

LG.Philips LCD Co., Ltd.  
Form 6-K  
August 16, 2005  
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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 2005

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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.

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Form 20-F  Form 40-F

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

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

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

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

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

Yes  No

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SEMIANNUAL REPORT

(From January 1, 2005 to June 30, 2005)

THIS IS A TRANSLATION OF THE INTERIM 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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Attachment: 1. Korean GAAP Semiannual Non-consolidated Financial Statements  
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### 1. Overview

#### A. Industry

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

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

##### (2) Cyclicalities

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

##### (3) Competitiveness

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

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

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## B. Company

## (1) Business overview

- We started the TFT-LCD business in 1998. We currently operate six fabrication facilities located in Gumi, Korea and three module facilities located in Gumi, Korea and Nanjing, China and we are constructing our 7th generation fab (P7) in Paju, Korea.
- We became the first LCD maker in the world to commence commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002 to meet the demand for large-size monitors.
- We started mass production at our 6th generation fab (P6) in August 2004, which has provided us with a full line-up of products and which allows us to meet growing customer demand for LCD TV panels in addition to LCD panels for Notebook PC and Monitor, etc.
- Sales in the first half of 2005 increased by 3% to KRW 3,799 billion (USD 3,674 million) from sales of KRW 3,687 billion (USD 3,566 million) in the second half of 2004 and decreased 14% compared to KRW 4,393 billion (USD 4,249 million) in the first half of 2004.
- Due to the decrease in selling prices, etc, operating income in the first half of 2005 swung to an operating loss of KRW 134 billion (USD 130 million) from a profit of KRW 177 billion (USD 171 million) in the second half of 2004. Net income in the first half of 2005 swung to a loss of KRW 38 billion (USD 37 million) from a profit of KRW 326 billion (USD 315 million) in the second half of 2004.
- 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

	<u>2005 Q1</u>	<u>2004</u>	<u>2003</u>
Panel for Notebook PC	19.9%	19.7%	19.9%
Panel for Monitor	26.4%	22.7%	23.4%
Panel for TV	27.9%	19.9%	26.0%
Total	24.2%	21.0%	22.2%

(Source: DisplaySearch Q2 2005)



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(3) Market characteristics

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

(4) New business

- In March 2004, we broke ground for a new TFT-LCD industrial complex in Paju, Korea, and construction of P7 is currently in progress.
- We plan to commence mass production of primarily 42" and 47" LCDs for TVs and large size LCDs for Monitors at P7 with an initial design capacity of 45,000 sheets per month, using 1,950 x 2,250 mm glass, during the first half of 2006. We may expand P7's capacity to 90,000 sheets per month depending on future market and other conditions. We currently estimate that the construction and build-out of P7, at a capacity of 90,000 sheets per month, will cost approximately KRW 5.3 trillion.

(5) Organization chart

- JRD : Joint Representative Director
- CEO : Chief Executive Officer
- CFO : Chief Financial Officer
- COO : Chief Operating Officer
- CTO : Chief Technology Officer

**Table of Contents****2. Information Regarding Shares**

## A. Shareholder List

- (1) Total shares issued : 325,315,700 shares as of June 30, 2005

Total shares increased to 357,815,700 after our capital increase through issuance of ADSs on July 27, 2005.

- (2) Principal shareholders and related parties as of June 30, 2005

(Unit: share)

<u>Name</u>	<u>End of Dec. 2004</u>	<u>Increase/Decrease</u>	<u>Jun. 30, 2005</u>	<u>Cause of change</u>
LGE	145,000,000 (44.57)%		145,000,000 (44.57)%	
Philips	145,000,000 (44.57)%		145,000,000 (44.57)%	
<b>Total</b>	<b>290,000,000 (89.14)%</b>		<b>290,000,000 (89.14)%</b>	

Number of shares held and shareholding ratio by either LG Electronics or Philips Electronics decreased to 135,625,000 and 37.9% respectively after our issuance of ADSs and sale of LPL's share by principal shareholders in July, 2005.

- (3) Shareholders who own 5% or more of our shares as of June 30, 2005

(Unit: share)

<u>Name</u>	<u>Type of Stock</u>	<u>Number of shares</u>	<u>Ratio</u>
LGE	Common Stock	145,000,000	44.57%
Philips	Common Stock	145,000,000	44.57%
<b>Total</b>		<b>290,000,000</b>	<b>89.14%</b>

## B. Voting rights as of June 30, 2005

(Unit: share)

<u>Description</u>	<u>Number of shares</u>
1. Shares with voting rights [A-B]	325,315,700
A. Total shares issued	325,315,700
B. Shares without voting rights	
2. Shares with restricted voting rights	

Total voting right [1-2]

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325,315,700

Total shares with voting rights increased to 357,815,700 shares after our capital increase through issuance of ADSs on July 27, 2005.

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## C. Dividends

## (1) Dividends during the recent 3 fiscal years

<u>Description</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>
Par value (Won)	5,000	5,000	5,000
Net income (Million Won)	-37,764	1,655,445	1,019,100
Earnings per share (Won)	-116	5,420	3,514
Retained earning for dividends (Million Won)	2,925,574	2,963,337	1,307,892
Total cash dividend amount (Million Won)			
Total stock dividend amount (Million Won)			
Cash dividend payout ratio (%)			
Cash dividend yield (%)			
Stock dividend yield (%)			
Cash dividend per share (Won)			
Stock dividend per share (Won)			

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

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

\* Retained earning for dividends is the amount before dividend is paid.

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

**3. Major Products and Materials**

## A. Major products in 2005 1H

(Unit: In billions of won)

Business area	Sales types	Items (Market)	Specific use	Major	
				trademark	Sales (%)
TFT-LCD	Commodity/ Product/ Service/ Other Sales	TFT-LCD (Overseas)	Notebook, Monitor, TV Applications Panels, etc.	LG.Philips LCD	3,436 (90.4)%
		TFT-LCD (Korea*)	Notebook, Monitor, TV Applications Panels, etc.	LG.Philips LCD	363 (9.6)%
Total					3,799(100.0)%

\* Local export was included.

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## B. Average selling price trend of major products

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

<u>Description</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>
TFT-LCD panel	2,228	3,090	3,051

\* Half-finished products in cell format and panels smaller than 10 inches are excluded.

## (1) Assumptions for calculations

- Average annual (or quarterly) selling price per m<sup>2</sup>

## (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)

<u>Business area</u>	<u>Purchase types</u>	<u>Items</u>	<u>Specific use</u>	<u>Purchase amount</u>		<u>Remarks</u>
				(%)		
TFT-LCD	Materials	Glass	LCD Panel	501 (22.0)%		Samsung Corning Co., Ltd., NEG, etc.
			Manufacturing			
		Back-Light	437 (19.2)%		Heesung Electronics Ltd., etc.	
		Polarizer	191 (8.4)%		LG Chem., etc.	
		Others		1,146 (50.4)%		
<b>Total</b>				<b>2,275 (100.0)%</b>		

## D. Price trend of major materials

(Unit : Won)

<u>Description</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>
Glass	84,641	76,080	57,488
Back-Light	42,951	35,800	33,441
Polarizer	8,389	8,256	7,288

- (1) Assumption for calculation
  - Average unit price of major raw materials
  
- (2) Major factors contributing to price fluctuations
  - Change in size of raw materials and changes in quantity.
  
  - Difference between demand and supply

**Table of Contents****4. Production and Equipment**

## A. Production capacity and calculation

## (1) Production capacity

(Unit : 1,000 Glass sheets)

<u>Business area</u>	<u>Items</u>	<u>Business place</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>
TFT-LCD	TFT-LCD	Gumi	3,635	6,644	5,280

## (2) Calculation of Capacity

## a. Method

## Assumptions for calculation

- Based on input production capacity

## Calculation method

- Average monthly input capacity for 4th quarter x given periods (12 months) in case of 2004 and 2003.
- Average monthly input capacity for the 2nd quarter x given periods (6 months) in case of 2005 1H.

## b. Average working hours

- Refer to B-(2)

## B. Production performance and working ratio

## (1) Production performance

(Unit: 1,000 Glass sheets)

<u>Business area</u>	<u>Items</u>	<u>Business place</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>
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TFT-LCD

TFT-LCD

Gumi

3,541

6,033

4,715

\* Based on input glass

(2) Working Ratio

(Unit: Hours)

<u>Business place(area)</u>	<u>Maximum working hours of 2005 1H</u>	<u>Real working hours of 2005 1H</u>	<u>Average working ratio</u>
Gumi (TFT-LCD)	4,344 (24HR. X 181Days)	4,344 (24HR. X 181Days)	100%



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## C. Investment plan

## (1) Investment in progress

(Unit: In billions of won)

<u>Business area</u>	<u>Description</u>	<u>Investment period</u>	<u>Investment Assets</u>	<u>Investment effect</u>	<u>Total investment</u>	<u>Already invested</u>	<u>To be invested</u>	<u>Remarks</u>
TFT-LCD	New / Expansion, etc.	1H 2004~	Building/ Machinery, etc.	Capacity Expansion	6,300	2,000	4,300	

## (2) Investment Plan (Consolidated basis)

(Unit: In billions of won)

<u>Business area</u>	<u>Project</u>	<u>Expected yearly investment</u>			<u>Investment effects</u>	<u>Remarks</u>
		<u>2005 (1)</u>	<u>2006 (1)</u>	<u>2007 (2)</u>		
TFT-LCD	New/ Expansion, etc.	4,580	3,500 ~4,500		Capacity Expansion, etc.	

(1) Expected investments in 2005 and 2006 are subject to change depending on market environment, etc.

(2) Expected investment during 2007 cannot be projected due to industry characteristics.

## 5. Sales

## A. Sales performance

(Unit: In billions of won)

<u>Business area</u>	<u>Sales types</u>	<u>Items (Market)</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>
TFT-LCD	Products, etc.	LCD Overseas Korea*	3,436 363	7,298 782	5,053 978
		Total	3,799	8,080	6,031

\* Local export was included.

B. Sales route and sales method

(1) Sales organization

- Sales departments for Notebook PC, Monitor, TV and Applications, qualification department and sales planning & administration department, under Worldwide Sales EVP.
  
- Sales subsidiaries in America, Germany, Japan, Taiwan and China (Hong Kong, Shanghai) perform sales activities in overseas countries and provide technical support to customers.

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\* There is a back-end manufacturing subsidiary in Nanjing, China.

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(2) Sales route

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

(3) Sales method and condition

- Direct sales & sales through overseas subsidiaries, etc.

(4) Sales strategy

- To secure stable sales to major PC makers and the leading consumer electronics makers worldwide
- To increase sales in premium Notebook PC products, to maintain the number one market share in the larger size high-end Monitor segment and to lead the larger size LCD TV market
- To diversify our Application Market product portfolio
- Sales order from branded customers to overseas subsidiaries → Information to HQ → Scheduling the production plan → Shipping products to subsidiaries → Sales to system integrators or branded customers by overseas subsidiaries.

6. Employees

(as of June 30, 2005)

(Unit : person, year, in millions of won)

Sex	Detail employees				Total Salary in 2005 1H	Per capita Salary	Average Service Period
	Official Worker	Line Worker	Others	Total			
Male	4,456	3,968		8,424	160,847	20	3.9
Female	409	3,423		3,832	51,550	14	2.1
<b>Total</b>	<b>4,865</b>	<b>7,391</b>		<b>12,256</b>	<b>212,397</b>	<b>18</b>	<b>3.3</b>

\* Director and Executive officers are excluded.

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## 7. Financial Information

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

(Unit: In millions of won)

Description	2005 1H	2004	2003	2002	2001
[Current assets]	2,865,845	2,638,616	1,918,329	806,156	374,198
Quick assets	2,408,191	2,170,617	1,644,838	463,539	189,708
Inventories	457,654	467,999	273,491	342,617	184,490
[Fixed assets]	8,230,429	6,960,077	4,295,753	3,613,748	3,361,220
Investments	517,670	409,955	203,343	147,832	128,397
Tangible assets	7,549,642	6,366,651	3,874,428	3,210,884	2,937,209
Intangible assets	163,117	183,471	217,982	255,032	295,614
Total Assets	11,096,274	9,598,693	6,214,082	4,419,904	3,735,418
[Current liabilities]	2,495,132	1,900,765	2,044,005	1,117,066	904,952
[Non-current liabilities]	2,888,705	1,925,286	1,276,045	1,436,775	1,251,713
Total Liabilities	5,383,837	3,826,051	3,320,050	2,553,841	2,156,665
[Capital Stock]	1,626,579	1,626,579	1,450,000	1,450,000	1,450,000
[Capital surplus]	1,042,139	1,012,271			
Capital reserve	1,042,139	1,012,271			
Asset revaluation reserve					
[Retained earnings ]	3,053,911	3,091,674	1,436,229	417,129	128,337
[Capital adjustment]	(-)10,192	42,118	7,803	(-)1,066	416
Total Shareholder s equity	5,712,437	5,772,642	2,894,032	1,866,063	1,578,753
Sales revenues	3,798,846	8,079,891	6,031,261	3,518,289	2,386,617
Operating income	(-)133,512	1,640,708	1,086,517	215,724	(-)344,976
Ordinary income	(-)162,128	1,683,067	1,009,731	293,249	(-)420,342
Net income	(-)37,764	1,655,445	1,019,100	288,792	(-)381,603

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

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## B. R&amp;D Expense

## (1) Summary

(Unit: In millions of won)

<u>Account</u>	<u>2005 1H</u>	<u>2004</u>	<u>2003</u>	<u>Remarks</u>
Direct Material Cost	106,170	170,051	141,614	
Direct Labor Cost	36,084	58,202	14,421	
Depreciation Expense	4,785	11,078	6,165	
Others	9,003	13,874	9,082	
R&D Expense Total	156,042	253,205	171,282	
Accounting Treatment				
Selling & Admin. Expenses	24,334	43,095	29,708	
Manufacturing Cost	131,708	210,110	141,574	
R&D Expense / Sales ratio	4.11%	3.13%	2.84%	
[Total R&D Expense÷Sales for the period×100]				

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

## (2) R&amp;D achievements

- 1) Development of 20.1-inch AMOLED
  - Joint development of 20.1-inch AMOLED with LG Electronics
  - Development of world's largest 20.1-inch wide AMOLED based on LTPS technology
- 2) Development of Copper bus line
  - Next generation LCD technology to significantly improve brightness, definition and resolution, etc.
- 3) Mass production and development of World's largest TFT-LCD panel for Full-HD TV (55-inch) in Oct. 2004.
  - Stitch Lithography and Segmented Circuit Driving to cope with Large-size LCD Panel
  - Achievement of High Contrast Ratio and Fast Response Time through new technologies
  - Application of innovative panel technology to solve the weak point (gravity/touch stains) of large size

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

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## C. Domestic Credit Rating

<u>Subject</u>	<u>Month of Rating</u>	<u>Credit</u>	<u>Rating Agency</u>
		<u>Rating</u>	<u>(Rating range)</u>
Corporate Debenture	Apr. 2004	AA-	Korea Investors Service, Inc. (AAA ~ D)
	May. 2004	AA-	
	Nov. 2004	AA-	
	Mar. 2005	AA-	
	Jun. 2005	AA-	
Commercial Paper	Apr. 2004	A1	Korea Investors Service, Inc. (A1 ~ D)
	May. 2004	A1	
	Nov. 2004	A1	
	Jun. 2005	A1	

## D. Remuneration for directors in 2005 1H

(Unit: In millions of won)

<u>Classification</u>	<u>Salary paid</u>	<u>Approved salary at</u>	<u>Per capita average</u>	<u>Remarks</u>
		<u>Shareholders Meeting</u>	<u>salary paid</u>	
Inside Directors (4 persons)	8,972	13,400	2,243	Audit committee consists of three outside directors.
Outside Directors (5 persons)	97		19	

Note1) Company did not pay remuneration for the outside directors who were appointed at the 20th AGM (March 23, 2005) in 1st quarter of 2005.

**8. Major Events after June 30, 2005**

## A. Issuance of ADSs

- (1) Issuing date : July 27, 2005 (Korea time)
- (2) Total Amount : USD 1,385,800,000 (inclusive of over-allotment shares)
- (3) Offering of ADSs and common stock : 32,500,000 shares of our common stock in the form of ADSs including over-allotment option. (Each ADS represents one-half of one share of our common stock.)
- (4) Offering price : USD 21.32 per ADS
- (5) Use of Proceeds : Capital Expenditure
- (6) ADR depository : Citibank, N.A.

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

**Interim Non-Consolidated Financial Statements**

**June 30, 2005 and 2004, and December 31, 2004**



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

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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, 2005, and the related non-consolidated statements of operations and cash flows for the three-month and six-month periods ended June 30, 2005 and 2004, 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 and semi-annual 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, 2004, and the related non-consolidated statements of operations, 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 26, 2005. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2004, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2004.

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

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As discussed in Note 23, on July 7, 2005, the Board of directors of the Company approved the sale of 26,850,000 shares of common stock in the form of American Depositary shares ( ADSs ) for gross proceeds of US\$1,200,000 thousands pursuant to a Form F-1 registration statement filed on July 7, 2005 with the Securities and Exchange Commission. In addition, the Company granted the initial purchasers an option to purchase up to an additional US\$200,000 thousand aggregate principal amount of common stock.

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 15, 2005

This report is effective as of July 15, 2005, 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.

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Balance Sheets****June 30, 2005 and December 31, 2004****(Unaudited)***(in millions of Korean won)*

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 3)	(Won) 1,235,169	(Won) 1,274,989
Available-for-sale securities	222	15
Trade accounts and notes receivable, net (Notes 4, 5 and 20)	957,175	635,903
Inventories, net (Note 6)	457,654	467,999
Other accounts receivable, net (Notes 4, 5 and 20)	5,858	6,690
Accrued income, net (Note 4)	2,256	1,470
Advanced payments, net (Note 4)	8,539	9,793
Prepaid expenses	32,958	27,905
Prepaid value added tax	76,932	80,917
Deferred income tax assets (Note 18)	37,662	
Others (Note 14)	51,420	132,935
	<u>2,865,845</u>	<u>2,638,616</u>
Total current assets	2,865,845	2,638,616
Property, plant and equipment, net (Note 8)	7,549,642	6,366,651
Long-term financial instruments (Note 3)	16	16
Equity-method investments (Note 7)	172,186	168,039
Non-current guarantee deposits	24,006	19,070
Long-term prepaid expenses	61,114	49,652
Deferred income tax assets (Note 18)	260,348	173,178
Intangible assets, net (Note 9)	163,117	183,471
	<u>(Won) 11,096,274</u>	<u>(Won) 9,598,693</u>
Total assets	(Won) 11,096,274	(Won) 9,598,693
<b>Liabilities and Shareholders Equity</b>		
Current liabilities		
Trade accounts and notes payable (Notes 5 and 20)	(Won) 495,462	(Won) 451,755
Other accounts payable (Notes 5 and 20)	1,619,043	978,501
Advances received	450	53
Withholdings	5,672	4,860
Accrued expenses (Note 5)	59,156	116,585
Income tax payable (Note 18)		74,581
Product warranty	13,144	15,150
Current maturities of debentures and long-term debts (Note 10)	214,235	205,139
Others (Note 14)	87,970	54,141
	<u>2,495,132</u>	<u>1,900,765</u>
Total current liabilities	2,495,132	1,900,765
Debentures, net of current maturities and discounts on debentures (Note 11)	2,556,311	1,707,716
Long-term debts, net of current maturities (Note 11)	278,283	185,632
Accrued severance benefits, net (Note 12)	53,872	31,938
Long-term accrued expenses (Note 13)	239	

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Total liabilities	5,383,837	3,826,051
Commitments and contingencies (Note 14)		
Shareholders' equity		
Capital stock (Note 15)	1,626,579	1,626,579
Common stock, (Won)5,000 par value per share ; 400 million shares authorized ; 325 million shares issued and outstanding		
Capital surplus (Note 16)	1,042,139	1,012,271
Retained earnings (Note 16)	3,053,911	3,091,674
Capital adjustments (Note 17)	(10,192)	42,118
Total shareholders' equity	5,712,437	5,772,642
Total liabilities and shareholders' equity	(Won) 11,096,274	(Won) 9,598,693

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

See Report of Independent Accountants

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Operations****Three-Month and Six-Month Periods Ended June 30, 2005 and 2004****(Unaudited)**

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2005	2004	2005	2004
<i>(in millions of Korean won, except per share amounts)</i>				
<b>Sales (Notes 20 and 21)</b>	(Won) 2,028,538	(Won) 2,276,564	(Won) 3,798,846	(Won) 4,392,882
<b>Cost of sales (Note 20)</b>	1,909,089	1,444,182	3,767,219	2,813,275
Gross profit	119,449	832,382	31,627	1,579,607
<b>Selling and administrative expenses</b>	90,564	60,543	165,139	116,209
Operating income (loss)	28,885	771,839	(133,512)	1,463,398
<b>Non-operating income</b>				
Interest income	11,717	3,703	20,554	7,557
Foreign exchange gain	12,692	18,498	56,352	52,153
Gain on foreign currency translation	42,366	7,096	35,106	35,482
Gain on valuation of investments using the equity method of accounting (Note 7)	3,465		6,956	1,119
Gain on disposal of property, plant and equipment	790	1,331	1,996	2,040
Others	4,267	2,623	7,427	5,816
	75,297	33,251	128,391	104,167
<b>Non-operating expenses</b>				
Interest expenses	27,962	7,579	47,259	24,502
Foreign exchange losses	43,949	12,622	73,210	76,125
Loss on foreign currency translation	15,505	17,941	29,390	28,181
Donations	83	10,221	93	10,346
Loss on disposal of accounts receivable	2,992	1,655	4,953	1,939
Loss on disposal of available-for-sale securities		4		20
Loss on valuation of investments using the equity method of accounting (Note 7)	13,255	6,425	2,080	
Loss on disposal of property, plant and equipment	8	8	22	19
	103,754	56,455	157,007	141,132
Income (loss) before income taxes	428	748,635	(162,128)	1,426,433
Income tax expense (benefit) (Note 18)	(40,638)	47,404	(124,364)	97,278
Net income (loss)	(Won) 41,066	(Won) 701,231	(Won) (37,764)	(Won) 1,329,155

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Basic ordinary income (loss) per share (Note 19)	(Won)	126	(Won)	2,418	(Won)	(116)	(Won)	4,583
Basic earnings (loss) per share (Note 19)	(Won)	126	(Won)	2,418	(Won)	(116)	(Won)	4,583
Diluted ordinary income (loss) per share (Note 19)	(Won)	126	(Won)	2,418	(Won)	(116)	(Won)	4,583
Diluted earnings (loss) per share (Note 19)	(Won)	126	(Won)	2,418	(Won)	(116)	(Won)	4,583

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

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**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows****Three-Month and Six-Month Periods Ended June 30, 2005 and 2004****(Unaudited)**

<i>(in millions of Korean won)</i>	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2005	2004	2005	2004
<b>Cash flows from operating activities</b>				
Net income (loss)	(Won) 41,066	(Won) 701,231	(Won) (37,764)	(Won) 1,329,155
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation	402,756	268,491	797,892	534,399
Amortization of intangible assets	11,351	11,036	22,663	22,066
Provision for severance benefits	14,796	11,436	26,555	20,526
Gain on foreign currency translation, net	(23,384)	10,841	(2,718)	(11,440)
Loss on disposal of available-for-sale securities		4		20
Loss (gain) on disposal of property, plant and equipment, net	(782)	(1,323)	(1,974)	(2,021)
Amortization of discount on debentures	7,969	2,926	11,370	6,010
Loss (gain) on valuation of investments using the equity-method of accounting, net	9,790	6,425	(4,876)	(1,119)
Stock compensation cost	239		239	
Others	3,516	6,891	4,826	13,989
	<u>426,251</u>	<u>316,727</u>	<u>853,977</u>	<u>582,430</u>
<b>Changes in operating assets and liabilities</b>				
(Increase) decrease in trade accounts and notes receivable	(43,991)	172,171	(303,476)	(10,565)
(Increase) decrease in inventories	(10,172)	(45,033)	10,418	(81,277)
Decrease in other accounts receivable	3,589	7,820	847	9,199
Decrease (increase) in accrued income	1,192	(146)	(786)	(654)
(Increase) decrease in advance payments	(2,890)	(3,060)	1,254	(4,088)
Decrease (increase) in prepaid expenses	3,681	(4,431)	365	869
Decrease in prepaid value added tax	12,271	2,761	3,984	21,019
Decrease in other current assets	34,334	15,978	64,853	2,963
Decrease in long-term other accounts receivable				166
Decrease (increase) in long-term prepaid expenses	3,056	314	(16,878)	(2,936)
(Increase) decrease in deferred income tax	(40,617)	10,043	(124,364)	32,896
Increase (decrease) in trade accounts and notes payable	33,041	18,333	43,009	(1,139)
(Decrease) increase in other accounts payable	(4,786)	25,404	18,933	34,686
(Decrease) increase in advances received	(24)	(2,562)	397	(1,738)
Increase (decrease) in withholdings	163	(4,667)	812	1,098
Increase (decrease) in accrued expenses	9,250	10,358	(57,429)	(42,248)
(Decrease) increase in income taxes payable	(39,129)	15,608	(74,581)	23,525
Decrease in product warranty	(3,801)	(3,363)	(6,832)	(6,269)
Decrease in other current liabilities	(15,070)	(11,298)	(27,974)	(7,942)
	<u>279</u>	<u>149</u>	<u>557</u>	<u>808</u>



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Accrued severance benefits transferred from affiliated company, net				
Payments of severance benefits	(6,589)	(833)	(8,703)	(4,487)
Decrease in severance insurance deposit	3,049	65	3,485	1,492
Decrease in contribution to National Pension Fund	44	5	39	44
	<u>(63,120)</u>	<u>203,616</u>	<u>(472,070)</u>	<u>(34,578)</u>
Net cash provided by operating activities	<u>404,197</u>	<u>1,221,574</u>	<u>344,143</u>	<u>1,877,007</u>

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

**Table of Contents****LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows****Three-Month and Six-Month Periods Ended June 30, 2005 and 2004****(Unaudited)**

<i>(in millions of Korean won)</i>	<b>For the three-month periods ended June 30,</b>		<b>For the six-month periods ended June 30,</b>		
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	
<b>Cash flows from investing activities</b>					
Acquisition of equity-method investments	(Won)	(Won)	(Won)	(667)	(Won)
Acquisitions of available-for-sale securities	(5)	(42)	(206)	(110)	
Proceeds from disposal of available-for-sale securities		37		157	
Proceeds from non-current guarantee deposits	25		25	708	
Payments of non-current guarantee deposits	(3,799)		(4,961)	(2,005)	
Acquisitions of property, plant and equipment	(930,481)	(1,191,777)	(1,353,906)	(1,910,095)	
Proceeds from disposal of property, plant and equipment	813	1,367	2,477	3,196	
Acquisition of intangible assets		(32)	(2,309)	(32)	
<b>Net cash used in investing activities</b>	<b>(933,447)</b>	<b>(1,190,447)</b>	<b>(1,359,547)</b>	<b>(1,908,181)</b>	
<b>Cash flows from financing activities</b>					
Repayment of short-term borrowing				(62)	
Repayment on current portion of long-term debts		(300,000)		(300,000)	
Proceeds from issuance of long-term debts			101,900	59,100	
Proceeds from issuance of debentures	480,662	293,282	873,684	293,282	
<b>Net cash provided by (used in) financing activities</b>	<b>480,662</b>	<b>(6,718)</b>	<b>975,584</b>	<b>52,320</b>	
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(48,588)</b>	<b>24,409</b>	<b>(39,820)</b>	<b>21,146</b>	
<b>Cash and cash equivalents</b>					
Beginning of the period	1,283,757	445,955	1,274,989	449,218	
End of the period	(Won) 1,235,169	(Won) 470,364	(Won) 1,235,169	(Won) 470,364	

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

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2005 and 2004, and December 31, 2004****(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 (Won)725,000 million.

In July 2004, pursuant to Securities Registration Statement filed on July 16, 2004, with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004, with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$748,800 thousand. In September 2004, pursuant the underwriting agreement dated July 15, 2004, the Company issued an additional 1,715,700 shares of common stock in the form of ADSs for proceeds of US\$51,471 thousand.

As of June 30, 2005, the Company's shareholders are as follows:

	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
LG Electronics Inc.	145,000,000	44.57
Koninklijke Philips Electronics N. V.	145,000,000	44.57
Others	35,315,700	10.86
	<b>325,315,700</b>	<b>100.00</b>

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

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

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

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

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

#### **Accounting Estimates**

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

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

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements covering periods beginning January 1, 2004.

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And as SKFAS Nos. 15 through 17 became effective for the Company on January 1, 2005, the Company adopted these Standards in its financial statements for the six-month period ended June 30, 2005.

### **Cash and Cash Equivalents**

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

### **Revenue Recognition**

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

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

**Allowance for Doubtful Accounts**

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the receivables.

**Inventories**

The Company accounts for inventories under the provision of SKFAS No.10, *Inventories*.

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for materials-in-transit, which are stated at actual cost using the specific identification method. If the net realizable value of inventory is less than its cost, the carrying amount is reduced to the net realizable value. Any inventory valuation loss is added to the cost of sales.

**Investments in Affiliates and Other Investments**

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be divided into one of three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at the reasonable interest rate determined considering the credit ratings provided by the independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the income statement when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities for the amortization of discounts or premiums.

Investments in equity securities of companies, over which the Company exercises significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share in the accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

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

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

Foreign currency financial statements of equity method investees are translated into Korean won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustment account, a component of shareholders' equity.

**Property, Plant and Equipment**

The cost of property, plant and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the premises and equipment for use, and the discounted estimated costs to remove, dismantle or restore property, plant and equipment at the end of the estimated useful lives of the related assets when those costs meet the conditions for the recognition of liabilities.

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as enumerated below:

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

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



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

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

**Intangible Assets**

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

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

**Discounts on Debentures**

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

**Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the exchange rates in effect at the balance sheet date ((Won)1,028.8:US\$1 as of June 30, 2005; (Won)1,035.6:US\$1 as of December 31, 2004), and the resulting translation gains and losses are recognized in current operations.

**Warranty Reserve**

The Company provides warranty relating to product defects for a specified period of time after sale. Estimated costs of product warranties are charged to cost at the time of sale and are included in the accompanying balance sheet as a warranty reserve.

**Accrued Severance Benefits**

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

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

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

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

**Notes to Non-Consolidated Financial Statements**

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**(Unaudited)**

### **Sales or Discount of Accounts Receivable**

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

### **Derivatives**

The Company enters into various derivative transactions to hedge against financial risks. Derivatives are classified into: cash flow hedges, hedges for fluctuations in fair market value caused by the changes in foreign exchange rates, and those acquired for profit. In case of cash flow hedges, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet. In the case of hedging for fluctuations in fair market value, unrealized holding gains and losses are recorded in the income statement. If the contract expires, the gains and losses from derivative transactions are presented in the income statement in case of hedges for fluctuations in fair market value and are offset against sales in case of cash flow hedging.

### **Convertible bonds**

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

### **Stock Appreciation Plan**

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

**Income Taxes**

The Company recognizes deferred income tax assets and liabilities, which represent temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are computed on such temporary differences, including available net operating loss carryforwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred income tax assets are recognized when it is almost certain that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense under applicable tax regulations and the change in the balance of deferred income tax assets and liabilities during the period.

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Investment tax credits are accounted for by the flow-through method, whereby income taxes are reduced in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred income tax assets, subject to considerations on their recognition, are recognized as carryforward amount.

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

Cash and cash equivalents, and financial instruments as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	<b>Annual interest rate (%) as of June 30, 2005</b>	<b>2005</b>	<b>2004</b>
<b>Cash and cash equivalents</b>			
Cash on hand		(Won) 7	(Won) 7
Checking accounts		10	122
Time deposits	2.8-3.4	893,016	1,130,869
Passbook accounts in Foreign currencies of US\$ 324 million , JP¥122 million and EUR 6 million (2004 : US\$ 139 million and JP¥ 43 million)	1.4-3.1	342,136	143,991
		<u>1,235,169</u>	<u>1,274,989</u>
<b>Long-term financial instruments</b>			
Guarantee deposits for checking accounts	01.-0.5	16	16
		<u>(Won) 1,235,185</u>	<u>(Won) 1,275,005</u>

As of June 30, 2005 and December 31, 2004, long-term financial instruments represent key money deposits required to maintain checking accounts and, accordingly, the withdrawal of such deposits is restricted.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

June 30, 2005 and 2004, and December 31, 2004

(Unaudited)

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

As of June 30, 2005 and December 31, 2004, monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the notes to financial statements, are as follows:

<i>(in millions)</i>	2005			2004		
	Korean Won	Foreign		Korean Won	Foreign	
	Equivalent	Currency		Equivalent	Currency	
Trade accounts and notes receivable	(Won) 941,073	US\$	853	(Won) 605,500	US\$	494
		JP¥	3,523		JP¥	1,264
		EUR	25		EUR	58
Other accounts receivable	2,578	US\$	2	5,922	US\$	1
		JP¥	29		JP¥	26
					EUR	3
Trade accounts and notes payable	158,131	US\$	52	168,182	US\$	61
		JP¥	11,225		JP¥	10,445
Other accounts payable	125,786	US\$	8	125,868	US\$	13
		JP¥	11,231		JP¥	10,596
		EUR	10		EUR	4
Accrued expenses	15,770	US\$	15	14,190	US\$	14

**6. Inventories**

Inventories as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	2005	2004
Finished products	(Won) 186,472	(Won) 244,084
Work-in-process	120,593	112,538
Raw materials	116,408	108,221
Supplies	71,871	53,133
	495,344	517,976

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Less : Valuation loss	(37,690)	(49,977)
	<u>(Won) 457,654</u>	<u>(Won) 467,999</u>

As of June 30, 2005, inventories and property, plant and equipment are insured against fire and other casualty losses up to (Won)27,983,479 million (December 31, 2004: (Won)26,873,073 million). Additionally, as of June 30, 2005, the Company insured directors and officers liabilities up to US\$ 85 million (December 31, 2004: US\$ 85 million)

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**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2005 and 2004, and December 31, 2004****(Unaudited)****7. Equity-method Investments**

Equity-method investments as of June 30, 2005 and December 31, 2004, consist of the following:

		<b>2005</b>				
		<b>No. of shares</b>				
<i>(in millions of Korean won)</i>	<b>owned by the</b>	<b>Percentage of</b>	<b>Acquisition</b>	<b>Market or</b>		<b>Carrying</b>
	<b>Company</b>	<b>Ownership</b>	<b>cost</b>	<b>net asset value</b>	<b>value</b>	
	(%)					
LG.Philips LCD, America	5,000,000	100	(Won) 6,082	(Won) 8,806	(Won) 8,206	
LG.Philips LCD, Germany	960,000	100	1,252	3,436	2,689	
LG.Philips LCD, Japan	1,900	100	1,088	4,312	4,536	
LG.Philips LCD, Taiwan	11,549,994	100	6,076	11,563	11,047	
LG.Philips LCD, Nanjing	1	100	100,071	148,876	138,347	
LG.Philips LCD, Hong Kong	115,000	100	1,736	3,604	6,557	
LG.Philips LCD, Shanghai	1	100	596	2,014	148	
Paju Electric Glass	66,666	40	667	656	656	
			<b>(Won) 117,568</b>	<b>(Won) 183,267</b>	<b>(Won) 172,186</b>	
		<b>2004</b>				
		<b>No. of shares</b>				
<i>(in millions of Korean won)</i>	<b>owned by the</b>	<b>Percentage of</b>	<b>Acquisition</b>	<b>Market or net</b>		<b>Carrying</b>
	<b>Company</b>	<b>Ownership</b>	<b>cost</b>	<b>asset value</b>	<b>value</b>	
	(%)					
LG.Philips LCD, America	5,000,000	100	(Won) 6,082	(Won) 7,133	(Won) 7,133	
LG.Philips LCD, Germany	960,000	100	1,252	2,262	2,262	
LG.Philips LCD, Japan	1,900	100	1,088	4,052	4,052	
LG.Philips LCD, Taiwan	11,549,994	100	6,076	10,974	10,974	
LG.Philips LCD, Nanjing	1	100	100,071	140,241	140,241	
LG.Philips LCD, Hong Kong	115,000	100	1,736	2,491	2,491	
LG.Philips LCD, Shanghai	1	100	596	886	886	
			<b>(Won) 116,901</b>	<b>(Won) 168,039</b>	<b>(Won) 168,039</b>	

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<sup>1</sup> No shares have been issued according to the local laws or regulation.

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

**Notes to Non-Consolidated Financial Statements**

**June 30, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

As of and for the six-month period ended June 30, 2005, condensed financial statements of the affiliates, prior to the elimination of intercompany transactions, are as follows:

Condensed Balance Sheet

<i>(in millions of Korean won)</i>	LG.Philips LCD,				
	LG.Philips LCD, America, Inc.	Germany GmbH	LG.Philips LCD, Japan., Ltd.	LG.Philips LCD, Taiwan., Ltd.	LG.Philips LCD, Nanjing., Ltd.
Current assets	(Won) 111,276	(Won) 228,990	(Won) 139,016	(Won) 261,887	(Won) 807,171
Non-current assets	970	676	1,097	2,318	216,327
<b>Total assets</b>	<b>(Won) 112,246</b>	<b>(Won) 229,666</b>	<b>(Won) 140,113</b>	<b>(Won) 264,205</b>	<b>(Won) 1,023,498</b>
Current liabilities	(Won) 103,440	(Won) 226,230	(Won) 135,775	(Won) 252,642	(Won) 751,799
Non-current liabilities			26		122,823
<b>Total liabilities</b>	<b>103,440</b>	<b>226,230</b>	<b>135,801</b>	<b>252,642</b>	<b>874,622</b>
Capital stock	6,082	1,252	1,088	4,189	100,071
Retained earnings	4,190	2,408	3,802	8,493	59,211
Capital adjustments	(1,466)	(224)	(578)	(1,119)	(10,406)
<b>Total shareholders equity</b>	<b>8,806</b>	<b>3,436</b>	<b>4,312</b>	<b>11,563</b>	<b>148,876</b>
<b>Total liabilities and shareholders equity</b>	<b>(Won) 112,246</b>	<b>(Won) 229,666</b>	<b>(Won) 140,113</b>	<b>(Won) 264,205</b>	<b>(Won) 1,023,498</b>

<i>(in millions of Korean won)</i>	LG. Philips LCD			
	LG. Philips LCD HongKong Co., Ltd.	Shanghai Co., Ltd.	Paju Electric Glass	Total
Current assets	(Won) 260,797	(Won) 227,968	(Won) 1,642	(Won) 2,038,747
Non-current assets	352	403		222,143
<b>Total assets</b>	<b>(Won) 261,149</b>	<b>(Won) 228,371</b>	<b>(Won) 1,642</b>	<b>(Won) 2,260,890</b>

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Current liabilities	(Won) 257,522	(Won) 226,357	(Won) 1	(Won) 1,953,766
Non-current liabilities	23			122,872
<b>Total liabilities</b>	<b>257,545</b>	<b>226,357</b>	<b>1</b>	<b>2,076,638</b>
Capital stock	1,736	596	1,667	116,681
Retained earnings	2,184	1,852	(26)	82,114
Capital adjustments	(316)	(434)		(14,543)
<b>Total shareholders equity</b>	<b>3,604</b>	<b>2,014</b>	<b>1,641</b>	<b>184,252</b>
<b>Total liabilities and shareholders equity</b>	<b>(Won) 261,149</b>	<b>(Won) 228,371</b>	<b>(Won) 1,642</b>	<b>(Won) 2,260,890</b>

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## Condensed Income Statement

<i>(in millions of Korean won)</i>	<b>LG.Philips LCD,</b>				
	<b>LG.Philips LCD, America, Inc.</b>	<b>Germany GmbH</b>	<b>LG.Philips LCD, Japan., Ltd.</b>	<b>LG.Philips LCD, Taiwan., Ltd.</b>	<b>LG.Philips LCD, Nanjing., Ltd.</b>
Sales	(Won) 450,375	(Won) 628,967	(Won) 394,110	(Won) 1,016,684	(Won) 1,746,977
Cost of sales	445,227	621,470	388,946	1,010,498	1,684,341
Gross profit	5,148	7,497	5,164	6,186	62,636
Selling and administrative expenses	4,054	4,633	4,416	4,206	33,948
Operating income	1,094	2,864	748	1,980	28,688
Non-operating income (expense)	(499)	(672)	646	(1,118)	(4,540)
Ordinary income	595	2,192	1,394	862	24,148
Income tax expense	261	609	795	240	3,121
Net income	(Won) 334	(Won) 1,583	(Won) 599	(Won) 622	(Won) 21,027

<i>(in millions of Korean won)</i>	<b>LG. Philips LCD</b>				<b>Total</b>
	<b>LG. Philips LCD HongKong Co., Ltd.</b>	<b>Shanghai Co., Ltd.</b>	<b>Paju Electric Glass</b>		
Sales	(Won) 588,854	(Won) 478,684	(Won)	(Won) 5,304,651	
Cost of sales	584,805	475,222		5,210,509	
Gross profit	4,049	3,462		94,142	
Selling and administrative expenses	2,872	3,051	26	57,206	
Operating income (loss)	1,177	411	(26)	36,936	
Non-operating income (expense)	97	4		(6,082)	
Ordinary income (loss)	1,274	415	(26)	30,854	
Income tax expense	199	88		5,313	
Net income (loss)	(Won) 1,075	(Won) 327	(Won) (26)	(Won) 25,541	

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The details of the equity method valuation for the six-month periods ended June 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	<b>2005</b>					
	<b>Balance as of</b>	<b>Acquisitions</b>	<b>Gain (loss) on</b>	<b>Retained</b>	<b>Capital</b>	<b>Balance as of</b>
	<b>January 1, 2005</b>	<b>during the</b>	<b>valuation of</b>	<b>earnings</b>	<b>adjustment</b>	<b>June 30,</b>
	<b>period</b>	<b>investments using</b>	<b>adjustment</b>	<b>equity method</b>	<b>adjustment</b>	<b>2005</b>
LG.Philips LCD, America	(Won) 7,133	(Won)	(Won) 1,125	(Won)	(Won) (52)	(Won) 8,206
LG.Philips LCD, Germany	2,262		837		(410)	2,689
LG.Philips LCD, Japan	4,052		824		(340)	4,536
LG.Philips LCD, Taiwan	10,974		106		(33)	11,047
LG.Philips LCD, Nanjing	140,241		(1,339)		(555)	138,347
LG.Philips LCD, Hongkong	2,491		4,064		2	6,557
LG.Philips LCD, Shanghai	886		(730)		(8)	148
Paju Electric Glass		667	(11)			656
	(Won) 168,039	(Won) 667	(Won) 4,876	(Won)	(Won) (1,396)	(Won) 172,186
	<b>January 1, 2004</b>	<b>period</b>	<b>investments using</b>	<b>adjustment</b>	<b>Capital</b>	<b>Balance as of</b>
<i>(in millions of Korean won)</i>		<b>Acquisitions</b>	<b>equity method</b>	<b>Retained</b>	<b>adjustment</b>	<b>June 30,</b>
		<b>during the</b>	<b>Gain (loss) on</b>	<b>earnings</b>	<b>adjustment</b>	<b>2004</b>
LG.Philips LCD, America	(Won) 6,840	(Won)	(Won) 1,982	(Won)	(Won) (328)	(Won) 8,494
LG.Philips LCD, Germany	568		(376)		(192)	1,523
LG.Philips LCD, Japan	1,788		(136)		(129)	3,011
LG.Philips LCD, Taiwan	5,861		(2,624)		(226)	22,082
LG.Philips LCD, Nanjing	21,515		2,151		(1,584)	82
LG.Philips LCD, Hongkong			82		(82)	40
LG.Philips LCD, Shanghai			40		(40)	
	(Won) 36,572	(Won)	(Won) 1,119	(Won)	(Won) (2,581)	(Won) 35,110

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As of June 30, 2005 and 2004, elimination of unrealized gains or losses in the valuation of investments using the equity method is as follows:

<i>(in millions of Korean won)</i>	2005			2004		
	Inventories	Property, plant and equipment	Total	Inventories	Property, plant and equipment	Total
LG.Philips LCD, America	(Won) (600)	(Won)	(Won) (600)	(Won) (618)	(Won)	(Won) (618)
LG.Philips LCD, Germany	(746)		(746)	(2,956)		(2,956)
LG.Philips LCD, Japan	224		224	(1,678)		(1,678)
LG.Philips LCD, Taiwan	(517)		(517)	(5,627)		(5,627)
LG.Philips LCD, Nanjing	(4,218)	(6,310)	(10,528)	(26,977)	(1,881)	(28,858)
LG.Philips LCD, Hongkong	2,952		2,952	(2,098)		(2,098)
LG.Philips LCD, Shanghai	(1,866)		(1,866)	(1,896)		(1,896)
Paju Electric Glass						
	<u>(Won) (4,771)</u>	<u>(Won) (6,310)</u>	<u>(Won) (11,081)</u>	<u>(Won) (41,850)</u>	<u>(Won) (1,881)</u>	<u>(Won) (43,731)</u>

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LG. Philips LCD Co., Ltd.

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(Unaudited)

**8. Property, Plant and Equipment**

Changes in property, plant and equipment for the six-month periods ended June 30, 2005 and 2004, are as follows:

<i>(in millions of Korean won)</i>	2005					
	Land	Buildings	Structures	Machinery and equipment	Tools	Furniture and fixtures
Balance as of January 1, 2005	(Won) 313,620	(Won) 817,768	(Won) 114,810	(Won) 3,374,473	(Won) 20,119	(Won) 81,696
Acquisition		11,783	84	34,538	1,578	23,910
Capitalized interest		1,557		7,260		
Depreciation		(22,659)	(3,071)	(727,089)	(5,857)	(39,510)
Disposal				(476)	(8)	(14)
Transfer	2,451	135,771	343	859,873	7,779	26,816
Balance as of June 30, 2005	(Won) 316,071	(Won) 944,220	(Won) 112,166	(Won) 3,548,579	(Won) 23,611	(Won) 92,898
Accumulated depreciation	(Won)	(Won) 146,138	(Won) 23,193	(Won) 4,970,282	(Won) 48,221	(Won) 166,495

	Construction-				
	Vehicles	Other	Machinery-in-transit	in-progress	Total
Balance as of January 1, 2005	(Won) 4,040	(Won) 2,501	(Won) 704,588	(Won) 933,036	(Won) 6,366,651
Acquisition	240	5	223,946	1,668,442	1,964,526
Capitalized interest			3,280	5,908	18,005
Depreciation		(778)			(798,964)
Disposal		(5)			(503)
Transfer			(489,158)	(544,268)	(73)
Balance as of June 30, 2005	(Won) 3,817	(Won) 2,506	(Won) 442,656	(Won) 2,063,118	(Won) 7,549,642
Accumulated depreciation	(Won) 4,240	(Won)	(Won)	(Won)	(Won) 5,358,569

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<i>(in millions of Korean won)</i>	<b>2004</b>					
	<b>Land</b>	<b>Buildings</b>	<b>Structures</b>	<b>Machinery and equipment</b>	<b>Tools</b>	<b>Furniture and fixtures</b>
Balance as of January 1, 2004	(Won) 88,669	(Won) 501,119	(Won) 119,013	(Won) 2,056,822	(Won) 17,751	(Won) 70,708
Acquisition		2,391	112	6,723	745	17,080
Capitalized interest		10		475		
Depreciation		(13,468)	(2,848)	(491,292)	(4,969)	(21,223)
Disposal		(44)		(1,111)		(19)
Transfer	1,444	13,027	(321)	59,155	2,993	7,064
<b>Balance as of June 30, 2004</b>	<b>(Won) 90,113</b>	<b>(Won) 503,035</b>	<b>(Won) 115,956</b>	<b>(Won) 1,630,772</b>	<b>(Won) 16,520</b>	<b>(Won) 73,610</b>
<b>Accumulated depreciation</b>		<b>(Won) 103,948</b>	<b>(Won) 16,793</b>	<b>(Won) 3,662,247</b>	<b>(Won) 38,463</b>	<b>(Won) 116,026</b>

  

	<b>Vehicles</b>	<b>Other</b>	<b>Machinery- in-transit</b>	<b>Construction- in-progress</b>	<b>Total</b>
	Balance as of January 1, 2004	(Won) 2,587	(Won) 1,529	(Won) 28,521	(Won) 987,709
Acquisition	1,103		790,151	1,240,310	2,058,615
Capitalized interest			4,767	11,735	16,987
Depreciation		(599)			(534,399)
Disposal					(1,174)
Transfer			(33,705)	(53,212)	(3,555)
<b>Balance as of June 30, 2004</b>	<b>(Won) 3,091</b>	<b>(Won) 1,529</b>	<b>(Won) 789,734</b>	<b>(Won) 2,186,542</b>	<b>(Won) 5,410,902</b>
<b>Accumulated depreciation</b>	<b>(Won) 2,876</b>	<b>(Won)</b>	<b>(Won)</b>	<b>(Won)</b>	<b>(Won) 3,940,353</b>

As of June 30, 2005, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)366,787 million (December 31, 2004: (Won)259,230 million).

The Company capitalizes the loss (gain) on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment. Capitalized loss (gain) on foreign exchange rate fluctuations and interest expenses for the six-month period ended June 30, 2005 is (Won)18,005 million (2004: (Won)16,987 million).

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For the six-month period ended June 30, 2005, net gain on foreign currency translation, arising from foreign currency borrowings, which was deducted from capitalized interest expenses, is (Won)480 million (2004: (Won)4,135 million).

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(Unaudited)

For the six-month period ended June 30, 2005, the effects of capitalized expenses on significant accounts in the balance sheet and statement of operations are as follows:

**Balance sheet**

<i>(in millions of Korean won)</i>	If interest expenses are capitalized		If interest expenses are expensed as incurred		Difference	
	Accumulated		Accumulated		Acquisition cost	Accumulated
	Acquisition cost	Depreciation	Acquisition cost	Depreciation		
Property, plant and equipment	(Won) 12,908,211	(Won) 5,358,569	(Won) 12,890,206	(Won) 5,357,995	(Won) 18,005	(Won) 574

**Statement of operations**

<i>(in millions of Korean won)</i>	If interest expenses are capitalized		If interest expenses are expensed as incurred		Difference
Depreciation	(Won)	798,964	(Won)	798,390	(Won) 574
Interest expense		47,259		65,744	(18,485)
Foreign currency translation gain		35,106		35,586	480
Net loss		(37,764)		(55,195)	(17,431)

**9. Intangible Assets**

Changes in intangible assets for the six-month periods ended June 30, 2005 and 2004, are as follows:

2005



<i>(in millions of Korean won)</i>	<b>Intellectual property rights</b>	<b>Rights for usage of electricity and gas supply facilities</b>	<b>Rights to industrial water facilities</b>	<b>Software</b>	<b>Total</b>
Balance as of January 1, 2005	(Won) 172,073	(Won) 260	(Won) 9,893	(Won) 1,245	(Won) 183,471
Acquisition	2,308		1		2,309
Amortization	(20,785)	(16)	(617)	(1,245)	(22,663)
Balance as of June 30, 2005	(Won) 153,596	(Won) 244	(Won) 9,277	(Won)	(Won) 163,117
Accumulated amortization	(Won) 264,038	(Won) 72	(Won) 3,029	(Won) 9,713	(Won) 276,852

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<i>(in millions of Korean won)</i>	2004				
	Rights for usage				
	Intellectual property rights	of electricity and gas supply facilities	Rights to industrial water facilities	Software	Total
Balance as of January 1, 2004	(Won) 209,922	(Won) 127	(Won) 4,287	(Won) 3,646	(Won) 217,982
Acquisition				64	64
Amortization	(20,546)	(8)	(292)	(1,220)	(22,066)
Balance as of June 30, 2004	(Won) 189,376	(Won) 119	(Won) 3,995	(Won) 2,490	(Won) 195,980
Accumulated amortization	(Won) 222,676	(Won) 42	(Won) 1,850	(Won) 7,223	(Won) 231,791

The Company has classified the amortization as part of manufacturing overhead costs. The amortization expense for the six-month period ended June 30, 2005, amounts to (Won)22,663 million (2004: (Won)22,066 million).

The details of intellectual property rights as of June 30, 2005 and December 31, 2004, are as follows:

<i>(in millions of Korean won)</i>	Description	Remaining		
		2005	2004	Period
Intellectual property rights	Patent relating to TFT-LCD business	(Won) 153,596	(Won) 172,073	4~ 10 years

The Company expensed research and development costs of (Won)156,042 million for the six-month period ended June 30, 2005 (2004: (Won)108,674 million).

For the six-month periods ended June 30, 2005 and 2004, the significant expenses, which are expected to have probable future economic benefits but expensed in the period incurred due to the uncertainty in the realization of such benefits, are as follows:

*(in millions of Korean won)*

	<u>2005</u>	<u>2004</u>
Training expenses	(Won) 7,547	(Won) 6,129
Advertising expenses	9,482	3,252
Expenses for foreign market expansion	3,728	2,496
	<u>(Won) 20,757</u>	<u>(Won) 11,877</u>

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**10. Current maturities of long-term debts**

Current maturities of long-term debts as of June 30, 2005 and December 31, 2004, consist of the following:

*(in millions of Korean won)*

Type of borrowing	Creditor	Annual interest		
		June 30, 2005	2005	2004
			rates (%) as of	
Long-term debt in won currency loans		5.9	(Won) 9,783	(Won)
Long-term debt in foreign currency debentures		3M Libor + 1.0	187,756	188,997
Long-term debt in foreign currency loans of US\$ 200 million		3M Libor + 1.0	18,004	18,123
			215,543	207,120
Less : Discounts on debentures			(1,308)	(1,981)
			(Won) 214,235	(Won) 205,139

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**11. Long-Term Debts**

Long-term debts as of June 30, 2005 and December 31, 2004, consist of the following:

<i>(in millions of Korean won)</i>	Annual interest		rates (%) as of	
			June 30, 2005	2005
<b>Type of borrowing</b>				
<b>Won currency debentures</b>				
Non-guaranteed, payable through 2010	3.5	6.0	(Won) 1,750,000	(Won) 1,350,000
Less : Current maturities				
Discounts on debentures			(35,203)	(33,396)
			<u>1,714,797</u>	<u>1,316,604</u>
<b>Foreign currency debentures</b>				
Floating rate notes, payable through 2007	3M Libor + 0.6		413,578	416,311
	3M Libor + 1.0			
Term notes, payable through 2006	3M Libor +1.0		167,694	168,803
			<u>581,272</u>	<u>585,114</u>
Less : Current maturities			(187,756)	(188,997)
Discount on debentures			(3,782)	(5,005)
			<u>389,734</u>	<u>391,112</u>
<b>Convertible bonds<sup>1</sup></b>				
US dollar-denominated bond, payable through 2010			483,780	
Add : Call premium			84,613	
Less : Current maturities				
Discount on debentures			(3,007)	
Conversion adjustment			(113,606)	
			<u>451,780</u>	
			<u>(Won) 2,556,311</u>	<u>(Won) 1,707,716</u>
<b>Won currency loans</b>				
General loans	5.9	6.1	(Won) 117,800	(Won) 117,800

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Less : Current maturities		(9,783)	
		<u>108,017</u>	<u>117,800</u>
<b>Foreign currency loans</b>			
General loans	3M Libor+1.0	188,270	85,955
	3M Libor+1.4		
Less : Current maturities	6M Libor+1.2	(18,004)	(18,123)
		<u>170,266</u>	<u>67,832</u>
		<u>(Won) 278,283</u>	<u>(Won) 185,632</u>

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<sup>1</sup>On April 19, 2005, the Company issued US dollar-denominated convertible bonds totalling US\$475 million, with a zero coupon rate. On or after June 27, 2005 through April 4, 2010, the bonds are convertible into common shares at a conversion price of (Won)58,435 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, 2005, the number of non-converted common shares is 8,250,620.

As of June 30, 2005, the foreign currency debentures denominated in U.S. dollars amount to US\$ 565 million (December 31, 2004: US\$ 565 million), while the foreign currency loans denominated in U.S. dollars amount to US\$ 183 million (December 31, 2004: US\$ 83 million).

The aggregate annual maturities of long-term debts outstanding as of June 30, 2005, exclusive of adjustments relating to discounts, are as follows:

*(in millions of Korean won)*

For the Period ending June 30,	Won currency debentures	Won currency loans	Foreign currency debentures	Convertible bonds <sup>1</sup>	Foreign currency loans	Total
2007	(Won) 200,000	(Won) 39,267	(Won) 185,712	(Won)	(Won) 29,320	(Won) 456,343
2008	300,000	39,267	205,760		32,922	577,949
2009	550,000	29,483			32,922	612,405
2010	700,000				32,922	732,922
2011					26,748	26,748
2012					15,432	15,432
	(Won) 1,750,000	(Won) 108,017	(Won) 393,516	(Won)	(Won) 170,266	(Won) 2,421,799

<sup>1</sup> All convertible bonds are assumed to be converted into common shares.

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**12. Accrued Severance Benefits**

Changes in accrued severance benefits for the six-month periods ended June 30, 2005 and 2004, consist of the following:

*(in millions of Korean won)*

	<u>2005</u>	<u>2004</u>
Balance at the beginning of the period	(Won) 81,955	(Won) 56,551
Actual severance payments	(8,703)	(4,487)
Transferred from/to affiliated companies, net	557	808
Provision for severance benefits	26,555	20,527
	<u>100,364</u>	<u>73,399</u>
Cumulative deposits to the National Pension Fund	(698)	(770)
Severance insurance deposit	(45,794)	(33,288)
	<u>53,872</u>	<u>39,341</u>
Balance at the end of the period	(Won) 53,872	(Won) 39,341

The severance benefits are funded approximately 45.6% as of June 30, 2005 (2004 : 45.4%), through a severance insurance deposit for the payment of severance benefits, which is deducted from accrued severance benefit liabilities. The beneficiaries of the severance insurance deposit are the Company's employees.

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**13. 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 amount that the market price of the Company's common stock exceeds the exercise price of (Won) 44,260 per share. These SARs are exercisable on or after April 8, 2008, through April 7, 2012. Additionally, when the increase rate of the Company's share price is the same or less than the increase rate of the Korea Composite Stock Price Index ( KOSPI ) over the three-year period following the grant date, only 50% of the initially granted shares can be exercised.

The options activity under the SARs for the six-month period ended June 30, 2005, is as follows:

	<b>Number of shares under SARs</b>
Balance, January 1, 2005	
Options granted	450,000
Options exercised	
Options canceled/expired	
Balance, June 30, 2005	450,000

As of June 30, 2005, expenses of stock-based compensation are as follows:

<i>(in millions of Korean won)</i>	<b>Expenses</b>
Six-months period ended June 30, 2005	(Won) 239
July 1, 2005 and thereafter <sup>1</sup>	(Won) 1,841

<sup>1</sup> As of June 30, 2005, (Won)1,841 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over the next 21 months.

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As of June 30, 2005, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of June 30, 2005, the Company has a revolving credit facility agreement with Shinhan Bank and Hana Bank totaling (Won)300,000 million (December 31, 2004: (Won)200,000 million).

As of June 30, 2005, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US\$1,095 million. The Company has made agreements with several banks in relation to the opening of letters of credit amounting to (Won)140,000 million and US\$105 million. The related amounts of negotiated foreign currency receivables outstanding as of June 30, 2005, amount to (Won)328,666 million (December 31, 2004: (Won)410,824 million).

As of June 30, 2005, in relation to its TFT-LCD business, the Company has technical license agreements with Semiconductor Energy Laboratory Co., Ltd. and others. As of June 30, 2005, the Company has trademark license agreements with LG Corporation and Philips Electronics.

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

A summary of said contracts is as follows :

*(in millions)*

<u>Contracting party</u>	<u>Selling position</u>		<u>Buying position</u>		<u>Contract foreign</u>	<u>Maturity date</u>
					<u>exchange rate</u>	
HSBC and others	US\$	2,672	(Won)	2,737,740	(Won)994.31:US\$1- (Won)1,157.6:US\$1	July 1, 2005 - June 28, 2006

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CITI and others	EUR	90	(Won)	116,978	(Won)1,227.68:EUR 1- (Won)1,352.44:EUR1	July 15, 2005 - June 1, 2006
ABN AMRO and others	(Won)	376,907	JP¥	38,499	(Won)9.39: JP¥1- (Won)10.31:JP¥1	July 25, 2005 - April 28, 2006
BNP Paribas and others	US\$	122	JP¥	13,100	JP¥101.63: US\$1- JP¥109.76: US\$1	July 1, 2005 - September 30, 2005

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As of June 30, 2005, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)36,836 million and (Won)60,810 million, respectively. Total unrealized gains and losses of (Won)3,166 million and (Won)26,931 million, respectively, were charged to current operations for the six-month period ended June 30, 2005, as these contracts did not meet the requirements for a cash flow hedge. Unrealized gains and losses of (Won)29,795 million and (Won)28,575 million, respectively, incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The forecasted hedged transactions are expected to occur on June 28, 2006. The aggregate amount of all deferred gains and losses of (Won)35,459 million and (Won)34,871 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, 2005.

For the six-month period ended June 30, 2005, the Company recorded realized exchange gains of (Won)23,300 million (2004: (Won)17,566 million) on foreign currency forward contracts upon settlement, and for the six-month period ended June 30, 2005, realized exchange losses amounted to (Won)11,426 million (2004: (Won)20,216 million).

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

A summary of such contracts is as follows:

*(in millions)*

<u>Contracting party</u>	<u>Buying position</u>		<u>Selling position</u>		<u>Contract foreign</u>	<u>Maturity date</u>
					<u>exchange rate</u>	
HSBC and others	US\$	470	(Won)	508,915	3M Libor 2.85% -3.30%	September 8, 2005 - May 17, 2006

As of June 30, 2005, unrealized gains and losses of (Won)2,394 million and (Won)992 million, respectively, were charged to current operations, as these contracts do not fulfill the requirements for hedge accounting for financial statement purposes.

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The Company is involved in 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 TFD-LCDs. Subsequently, the Company filed a complaint against customers of Chunghwa Picture Tubes, which included 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 ownership for certain patent and violation of U.S. antitrust laws. In May 2004, the Company filed a complaint against Tatung Co., parent company of Chunghwa Picture Tubes and ViewSonic Corp., and other claiming patent infringement on rear mountable liquid crystal display devices in United States District of Delaware and Patent country Court in the United Kingdom. The Company filed a complaint against Chunghwa Picture Tubes in American Arbitration Association in connection with the ownership for patent. On May 25, 2004, the Company filed a Complaint for Declaratory Judgment of properly recorded inventorship in United States District Court for the district of Massachusetts. 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. 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.

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On March 19, 2004, at their Annual General Meeting, the stockholders approved an increase of the authorized shares from 200 million to 400 million, and a stock split on a 2:1 basis effective May 25, 2004. The number of issued common shares as of June 30, 2005, is 325,315,700.

In July 2004, pursuant to Securities Registration Statement filed on July 16, 2004, with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004, with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares ( ADSs ) for proceeds of US\$748,800 thousand. In September 2004, pursuant to underwriting agreement dated July 15, 2004, the Company issued an additional 1,715,700 shares of common stock in the form of ADSs for US\$51,471 thousand. The Company intends to use the proceeds from 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.

Issuances and other movements in common stock from January 1, 2004 to June 30, 2005, are as follows:

*(in millions of Korean won)*

<u>Date of Issuance</u>	<u>Remarks</u>	<u>Par Value</u>	<u>Additional Paid-in Capital</u>
Balance, January 1, 2004		(Won) 1,450,000	(Won)
July 22, 2004	Issuance of common stock	168,000	1,001,833
September 7, 2004	Issuance of common stock	8,579	50,721
	Stock issuance cost		(40,283)
Balance, June 30, 2005		(Won) 1,626,579	(Won) 1,012,271

**16. Capital Surplus and Retained Earnings**

Capital surplus as of June 30, 2005 and December 31, 2004, are as follows:

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(in millions of Korean won)

	<u>2005</u>	<u>2004</u>
Additional paid in capital	(Won) 1,012,271	(Won) 1,012,271
Conversion right <sup>1</sup>	29,868	
	<u>(Won) 1,042,139</u>	<u>(Won) 1,012,271</u>

<sup>1</sup> The total amount before tax effect is (Won)33,185 million.

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Retained earnings as of June 30, 2005 and December 31, 2004, are as follows:

*(in millions of Korean won)*

	<u>2005</u>	<u>2004</u>
Legal reserve	(Won) 60,086	(Won) 60,086
Reserve for business rationalization	68,251	68,251
Unappropriated retained earnings	2,925,574	2,963,337
	<u>(Won) 3,053,911</u>	<u>(Won) 3,091,674</u>

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

**17. Capital Adjustments**

Capital adjustments as of June 30, 2005 and December 31, 2004, are as follows:

*(in millions of Korean won)*

	<u>2005</u>	<u>2004</u>
Foreign currency translation loss on the affiliates <sup>1</sup>	(Won) (11,412)	(Won) (13,169)
Gain on valuation of derivative instruments	29,795	55,287
Loss on valuation of derivative instruments	(28,575)	
	<u>(Won) (10,192)</u>	<u>(Won) 42,118</u>

<sup>1</sup> (Won)3,154 million of tax effect was deducted.

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**18. Income Taxes**

Income tax expense (benefit) for the six-month periods ended June 30, 2005 and 2004, are as follows:

*(in millions of Korean won)*

	2005	2004
Current income taxes	(Won) 64,382	(Won) 64,382
Deferred income taxes from temporary differences	(13,396)	(4,472)
Deferred income taxes from accumulated deficit carryforward	(21,507)	
Deferred income taxes from tax credit	(89,930)	37,368
Deferred income taxes from capital adjustment and capital surplus	469	
Income tax expense (benefit)	(Won) (124,364)	(Won) 97,278

The income tax effect of temporary differences, including available net operating loss carryforwards and tax credits, comprising the deferred income tax assets and liabilities as of June 30, 2005 and December 31, 2004, are as follows:

*(in millions of Korean won)*

	2005	2004
Inventories	(Won) 7,584	(Won) 7,564
Investments	4,462	(1,463)
Other current assets	4,388	(2,158)
Property, plant and equipment	31,136	24,631
Accumulated deficit carryforward	21,507	
Tax credit carryforward	227,758	137,828
Others	1,175	6,776
	(Won) 298,010	(Won) 173,178

Available tax credits as of June 30, 2005, amounted to (Won)253,065 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

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The reconciliations from income (loss) before income taxes to income (loss) for tax purposes for the six-month periods ended June 30, 2005 and 2004, are as follows:

*(in millions of Korean won)*

	<u>2005</u>	<u>2004</u>
Income (loss) before income taxes	(Won) (162,128)	(Won) 1,426,433
Add (deduct)		
Equity-method investments	(9,925)	(21,740)
Translation on adjustment debit or credit	218	(13,232)
Others	35,751	36,020
	<u>                    </u>	<u>                    </u>
Income (loss) for tax purpose	<u>(Won) (136,084)</u>	<u>(Won) 1,427,481</u>

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

Under the Foreign Investment Promotion Act of Korea, from September 1999, the Company is entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the subsequent three years.

The effective income tax rates applicable to the Company differs from the statutory income tax rate due to temporary differences in recognizing certain income and expenses for financial reporting and income tax purposes, and the tax exemption under the Foreign Investment Promotion Act of Korea. The effective tax rate of the Company for the six-month period ended June 30, 2005, is negative 76.71% (2004: 7.36%).

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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, 2005 and 2004, 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>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Net income (loss) as reported on the statements of operations	(Won) 41,066	(Won) 701,231	(Won) (37,764)	(Won) 1,329,155
Weighted-average number of common shares outstanding	325	290	325	290
Earnings (loss) per share	(Won) 126	(Won) 2,418	(Won) (116)	(Won) 4,583

As there were no dilutive securities as of March 31, 2005, the diluted earnings per share was identical to the basic earnings per share, and the diluted ordinary income per share was likewise identical to basic ordinary income.

The Company has not issued any dilutive securities since inception. On April 19, 2005, however, it issued convertible bonds. For the six-month period ended June 30, 2005, diluted loss per share is identical to basic loss per share, and diluted ordinary loss per share is identical to basic ordinary loss per share as Company recorded a net loss during the said period. Further, diluted earnings per share is identical to basic earnings per share, and diluted ordinary income per share to basic ordinary income per share as the convertible bonds issued 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, 2005 and 2004, and December 31, 2004**

**(Unaudited)**

Diluted earnings per share for the three-month period ended June 30, 2005 is as follows:

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

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
<hr/>	
Weighted average number of common shares and diluted securities outstanding during the year	332
<hr/>	
Diluted earnings per share <sup>2</sup>	(Won) 135
<hr/>	

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

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

Additionally, earnings (loss) per share for the three-month period ended March 31, 2005, and for the year ended December 31, 2004, are as follows:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2005</b>	<b>2004</b>
	<hr/>	<hr/>
Basic earnings (loss) per share	(Won) (242)	(Won) 5,420
Diluted earnings (loss) per share	(Won) (242)	(Won) 5,420

See Report of Independent Accountants.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2005 and 2004, and December 31, 2004****(Unaudited)****20. Transactions with Related Parties**

Significant transactions which occurred in the normal course of business with related companies for the six-month periods ended June 30, 2005 and 2004, and the related account balances outstanding as of June 30, 2005 and 2004, are summarized as follows:

*(in millions of Korean won)*

	<u>Sales<sup>1</sup></u>	<u>Purchases<sup>1</sup></u>	<u>Receivables</u>	<u>Payables</u>
LG Electronics Inc.-Domestic	(Won) 187,681	(Won) 73,254	(Won) 26,792	(Won) 54,598
LG Electronics Inc.-Overseas	50,041	2	22,687	
LG Corporation		5,042	10,970	335
LG Chem Ltd.		174,345		33,929
LG Philips LCD America, Inc.	377,299	6	46,362	5
LG Philips LCD Taiwan Co., Ltd.	335,167		123,103	
LG Philips LCD Japan Co., Ltd.	377,427		60,600	
LG Philips LCD Germany GmbH	427,023	8,085	102,370	8,085
LG Philips LCD Nanjing Co., Ltd.	1,264,446	907	389,933	256
LG Philips LCD Shanghai Co., Ltd.	360,035		93,975	
LG Philips LCD Hong Kong Co., Ltd.	212,448		68,301	
LG International Domestic	392	1,360		587
LG International Overseas	12,501	476,021	9,547	156,078
Serveone		48,443		20,648
Micron Ltd.		55,577		39,490
LG CNS.		56,294		25,359
Philips		26,144	254	3,640
Others	37,449	28,846	8,518	6,946
<b>2005 Total</b>	<b>(Won) 3,641,909</b>	<b>(Won) 954,326</b>	<b>(Won) 963,412</b>	<b>(Won) 349,956</b>
<b>2004 Total</b>	<b>(Won) 4,227,906</b>	<b>(Won) 1,846,879</b>	<b>(Won) 1,175,147</b>	<b>(Won) 644,986</b>

<sup>1</sup> Includes sales and purchases of property, plant and equipment.

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

See Report of Independent Accountants.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****June 30, 2005 and 2004, and December 31, 2004****(Unaudited)****21. Segment Information**

The Company operates only one segment, the TFT-LCD division. Export sales represent about 90% of total sales for the six-month periods ended June 30, 2005 and 2004.

The following is a summary of operations by country based on the location of the customers for the six-month periods ended June 30, 2005 and 2004:

*(in millions of Korean won)*

Sales	Domestic	Taiwan	Japan	America	China	Europe	Others	Total
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
2004	(Won) 468,565	(Won) 801,469	(Won) 538,711	(Won) 342,134	(Won) 1,616,570	(Won) 557,498	(Won) 67,935	(Won) 4,392,882

**22. Supplemental Cash Flow Information**

Significant transactions not affecting cash flows for the six-month periods ended June 30, 2005 and 2004, are as follows:

*(in millions of Korean won)*

	2005	2004
Other accounts payable arising from the purchase of property, plant and equipment	(Won) 1,449,840	(Won) 1,048,344

**23. Subsequent Event**

On July 7, 2005, the Board of directors of the Company approved the sale of 26,850,000 shares of common stock in the form of American Depositary shares ( ADSs ) for gross proceeds of US\$1,200,000 thousands pursuant to a Form F-1 registration statement filed on July 7, 2005, with the Securities and Exchange Commission. In addition, the Company granted the initial purchasers an option to purchase up to an additional US\$200,000 thousand aggregate principal amount of common stock.

**24. Reclassification of Prior Year Financial Statement Presentation**

Certain amounts in the financial statements as of and for the six-month period ended June 30, 2004, have been reclassified to conform to the June 30, 2005 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

See Report of Independent Accountants.



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Long-term accrued expense		931	900
Accrued severance benefits, net	31,964	53,898	52,101
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	4,599,200	6,185,666	5,979,377
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Commitments and contingencies			
Stockholders' equity:			
Capital stock			
Common stock : (Won)5,000 par value; authorized 400 million shares; issued and outstanding 325 million shares at December 31, 2004 and June 30, 2005, respectively	1,626,579	1,626,579	1,572,333
Capital Surplus	1,001,940	1,003,800	970,324
Retained earnings	3,001,042	2,944,967	2,846,754
Accumulated other comprehensive income	33,740	(10,713)	(10,356)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total stockholders' equity	5,663,301	5,564,633	5,379,055
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and stockholders' equity	(Won) 10,262,501	(Won) 11,750,299	\$ 11,358,432
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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

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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,		
	2004	2005	2004	2005	2005 (Note 2)
<b>Sales</b>					
Related parties	(Won) 923,918	(Won) 908,184	(Won) 1,799,928	(Won) 1,711,182	\$ 1,654,115
Others	1,406,552	1,400,146	2,718,555	2,661,194	2,572,445
	2,330,470	2,308,330	4,518,483	4,372,376	4,226,560
<b>Cost of sales</b>	1,468,752	2,159,070	2,880,408	4,249,213	4,107,504
<b>Gross profit</b>	861,718	149,260	1,638,075	123,163	119,056
<b>Selling, general and administrative expenses</b>	88,399	113,148	157,200	212,557	205,468
<b>Operating income (loss)</b>	773,319	36,112	1,480,875	(89,394)	(86,412)
<b>Other income (expense)</b>					
Interest income	3,835	12,050	7,771	21,041	20,339
Interest expense	(9,630)	(30,878)	(26,962)	(53,698)	(51,907)
Foreign exchange gain (loss), net	(8,314)	(14,797)	(12,045)	(23,448)	(22,666)
Others, net	36	315	586	494	478
<b>Total other income (expense)</b>	(14,073)	(33,310)	(30,650)	(55,611)	(53,756)
<b>Income before income taxes (loss)</b>	759,246	2,802	1,450,225	(145,005)	(140,168)
<b>Provision (benefit) for income taxes</b>	48,673	(35,632)	99,985	(88,930)	(85,964)
<b>Net income (loss)</b>	(Won) 710,573	(Won) 38,434	(Won) 1,350,240	(Won) (56,075)	\$ (54,204)
<b>Net income (loss) per common share</b>					
Basic	(Won) 2,450	(Won) 118	(Won) 4,656	(Won) (172)	\$ (166)
Diluted	(Won) 2,450	(Won) 118	(Won) 4,656	(Won) (172)	\$ (166)

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





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LG.Philips LCD Co., Ltd.

**Consolidated Statements of Changes in Stockholders' Equity****(Unaudited)***(in millions of Korean won)*

	Common Stock		Capital Surplus			Accumulated		Total
	Shares	Amount	Additional Paid-In	Unearned Compensation,		Retained Earnings	Other Comprehensive Income (Loss)	
				Capital	net of tax			
Balance as of December 31, 2003	290,000,000	(Won) 1,450,000	(Won)	(Won)	(Won) 1,297,355	(Won) 3,836	(Won) 2,751,191	
Comprehensive income :								
Net income					1,350,240		1,350,240	
Cumulative translation adjustment, net of tax						(2,606)	(2,606)	
Net unrealized gains on derivative, net of tax						15,146	15,146	
<b>Total comprehensive income</b>							<b>1,362,780</b>	
Balance as of June 30, 2004	290,000,000	(Won) 1,450,000	(Won)	(Won)	(Won) 2,647,595	(Won) 16,376	(Won) 4,113,971	
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	
Issuance of Common Stock								
Unearned Compensation								
Stock compensation expense					1,860		1,860	
Comprehensive income :								
Net loss					(56,075)		(56,075)	
Cumulative translation adjustment, net of tax						1,185	1,185	
Net unrealized gains on derivative, net of tax						(45,638)	(45,638)	
<b>Total comprehensive income</b>							<b>(100,528)</b>	
Balance as of June 30, 2005	325,315,700	(Won) 1,626,579	(Won) 1,012,271	(Won) (8,471)	(Won) 2,944,967	(Won) (10,713)	(Won) 5,564,633	

*(in thousands of US dollars) (Note 2)*

	Common Stock	Capital Surplus	Accumulated	Total
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	<u>Shares</u>	<u>Amount</u>	<u>Additional Unearned Compensation, Paid-In Capital</u>	<u>net of tax</u>	<u>Retained Earnings</u>	<u>Other Comprehensive Income (Loss)</u>	
Balance as of December 31, 2004	325,315,700	\$ 1,572,333	\$ 978,512	\$ (9,986)	\$ 2,900,958	\$ 32,615	\$ 5,474,432
Issuance of Common Stock							
Unearned Compensation							
Stock compensation expense				1,798			1,798
Comprehensive income :							
Net loss					(54,204)		(54,204)
Cumulative translation adjustment, net of tax						1,145	1,145
Net unrealized gains on derivative, net of tax						(44,116)	(44,116)
Total comprehensive income							(97,175)
Balance as of June 30, 2005	325,315,700	\$ 1,572,333	\$ 978,512	\$ (8,188)	\$ 2,846,754	\$ -10,356	\$ 5,379,055

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

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

	<b>For the six month periods ended June 30,</b>		
	<b>2004</b>	<b>2005</b>	<b>2005 (Note 2)</b>
<b>Cash flows from operating activities:</b>			
Net income (loss)	(Won) 1,350,240	(Won) (56,075)	\$ (54,205)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	537,074	814,943	787,765
Provision for severance benefits	20,526	26,574	25,688
Foreign exchange loss (gain), net	(11,964)	1,855	1,793
Amortization of intangible assets	3,454	3,806	3,679
Gain on disposal of property, plant and equipment, net	(194)	(2)	(2)
Amortization of debt issuance cost	2,248	2,704	2,614
Decrease in deferred income taxes assets, net	35,764	(106,693)	(103,135)
Others, net	1,176	23,983	23,183
Change in operating assets and liabilities:			
Increase in accounts receivable	(195,770)	(366,708)	(354,478)
Decrease (increase) in inventories	(111,941)	83,353	80,573
Decrease in other current assets	19,210	74,095	71,624
Increase in trade accounts and notes payable	35,185	65,876	63,679
Increase in other accounts payable	50,741	532,149	514,402
Decrease in accrued expenses	(41,652)	(57,492)	(55,575)
(Decrease) increase in other current liabilities	23,824	(590,910)	(571,203)
<b>Net cash provided by operating activities</b>	<b>1,717,921</b>	<b>451,458</b>	<b>436,402</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment			
Purchase from related parties	(1,593,118)	(360,670)	(348,642)
Purchase from others	(376,566)	(1,055,038)	(1,019,853)
Proceeds from sales of property, plant and equipment	3,196	2,504	2,420
Purchase of intangible assets		(2,427)	(2,346)
Others, net	(2,986)	(5,761)	(5,569)
<b>Net cash used in investing activities</b>	<b>(1,969,474)</b>	<b>(1,421,392)</b>	<b>(1,373,990)</b>
<b>Cash flows from financing activities:</b>			
Proceeds (repayment on) from short-term borrowings	255,078	(77,323)	(74,744)
Proceeds from issuance of long-term debt	352,399	1,018,988	985,005

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Repayment on long-term debt	(300,000)	(5,871)	(5,675)
Net cash provided by financing activities	307,477	935,794	904,586
Effect of exchange rate changes on cash and cash equivalents	(2)	3,874	3,745
Net increase (decrease) in cash and cash equivalents	55,922	(30,266)	(29,257)
Cash and cash equivalents:			
Beginning of period	504,014	1,361,239	1,315,842
End of period	(Won) 559,936	(Won) 1,330,973	\$ 1,286,585

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

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****June 30, 2004 and 2005****1. Basis of presentation**

The accompanying unaudited interim consolidated financial statements of LG.Philips LCD Co., Ltd. ( LPL ), and its consolidated subsidiaries (hereinafter collectively referred to as the Company ) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) regarding interim financial information and, accordingly, do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2004. 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 presentation of results for these interim periods. The results of operations for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

**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) 1,034.5: US\$1, the US Federal Reserve Bank of New York noon buying exchange rate in effect on June 30, 2005. 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, 2004 and June 30, 2005 comprise the following:

*(in millions of Korean won)*

	<u>December 31, 2004</u>	<u>June 30, 2005</u>
Finished products	(Won) 511,008	(Won) 365,308
Work in process	124,356	151,772
Raw materials	168,753	203,756
	<u>(Won) 804,117</u>	<u>(Won) 720,836</u>

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

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

**June 30, 2004 and 2005**

**4. Derivative Instruments and Hedging Activities**

**Derivatives for cash flow hedge**

During the six month periods ended June 30, 2004 and 2005, five and three hundred sixty-one foreign currency forward contracts were designated as cash flow hedges, respectively. During the six month periods ended June 30, 2004 and 2005, these cash flow hedges were fully effective and changes in the fair value of the derivatives, of (Won)17,788 million and (Won)1,220 million, were recorded in other comprehensive income. The deferred gains of (Won)1,220 million for derivatives designated as cash flow hedges are expected to be reclassified into earnings within the next twelve months.

**Derivatives for trading**

For the six month periods ended June 30, 2004 and 2005, the Company recorded realized exchange gains of (Won)17,566 million and (Won)23,309 million and realized exchange losses of (Won)20,216 million and (Won)20,177 million, respectively, on derivative contracts designated for trading upon settlement.

In addition, for the six month periods ended June 30, 2004 and 2005, the Company recorded unrealized gains of (Won)14,608 million and (Won)3,166 million and unrealized losses of (Won)18,548 million and (Won)26,931 million, respectively, relating to these derivative contracts designated for trading.

**5. Convertible bonds**

The Company issued U.S. dollar-denominated non-interest bearing convertible bonds amounted to US\$475 million due 2010. The bonds are convertible at (Won)58,435 for one common share from July 27, 2005 to April 4, 2010, redeemable from April 19, 2008 to the due date. The bonds enable the holder to put the debt back to the Company at a specified price.

**6. 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 Depositary shares ( ADSs ) for gross proceeds of US\$748,800 thousands ((Won)871,753 million).

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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 Depositary shares ( ADSs ) for gross proceeds of US\$51,471 thousands ((Won)59,300 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 essentially a restricted stock award which vests over four years. Total compensation costs are accounted for unearned compensation , shown as a deduction of Capital Surplus, and it will be amortized during four year vesting period. During the six month period ended June 30, 2005, the Company recorded compensation expense of (Won)1,860 million. The unearned compensation (Won)8,471 million are expected to be reclassified into earnings within the next thirty-six months.



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LG. Philips LCD Co., Ltd.

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2004 and 2005

**7. 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. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period.

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) for selected managements. Under the terms of this plan, managements on exercise receive cash equal to the amount that the market price of the Company's common stock exceeds the strike price ((Won)44,260) of the SARs.

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

*(in millions of Korean won)*

	<b>June 30, 2005</b>
Cost of goods sold	(Won) 393
Selling general and administrative	538
Income tax benefits	(202)
<b>Total stock-based compensation expense</b>	<b>(Won) 729</b>

As of June 30, 2005, (Won)6,517 million of total unrecognized compensation costs related to non-vested awards is expected to be recognized over the next twenty-one months.

There were no capitalized stock-based compensation costs at June 30, 2005

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LG. Philips LCD Co., Ltd.

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2004 and 2005

The following tables summarize option activity under the SARs during the second quarter of 2005:

<i>(in Korean won)</i>	Weighted-average exercise price	Number of shares under option	Weighted average remaining contractual lift (in years)
Balance at March 31, 2005	(Won)		
Options granted	(Won) 44,260	450,000	
Options exercised			
Options canceled/expired			
Balance at June 30, 2005	(Won) 44,260	450,000	7
Exercisable at June 30, 2005	(Won)		

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).

The fair value of SARs was estimated using a Black-Scholes valuation model with the following assumptions:

	<u>June 30, 2005</u>
Option term (years) <sup>1</sup>	3
Volatility <sup>2</sup>	41.5%
Risk-free interest rate (Korean government bond)	4.0%
Dividend yield	0%
Weighted average fair value per option granted	(Won) 16,552

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- <sup>1</sup> The option term is the number of years that the company estimates, based primarily on history, that options will be outstanding prior to settlement.
- <sup>2</sup> Measured using historical daily price changes of the company's stock over the respective term of the option.

**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****June 30, 2004 and 2005****8. 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 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 Country 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. On May 25, 2004, the Company filed a Complaint for Declaratory Judgement of properly recorded inventorship in the United States District Court for the District of Massachusetts. 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.

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.

**9. Net Income (Loss) Per Share**

Net income (loss) per share for the six month periods ended June 30, 2004 and 2005 is calculated as follows:

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

	<u>2004</u>	<u>2005</u>
Net income (loss) as reported on the income statements	(Won) 1,350,240	(Won) (56,075)
Weighted-average number of common shares outstanding	290	325
Net income (loss) per share	<u>(Won) 4,656</u>	<u>(Won) (172)</u>

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.



**Table of Contents****LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements (Unaudited)****June 30, 2004 and 2005****10. Supplemental Cash Flows Information**

Supplemental cash flows information for the six month periods ended June 30, 2004 and 2005 is as follows:

*(in millions of Korean won)*

	<u>2004</u>	<u>2005</u>
<b>Non-cash investing and financing activities:</b>		
Other accounts payable arising from the purchase of property, plant and equipment	(Won) 1,048,344	(Won) 1,449,840

**11. Subsequent Events**

On July 7, 2005, the Board of directors of the Company approved its selling in 26,850,000 shares of common stock in the form of American Depositary shares ( ADSs ) for gross proceeds of US\$1,200,000 thousands pursuant to a Form F-1 registration statement filed on July 7, 2005 with the Securities and Exchange Commission. In addition, the Company granted the initial purchasers an option to purchase up to an additional US\$200,000 thousand aggregate principal amount of common stock.

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**SIGNATURES**

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

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

Date: August 16, 2005

By: /s/ Ron H. Wirahadiraksa

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(Signature)

Name: Ron H. Wirahadiraksa

Title: Joint Representative Director/  
President & Chief Financial Officer