

LG.Philips LCD Co., Ltd.
Form 6-K
March 28, 2008
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2008

LG Display Co., Ltd.

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

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F ☒ Form 40-F ☐

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

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

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

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

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

Yes ☐ No ☒

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YEARLY REPORT

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

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

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

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

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1. Overview

A. Industry

(1) Industry characteristics and growth potential

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

(2) Cyclicalities

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

(3) Competitiveness

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

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

B. Company

(1) Business overview

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

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- We became the first LCD maker in the world to commence commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002, and we started mass production at our 6th generation fab (P6) in August 2004, which allows us to produce LCD panels for large TVs and monitors. With the commencement of mass production at our 7th generation fab (P7) in January 2006 and our decision to invest in an 8th generation fab (P8), we are expanding our production capacity in line with growing large-sized LCD TV market.
- As demand for LCD TV continued to grow, our non-consolidated sales revenue increased by 38.8% from KRW 10,201 billion in 2006 to KRW 14,163 billion in 2007. We recorded an operating income of KRW 1,491 billion in 2007 compared to an operating loss of KRW 945 billion in 2006 and we recorded a net income of KRW 1,344 billion in 2007 compared to a net loss of KRW 769 billion in 2006. (Our consolidated sales revenue under Korean GAAP increased by approximately 35.1% from KRW 10,624 billion in 2006 to KRW 14,352 billion in 2007. We recorded a consolidated operating income under Korean GAAP of KRW 1,504 billion in 2007 compared to a consolidated operating loss of KRW 879 billion 2006. Our consolidated net income (loss) under Korean GAAP for fiscal years 2006 and 2007, respectively, are the same as our non-consolidated net income (loss) for the corresponding periods.)
- We reinforced our position as a leader in LCD technology by developing the world's largest 52-inch multi-touch screen panel and the world's largest 47-inch triple-view panel that also has the world's highest resolution in its category, as well as developing ultra-slim panels for televisions and increasing the user-friendliness of LCD panels.
- Moreover, we formed strategic alliances or entered into long-term sales contracts with major global firms such as Dell, HP and Kodak of the United States and Japan's Toshiba, among others, to secure customers and expand partnerships for technology development.
- Business area of the company for disclosure is limited to LCD business.

(2) Market shares

- Worldwide market share of large-size TFT-LCD panels (≥ 10 ") based on revenue.

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

* Source: DisplaySearch Q1 2008

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(3) Market characteristics

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

(4) New business

- P7 in our Paju Display Cluster reached an expanded production capacity of over 130 thousand sheets of glass substrates per month in the fourth quarter of 2007 and we have commenced the construction of P8 (8th generation fab) in anticipation of a growth in the larger TFT-LCD market.
- In September 2005, we entered into an agreement to build a back-end module production plant in Wroclaw, Poland, becoming the first global LCD panel manufacturer to establish a production facility in Europe. We broke ground on the plant in June 2006 and started mass production in March 2007.
- In May 2006, we entered into an investment agreement with the Guangzhou Development District Administrative Committee to construct a module production plant in Guangzhou, China, and in August 2006, we established LG.Philips LCD Guangzhou Co., Ltd. We commenced mass production at the new module production plant in December 2007.
- We also plan to strengthen the foundation for future growth by leading the market in the future display technologies which include preparing for the start of the AMOLED business, accelerating the development of flexible display technologies and leading the LED back-light LCD market.
- In order to facilitate a cooperative purchasing relationship with HannStar, a company that manufactures TFT-LCD panels in Taiwan, we decided to purchase 180 million shares of preferred stock of Hannstar at a purchase price of NT\$3,170,250,000. We acquired the preferred shares in February 2008. The preferred shares mature in three years and are convertible into shares of common stock of HannStar.

(5) Organization chart as of December 31, 2007

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

2. Information Regarding Shares

A. Change in Capital Stock

(Unit : KRW, Share)

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

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

B. Convertible Bonds

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

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

C. Shareholder List

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

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(Unit: share)

Name	Relationship	January 1, 2007	Increase/Decrease	December 31, 2007
LG Electronics	Largest	135,625,00		135,625,000
	Shareholder	(37.90)%		(37.9)%
Young Soo Kwon	Related		15,000	15,000
	Party			(0.0)%
Total		135,625,000		135,640,000
		(37.90)%	15,000	(37.9)%

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

(Unit: share)

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

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

D. Voting rights as of December 31, 2007

(Unit: share)

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

E. Dividends

Dividends during the recent 3 fiscal years

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

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

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

3. Major Products and Materials**A. Major products in 2007**

(Unit: In billions of Won)

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

- * Local export was included.

B. Average selling price trend of major products(Unit: USD / m²)

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

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

C. Major materials

(Unit: In billions of Won)

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

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D. Price trend of major materials

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

4. Production and Equipment

A. Production capacity and calculation

(1) Production capacity

(Unit : 1,000 Glass sheets)

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

(2) Calculation of Capacity

a. Method

(1) Assumptions for calculation

- Based on input glass

(2) Calculation method

- 2007 : Monthly maximum input capacity in the year of 2007 x number of months (12 months).
- 2006 and 2005: Monthly maximum input capacity for 4th quarter x number of months (12 months).

b. Average working hours

- See 4.B(2) below.

B. Production performance and working ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

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

- * Based on input glass

(2) Working Ratio

(Unit: Hours)

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

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C. Investment plan

(1) Investment in progress

(Unit: In billions of Won)

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

(2) Investment Plan (Consolidated basis)

(Unit: In billions of Won)

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

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

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

5. Sales

A. Sales performance

(Unit: In billions of Won)

Business area	Sales types	Items (Market)	2007	2006	2005
TFT-LCD	Products, etc.	TFT- Overseas	13,137	9,355	8,114
		Korea*	1,026	846	776
		LCD Total	14,163	10,201	8,890

* Local export was included.

B. Sales route and sales method

(1) Sales organization

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

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

(2) Sales route

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

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

(3) Sales methods and conditions

- Direct sales & sales through overseas subsidiaries, etc.

(4) Sales strategy

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

6. Directors & Employees

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

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

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

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Bongsung Oum	March 2, 1952	Outside Director	Chairman, KIBNET Co., Ltd.
Bart van Halder	August 17, 1947	Outside Director	Member of Boards of Directors of Cosun u.a. and Air Traffic Control in the Netherlands
Ingoo Han	October 15, 1956	Outside Director	Professor, Graduate School of Management, Korea Advanced Institute of Science and Technology
Doug J. Dunn	May 5, 1944	Outside Director	Member of Boards of Directors of ARM Holdings plc, STMicroelectronics N.V., Soitec Group, Optical Metrology Innovations and TomTom International BV
Dongwoo Chun	January 15, 1945	Outside Director	Outside Director, Pixelplus

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

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

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

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

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

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

C. Director & Officer Liability Insurance

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

Name of insurance	Premium paid in 2007	Limit of liability	Remarks
Directors & Officers Liability Insurance	2,420,000	100,000,000	

(Unit: USD)

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

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

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

(3) The insured

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

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(4) The Covered Risks

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

2. Coverage for security holder derivative action & security claims

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

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

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

(5) Exclusions

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

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

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

D. Employees

(as of December 31, 2007)

(Unit: person, in millions of Won)

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

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Total	5,439	9,854	15,293	578,194	36.7	4.5
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* Directors and executive officers are excluded.

E. Stock Option

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

Executive Officers	Grant Date	Exercise Period		Exercise Price	Number of Granted Options	Number of Exercised Options	Number of Exercisable Options
		From	To				
Ron H. Wirahadiraksa	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	100,000	0	100,000
Duke M. Koo	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Sang Deog Yeo	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Jae Geol Ju	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Total					220,000		220,000

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

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

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

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B. R&D Expense

(1) Summary

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

(2) R&D achievements

[Achievements in 2004]

1) Development of 20.1-inch AMOLED

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

2) Development of copper bus line

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

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

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

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

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[Achievements in 2005]

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

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

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

- Joint development with E-ink Corporation

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

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

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

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

[Achievements in 2006]

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

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

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

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

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

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

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

C. Domestic Credit Rating

			Rating Agency
Subject	Month of Rating	Credit Rating	(Rating range)
	March 2005	AA-	National Information & Credit Evaluation, Inc.

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

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D. Remuneration for directors in 2007

(Unit: In millions of Won)

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

* National pension fee and health insurance fee are included.

E. Derivative contracts

(1) Foreign currency forward contracts

(Unit: In millions)

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

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(2) Cross Currency Swap

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

(3) Interest Rate Swap

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

(4) Currency Option

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

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

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

Company	Total issued and outstanding shares	Number of shares owned by us	Ownership ratio
LG.Philips LCD America, Inc.	5,000,000	5,000,000	100%
LG.Philips LCD Japan Co., Ltd.	1,900	1,900	100%
LG.Philips LCD Germany GmbH	960,000	960,000	100%
LG.Philips LCD Taiwan, Co., Ltd.	11,550,000	11,549,994	100%
LG.Philips LCD Nanjing Co., Ltd.	*	*	100%
LG.Philips LCD Hong Kong Co., Ltd.	115,000	115,000	100%
LG.Philips LCD Shanghai Co., Ltd.	*	*	100%
LG.Philips LCD Poland Sp. z o.o.	5,110,710	4,103,277	80%
LG.Philips LCD Guangzhou Co., Ltd.	*	*	100%
LG.Philips LCD Shenzhen Co., Ltd.	*	*	100%
Paju Electric Glass Co., Ltd.	3,600,000	1,440,000	40%

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

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LG.Philips LCD Co., Ltd. and

Subsidiaries

Consolidated Financial Statements

December 31, 2007 and 2006

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LG.Philips LCD Co., Ltd. and Subsidiaries

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Report of Independent Auditors

To the Shareholders and Board of Directors of

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

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

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

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

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

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LG.Philips LCD Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

February 18, 2008

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

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

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

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

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

Table of Contents**LG.Philips LCD Co., and Ltd. Subsidiaries****Consolidated Statements of Income****Years ended December 31, 2007 and 2006***(in millions of Korean won, except per share amounts)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Controlling Company

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

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

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

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

Consolidated Subsidiaries

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

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

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

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

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

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LG.Philips LCD Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2007 and 2006****(10) LG.Philips LCD Shenzhen Co., Ltd. (LPLSZ)**

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

(11) Global Professional Sourcing Co., Ltd (GPS)

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

Equity-method investment

The primary business of the equity-method investment follows:

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

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

2. Summary of Consolidated Subsidiaries

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

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

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LG.Philips LCD Shenzhen Co., Ltd. ²	1	1	100	12.31
Global Professional Sourcing Co., Ltd ²	1,000,000	700,000	70	12.31

¹ No shares have been issued in accordance with the local laws and regulations.

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

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

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

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

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

3. Summary of Significant Accounting Policies

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

Basis of Consolidated Financial Statement Presentation

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

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LG.Philips LCD Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

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Application of the Statements of Korean Financial Accounting Standards

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

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

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

Principles of Consolidation

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

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

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

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

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

Revenue Recognition

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

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Inventories

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

Investments in Securities

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

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

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

Equity method Investments

Investees over which the Company can exercise significant influence should reflect any changes in equity after the initial purchase date. Under the equity method, the Company records changes in its proportionate ownership in the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investee. All other changes in equity should be accounted for under other comprehensive income and expense.

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December 31, 2007 and 2006

Property, Plant and Equipment

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

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

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

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

Intangible Assets

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

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

Government grants

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

Capitalized Interest

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

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Impairment Loss of Assets

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

Lease Transactions

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

Discounts on Debentures

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

Translation of assets and liabilities denominated in foreign currencies

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

Currency translation for foreign operations

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

Provisions and Contingent liability

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

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Accrued Severance Benefits

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

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

Sale or Discount of Accounts Receivable

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

Derivatives

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

Convertible bonds

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

Stock Appreciation Plan

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

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

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

4. Cash and Cash Equivalents, and Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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6. Assets and Liabilities Denominated in Foreign Currencies

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

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

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

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

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

8. Equity-method Investment

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

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

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

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

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

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

The details of adjustments are as follows :

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

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

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

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

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

	Inventories	2007 Property, plant and equipment	Total	Inventories	2006 Property, plant and equipment	Total
Investee						

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Paju Electric Glass

(Won) (726)

(Won)

(Won) (726)

(Won) (1,347)

(Won)

(Won) (1,347)

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

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