

LG.Philips LCD Co., Ltd.  
Form 20-F/A  
December 07, 2006

As filed with the Securities and Exchange Commission on December 7, 2006

---

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

---

**FORM 20-F/A**

**Amendment No. 1**

---

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-32238

---

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

(Exact name of Registrant as specified in its charter)

---

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

(Translation of Registrant's name into English)

---

**The Republic of Korea**

**(Jurisdiction of incorporation or organization)**

**17<sup>th</sup> Floor, West Tower, LG Twin Towers, 20 Yoido-dong, Youngdungpo-gu**

**Seoul, Republic of Korea 150-721**

**(Address of principal executive offices)**

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
American Depositary Shares, each representing one-half of one share of Common Stock	New York Stock Exchange
Common Stock, par value (Won)5,000 per share	New York Stock Exchange*

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

**None**

---

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**357,815,700 shares of common stock, par value (Won)5,000 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.  Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

**(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.    Yes    No

---

## Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

---

We filed our Annual Report on Form 20-F for the fiscal year ended December 31, 2005 (the "Form 20-F") with the Securities and Exchange Commission on June 21, 2006.

This Amendment No. 1 to our Form 20-F (this "Amendment") is filed to include a signed report from our independent registered public accounting firm that was inadvertently omitted from the Form 20-F.

Other than the foregoing, no part of our Form 20-F filed on June 21, 2006, is being amended, and no part of the Form 20-F or of Item 18 as re-filed pursuant to this Amendment speaks as of any date subsequent to June 21, 2006.

Accordingly, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, we hereby amend Item 18 of our Form 20-F in its entirety and replace it with the following:

**Item 18. FINANCIAL STATEMENTS**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated balance sheets as of December 31, 2004 and 2005	F-3
Consolidated statements of income for the years ended December 31, 2003, 2004 and 2005	F-4
Consolidated statements of changes in stockholders' equity for the years ended December 31, 2003, 2004 and 2005	F-5
Consolidated statements of cash flows for the years ended December 31, 2003, 2004 and 2005	F-6
Notes to consolidated financial statements	F-7
Schedule II Valuation and qualifying accounts	F-30

**INDEX TO FINANCIAL STATEMENTS**

<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	F-2
<u>CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2004 AND 2005</u>	F-3
<u>CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005</u>	F-4
<u>CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005</u>	F-5
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005</u>	F-6
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-7
<u>SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS</u>	F-30

**Samil PricewaterhouseCoopers**

Kukje Center Building

191 Hankangro 2ga, Yongsanku

Seoul 140-702, KOREA

(Yongsan P.O. Box 266, 140-600)

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of

LG.Philips LCD Co., Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in stockholders equity and of cash flows present fairly, in all material respects, the financial position of LG.Philips LCD Co., Ltd. and its subsidiaries (the Company ) as of December 31, 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles, which as described in Note 2, are generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule, Valuation and Qualifying Accounts, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

January 20, 2006

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

## LG.Philips LCD Co., Ltd.

## Consolidated Balance Sheets

December 31, 2004 and 2005

(Note 3)

<i>(in millions of Korean won, and thousands of US dollars, except for share data)</i>	2004	2005	2005
<b>Assets</b>			
Current assets			
Cash and cash equivalents	(Won)1,361,239	(Won)1,579,452	\$ 1,563,814
Accounts receivable, net			
Trade, net	461,996	790,168	782,345
Due from affiliates	427,914	476,731	472,010
Others, net	64,407	66,202	65,547
Inventories	804,117	689,577	682,750
Deferred income taxes	7,743	5,414	5,360
Prepaid expense	30,233	23,467	23,235
Prepaid value added tax	95,240	131,230	129,931
Other current assets	146,040	84,524	83,686
<b>Total current assets</b>	<b>3,398,929</b>	<b>3,846,765</b>	<b>3,808,678</b>
Long-term prepaid expenses	49,648	83,112	82,289
Property, plant and equipment, net	6,563,977	9,234,104	9,142,677
Deferred income taxes	178,450	357,453	353,914
Intangibles, net	37,435	43,374	42,945
Other assets	34,062	51,746	51,234
<b>Total assets</b>	<b>(Won)10,262,501</b>	<b>(Won)13,616,554</b>	<b>\$ 13,481,737</b>
<b>Liabilities and Stockholders Equity</b>			
Current liabilities			
Short-term borrowings	(Won)483,220	(Won)308,969	\$ 305,910
Current portion of long-term debt	212,992	442,140	437,762
Trade accounts and notes payable			
Trade	490,524	577,755	572,035
Due to affiliates	92,593	115,833	114,686
Other accounts payable			
Others	439,210	1,121,042	1,109,943
Due to affiliates	576,708	353,514	350,014
Accrued expenses	119,864	69,968	69,275
Income taxes payables	76,812	21,788	21,572
Other current liabilities	82,162	133,950	132,624
<b>Total current liabilities</b>	<b>2,574,085</b>	<b>3,144,959</b>	<b>3,113,821</b>
Long-term debt, net of current portion	1,993,151	2,851,353	2,823,122
Long-term accrued expense		2,833	2,805
Accrued severance benefits, net	31,964	43,207	42,779
<b>Total liabilities</b>	<b>4,599,200</b>	<b>6,042,352</b>	<b>5,982,527</b>
Commitments and contingencies (Note 16)			
Stockholders equity			



Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

Capital stock

Common stock : (Won)5,000 par value; authorized 400 million shares; issued and outstanding 325 and 358 million shares at December 31, 2004 and

December 31, 2005	1,626,579	1,789,078	1,771,364
Capital Surplus	1,001,940	2,243,800	2,221,584
Retained earnings	3,001,042	3,542,691	3,507,615
Accumulated other comprehensive income	33,740	(1,367)	(1,353)
<b>Total stockholders' equity</b>	<b>5,663,301</b>	<b>7,574,202</b>	<b>7,499,210</b>
Total liabilities and stockholders' equity	(Won)10,262,501	(Won)13,616,554	\$ 13,481,737

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

## LG.Philips LCD Co., Ltd.

## Consolidated Statements of Income

Years ended December 31, 2003, 2004 and 2005

*(in millions of Korean won, and thousands*

<i>of US dollars, except for share amount)</i>	2003	2004	2005	(Note 3) 2005
<b>Sales</b>				
Related parties	(Won) 2,749,696	(Won) 3,342,602	(Won) 3,964,053	\$ 3,924,805
Others	3,348,658	4,982,192	6,111,527	6,051,017
	6,098,354	8,324,794	10,075,580	9,975,822
<b>Cost of sales</b>	4,741,592	6,246,240	9,069,848	8,980,048
Gross profit	1,356,762	2,078,554	1,005,732	995,774
<b>Selling, general and administrative expenses</b>	234,519	318,449	528,084	522,855
<b>Operating income</b>	1,122,243	1,760,105	477,648	472,919
<b>Other income (expense)</b>				
Interest income	6,393	19,964	50,622	50,121
Interest expense	(83,619)	(58,049)	(107,540)	(106,475)
Foreign exchange gain (loss), net	15,015	19,125	(23,607)	(23,373)
Others, net	1,045	673	7,807	7,730
Total other income (expense)	(61,166)	(18,287)	(72,718)	(71,997)
Income before income tax expense	1,061,077	1,741,818	404,930	400,922
Income tax expense (benefit)	54,574	38,131	(136,719)	(135,365)
<b>Net income</b>	(Won) 1,006,503	(Won) 1,703,687	(Won) 541,649	\$ 536,287
<b>Net income per common share</b>				
Basic	(Won) 3,471	(Won) 5,586	(Won) 1,596	\$ 2.00
Diluted	(Won) 3,471	(Won) 5,586	(Won) 1,596	\$ 2.00

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

## LG. Philips LCD Co., Ltd.

## Consolidated Statements of Changes in Stockholders Equity

Years ended December 31, 2003, 2004 and 2005

<i>(in millions of Korean won)</i>	Common Stock		Capital Surplus		Retained Earnings	Accumulated Other Comprehensive		Total
	Shares	Amount	Additional	Unearned		Income (Loss)		
Balance as of December 31, 2002	290,000,000	(Won) 1,450,000	(Won)	(Won)	(Won) 290,852	(Won) (1,068)	(Won) 1,739,784	
Comprehensive income:								
Net income					1,006,503			1,006,503
Cumulative translation adjustment						1,198		1,198
Net unrealized gains on derivative, net of tax						3,706		3,706
Total comprehensive income								1,011,407
Balance as of December 31, 2003	290,000,000	(Won) 1,450,000	(Won)	(Won)	(Won) 1,297,355	(Won) 3,836	(Won) 2,751,191	
Issuance of Common Stock, net of issuance cost	35,315,700	176,579	1,012,271					1,188,850
Unearned Compensation				(11,923)				(11,923)
Stock compensation expense				1,592				1,592
Comprehensive income:								
Net income					1,703,687			1,703,687
Cumulative translation adjustment						(13,249)		(13,249)
Net unrealized gains on derivative, net of tax						43,153		43,153
Total comprehensive income								1,733,591
Balance as of December 31, 2004	325,315,700	(Won) 1,626,579	(Won) 1,012,271	(Won) (10,331)	(Won) 3,001,042	(Won) 33,740	(Won) 5,663,301	
Issuance of Common Stock, net of issuance cost	32,500,000	162,499	1,238,841					1,401,340
Unearned Compensation								
Stock compensation expense				3,019				3,019
Comprehensive income:								
Net income					541,649			541,649
Cumulative translation adjustment						1,441		1,441
Net unrealized gains (losses) on derivative, net of tax						(36,548)		(36,548)
Total comprehensive income								506,542
Balance as of December 31, 2005	357,815,700	(Won) 1,789,078	(Won) 2,251,112	(Won) (7,312)	(Won) 3,542,691	(Won) (1,367)	(Won) 7,574,202	

<i>(in thousands of US dollars)</i> <i>(Note 3)</i>	Common Stock		Capital Surplus		Retained Earnings	Accumulated Other Comprehensive		Total
	Shares	Amount	Additional	Unearned		Income		
Balance as of December 31, 2004	290,000,000	\$ 1,610,474	\$ 1,002,249	\$ (10,229)	\$ 2,971,329	\$ 33,406	\$ 4,615,209	

Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

Issuance of Common Stock, net of issuance cost	35,315,700	160,890	1,226,575				1,387,465
Unearned Compensation							
Stock compensation expense				2,990			2,990
Comprehensive income:							
Net income					536,286		536,286
Cumulative translation adjustment						1,427	1,427
Net unrealized gains (losses) on derivative, net of tax						(36,186)	(36,186)
Total comprehensive income							501,527
Balance as of December 31, 2005	325,315,700 \$	1,771,364 \$	2,228,824 \$	(7,239) \$	3,507,615 \$	(1,353) \$	7,499,210

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

## LG. Philips LCD Co., Ltd.

## Consolidated Statements of Cash Flows

Years ended December 31, 2003, 2004 and 2005

(Note 3)

<i>(in millions of Korean won, and thousands of US dollars)</i>	2003	2004	2005	2005
	(Won)	(Won)	(Won)	\$
Net income	1,006,503	1,703,687	541,649	536,287
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	956,997	1,224,118	1,748,385	1,731,074
Provision for severance benefits	19,950	32,584	43,851	43,417
Foreign exchange (gain) loss, net	3,805	(101,776)	(36,934)	(36,568)
Amortization of intangible assets	5,406	6,405	6,778	6,711
Loss on extinguishment of long-term debt	1,279			
Loss on disposal of property, plant and equipment	36	3,281	444	440
Amortization of debt issuance cost	4,222	4,453	5,709	5,652
Decrease (increase) in deferred income taxes assets, net	11,786	(43,923)	(181,304)	(179,509)
Others, net	16,812	(4,365)	68,661	67,981
Change in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(607,480)	204,970	(400,838)	(396,869)
(Increase) decrease in inventories	62,288	(468,196)	114,540	113,406
Decrease in prepaid expense	6,554	6,443	16,323	16,161
Increase in prepaid value added tax	(69,533)	(5,155)	(35,990)	(35,634)
(Increase) decrease in other current assets	9,552	(63,493)	24,518	24,275
Increase in trade accounts and notes payable	152,743	181,421	121,391	120,189
Increase in other accounts payable	14,286	58,625	216,248	214,107
(Decrease) increase in accrued expenses	66,472	13,635	(49,896)	(49,402)
(Decrease) increase in other current liabilities	10,161	(9,773)	(94,829)	(93,890)
Net cash provided by operating activities	1,671,839	2,742,941	2,108,706	2,087,828
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment				
Purchase from related parties	(1,186,909)	(2,346,297)	(2,648,918)	(2,622,691)
Purchase from others	(251,321)	(1,539,353)	(1,517,233)	(1,502,211)
Proceeds from sales of property, plant and equipment	3,450	6,156	460	455
Acquisition of intangible assets	(5,204)	(7,884)	(12,704)	(12,578)
Others, net	(12,715)	(5,380)	(19,479)	(19,286)
Net cash used in investing activities	(1,452,699)	(3,892,758)	(4,197,874)	(4,156,311)
<b>Cash flows from financing activities:</b>				
Proceeds from (repayment on) short-term borrowings	(114,878)	324,032	(173,005)	(171,292)
Proceeds from issuance of long-term debt	832,573	968,802	1,296,840	1,284,000
Repayment on long-term debt	(496,072)	(467,202)	(212,930)	(210,822)
Payment of debt issuance cost	(6,846)	(5,716)	(4,576)	(4,531)
Proceeds from issuance of common stock		1,229,133	1,421,970	1,407,891
Payment of stock issuance cost		(40,283)	(20,628)	(20,424)
Net cash provided by financing activities	214,777	2,008,766	2,307,671	2,284,822

Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

Effect of exchange rate changes on cash and cash equivalents	(209)	(1,724)	(290)	(287)
Net increase in cash and cash equivalents	433,708	857,225	218,213	216,053
<b>Cash and cash equivalents:</b>				
Beginning of year	70,306	504,014	1,361,239	1,347,761
End of year	(Won) 504,014	(Won) 1,361,239	(Won) 1,579,452	\$ 1,563,814

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

**LG. Philips LCD Co., Ltd.****Notes to Consolidated Financial Statements****December 31, 2003, 2004 and 2005****1. Organization and Nature of Business**

LG.Philips LCD Co., Ltd. is a manufacturer and supplier of Thin Film Transistor Liquid Crystal Displays ( TFT-LCD ) to Original Equipment Manufacturers ( OEMs ) and multinational corporations.

The accompanying consolidated financial statements include the accounts of LG.Philips LCD Co., Ltd. ( LPL ) and its consolidated subsidiaries (hereinafter collectively referred to as the Company ).

**Formation**

LG. Philips LCD Co., Ltd. was incorporated in 1985 in the Republic of Korea under the original name of LG Soft, Ltd. and until December 31, 1998 was entirely devoted to the development and marketing of software.

As part of a restructuring of the LG Group of companies, LG Soft, Ltd. changed its name to LG LCD Co., Ltd. in November 1998 and subsequently in December 1998, LG LCD Co., Ltd. acquired the assets and liabilities of the TFT-LCD businesses of LG Electronics Inc. ( LGE ) and LG Semicon Inc. ( LGS ). The transfer of assets and liabilities from LGE to LG LCD Co., Ltd. was recorded at historical book values as LG LCD Co. Ltd. was a 100% owned subsidiary of LGE. The assets and liabilities of LGS were transferred to LG LCD Co. Ltd. at fair value based on an independent valuation.

On July 26, 1999, Koninklijke Philips Electronics N.V. ( Philips ) and LGE entered into a joint venture agreement. Effective August 27, 1999 LG LCD Co., Ltd. changed its name to LG. Philips LCD Co., Ltd. and on August 31, 1999 LG.Philips LCD Co., Ltd. issued a total of 145,000,000 previously unissued shares of common stock to Philips in exchange for a contribution of approximately (Won)1,127,000 million to LGE and (Won)725,000 million directly to the Company.

As of December 31, 2005, the Company's shareholders are as follows:

	Number of Shares	Percentage of Ownership (%)
LG Electronics Inc.	135,625,000	37.90
Koninklijke Philips Electronics N. V.	117,625,000	32.87
Others	104,565,700	29.23
	357,815,700	100.00

The Company's subsidiaries are as follow:

Subsidiaries	Country of Incorporation	Percentage of Ownership (%)		
		2003	2004	2005
LG.Philips LCD America, Inc.	US	100	100	100
LG.Philips LCD Japan Co., Ltd.	Japan	100	100	100
LG.Philips LCD Germany GmbH	Germany	100	100	100
LG.Philips LCD Taiwan Co., Ltd.	Taiwan	100	100	100
LG.Philips LCD Nanjing Co., Ltd.	China	100	100	100
LG.Philips LCD Hong Kong Co., Ltd.	China	100	100	100
LG.Philips LCD Shanghai Co., Ltd.	China	100	100	100

F-7



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

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

**December 31, 2003, 2004 and 2005**

**2. Summary of Significant Accounting Policies**

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ). Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

**Principles of Consolidation**

The consolidated financial statements include the accounts of LG.Philips LCD Co., Ltd. and its majority-owned subsidiaries. All intercompany transactions and balances with the consolidated subsidiaries have been eliminated upon consolidation.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. The most significant estimates and assumptions relate to the allowance for uncollectable accounts receivables, warranty accrual and deferred tax valuation allowance. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates.

**Translation of Foreign Currencies**

The financial position and results of operations of the Company's subsidiary in Nanjing, China are measured using the Chinese Renminbi as its functional currency, the other overseas subsidiaries use the US dollar, and the Korean parent company uses the Korean Won as its functional currency. The financial statements of these subsidiaries are translated to Korean Won using the current exchange rate method. All the assets and liabilities are translated to Korean Won at the end-of-period exchange rates. Capital accounts are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates. Translation adjustments arising from differences in exchange rates from period to period are included in the cumulative translation adjustment account in other comprehensive income of stockholders' equity. Foreign currency transaction gains and losses are included as a component of other income (expense).

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and highly liquid investments, including time deposits and short-term bonds which are readily convertible into known amounts of cash and have an original maturity of three months or less.

**Accounts Receivable Securitization**

The Company has an accounts receivable securitization program whereby the Company sells receivables in securitization transactions and retains a subordinated interest and servicing rights to those receivables. The Company accounts for the program under the FASB's Statement of Financial Accounting Standards No.140 ( SFAS 140 ), *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* . The gain or loss on sales of receivables is determined at the date of transfer based upon the relative fair value of the assets sold and the interests retained. The Company estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions, including collection period and discount rates.

---

**LG. Philips LCD Co., Ltd.**
**Notes to Consolidated Financial Statements (Continued)****December 31, 2003, 2004 and 2005****Allowance for Doubtful Accounts**

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

**Inventories**

Inventories are valued at the lower of cost or market value, with cost being determined on an average-cost basis, except for the cost of finished products carried by certain subsidiary companies, which is determined on a moving-average cost basis.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives.

Buildings	20 ~ 40 years
Machinery, equipment and vehicles	4 ~ 8 years
Tools, furniture and fixtures	3 ~ 5 years

Significant renewals and additions are capitalized at cost. Maintenance and repairs are charged to expense as incurred.

The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. Total interest expense incurred amounted to (Won)91,524 million, (Won)95,553 million and (Won)154,453 million for the years ended December 31, 2003, 2004 and 2005, respectively, of which, approximately (Won)7,905 million, (Won)37,504 million and (Won)46,913 million, respectively, was capitalized.

**Intangible Assets**

Intangible assets, comprising intellectual property rights (including patents and technology related to the TFT production process and the like), privileges for an industrial water facility, and purchased software, are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the following estimated useful lives.

Intellectual property rights	5 ~ 10 years
Privilege for industrial water facilities	10 years
Purchased software	4 years
Others	10 years

**Accounting for the Impairment of Long-Lived Assets**

Long-lived assets and definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the aggregate undiscounted future cash flows (undiscounted and without interest charges) is less than the carrying value of the asset, an impairment loss is recognized, based on the fair value of the asset.

---

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

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

**December 31, 2003, 2004 and 2005**

**Stock Appreciation Plan**

Effective January 1, 2005, the company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* ( SFAS 123(R) ). SFAS 123(R) establishes accounting for share-based awards exchanged for employee services. Accordingly, share-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite employee service period. The option price is determined by Black-Scholes Option Pricing Model.

**Accrued Severance Benefits**

Employees and directors with one year or more 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 are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. The annual severance benefits expense charged to operations is calculated based on the net change in the accrued severance benefits payable at the balance sheet date, plus the actual payments made during the year.

The contributions to the national pension fund made under the National Pension Plan and the severance insurance deposit are deducted from accrued severance benefit liabilities. Contributed amounts are refunded from the National Pension Plan and the insurance company to employees on their retirement.

**Revenue Recognition**

Revenues from the sale of the Company's products are recognized when : i) persuasive evidence of an arrangement exists, ii) delivery has occurred to the customers, iii) the sales price to the customer is fixed or determinable and iv) collectibility is reasonably assured.

The Company generally enters into long term formal master sales agreements with its significant customers. Under the terms of these agreements, the Company does not offer any form of price protection or a returns policy, however, the Company provides basic limited warranties with its products.

The title transfer of the Company's product and risk of loss generally occurs on delivery and acceptance at the customers' premises, at which point revenue is recognized.

**Research and Development Costs**

Certain costs incurred in connection with the purchase of equipment and facilities used in the Company's research and development activities are capitalized into property, plant and equipment, to the extent that they have alternative future uses. All other research and development costs are expensed as incurred. The Company has expensed (Won)171,387 million, (Won)255,327 million and (Won)365,437 million during the years ended December 31, 2003, 2004 and 2005, respectively, for research and development costs which are included in cost of sales and selling, general and administrative expenses. These research and development expenses included depreciation cost of equipment and facilities used specifically for research and development activities amounting to (Won)8,987 million, (Won)11,078 million and (Won)11,710 million for the years ended December 31, 2003, 2004 and 2005, respectively.

**Shipping and Handling Costs**

The Company includes shipping and handling costs in selling, general and administrative costs. Shipping and handling costs for the years ended December 31, 2003, 2004 and 2005, amounted to (Won)66,900 million, (Won)94,559 million and (Won)187,633 million, respectively.

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

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

**December 31, 2003, 2004 and 2005**

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2003, 2004 and 2005 amounted to (Won)1,697 million, (Won)5,524 million and (Won)21,907 million, respectively.

**Income Taxes**

The Company recognizes deferred tax assets and liabilities created by temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are computed on such temporary differences, including available net operating loss carryforwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. A valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that such deferred tax assets will not be realized. The total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

Investment tax credits are accounted for by the flow-through method whereby they reduce income taxes in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred tax assets, subject to considerations regarding the need for a valuation allowance, are recognized for the amount carried forward.

**Derivative Financial Instruments**

All derivative financial instruments are recognized as either assets or liabilities in the balance sheet at their fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholders' equity (as a component of accumulated other comprehensive income), depending on whether the derivative financial instrument qualifies as a cash flow hedge.

At the time the Company designates a hedging relationship, it defines the method it will use to assess the hedge's effectiveness in achieving offsetting changes in fair value or offsetting cash flows attributable to the risk being hedged.

The Company formally documents all hedging relationships between the derivatives designated as hedges and hedged items, as well as its risk management objectives and strategies for undertaking various hedging activities. The Company links all hedges that are designated as cash flow hedges to the specific forecasted transaction. The Company also assesses, both at the inception of the hedge and on an on-going basis, whether the derivatives designated as hedges are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting.

The derivatives designated as cash flow hedges include foreign exchange forward contracts, which are used for reducing the risk arising from the changes in anticipated cash flow from expected transactions in foreign currency.

Changes in the fair value of derivatives designated and effective as cash flow hedges for forecasted transactions are initially recorded in other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. Changes in the fair value of the ineffective portion are recognized in current period earnings.

The derivatives designated for trading comprise cross-currency swap contracts and foreign exchange forward contracts. Such contracts are marked-to-market with changes in value, including premiums paid or received, recognized in other income (expense) as foreign exchange gain (loss).

---

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

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

**December 31, 2003, 2004 and 2005**

**Deferred Bond Issuance Costs**

Costs that are directly related to the issuance of bonds are capitalized and amortized over the term of the debt using the effective interest rate method.

**Warranty Reserve**

The Company records warranty liabilities for the estimated costs that may be incurred under its basic limited warranty. This warranty covers defective products and is normally applicable for eighteen months from the date of purchase. These liabilities are accrued when product revenues are recognized. Warranty costs primarily include raw materials and labor costs. Factors that affect the Company's warranty liability include historical and anticipated rate of warranty claims on those repairs and cost per claim to satisfy the Company's warranty obligation. As these factors are impacted by actual experience and future expectations, the Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

**Fair Value of Financial Instruments**

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying values of cash and cash equivalents, time deposits, trade and notes receivable, short-term borrowings, notes and accounts payable and accrued and other liabilities, approximate fair value, due to their short term maturities. The Company estimates the fair values of its long-term debt, including the current portion, based on either the market value or the discounted amounts of future cash flows using the Company's current incremental debt rates for similar liabilities. The fair values of derivative instruments are estimated based on market quotations.

**Recent Accounting Pronouncements**

In November 2004, the FASB issued FASB Statement No. 151, *Inventory Costs - an amendment of ARB No. 43* ( FAS No. 151 ), which is the result of its efforts to converge U.S. accounting standards for inventories with International Accounting Standards. FAS No. 151 requires idle facility expenses, freight, handling costs, and wasted material (spoilage) costs to be recognized as current-period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. FAS No. 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe adoption of FAS No. 151 will have a material effect on its consolidated financial position, results of operations or cash flows.

In December 2004, the FASB issued FAS No. 123 (revised 2004), *Share-Based Payment* ( FAS No. 123(R) ). This statement requires the use of the fair value based method of accounting for employee share-based compensation and eliminates the alternative use of the intrinsic value method prescribed by APB No. 25. With limited exceptions, FAS No. 123(R) requires that the grant-date fair value of share-based payments to employees be expensed over the period the service is received. This statement shall be effective for fiscal years beginning after June 15, 2005, with early adoption during the fiscal years beginning after the date this statement is issued encouraged. The Company has adopted FAS No. 123(R) and accounts for its Stock Appreciation Plan using Black-Scholes Option Pricing Model.

On December 16, 2004, the FASB issued Statement No. 153, *Exchanges of Nonmonetary Assets*, an amendment of APB Opinion No. 29 ( FAS No. 153 ). FAS No. 153 addresses the measurement of exchanges of nonmonetary assets and redefines the scope of transactions that should be measured based on the fair value of the

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

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

**December 31, 2003, 2004 and 2005**

assets exchanged. FAS No. 153 is effective for nonmonetary asset exchanges beginning in the second quarter of fiscal 2006. The Company does not believe adoption of FAS No. 153 will have a material effect on its consolidated financial position, results of operations or cash flows.

In May 2005, the FASB issued FAS No. 154, *Accounting Changes and Error Corrections* a replacement of *APB Opinion No. 20 and FASB Statement No. 3*. This Statement requires retrospective application to prior periods financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. The Company does not believe adoption of FAS No. 154 will have a material effect on its consolidated financial position, results of operations or cash flows.

In February 2006, FASB issued FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* ( FAS No. 155 ), an amendment of FAS No. 133, *Accounting for Derivatives Instruments and Hedging Activities* and FAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*. FAS No. 155 amends FAS No. 133 to narrow the scope of the exception for interest-only and principal-only strips on debt instruments to include only such strips representing rights to receive a specified portion of contractual interest or principle cash flows. FAS No. 155 also amends FAS No. 140 to allow qualifying special-purpose entities to hold a passive derivative financial instrument pertaining to beneficial interests that itself is a derivative instrument. We are currently evaluating the impact of this new standard but believe that it will not have a material impact on our financial position, results of operations or cash flows.

**3. United States Dollar Amounts**

The Company operates primarily in Korea and its financial accounting records are maintained in Korean Won. These translations should not be construed as a representation that the Korean Won amounts shown could be converted, realized or settled in US dollars at this or any other rate. The US dollar amounts are provided herein as supplemental information solely for the convenience of the reader. Korean Won amounts are expressed in US dollars at the rate of (Won)1,010 : US \$1, the US Federal Reserve Bank of New York noon buying exchange rate in effect on December 30, 2005. The US dollar amounts are unaudited and are not presented in accordance with generally accepted accounting principles in either Korea or the United States of America.

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

## 4. Accounts Receivable

The following table presents accounts receivable at December 31:

<i>(in millions of Korean won)</i>	2004	2005
Trade	(Won)465,066	(Won)809,648
Due from LG group companies and Philips affiliates	427,914	461,133
Others	64,755	66,660
	957,735	1,337,441
Allowance for doubtful accounts	(3,418)	(4,340)
	(Won)954,317	(Won)1,333,101

Trade bills to overseas subsidiaries negotiated through banks but not yet matured, which were recorded as short-term borrowings as of December 31, 2004 and 2005 amounted to approximately (Won)410,824 million (US \$369,339 thousand and JPY2,808,387 thousand) and (Won)303,904 million (US \$300,004 thousand), respectively.

In September 2004, the Company entered into a five-year accounts receivable securitization program (the Program) with a financial institution. The Program allows the Company to sell, on a revolving basis, an undivided interest in up to US \$300 million in eligible accounts receivables of four subsidiaries, including LG.Philips LCD America (LPLA), LG.Philips LCD Germany (LPLG), LG.Philips LCD Taiwan (LPLT) and LG.Philips LCD Japan (LPLJ), while retaining a subordinated interest in a portion of the receivables. The eligible receivables of LPLA and LPLG are sold without legal recourse to third party conduits through LG. Philips LCD America Finance Corporation, a qualifying bankruptcy-remote special purpose entity, which is wholly owned by LPLA but is not consolidated for financial reporting purposes. The eligible receivables of LPLT and LPLJ are sold without legal recourse to third party conduits through ABN AMRO Taipei Branch and ABN AMRO Tokyo Branch, respectively, which are consolidated by ABN AMRO Bank. The Company continues servicing the sold receivables and charges the third party conduits a monthly servicing fee at market rates. Accordingly, no servicing asset or liability has been recorded.

The Program qualifies for sale treatment under SFAS 140. As of December 31, 2004 and 2005, the outstanding balance of securitized accounts receivable held by the third party conduits totaled (Won)305,203 million and (Won)272,571 million, respectively, of which the Company's subordinated retained interest was (Won)59,324 million and (Won)52,532 million, respectively. Accordingly, (Won)245,879 million and (Won)220,039 million, respectively, of accounts receivable balances, net of applicable allowances, were removed from the consolidated balance sheets at December 31, 2004 and 2005. Losses recognized on the sale of accounts receivable totaled approximately (Won)3,906 million and (Won)8,737 million, respectively, in the year ended December 31, 2004 and 2005. This cost is primarily related to the loss on sale of receivables and discount on retained interests, net of the related servicing revenues and various program and facility fees associated with the Program. This cost is included in the accompanying consolidated statement of income under the caption selling, general and administrative expenses.

The Company measures the fair value of its retained interests at the time of a securitization and throughout the term of the Program using a present value model incorporating two key assumptions: (1) a weighted average life of 65 days and (2) a discount rate of 4.04 % per annum. At December 31, 2005, this retained interest is included in the accounts receivables balance reflected in the consolidated balance sheet, at fair value of the Company's retained interest, which approximates book value due to a short average collection cycle for such accounts receivables and the Company's collection history.

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

**5. Inventories**

Inventories comprise the following at December 31:

<i>(in millions of Korean won)</i>	2004	2005
Finished products	(Won)511,008	(Won)328,823
Work in process	124,356	166,839
Raw materials	168,753	193,915
	(Won)804,117	(Won)689,577

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

During the years ended December 31, 2003, 2004 and 2005, 5, 13 and 301 foreign currency forward contracts were designated as cash flow hedges, respectively. During the years ended December 31, 2003, 2004 and 2005, these cash flow hedges were fully effective and changes in the fair value of the derivatives of (Won)4,352 million, (Won)55,287 million and (Won)13,334 million, were recorded in other comprehensive income. The deferred gains of (Won)13,334 million for derivatives designated as cash flow hedges are expected to be reclassified into earnings within the next twelve months.

**Derivatives for trading**

For the years ended December 31, 2003, 2004, and 2005, the Company recorded realized exchange gains of (Won)40,978 million, (Won)80,306 million and (Won)32,189 million and realized exchange losses of (Won)16,648 million, (Won)51,597 million and (Won)78,025 million, respectively, on derivative contracts designated for trading upon settlement.

In addition, for the years ended December 31, 2003, 2004 and 2005, the Company recorded unrealized gains of (Won)9,314 million, (Won)68,298 million and (Won)27,359 million and unrealized losses of (Won)10,662 million, (Won)54,142 million and (Won)9,131 million respectively, relating to these derivative contracts designated for trading.

**7. Property, Plant and Equipment**

Property, plant and equipment comprise the following at December 31:

<i>(in millions of Korean won)</i>	2004	2005
Land	(Won)313,053	(Won)319,219
Buildings	1,216,471	2,110,711
Machinery, equipment and vehicles	7,822,364	11,139,638
Tools, furniture and fixtures	335,180	507,094
Machinery-in-transit	705,906	505,842
Construction-in-progress	956,642	1,131,054
	11,349,616	15,713,558



Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

Accumulated depreciation	(4,785,639)	(6,479,454)
Property, plant and equipment, net	(Won)6,563,977	(Won)9,234,104

F-15

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

## Operating Leases

Rental expenses of certain machinery and equipment held under operating leases for the years ended December 31, 2003, 2004 and 2005 were (Won)673 million, (Won)1,304 million and (Won)1,406 million, respectively. The minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2005 are as follows:

*(in millions of Korean won)*

For the years ended December 31,	
2006	(Won)1,564
2007	516
2008	195
2009	45
2010	17
<b>Total minimum future rentals</b>	<b>(Won)2,337</b>

## 8. Intangible Assets

Intangible assets comprised the following at December 31:

<i>(In millions of Korean won)</i>	Intellectual property rights	Purchased Software	2004 Privileges for industrial water facilities	Others	Total
Acquisition cost	(Won)27,909	(Won)19,080	(Won)12,305	(Won)838	(Won)60,132
Accumulated amortization	(10,412)	(9,295)	(2,412)	(578)	(22,697)
<b>Intangible assets, net</b>	<b>(Won)17,497</b>	<b>(Won)9,785</b>	<b>(Won)9,893</b>	<b>(Won)260</b>	<b>(Won)37,435</b>

<i>(In millions of Korean won)</i>	Intellectual property rights	Purchased Software	2005 Privileges for industrial water facilities	Others	Total
Acquisition cost	(Won)38,234	(Won)20,974	(Won)12,299	(Won)1,342	(Won)72,849
Accumulated amortization	(Won)(13,153)	(Won)(11,561)	(Won)(3,646)	(Won)(1,115)	(Won)(29,475)
<b>Intangible assets, net</b>	<b>(Won)25,081</b>	<b>(Won)9,413</b>	<b>(Won)8,653</b>	<b>(Won)227</b>	<b>(Won)43,374</b>

Amortization expense for the years ended December 31, 2003, 2004 and 2005 amounted to (Won)5,406 million, (Won)6,405 million and (Won)6,778 million, respectively.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

*(in millions of Korean won)*

For the years ended December 31,

2006	(Won)5,134
2007	5,134
2008	5,134
2009	5,134
2010	5,134

F-16

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

**9. Short-Term Borrowings**

Short-term borrowings comprise the following at December 31:

<i>(in millions of Korean won)</i>	2004	2005
Loans, principally from banks:		
with weighted-average interest rate of 3.4%	(Won) 483,220	
with weighted-average interest rate of 5.2%		(Won) 308,969
	(Won) 483,220	(Won) 308,969

**10. Long-Term Debt**

Long-term debt comprise the following at December 31:

<i>(in millions of Korean won)</i>	2004	2005
<b>Won denominated Loans:</b>		
Unsecured loans, representing obligations principally to banks:		
Due 2006 to 2008 with interest rate of 5.9% per annum	(Won) 58,700	(Won) 58,700
Unsecured loans, representing obligation principally to banks:		
Due 2006 to 2009 with interest rate of 6.1% per annum	59,100	59,100
Unsecured loans, representing obligation principally to banks:		
Due 2010 to 2015 with interest rate of 3 year Korean Treasury Bond -1.25% per annum		8,620
Unsecured bond with interest rate ranging from 3.5% to 6.0%, due 2006 to 2009, net of unamortized discount	1,320,317	
Unsecured bond with interest rate ranging from 3.5% to 6.0%, due 2006 to 2010, net of unamortized discount		1,924,512
	1,438,117	2,050,932
<b>U.S. Dollar denominated Loans:</b>		
Unsecured loans, representing obligations principally to banks:		
Due 2005 to 2009 with interest ranging from 3.2% to 3.3% per annum	78,706	
Unsecured loans, representing obligations principally to banks:		
Due 2006 to 2010 with interest ranging from 6M Libor + 0.5% to 6M Libor + 0.6% per annum		111,761
Unsecured loans, representing obligations principally to banks:		
Due 2005 to 2006 with interest rate of 3M Libor+1.0% per annum	36,246	
Unsecured loans, representing obligations principally to banks:		
Due 2006 with interest rate of 3M Libor+1.1% per annum		17,728
Unsecured loans, representing obligations principally to banks:		
Due 2007 to 2010 with interest rate of 6M Libor+1.2% per annum	49,709	48,624
Unsecured loans, representing obligations principally to banks:		
Due 2007 to 2012 with interest rate of 3M Libor+ ranging from 0.99% to		151,950

1.35% per annum

F-17

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

<i>(in millions of Korean won)</i>	2004	2005
Unsecured bond with interest rate of 3M Libor+1.0%, due 2005 to 2006	209,191	
Unsecured bond with interest rate of 3M Libor+1.1%, due 2006		102,313
Unsecured Term Notes with interest rate of 3M Libor+1.0%, due 2005 to 2006	168,803	
Unsecured Term Notes with interest rate of 3M Libor+1.1%, due 2006		82,560
Unsecured bond with interest rate of 3M Libor+0.6%, due 2007	207,120	202,600
Zero Coupon Convertible Bonds due 2010 <sup>1</sup>		492,179
	749,775	1,209,715
<b>Chinese Renminbi denominated Loans :</b>		
Unsecured loans, representing obligations principally to banks:		
Due 2008 with interest rate ranging from 5.0% to 5.5% per annum	18,251	
Unsecured loans, representing obligations principally to banks:		
Due 2008 with interest rate ranging from 5.3% to 5.5% per annum		32,846
Less: Current portion	(212,992)	(442,140)
	(Won) 1,993,151	(Won) 2,851,353

<sup>1</sup> The bonds are convertible at (Won)58,251 for one common share from July 27, 2005 to April 4, 2010, redeemable at the option of issuer on or at any time after April 19, 2008. The Company may, having given not less than 30 nor more than 60 days notice to the bondholders, redeem in Dollars all or from time to time any portion of the bonds at their Early Redemption Amount, provided that the aggregate Market Price of a Common Share on the Korea Exchange on at least 20 Trading Days in 30 consecutive Trading Days ending on the Trading Day immediately prior to the date upon which notice of such redemption notice, is at least 130% of the Conversion Price. The bondholders can exercise put options to put the debt back to the Company on October 19, 2007, at 108.39% of the bond's principal amount.

Unsecured long-term debts are subject to various restrictive covenants. Typically, these covenants include restrictions on the debt to equity ratio, debt coverage ratio, interest coverage ratio, total debt limits, earnings before interest, tax and depreciation requirements and other similar financial ratios. The Company was in compliance with these financial covenants during all periods presented.

The aggregate annual maturities of long-term debt outstanding as of December 31, 2005 were as follows:

<i>(in millions of Korean won)</i>	Won denominated Loans	US Dollar denominated Loans	Chinese Renminbi denominated Loans	Zero Coupon Convertible Bonds	Total
For the years ending December 31,					
2007	(Won) 339,267	(Won) 249,246	(Won)	(Won)	(Won) 588,513
2008	289,266	83,934	19,370		392,570
2009	609,850	66,136	6,737		682,723
2010	600,862	66,145	6,739	492,179	1,165,925
2011	1,724	30,390			32,114
Thereafter	6,034	7,598			13,632
	(Won) 1,847,003	(Won) 503,449	(Won) 32,846	(Won) 492,179	(Won) 2,875,477



## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

## 11. Accrued Severance Benefits

Accrued severance benefits were as follows as of December 31:

<i>(in millions of Korean won)</i>	2004	2005
Balance at beginning of year	(Won) 56,558	(Won) 81,981
Provisions for severance benefits	32,584	43,851
Transferred from affiliated companies	1,130	2,484
Actual severance payments	(8,291)	(16,305)
	81,981	112,011
Cumulative Deposits to National Pension Fund	(737)	(708)
Balance of the severance insurance deposits	(49,280)	(68,096)
Balance at end of year	(Won) 31,964	(Won) 43,207

The severance benefits are funded approximately 60% and 61% as of December 31, 2004 and 2005, respectively, through severance insurance deposits for the payment of severance benefits, and the account is deducted from accrued severance benefit liabilities. The beneficiaries of the severance insurance deposit are the Company's employees.

Severance insurance deposits comprise cash deposits placed with Kyobo Life Insurance Co., Ltd., Lucky Life Insurance Co., Ltd. and Korea Life Insurance Co., Ltd. for the years ended December 31, 2004 and 2005 and these deposits accumulated interest at an average rate of 4.3% and 3.6%, for Kyobo Life Insurance Co., Ltd., 4.3% and 3.6%, for Lucky Life Insurance Co., Ltd. and 4.3% and 3.6%, for Korea Life Insurance Co., Ltd. for the years ended December 31, 2004 and 2005, respectively.

The Company expects to pay the following future benefits to its employees upon their normal retirement age:

<i>(in millions of Korean won)</i>	
For the years ended December 31,	
	(Won)
2006	116
2007	93
2008	49
2009	217
2010	611
2011	1,428
2012	1,831
2013	2,757
2014	4,026

The above amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.





## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

## 12. Income Taxes

Income before income taxes and tax provision comprises the following :

<i>(in millions of Korean won)</i>	2003	2004	2005
Income before income taxes :			
Domestic	(Won)1,051,579	(Won)1,693,182	(Won)361,806
Foreign subsidiaries	9,498	48,636	43,123
	(Won)1,061,077	(Won)1,741,818	404,930
Income taxes-Current :			
Domestic	(Won)40,238	(Won)85,838	(Won)25,989
Foreign subsidiaries	3,196	3,997	5,956
	43,434	89,835	31,945
Income taxes-Deferred :			
Domestic	12,022	(52,583)	(167,749)
Foreign subsidiaries	(882)	879	(915)
	11,140	(51,704)	(168,664)
Total income taxes	(Won)54,574	(Won)38,131	(Won)(136,719)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2005 are as follows:

<i>(in millions of Korean won)</i>	2004	2005
Current deferred tax asset (liability)		
Inventories	(Won)6,976	(Won)8,288
Accounts receivable	2,170	(423)
Others	7,024	(2,034)
Net deferred tax assets, including other comprehensive income related deferred tax asset	16,170	5,831
Less : Other comprehensive income related deferred tax assets	(8,427)	(417)
Current deferred tax asset	(Won)7,743	(Won)5,414
Non-Current deferred tax asset (liability)		
Intangible asset	(Won)30,179	(Won)26,194
Tax credit carryforward	137,828	292,976
Property, plant and equipment	11,857	24,618
Long term debt	(706)	(3,269)

Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

Others	(708)	16,934
Non-Current deferred tax asset	(Won)178,450	(Won)357,453

As of December 31, 2005, the Company has available unused investment tax credits of (Won)292,976 million, which may be applied against future income tax amounts through 2010.

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

differences reverse, the outlook for the Korean economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion, and has determined that no valuation allowance was required as of December 31, 2004 and 2005.

Under the Foreign Investment Promotion Act of Korea, from September 1999, the Company is entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the subsequent three years through 2008.

Aggregate tax benefits and tax effect per share from tax exemption for the years ended December 31, 2003, 2004 and 2005 are as follows:

<i>(in millions of Korean Won, except for per share amount)</i>	2003	2004	2005
Benefit from tax exemption	(Won)153,587	(Won)239,605	(Won)46,026
Weighted-average number of common shares Outstanding	290	305	358
Effect per share (Korean Won)	(Won)529	(Won)785	(Won)128

The statutory income tax rate, including tax surcharges, applicable to the Company was approximately 29.7% in 2002. The statutory income tax rate was amended to 27.5% effective for fiscal years beginning January 1, 2005 in accordance with the Corporate Income Tax Law enacted in December 2003. Accordingly, deferred income taxes as of December 31, 2004 and 2005 were calculated based on the enacted rate of 27.5%.

Taxes are calculated for each individual entity in the group. As a result, losses incurred by subsidiaries cannot be offset against profits earned by the parent company. Taxes on the operating profit differ from the theoretical amount that would arise at the statutory tax rate of the home country of the parent for the years ended December 31, 2003, 2004 and 2005 as follows:

<i>(in millions of Korean won)</i>	2003	2004	2005
Taxes at Korean statutory tax rate	(Won)315,140	(Won)517,320	(Won)111,356
Income tax exemption	(153,587)	(239,605)	(39,110)
Income tax credits	(109,706)	(224,687)	(200,470)
Change in foreigner's equity interest		(17,957)	(4,084)
Foreign tax differential	376	1,815	6,301
Nondeductible items	277	523	(6,738)
Change in statutory tax rate	1,610		
Others	464	722	(3,974)
Total income tax provision	(Won)54,574	(Won)38,131	(Won)(136,719)

At December 31, 2005, no deferred income taxes have been provided on undistributed earnings of foreign subsidiaries not expected to be remitted in the foreseeable future was (Won)96,166 million. The unrecognized deferred tax liabilities as of December 31, 2005 for such temporary differences amounted to (Won)21,802 million.

## 13. Stockholder's Equity

## Common Stock

Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

On March 19, 2004, at the Annual General Meeting, stockholders approved an increase of authorized shares from 200 million to 400 million and a stock split on a 2:1 basis effective on May 25, 2004. The number of issued

F-21

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

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

**December 31, 2003, 2004 and 2005**

common shares as of December 31, 2004 and 2005 are 325,315,700 and 357,815,700 respectively. These financial statements retroactively reflect the impact of the stock split.

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

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

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

In July 2005, pursuant to the underwriting agreement dated July 21, 2005, the Company sold 4,600,000 shares of common stock in the form of ADSs for gross proceeds of US \$196,144 thousands ((Won)201,263 million).

On May 21, 2004, employees of the Company formed an employee stock ownership association, ( ESOA ), which has the right to purchase on behalf of its membership up to 20% (1,728,000 shares) of shares offered publicly in Korea, pursuant to the Korean Securities and Exchange Act. Employees purchased the shares through the ESOA with loans provided by the Company at the initial public offering price ((Won)34,500) and put under each individual employee s account. 20% of the 20% of shares (345,600 shares) purchased by employees with loans from the Company is accounted for as a restricted stock award which vests over four years. Unearned compensation, shown as a deduction of Capital Surplus, will be amortized over the 4 year vesting period. During the twelve month period ended December 31, 2005, the Company recorded compensation expense of (Won)5,852 million.

#### **Retained Earnings**

Retained earnings consist of the following as of December 31:

<i>(in millions of Korean won)</i>	<b>2004</b>	<b>2005</b>
Appropriated retained earnings:		
Legal reserve	(Won)60,086	(Won)60,086
Unappropriated retained earnings :	2,940,956	3,482,605
	(Won)3,001,042	(Won)3,542,691

The Commercial Code of the Republic of Korea requires the Company to appropriate a portion of retained earnings as a legal reserve an amount equal to a minimum of 10% of its cash dividends until such reserve equals 50% of its capital stock. The reserve is not available for dividends but may be transferred to capital stock through an appropriate resolution by the Company s board of directors or used to reduce accumulated deficit, if any, through an appropriate resolution by the Company s stockholders.

#### **14. Stock Appreciation Plan**

Effective January 1, 2005, the company adopted the provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123(R), Share-Based Payment ( SFAS 123(R) ). SFAS 123(R) establishes



## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

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

On April 7, 2005, the Company granted 450,000 shares of stock appreciations rights ( SARs ) for selected management employees. Under the terms of this plan, management, on exercise, receive cash equal to the amount that the market price of the Company's common stock exceeds the strike price ((Won)44,050) of the SARs. The vesting period is two years starting from the grant date, and exercisable period is April 8, 2008 through April 7, 2012.

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

<i>(in millions of Korean won)</i>	<b>December 31, 2005</b>
Cost of goods sold	(Won)1,196
Selling general and administrative	1,637
Income tax benefits	(642)
 Total share-based compensation expense	 (Won)2,191

There were no capitalized share-based compensation costs at December 31, 2005.

The following tables summarize option activity under the SARs for the year ended December 31, 2005:

<i>(in Korean won)</i>	<b>Weighted-average exercise price</b>	<b>Number of shares under option</b>	<b>Weighted average remaining contractual life (in years)</b>
Balance at December 31, 2004	(Won)		
Options granted	(Won) 44,260	450,000	
Options exercised			
Options canceled/expired		40,000	
 Balance at December 31, 2005	 (Won) 44,260	 410,000	 6
 Exercisable at December 31, 2005	 (Won)		

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



123(R).

F-23

---

**LG. Philips LCD Co., Ltd.**
**Notes to Consolidated Financial Statements (Continued)****December 31, 2003, 2004 and 2005**

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

	<b>December 31, 2005</b>
Option term (years) <sup>1</sup>	5
Volatility <sup>2</sup>	41.04%
Risk-free interest rate (Korean government bond)	5.08%
Dividend yield	0%
Weighted average fair value per option granted	(Won)18,428

<sup>1</sup> The option term is the number of years that the company estimates that options will be outstanding prior to settlement.

<sup>2</sup> Measured using historical weekly price changes of the Company's stock over the respective term of the option.

**15. Earnings Per Share**

Earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year.

Diluted earnings per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during the period.

Earnings per share for the years ended December 31, 2003, 2004 and 2005 is calculated as follows:

<i>(In millions, except for per share amount)</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Net income as reported on the income statements	(Won) 1,006,503	(Won) 1,703,687	(Won) 541,649
Weighted-average number of common shares outstanding <sup>1</sup>	290	305	339
Earnings per share	(Won) 3,471	(Won) 5,586	(Won) 1,596

<sup>1</sup> For the year ended December 31, 2005, issuance of 32,500 thousand shares of common stock (American Depositary Shares) in July 2005, were included in the computation of weighted-average number of common shares outstanding.

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

**16. Commitments and Contingencies**

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



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

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

**December 31, 2003, 2004 and 2005**

November 28, 2005, the Company lost its patent infringement case against Tatung Company and ViewSonic Corp. at first instance in Patent Country Court in United Kingdom, and the Company is preparing the appeal against the decision of U.K. Court. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. On May 13, 2005, the Company also filed a complaint against Chunghwa Picture Tubes, Tatung Company and Viewsonic Corporation, alleging patent infringement related to liquid crystal display and the manufacturing process for TFT-LCDs in the United States District of Delaware. On September 20, 2005 the United States District Court for the Central District of California dismissed the patent case against Tatung Company and other defendants regarding the patent infringement by Chunghwa Picture Tubes. Thereafter, the Company has revised its claim and has refiled the above complaint including the side mounting patent. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

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

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

The Company has entered into bank overdraft agreements with various banks amounting to (Won)59,000 million and has entered into a Revolving Credit Facility Agreements with Shinhan Bank and others amounting to (Won)450,000 million and \$100 million, at December 31, 2005. The Company has a zero balance with respect to these facilities at December 31, 2005.

LG. Philips LCD America Co., Ltd. has entered into a line of credit agreement, up to US \$10 million with Comerica Bank. LG. Philips LCD Japan Co., Ltd. and LG. Philips LCD Germany GmbH are provided with repayment guarantees from Mitsubishi UFJ Bank and ABN AMRO Bank amounting to JPY1,000 million and GBP£4 million, respectively, relating to their local tax payments.

As of December 31, 2004, in relation to its TFT-LCD business, the Company has technical license agreements with Semiconductor Energy Laboratory Co., Ltd. and others. The licensing agreements generally require royalty payments based on a specific percentage of sales. Costs are accrued by the Company as the sales of the specified products are made. Royalty expenses charged to cost of sales under these licensing agreements totaled (Won)38,969 million, (Won)43,726 million and (Won)47,108 million in the year ended December 31, 2003, 2004 and 2005, respectively.

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

## 17. Fair Value of Financial Instruments

The estimated fair values of the Company's other financial instruments are as follows:

<i>(in millions of Korean Won)</i>	Notional amount	2004 Carrying amount	Estimated fair value
Long-term debt including the current portion	(Won)	(Won)2,206,143	(Won)2,191,857
Derivative instruments	72,696	69,443	69,443

<i>(in millions of Korean Won)</i>	Notional amount	2005 Carrying amount	Estimated fair value
Long-term debt including the current portion	(Won)	(Won)3,293,493	(Won)3,311,112
Derivative instruments	32,964	30,160	30,160

## 18. Related Party Transactions

In the normal course of business, the Company purchases raw materials from, and sells its products to, shareholder companies and other companies within the LG Group and Philips Group. Such transactions and the related accounts receivable and payable, excluding consolidated subsidiaries, as of December 31, 2003, 2004 and 2005 are summarized as follows:

<i>(in millions of Korean won)</i>	2003	
	Sales	Purchases <sup>1</sup>
LG Electronics Inc.	(Won) 1,408,956	(Won) 66,013
Philips affiliates	603,603	37,144
LG Engineering & Construction Corp.		733,966
LG Chem Ltd.		243,764
LG International Japan Ltd.	247,619	714,648
LG International HK Ltd.	190,602	
LG International America, Inc.		53,573
LG International Singapore Ltd.	171,391	
LG MRO Co., Ltd.	118,689	31,595
LG Micron Ltd.		62,077
LG CNS Co., Ltd.		51,220
Others	8,836	144,351
2003 Total	(Won) 2,749,696	(Won) 2,138,351

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

<i>(in millions of Korean won)</i>	2004			
	Sales	Purchases <sup>1</sup>	Receivables	Payables <sup>2</sup>
LG Electronics Inc.	(Won) 1,607,066	(Won) 149,466	(Won) 225,342	(Won) 29,799
Philips affiliates	1,210,946	52,265	163,762	4,744
LG Engineering & Construction Corp.		828,844		351,093
LG Chem Ltd.		398,433		33,393
LG International Japan Ltd.	128,718	1,431,260	10,734	144,030
LG International HK Ltd.	281,242	11	7,196	
LG International America, Inc.		168,565		12,328
LG International Singapore Ltd.	51,174	1		
LG International Deutschland GmbH		52,569		5,337
LG MRO Co., Ltd.		67,977		13,484
LG Micron Ltd.		89,675		36,702
LG CNS Co., Ltd.		64,013		3,985
Others	63,456	148,810	20,880	34,406
2004 Total	(Won) 3,342,602	(Won) 3,451,889	(Won) 427,914	(Won) 669,301
<i>(in millions of Korean won)</i>	2005			
	Sales	Purchases <sup>1</sup>	Receivables	Payables <sup>2</sup>
LG Electronics Inc.	(Won) 1,821,507	(Won) 179,577	(Won) 219,327	(Won) 66,751
Philips affiliates	1,323,637	52,229	176,599	4,548
LG Chem Ltd.		620,930		72,319
LG International Japan Ltd.	350,127	1,074,178	44,372	162,133
LG International HK Ltd.	317,795		2,336	4,360
LG International America, Inc.		115,697		12,202
LG International Singapore Ltd.	66,013		796	262
LG International Deutschland GmbH		81,859		16,917
LG International Corp. (Korea)	9,832	66,323	11	2,548
LG MRO Co., Ltd.		146,109		36,792
LG Micron Ltd.		125,224		55,234
LG CNS Co., Ltd.		113,615		32,370
Others	75,142	73,177	33,290	11,482
2005 Total	(Won) 3,964,053	(Won) 2,648,918	(Won) 476,731	(Won) 477,918

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

<sup>2</sup> Includes advances received.

## LG. Philips LCD Co., Ltd.

## Notes to Consolidated Financial Statements (Continued)

December 31, 2003, 2004 and 2005

**19. Segment Information**

The Company operates in one business segment, the manufacture and sale of TFT-LCDs.

The following is a summary of operations by country based on the location of the customer as of and for the years ended December 31, 2003, 2004 and 2005. Property, plant and equipment is based on the location of the equipment.

**By Geography***(in millions of Korean won)*

	2003	2004	2005
Revenue from external customers:			
Republic of Korea	(Won) 977,916	(Won) 890,194	(Won) 990,900
Asia	3,769,626	5,672,782	6,688,993
America	576,846	752,971	1,062,374
Europe	751,889	1,008,645	1,329,989
Others	22,077	202	3,324
<b>Total</b>	<b>(Won) 6,098,354</b>	<b>(Won) 8,324,794</b>	<b>(Won) 10,075,580</b>
Property, Plant, and Equipment:			
Republic of Korea		(Won) 6,402,446	(Won) 9,017,587
Asia		160,761	216,157
Others		770	360
<b>Total</b>		<b>(Won) 6,563,977</b>	<b>(Won) 9,234,104</b>

During the years ended December 31, 2003, 2004 and 2005, the Company's revenue from its three largest customers accounted for 41.1%, 42.9% and 40.1% of total revenue respectively. Sales to A Company constituted 13.4%, 12.5% and 9.8% of total revenue, for the years ended December 31, 2003, 2004 and 2005, respectively. Sales to B Company constituted 18.1%, 16.8% and 14.5% of total revenue, for the years ended December 31, 2003, 2004 and 2005, respectively. The Company purchases a number of components from various sources. In some cases, alternative sources of supply are not available. In other cases, the Company may establish a working relationship with a single source, even when multiple suppliers are available, if the Company believes it is advantageous to do so due to performance, quality, support, delivery, capacity or price considerations. If the supply of a critical material or component were delayed or curtailed, the Company's ability to ship the related product in desired quantities and in a timely manner could be adversely affected. Even where alternative sources of supply are available, qualification of the alternative suppliers and establishment of reliable supplies could result in delays and a possible loss of sales, which could adversely affect operating results.

The following is a summary of revenue by product for the years ended December 31, 2003, 2004 and 2005.

**By Product***(in millions of Korean won)*

	2003	2004	2005
Panels for:			
Notebook computers	(Won) 1,738,994	(Won) 2,119,116	(Won) 2,113,452
Desktop monitors	3,517,491	4,662,079	4,740,440
TFT-LCD televisions	685,925	1,162,762	2,805,013
Others	155,944	380,837	416,675

Edgar Filing: LG.Philips LCD Co., Ltd. - Form 20-F/A

Total	(Won) 6,098,354	(Won) 8,324,794	(Won) 10,075,580
-------	-----------------	-----------------	------------------

F-28



---

**LG. Philips LCD Co., Ltd.**
**Notes to Consolidated Financial Statements (Continued)****December 31, 2003, 2004 and 2005****20. Supplemental Cash Flows Information**

Supplemental cash flows information for the years ended December 31, 2003, 2004 and 2005 is as follows:

<i>(in millions of Korean won)</i>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Cash paid during the year for:			
Interest	(Won) 75,970	(Won) 93,621	(Won) 151,646
Income taxes	2,827	41,406	99,400
Non-cash investing and financing activities:			
Other accounts payable arising from the purchase of property, plant and equipment	882,839	822,288	1,077,932

F-29

## LG. Philips LCD Co., Ltd.

## SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

## VALUATION AND QUALIFYING ACCOUNTS

<i>(in millions of Korean Won)</i>	<b>Balance at beginning of period</b>	<b>Charged to bad debt expenses</b>	<b>Write-offs charged to allowance</b>	<b>Balance at end of period</b>
Year ended December 31, 2003:				
Allowance for doubtful accounts	(Won) 11,120	(Won) 974	(Won) (62)	(Won) 12,032
Year ended December 31, 2004:				
Allowance for doubtful accounts	(Won) 12,032	(Won) (8,614)	(Won) ( )	(Won) 3,418
Year ended December 31, 2005:				
Allowance for doubtful accounts	(Won) 3,418	(Won) 1,071	(Won) (149)	(Won) 4,340
	<b>Balance at beginning of period</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at end of period</b>
Year ended December 31, 2003:				
Reserve for warranty liabilities	(Won) 13,285	(Won) 18,694	(Won) (12,199)	(Won) 19,780
Year ended December 31, 2004:				
Reserve for warranty liabilities	(Won) 19,780	(Won) 13,909	(Won) (14,472)	(Won) 19,217
Year ended December 31, 2005:				
Reserve for warranty liabilities	(Won) 19,217	(Won) 28,909	(Won) (23,179)	(Won) 24,947

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**LG.PHILIPS LCD CO., LTD.**

(Registrant)

/s/ **BON JOON KOO**  
(Signature)

**Bon Joon Koo**

**Chief Executive Officer and**

**Joint Representative Director**

**Name/Title**

/s/ **RON H. WIRAHADIRAKSA**  
(Signature)

**Ron H. Wirahadiraksa**

**Chief Financial Officer and**

**Joint Representative Director**

**Name/Title**

Date: December 7, 2006