies for the six-month periods ended June 30, 2006 and 2005, and the related account balances outstanding as of June 30, 2006 and December 31, 2005 are summarized as follows:

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)****Between LG.Philips LCD and consolidated subsidiaries**

<i>(in millions of Korean won)</i>	2006	2005
Sales <sup>1</sup>	3,766,312	(Won) 3,353,845
Purchases <sup>1</sup>	39,505	8,998
Accounts receivable <sup>2</sup>	980,244	1,237,187
Accounts payable <sup>2</sup>	37,989	12,004

<sup>1</sup> Includes sales and purchases of property, plant and equipment.<sup>2</sup> Includes other accounts receivable and other accounts payable.**Between consolidated subsidiaries**

<i>(in millions of Korean won)</i>	2006	2005
Accounts receivable and payable	450,355	(Won) 456,379
Sales and purchases	1,373,180	1,381,305

In the normal course of business, the Company purchases raw materials from, and sells its products to, shareholder companies and other companies within the LG Group. Such transactions and the related accounts receivable and payable, excluding consolidated subsidiaries, for the six-month periods ended June 30, 2006 and 2005 and as of June 30, 2006 and December 31, 2005 are summarized as follows:

<i>(in millions of Korean won)</i>	Sales <sup>1</sup>		Purchases <sup>1</sup>	
	2006	2005	2006	2005
<b>Parents companies</b>				
LG Electronics Inc	(Won) 864,061	(Won) 908,613	(Won) 97,152	(Won) 72,256
Philips	571,133	600,934	29,351	26,144
<b>Company that has significant influence over the Company</b>				
LG Corporation			5,853	5,042
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.	13		54,864	
Other related parties				
LG Chem Ltd.			326,479	279,791
LG International	337,524	164,120	758,231	522,477
Serveone	263		89,419	48,443
Micron Ltd.	91		53,837	55,577
LG CNS	5		62,743	56,294
Others	21,674	37,515	54,840	31,441
<b>Total</b>	<b>(Won) 1,794,764</b>	<b>(Won) 1,711,182</b>	<b>(Won) 1,532,796</b>	<b>(Won) 1,097,465</b>

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**LG. Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****June 30, 2006 and 2005, and December 31, 2005****(Unaudited)***(in millions of Korean won)*

	Receivables		Payables	
	2006	2005	2006	2005
<b>Parent companies</b>				
LG Electronics Inc.	(Won) 249,811	(Won) 219,327	(Won) 84,173	(Won) 66,751
Philips	63,786	176,599	6,990	4,548
<b>Company that has significant influence over the Company</b>				
LG Corporation	2,649	10,970		1,692
<b>Equity-method investee</b>				
Paju Electric Glass Co., Ltd.			11,822	
<b>Other related parties</b>				
LG Chem Ltd.			61,229	72,319
LG International	66,803	47,515	258,217	198,422
Serveone	2,370		29,827	36,792
Micron Ltd.			38,774	55,234
LG CNS			17,286	32,370
Others	15,811	22,320	8,336	9,790
<b>Total</b>	<b>(Won) 401,230</b>	<b>(Won) 476,731</b>	<b>(Won) 516,654</b>	<b>(Won) 477,918</b>

<sup>1</sup> Includes sales of property, plant and equipment amounting to (Won)788million

<sup>1</sup> Includes purchases of property, plant and equipment amounting to (Won)726,720million.

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

*(in millions for Korean won)*

Short-term employee salaries	(Won) 791
Post-retirement benefits	228
	(Won) 1,019

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

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

**Notes to Consolidated Financial Statements**

**June 30, 2006 and 2005, and December 31, 2005**

**(Unaudited)**

**12. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 90% of total sales for six-month period ended June 30, 2006.

The following is a summary of operations by country based on the location of the customers for the six-month periods ended June 30, 2006 and 2005:

*(in millions of Korean won)*

<b>Sales</b>	<b>Domestic</b>	<b>Asia</b>	<b>America</b>	<b>Europe</b>	<b>Others</b>	<b>Total</b>
2006	(Won) 651,534	(Won) 2,940,440	(Won) 461,202	(Won) 643,800	(Won) 89,156	(Won) 4,786,132
2005	(Won) 410,952	(Won) 2,872,611	(Won) 455,586	(Won) 632,155	(Won) 1,072	(Won) 4,372,376

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**LG. Philips LCD Co., Ltd.****Consolidated Balance Sheets****(Unaudited)***(in millions of Korean won, and thousands of US dollars, except for share data)***(Note 2)**

	December 31, 2005	June 30, 2006	June 30, 2006
<b>Assets</b>			
Current assets			
Cash and cash equivalents	(Won) 1,579,452	(Won) 778,877	\$ 821,168
Accounts receivable, net			
Trade, net	790,168	584,568	616,308
Due from affiliates	476,731	401,230	423,015
Others, net	66,202	78,462	82,722
Inventories	689,577	1,270,142	1,339,106
Deferred income taxes	5,414	29,633	31,242
Prepaid expense	23,467	66,565	70,179
Prepaid value added tax	131,230	99,240	104,628
Other current assets	84,524	114,413	120,625
<b>Total current assets</b>	<b>3,846,765</b>	<b>3,423,130</b>	<b>3,608,993</b>
Long-term prepaid expenses	83,112	116,933	123,282
Property, plant and equipment, net	9,234,104	9,786,667	10,318,046
Deferred income taxes	357,453	417,854	440,542
Intangibles, net	43,374	43,791	46,169
Other assets	51,746	46,790	49,331
<b>Total assets</b>	<b>(Won) 13,616,554</b>	<b>(Won) 13,835,165</b>	<b>\$ 14,586,363</b>
<b>Liabilities and Stockholders Equity</b>			
Current liabilities			
Short-term borrowings	(Won) 308,969	(Won) 342,272	\$ 360,856
Current portion of long-term debt	442,140	446,077	470,297
Trade accounts and notes payable			
Trade	577,755	500,643	527,826
Due to affiliates	115,833	131,368	138,501
Other accounts payable			
Others	1,121,042	967,789	1,020,336
Due to affiliates	353,514	385,286	406,206
Accrued expenses	69,968	62,362	65,748
Income taxes payables	21,788	4,340	4,576
Other current liabilities	133,950	149,970	158,113
<b>Total current liabilities</b>	<b>3,144,959</b>	<b>2,990,107</b>	<b>3,152,459</b>
Long-term debt, net of current portion	2,851,353	3,415,261	3,600,697
Long-term accrued expense	2,833	3,665	3,864
Accrued severance benefits, net	43,207	64,534	68,038
<b>Total liabilities</b>	<b>6,042,352</b>	<b>6,473,567</b>	<b>6,825,058</b>
Commitments and contingencies			
Stockholders equity			

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Capital stock

Common stock : (Won)5,000 par value; authorized 400 million shares; issued and outstanding 358 million shares at December 31, 2005 and June 30, 2006	1,789,078	1,789,078	1,886,218
Capital Surplus	2,243,800	2,245,558	2,367,483
Retained earnings	3,542,691	3,302,164	3,481,459
Accumulated other comprehensive income	(1,367)	24,798	26,145
Total stockholders equity	7,574,202	7,361,598	7,761,305
Total liabilities and stockholders equity	(Won) 13,616,554	(Won) 13,835,165	\$ 14,586,363

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

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

	For the three month periods ended June 30,		For the six month periods ended June 30,		
	2005	2006	2005	2006	2006 (Note 2)
<b>Sales</b>					
Related parties	(Won) 908,184	(Won) 854,066	(Won) 1,711,182	(Won) 1,794,764	(Won) 1,892,213
Others	1,400,146	1,460,930	2,661,194	2,991,368	3,153,788
	2,308,330	2,314,996	4,372,376	4,786,132	5,046,001
<b>Cost of sales</b>	2,159,070	2,530,336	4,249,213	4,825,652	5,087,667
Gross profit (loss)	149,260	(215,340)	123,163	(39,520)	(41,666)
<b>Selling, general and administrative expenses</b>	113,148	162,735	212,557	293,031	308,942
<b>Operating income (loss)</b>	36,112	(378,075)	(89,394)	(332,551)	(350,608)
<b>Other income (expense)</b>					
Interest income	12,050	7,933	21,041	18,385	19,383
Interest expense	(30,878)	(37,807)	(53,698)	(73,693)	(77,694)
Foreign exchange gain (loss), net	(14,797)	12,857	(23,448)	30,578	32,238
Rental income		2,234		4,043	4,263
Others, net	315	11,460	494	12,483	13,161
Total other income (expense)	(33,310)	(3,323)	(55,611)	(8,204)	(8,649)
Income before income taxes (loss)	2,802	(381,398)	(145,005)	(340,755)	(359,257)
Provision (benefit) for income taxes	(35,632)	(79,705)	(88,930)	(100,228)	(105,670)
Net income (loss)	(Won) 38,434	(Won) (301,693)	(Won) (56,075)	(Won) (240,527)	\$ (253,587)
<b>Net income (loss) per common share</b>					
Basic	(Won) 118	(Won) (843)	(Won) (172)	(Won) (672)	\$ (0.71)
Diluted	(Won) 118	(Won) (843)	(Won) (172)	(Won) (672)	\$ (0.71)

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

**LG. Philips LCD Co., Ltd.****Consolidated Statements of Changes in Stockholders' Equity****(Unaudited)***(in millions of  
Korean won)*

	Common Stock		Capital Surplus		Retained Earnings	Accumulated Other Comprehensive		Total
	Shares	Amount	Additional Paid-In Capital	Unearned Compensation		Income (Loss)		
Balance as of December 31, 2004	325,315,700	(Won) 1,626,579	(Won) 1,012,271	(Won) (10,331)	(Won) 3,001,042	(Won) 33,740	(Won) 5,663,301	
Stock compensation expense				1,860				1,860
Comprehensive income :								
Net loss					(55,611)			(55,611)
Cumulative translation adjustment, net of tax						1,185		1,185
Net unrealized gains on derivative, net of tax						(45,638)		(45,638)
Total comprehensive income								(100,064)
Balance as of June 30, 2005	325,315,700	(Won) 1,626,579	(Won) 1,012,271	(Won) (8,471)	(Won) 2,945,431	(Won) (10,713)	(Won) 5,565,097	
Balance as of December 31, 2005	357,815,700	(Won) 1,789,078	(Won) 2,251,112	(Won) (7,312)	(Won) 3,542,691	(Won) (1,367)	(Won) 7,574,202	
Stock compensation expense				1,758				1,758
Comprehensive income :								
Net loss					(240,527)			(240,527)
Cumulative translation adjustment, net of tax						(16,178)		(16,178)
Net unrealized gains on derivative, net of tax						42,343		42,343

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Total comprehensive income	(214,362)
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Balance as of June 30, 2006	357,815,700	(Won) 1,789,078	(Won) 2,251,112	(Won) (5,554)	(Won) 3,302,164	(Won) 24,798	(Won) 7,361,598
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(in thousands of US dollars) (Note 2)

	Common Stock		Capital Surplus		Accumulated		
	Shares	Amount	Paid-In	Capital Compensation	Retained Earnings	Other Comprehensive	
						Unearned	Income (Loss)
Balance as of December 31, 2005	325,315,700	\$ 1,886,218	\$ 2,373,339	\$ (7,709)	\$ 3,735,046	\$ (1,441)	\$ 7,985,453
Stock compensation expense				1,853			1,853
Comprehensive income :							
Net loss					(253,587)		(253,587)
Cumulative translation adjustment, net of tax						(17,056)	(17,056)
Net unrealized gains on derivative, net of tax						44,642	44,642
<b>Total comprehensive income</b>							<b>(226,001)</b>
Balance as of June 30, 2006	325,315,700	\$ 1,886,218	\$ 2,373,339	\$ (5,856)	\$ 3,481,459	\$ 26,145	\$ 7,761,305

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

**LG. Philips LCD Co., Ltd.****Consolidated Statements of Cash Flows****(Unaudited)***(in millions of Korean won and thousands of US dollars)*

	For the six month periods ended June 30,		
	2005	2006	2006 (Note 2)
<b>Cash flows from operating activities:</b>			
Net income (loss)	(Won) (56,075)	(Won) (240,527)	\$ (253,587)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	814,943	1,224,767	1,291,267
Provision for severance benefits	26,574	31,402	33,107
Foreign exchange loss (gain), net	1,855	(52,099)	(54,928)
Amortization of intangible assets	3,806	3,243	3,419
(Gain) loss on disposal of property, plant and equipment, net	(2)	960	1,012
Amortization of debt issuance cost	2,704	2,517	2,654
Decrease in deferred income taxes assets, net	(106,693)	(105,010)	(110,712)
Others, net	23,983	17,156	18,088
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(366,708)	281,576	296,865
(Increase) decrease in inventories	83,353	(580,565)	(612,088)
(Increase) decrease in other current assets	74,095	(34,959)	(36,857)
Increase (decrease) in trade accounts and notes payable	65,876	(60,271)	(63,543)
Increase (decrease) in other accounts payable	532,149	(55,493)	(58,506)
Decrease in accrued expenses	(57,492)	(7,606)	(8,019)
Decrease in other current liabilities	(590,910)	(53,533)	(56,440)
Net cash provided by operating activities	451,458	371,558	391,732
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment			
Purchase from related parties	(360,670)	(726,720)	(766,178)
Purchase from others	(1,055,038)	(1,110,559)	(1,170,858)
Proceeds from sales of property, plant and equipment	2,504	789	832
Purchase of intangible assets	(2,427)	(3,393)	(3,577)
Others, net	(5,761)	5,178	5,459
Net cash used in investing activities	(1,421,392)	(1,834,705)	(1,934,322)
<b>Cash flows from financing activities:</b>			
Proceeds (repayment on) from short-term borrowings	(77,323)	33,428	35,243
Proceeds from issuance of long-term debt	1,018,988	644,050	679,020
Repayment on long-term debt	(5,871)	(15,248)	(16,076)
Net cash provided by financing activities	935,794	662,230	698,187
Effect of exchange rate changes on cash and cash equivalents	3,874	342	361
Net increase (decrease) in cash and cash equivalents	(30,266)	(800,575)	(844,042)
Cash and cash equivalents:			

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Beginning of period	1,361,239	1,579,452	1,665,210
End of period	(Won) 1,330,973	(Won) 778,877	\$ 821,168

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

**LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****June 30, 2006 and 2005****1. Basis of presentation**

The accompanying unaudited interim consolidated financial statements and related notes should be read in conjunction with the Consolidated Financial Statements of LG.Philips LCD Co., Ltd. ( LPL ), and its consolidated subsidiaries (hereinafter collectively referred to as the Company ) and related notes thereto for the year ended December 31, 2005. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair statement of results for these interim periods. The results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

**2. United States dollar amounts**

The Company operates primarily in Korea and its financial accounting records are maintained in Korean Won. The US dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Korean Won amounts are expressed in US dollars at the rate of (Won)948.50: US\$1, the US Federal Reserve Bank of New York noon buying exchange rate in effect on June 30, 2006. The US dollar amounts are unaudited and are not presented in accordance with generally accepted accounting principles in either Korea or the United States of America, and should not be construed as a representation that the Korean Won amounts shown could be converted, realized or settled in US dollars at this or any other rate.

**3. Inventories**

Inventories at December 31, 2005 and June 30, 2006 comprise the following:

<i>(in millions of Korean won)</i>	<b>December 31, 2005</b>	<b>June 30, 2006</b>
Finished products	(Won) 328,823	(Won) 826,037
Work in process	166,839	247,177
Raw materials	193,915	196,928
	(Won) 689,577	(Won) 1,270,142

**4. Derivative Instruments and Hedging Activities****Derivatives for cash flow hedge**

During the six month periods ended June 30, 2005 and 2006, 361 and 415 foreign currency forward contracts were designated as cash flow hedges, respectively. During the six month periods ended June 30, 2005 and 2006, these cash flow hedges were fully effective and changes in the fair value of the derivatives, of (Won)1,220 million and (Won)72,627 million, were recorded in other comprehensive income. The deferred gains of (Won)72,627 million for derivatives designated as cash flow hedges are expected to be reclassified into earnings within the next twelve months.

See Report of Independent Accountants



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

**Notes to Consolidated Financial Statements (Unaudited)**

**June 30, 2006 and 2005**

**Derivatives for trading**

For the six month periods ended June 30, 2005 and 2006, the Company recorded realized exchange gains of (Won)23,309 million and (Won)61,843 million and realized exchange losses of (Won)20,177 million and (Won)11,582 million, respectively, on derivative contracts designated for trading upon settlement.

In addition, for the six month periods ended June 30, 2005 and 2006, the Company recorded unrealized gains of (Won)3,166 million and (Won)2,916 million and unrealized losses of (Won)26,931 million and (Won)27,052 million, respectively, relating to these derivative contracts designated for trading.

**5. Stockholder s equity**

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

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

In July 2005, pursuant to a Form F-1 registration statement filed on July 22, 2005 with the U.S. Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of ADSs for gross proceed of US \$1,189,656 thousands ((Won)1,220,706 million). In July 2005, pursuant to the underwriting agreement dated July 21, 2005, the Company sold 4,600,000 shares of common stock in the form of ADSs for gross proceeds of US \$196,144 thousands ((Won)201,263 million).

The Company intends to use the proceeds of these sales to fund the capital expenditures associated with the construction of its seventh generation TFT-LCD fabrication plant ( P7 ) and other LCD facility in Korea.

On May 21, 2004, employees of the Company formed an employee stock ownership association, ( ESOA ), which has the right to purchase on behalf of its membership up to 20% (1,728,000 shares) of shares offered publicly in Korea, pursuant to Korean Securities and Exchange Act. Employees purchased the shares through ESOA with the loan provided by the Company at the initial public offering price ((Won)34,500) and put under individual employee s account. 20% of the 20% of shares (345,600 shares) purchased by employees with loans from the Company is accounted for as a restricted stock award which vests over four years. Unearned compensation, shown as a deduction of Capital Surplus, will be amortized over the 4 year vesting period. During the six month period ended June 30, 2006, the Company recorded compensation expense of (Won)1,758 million.

**LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****June 30, 2006 and 2005****6. Stock Appreciation Plan**

Effective January 1, 2005, the company adopted the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123(R), Share-Based Payment ( SFAS 123(R) ). SFAS 123(R) establishes accounting for stock-based awards exchanged for employee services. SFAS No. 123(R) requires that an award that is classified as a liability to be initially measured at its grant date fair value and remeasured at fair value at the end of each reporting period until the award is settled or expires. The measurement is based on the current stock price and other relevant factors. The difference between the fair value amounts is recognized as compensation expense during the requisite service period, based on the percentage of the requisite service that the employee has rendered as of that date. In accordance with SFAS No. 123(R), compensation expense is remeasured at each reporting date, based on the fair value of the award, and is recognized as expense over the employee requisite service period.

The following table shows total stock-based compensation expense included in the consolidated statement of operations:

<i>(in millions of Korean won)</i>	<b>June 30, 2006</b>
Cost of goods sold	(Won) 405
Selling general and administrative	217
Income tax benefits	(308)
 Total stock-based compensation expense	 314

There were no capitalized stock-based compensation costs at June 30, 2006

In connection with the adoption of SFAS 123(R), the company assessed its valuation technique and related assumptions. The company estimates the fair value of stock options using a Black-Scholes valuation model, consistent with the provisions of SFAS 123(R) and Securities and Exchange Commission (SEC) Staff Accounting Bulletin No. 107. Key input assumptions used to estimate the fair value of stock options include the grant price of the award, the expected option term, volatility of the company's stock, the risk-free rate and the company's dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by selected managements who receive SARs, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the company under SFAS 123(R).

**7. Commitments and Contingencies**

The Company is subject to several legal proceedings and claims arising in the ordinary course of business. In August 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co. of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs. Subsequently the Company filed a complaint against customers of Chunghwa Picture Tubes, including ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TpV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court for the Central District of California for alleged infringement of

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

**Notes to Consolidated Financial Statements (Unaudited)**

**June 30, 2006 and 2005**

certain patents and violation of U.S. antitrust laws. In May 2004, the Company filed a complaint against Tatung Co., the parent company of Chunghwa Picture Tubes and ViewSonic Corp. and others, claiming patent infringement of rear mountable liquid crystal display devices in the United States District of Delaware and the Patent County Court in the United Kingdom. The Company also filed a complaint against Chunghwa Picture Tubes with the American Arbitration Association in connection with the ownership of certain patents. In June 2006, the American Arbitration Association decided that the ownership of certain patents is in the Company. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005, the United States District Court for the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes relating to side mounting patent. Thereafter, the company has revised its claim and has refilled the above complaint including the side mounting patents.

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

The Company sells a significant portion of products based on non-binding long-term supply agreements to LGE and Philips, who are currently the largest shareholders of the Company. These agreements are for three-year terms, with automatic renewals. These agreements expired in 2004. The Company has reentered into a formal master agreement with Philips.

As of December 31, 2004, the Company has a trademark license agreement with LG Corporation and Philips Electronics. Under this agreement, the Company has to pay some portion of revenue as a license fee. This agreement is for three-year terms and shall expire at the end of year 2007.

The Company has bank overdraft agreements with various banks amounting to (Won)59,000 million and has a Revolving Credit Facility Agreements with Shinhan Bank and others amounting to (Won)300,000 million and US\$100 million at June 30, 2006. The Company has a zero balance with respect to these facilities at June 30, 2006.

LG. Philips LCD America, Inc. has entered into a line of credit agreement, up to US \$10 million with Comerica Bank. LG. Philips LCD Japan Co., Ltd. And LG.Philips LCD Taiwan Co., Ltd. are provided with repayment guarantees from Mitsubishi UFJ Bank and ABN AMRO Bank amounting to JPY1,300 million and NTD 40 million relating to its local tax payments.

As of December 31, 2004, in relation to its TFT-LCD business, the Company has technical license agreements with Semiconductor Energy Laboratory Co., Ltd. and others. The licensing agreements generally require royalty payments based on a specific percentage of sales. Costs are accrued by the Company as the sales of the specified products are made. Royalty expenses charged to cost of sales under these licensing agreements totaled (Won)22,988million and (Won)14,327million for the six month periods ended June 30, 2005 and June 30, 2006 respectively.

**LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****June 30, 2006 and 2005****8. Net Loss Per Share**

Net loss per share for the six month periods ended June 30, 2005 and 2006 is calculated as follows:

<i>(In millions, except for per share amount)</i>	<b>2005</b>	<b>2006</b>
Net loss as reported on the income statements	(Won) 56,075	(Won) 240,527
Weighted-average number of common shares outstanding	325	358
Net loss per share	(Won) 172	(Won) 672

Convertible bonds, which have a potentially dilutive effect by decreasing net income allocated to common stock, were excluded from the computation of diluted EPS since they did not have a dilutive effect.

**9. Supplemental Cash Flows Information**

Supplemental cash flows information for the six month periods ended June 30, 2005 and 2006 is as follows:

<i>(in millions of Korean won)</i>	<b>2005</b>	<b>2006</b>
Non-cash investing and financing activities:		
Other accounts payable arising from the purchase of property, plant and equipment	(Won) 1,449,840	(Won) 1,035,452

**SIGNATURES**

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

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

Date: August 14, 2006

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

Name: Ron H. Wirahadiraksa  
Title: Joint Representative Director/

President & Chief Financial Officer