

LG.Philips LCD Co., Ltd.
Form 6-K
March 30, 2007
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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 2007

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)

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

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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 X

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YEARLY REPORT

(From January 1, 2006 to December 31, 2006)

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.

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1. Overview

A. Industry

(1) Industry characteristics and growth potential

- TFT-LCD technology is one of the most widely used technologies in the manufacture of flat panel displays and the demand for flat panel displays is growing rapidly. The flat panel display industry is characterized by 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.

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

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- Most importantly, cost leadership and stable and long-term relationships with customers are critical to secure profit even in a buyer's market.
- A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would thus result in reduced sales.
- Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to protect our intellectual property internationally by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain the experienced key staffs and highly skilled line operators.

(4) Sourcing material

- Materials are sourced in-house (color filters) as well as from domestic and overseas vendors.
- The shortage of raw materials may arise temporarily due to the rapid increase in demand for raw materials resulting from capacity expansion in the TFT-LCD industry.
- We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors.

(5) Others

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

B. Company

(1) Business overview

- The commercial production of 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 business to LG

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Soft Co., Ltd (currently LG.Philips LCD Co., Ltd.). LG.Philips LCD became a J/V between LG Electronics and Philips Electronics in August 1999. In July 2004, we completed initial public offering and listed our common stock on the Korea Exchange and our ADSs on the New York Stock Exchange. As of December 31, 2006 we operate seven fabrication facilities located in Gumi and Paju, Korea and five module facilities located in Gumi & Paju of Korea, Nanjing (3 factories) of China. We plant to start mass production at module facility in Wroclaw, Poland in the first quarter of 2007.

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

- As demand for LCD TV continued to grow, our non-consolidated sales revenue in 2006 increased by 14.7% year-on-year to KRW 10,201 billion. Due to the difficult business environment like imbalance between supply and demand, a steeper-than-anticipated fall in average selling price of LCD panels, a drastic appreciation of the KRW, continued high oil prices, etc., we incurred a non-consolidated operating loss of KRW 945 billion and a non-consolidated net loss of KRW 769 billion in 2006. (Our consolidated sales revenue in 2006 increased by 5.4% year-on-year to KRW 10,624 billion. And we incurred a consolidated operating loss of KRW 879 billion and a consolidated net loss of KRW 769 billion in 2006.)

- We reinforced our position as a leader in LCD technology with the world's largest 100-inch TFT-LCD panel and the development of a super-slim panel for mobile phones.

- Moreover, LPL made strategic alliances or long-term sales contracts with major global firms such as Kodak and Syntax-Brilliant 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

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

	2006	2005	2004
Panel for Notebook Computer	26.2%	22.5%	19.6%
Panel for Monitor	15.6%	22.5%	22.6%
Panel for TV	23.6%	23.9%	19.8%
Total	20.5%	22.2%	20.9%

* Source: DisplaySearch Q1 2007

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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 is expected to reach a production capacity of 90,000 input sheets of glass substrate per month in the first half of 2007 and of 110,000 input sheets of glass substrate per month in the third quarter of 2007. And we are currently constructing P8 in our Paju display cluster in Korea in anticipation of growth in the 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 industry player to commence such a production facility in Europe. We broke ground on the plant in June 2006 and plan to start mass production in the first quarter of 2007.
- In October 2006, we formed a strategic alliance with Toshiba Corporation whereby Toshiba would take a 19.9% equity participation in our subsidiary, a LCD module plant, in Poland currently under construction in Wroclaw, Poland and LG.Philips LCD Poland Sp. z o.o. would supply Toshiba with a quantity of LCD TV panels produced at the plant in Poland.
- 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 June 2006, we established LG.Philips LCD Guangzhou Co., Ltd.

(5) Organization chart as of December 31, 2006

- JRD : Joint Representative Director
- CEO : Chief Executive Officer
- CFO : Chief Financial Officer
- CPO : Chief Production Office
- CTO : Chief Technology Officer

Table of Contents**2. Information Regarding Shares****A. Change in Capital Stock**

(Unit : KRW , Share)

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

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

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

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

B. Convertible Bonds

(Unit : USD, Share)

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

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

C. Shareholder List

(1) Total shares issued : 357,815,700 shares as of December 31, 2006

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(2) Largest shareholder and related parties as of December 31, 2006

(Unit: share)

Name	January 1, 2006	Increase/Decrease	December 31, 2006
LG Electronics	135,625,000 (37.90%)		135,625,000 (37.90%)
Total	135,625,000 (37.90%)		135,625,000 (37.90%)

(3) Shareholders who own 5% or more of our shares as of December 31, 2006

(Unit: share)

Name	Type of Stock	Number of shares	Ratio
LG Electronics	Common Stock	135,625,000	37.90%
Philips Electronics	Common Stock	117,625,000	32.87%
Citibank N.A.*	Common Stock	27,868,438	7.79%
Total		281,118,438	78.56%

* ADSs Depository

D. Voting rights as of December 31, 2006

(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

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E. Dividends

Dividends during the recent 3 fiscal years

Description	2006	2005	2004
Par value (Won)	5,000	5,000	5,000
Net income (Million Won)	(-)769,313	517,012	1,655,445
Earnings per share (Won)	(-)2,150	1,523	5,420
Retained earning for dividends (Million Won)	2,711,036	3,480,349	2,963,337
Total cash dividend amount (Million Won)			
Total stock dividend amount (Million Won)			
Cash dividend payout ratio (%)			
Cash dividend yield (%)			
Stock dividend yield (%)			
Cash dividend per share (Won)			
Stock dividend per share (Won)			

* Earnings per share are calculated based on par value of 5,000 Won.
(Stock split was made from par value of 10,000 Won to par value of 5,000 Won per share as of May 25, 2004.)

* Retained earning for dividends is the amount before dividends are paid.

* Earnings per share is calculated by net income divided by weighted average number of common stock.

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3. Major Products and Materials

A. Major products in 2006

(Unit: In billions of Won)

Business area	Sales types	Items (Market)	Specific use	Major trademark	Sales (%)
TFT-LCD	Product/Service/Other Sales	TFT-LCD (Overseas)	Notebook Computer, Monitor, TV, Applications Panels, etc.	LG.Philips LCD	9,355 (91.7%)
		TFT-LCD (Korea*)	Notebook Computer, Monitor, TV, Applications Panels, etc.	LG.Philips LCD	846 (8.3%)
Total					10,201(100%)

* Local export was included.

B. Average selling price trend of major products

(Unit: USD / m²)

Description	2006 Q4	2006 Q3	2006 Q2	2006 Q1
TFT-LCD panel	1,414	1,430	1,598	1,953

* 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	
TFT-LCD Materials		Back-Light		1,899 (28.9%)	Heesung Electronics Ltd., etc.	
		Glass	LCD Panel	1,322 (20.1%)	Samsung Corning Precision	
	Polarizer	Manufacturing			670 (10.2%)	Glass Co., Ltd., NEG, etc.
			Others		2,676 (40.8%)	LG Chem., etc.
			Total		6,567 (100.0%)	-

D. Price trend of major materials

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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.

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4. Production and Equipment

A. Production capacity and calculation

(1) Production capacity

(Unit : 1,000 Glass sheets)

Business area	Items	Business place	2006	2005	2004
TFT-LCD	TFT-LCD	Gumi, Paju	9,942	8,128	6,644

(2) Calculation of Capacity

a. Method

Assumptions for calculation

- Based on input glass

Calculation method

- Average monthly input capacity for 4th quarter x given periods (12 months) in case of 2006, 2005 and 2004.

b. Average working hours

- Refer to B-(2)

B. Production performance and working ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

Business area	Items	Business place	2006	2005	2004
TFT-LCD	TFT-LCD	Gumi, Paju	9,052	7,544	6,033

* Based on input glass

(2) Working Ratio *

(Unit: Hours)

Business place (area)	Available working hours of 2006	Real working hours of 2006	Average working ratio
Gumi, Paju (TFT-LCD)	8,760 (24 hours X 365 Days)	8,760 (24 hours X 365 Days)	100%

* Working hours for R&D and maintenance activities were included.

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C. Investment plan

(1) Investment in progress

(Unit: In billions of Won)

Business area	Description	Investment period	Investment Assets	Investment effect	Total investment	Already invested	To be invested	Remarks
TFT-LCD	New / Expansion, etc.	Q3 04~	Building/ Machinery, etc.	Capacity expansion	7,050	5,470	1,580	

(2) Investment Plan (Consolidated basis)

(Unit: In billions of Won)

Business area	Project	Expected yearly investment			Investment effects	Remarks
		2007 *	2008 **	2009 **		
TFT-LCD	New / Expansion, etc.	1,000			Capacity Expansion, etc.	

* Expected investments in 2007 are subject to change depending on market environment.

** Expected investments in 2008 and in 2009 cannot be projected due to industry characteristics.

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5. Sales

A. Sales performance

(Unit: In billions of Won)

Business area	Sales types	Items (Market)	2006	2005	2004	
TFT-LCD	Products, etc.	Overseas	9,355	8,114	7,298	
		TFT-LCD	Korea*	846	776	782
		Total	10,201	8,890	8,080	

* Local export was included.

B. Sales route and sales method

(1) Sales organization

- As of December 31, 2006, each of IT business unit, TV business unit, and Small & Medium Displays business unit has individual sales and customer support function.
- Sales subsidiaries in America, Germany, Japan, Taiwan and China (Hong Kong and Shanghai) perform sales activities in overseas countries and provide technical support to customers.

(2) Sales route

- LG.Philips LCD HQ → Overseas subsidiaries (USA/Germany/Japan/Taiwan /Hong Kong/Shanghai), etc.

→ System integrators, Branded customers → End users

- LG.Philips LCD HQ → 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

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- 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, 2006

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

* As Mr. Bon Joon Koo resigned from his position as Joint Representative Director and CEO (Chief Executive Officer) of LG.Philips LCD, Mr. Young Soo Kwon newly took office as Joint Representative Director and CEO of LG.Philips LCD on February 28, 2007.

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B. Committees of the Board of Directors

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

C. Director & Officer Liability Insurance

(1) Overview of Director & Officer Liability Insurance (as of December 31, 2006)

(Unit: USD)

Name of insurance	Premium paid in 2006	Limit of liability	Remarks
Directors & Officers Liability Insurance	1,500,000	100,000,000	

* In July 2006, LPL renewed director & officer liability insurance with coverage until July 2007.

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

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

(3) The insured

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

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

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- Pollutants, contamination;

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

- Nuclear material, radioactive contamination;

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

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

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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, 2006)

(Unit: person, in millions of Won)

Sex	Details of employees			Total Salary		Per Capita Salary	Average Service Year
	Office Worker	Line Worker	Others	Total	in 2006		
Male	5,595	5,538		11,133	437,399	39	4.3
Female	455	4,932		5,387	154,780	27	2.4
Total	6,050	10,470		16,520	592,179	35	3.7

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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, 2006.

Executive	Exercise Period			Exercise Price	Number of	Number of	Number of
	Grant Date	From	To		Granted	Exercised	Exercisable
Officers							
Ron H. Wirahadiraksa	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	100,000	0	100,000
Ki Seon Park*	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	70,000	0	70,000
Duke M. Koo	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Won Wook Kim*	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Woo Shik Kim	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Sang Deog Yeo	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Jae Geol Ju	April 7, 2005	April 8, 2008	April 7, 2012	(Won) 44,050	40,000	0	40,000
Total					370,000		370,000

* Stock options will be canceled due to their retirement as of March 31, 2007.

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

(Unit: In millions of Won)

Description	2006	2005	2004	2003	2002
Current Assets	2,731,656	3,196,934	2,638,616	1,918,329	806,156
Quick Assets	1,996,280	2,725,169	2,170,617	1,644,838	463,539
Inventories	735,376	471,765	467,999	273,491	342,617
Fixed Assets	10,084,191	9,798,981	6,960,077	4,295,753	3,613,748
Investments	1,109,933	660,628	409,955	203,343	147,832
Tangible Assets	8,860,076	8,988,459	6,366,651	3,874,428	3,210,884
Intangible Assets	114,182	149,894	183,471	217,982	255,032
Total Assets	12,815,847	12,995,915	9,598,693	6,214,082	4,419,904
Current Liabilities	2,694,389	2,594,282	1,900,765	2,044,005	1,117,066
Non-current Liabilities	3,231,782	2,726,036	1,925,286	1,276,045	1,436,775
Total Liabilities	5,926,171	5,320,318	3,826,051	3,320,050	2,553,841
Capital Stock	1,789,079	1,789,079	1,626,579	1,450,000	1,450,000
Capital Surplus	2,275,172	2,279,250	1,012,271		
Retained Earnings	2,839,373	3,608,686	3,091,674	1,436,229	417,129
Capital Adjustment	(-)13,948	(-)1,418	42,118	7,803	(-)1,066
Total Shareholders Equity	6,689,676	7,675,597	5,772,642	2,894,032	1,866,063
Sales Revenues	10,200,660	8,890,155	8,079,891	6,031,261	3,518,289
Operating Income	(-)945,208	447,637	1,640,708	1,086,517	215,724
Ordinary Income	(-)1,024,369	367,281	1,683,067	1,009,731	293,249
Net Income	(-)769,313	517,012	1,655,445	1,019,100	288,792

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

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B. R&D Expense

(1) Summary

(Unit: In millions of Won)

Account	2006	2005	2004	Remarks
Direct Material Cost	291,714	253,930	170,051	
Direct Labor Cost	87,078	72,142	58,202	
Depreciation Expense	20,671	11,710	11,078	
Others	36,649	23,979	13,874	
R&D Expense Total	436,112	361,761	253,205	
Accounting Treatment				
Selling & Administrative Expenses	82,635	55,057	43,095	
Manufacturing Cost	353,477	306,704	210,110	
R&D Expense / Sales Ratio				
[Total R&D Expense/Sales for the period×100]	4.28%	4.07%	3.13%	

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

(2) R&D achievements

[Achievement in 2004]

1) Development of 20.1-inch AMOLED

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

2) Development of copper bus line

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

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

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

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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)

[Achievement in 2005]

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

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

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

- Joint development with E-ink Corporation

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

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

- Realize Full HD Resolution (1920x1080)

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

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

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

[Achievement in 2006]

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

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

- Development of Slim and High Brightness Backlight

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

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

- High dignity picture for Full HDTV

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

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

- Lamp Quantity Reduction by HCFL (Hot Cathode Fluorescent Lamp) Application

13) World's largest 20.1-inch TFT-LCD for Notebook Computer Development

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

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)

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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

- 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

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C. Domestic Credit Rating

Subject	Month of Rating	Credit Rating	Rating Agency (Rating range)
	April 2004	AA-	
	October 2004	AA-	National Information & Credit Evaluation, Inc.
	March 2005	AA-	
	June 2005	AA-	
	June 2006	AA-	(AAA ~ D)
Corporate	December 2006	A+	
Debenture	May 2004	AA-	
	October 2004	AA-	Korea Investors Service, Inc.
	March 2005	AA-	
	June 2005	AA-	
	June 2006	AA-	(AAA ~ D)
	January 2007	A+	
	April 2004	A1	
	December 2004	A1	National Information & Credit Evaluation, Inc.
	June 2005	A1	
	January 2006	A1	
Commercial	June 2006	A1	(A1 ~ D)
Paper	December 2006	A1	
	May 2004	A1	
	October 2004	A1	Korea Investors Service, Inc.
	June 2006	A1	
	January 2007	A1	(A1 ~ D)

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D. Remuneration for directors in 2006

(Unit: In millions of Won)

Classification	Salary Paid	Approved Salary at Shareholders Meeting	Per Capita Average Salary Paid	Remarks
Inside Directors				
(4 persons)	1,352		338	
Outside Directors		13,400		Audit committee
(5 persons)	279		56	consists of three outside directors.

* 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
BNP and others	US\$	2,064	(Won)	1,951,067	(Won) 916.40:US\$1 ~ (Won) 974.30:US\$1	January 3, 2007 ~ December 11, 2007
KOOKMIN BANK and others	EUR	180	(Won)	217,757	(Won) 1,164.28:EUR1 ~ (Won) 1,229.17:EUR1	January 9, 2007 ~ November 19, 2007
HSBC and others	(Won)	334,571	JP¥	40,500	(Won) 7.9790:JP¥1 ~ (Won) 8.7140:JP¥1	January 12, 2007 ~ December 14, 2007
KOOKMIN BANK and others	US\$	78	JP¥	9,000	JP¥114.42:US\$1 ~ JP¥116.10:US\$1	January 12, 2007 ~ April 16, 2007

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(2) Cross Currency Swap

(Unit: In millions)

Contracting party	Contract Amount	Contract interest		Maturity date
		rate		
KOOKMIN BANK	Buying position	US\$ 100	3 Month Libor	August 29, 2011
	Selling position	(Won) 96,170	4.54%	

(3) Interest Rate Swap

(Unit: In millions)

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

(4) Currency Option

(Unit: In millions)

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

F. Status of Equity Investment as of December 31, 2006

Company	Total issued and	Number of shares	Ownership ratio
	outstanding shares	owned by us	
LG.Philips LCD America, Inc.	5,000,000	5,000,000	100%
LG.Philips LCD Japan Co., Ltd.	1,900	1,900	100%
LG.Philips LCD Germany GmbH	960,000	960,000	100%
LG.Philips LCD Taiwan, Co., Ltd.	11,549,994	11,549,994	100%
LG.Philips LCD Nanjing Co., Ltd.	*	*	100%
LG.Philips LCD Hong Kong Co., Ltd.	115,000	115,000	100%
LG.Philips LCD Shanghai Co., Ltd.	*	*	100%
LG.Philips LCD Poland Sp. z o.o.	2,385,900	2,385,900	100%
LG.Philips LCD Guangzhou Co., Ltd.	*	*	100%
Paju Electric Glass Co., Ltd.	3,600,000	1,440,000	40%

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- * No shares have been issued in accordance with the local laws and regulations.
- ** On January 22, 2007 and February 9, 2007, we injected the paid-in capital of US\$ 30,000,000 and US\$ 29,000,000 into LG.Philips LCD Poland Sp. z o.o. respectively and our ownership ratio thereafter remained 100%.

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LG.Philips LCD Co., Ltd. and

Subsidiaries

Consolidated Financial Statements

December 31, 2006 and 2005

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LG.Philips LCD Co., Ltd. and Subsidiaries

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December 31, 2006 and 2005

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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, 2006 and 2005, and the related consolidated statements of operations, 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 accordance with auditing standards generally accepted in the Republic of Korea. 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. 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, 2006 and 2005, 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.

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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 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.

Seoul, Korea

February 13, 2007

This report is effective as of February 13, 2007, 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, 2006 and 2005**

<i>(in millions of Korean won)</i>	2006	2005
Assets		
Current assets		
Cash and cash equivalents (Note 3)	(Won) 954,362	(Won) 1,579,452
Available-for-sale securities	23	354
Trade accounts and notes receivable, net (Notes 4, 5 and 21)	859,300	1,266,899
Inventories, net (Note 6)	1,052,705	690,785
Other accounts receivable, net (Notes 4, 5 and 21)	112,182	66,203
Accrued income, net (Note 4)	850	1,369
Advance payments, net (Note 4)	7,050	5,994
Prepaid expenses	23,536	21,603
Prepaid value added tax	93,058	131,230
Deferred income tax assets (Note 19)	677	5,373
Other current assets (Note 15)	50,884	76,806
Total current assets	3,154,627	3,846,068
Property, plant and equipment, net (Note 8)	9,428,046	9,199,599
Long-term financial instruments (Note 3)	13	16
Available-for-sale securities	1	1
Equity method investment (Note 7)	19,284	14,156
Non-current guarantee deposits	22,454	28,070
Long-term prepaid expenses	138,051	83,112
Deferred income tax assets (Note 19)	601,485	343,754
Intangible assets, net (Note 9)	123,826	159,306
Total assets	(Won) 13,487,787	(Won) 13,674,082
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term borrowings (Note 10)	(Won) 250,105	(Won) 308,969
Trade accounts and notes payable (Notes 5 and 21)	949,436	693,588
Other accounts payable (Notes 5 and 21)	1,249,405	1,474,556
Advances received (Note 5)	45,785	58,431
Withholdings	25,376	12,055
Accrued expenses (Note 5)	55,867	69,968
Income tax payable (Note 19)	4,658	21,788
Current maturities of long-term debts (Note 10)	563,630	440,840
Warranty reserve	31,261	24,947
Other current liabilities (Note 15)	33,266	33,693
Total current liabilities	3,208,789	3,138,835
Debentures, net of current maturities and discounts on debentures (Note 11)	2,319,391	2,385,272
Long-term debts, net of current maturities (Note 11)	987,597	430,697
Accrued severance benefits, net (Note 13)	81,885	43,206
Long-term accrued expenses	430	

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Deferred income tax liabilities (Note 19)	19	475
Total liabilities	6,598,111	5,998,485
Commitments and contingencies (Note 15)		
Shareholders' equity		
Capital stock (Note 16)		
Common stock, (Won)5,000 par value per share; 400 million shares authorized ; 358 million shares issued and outstanding	1,789,079	1,789,079
Capital surplus (Note 17)	2,275,172	2,279,250
Retained earnings (Note 17)	2,839,373	3,608,686
Capital adjustments (Note 18)	(13,948)	(1,418)
Total shareholders' equity	6,889,676	7,675,597
Total liabilities and shareholders' equity	(Won) 13,487,787	(Won) 13,674,082

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 Operations****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won, except per share amounts)</i>	2006	2005
Sales (Notes 21 and 23)	(Won) 10,624,200	(Won) 10,075,580
Cost of sales (Note 21)	10,932,316	9,094,711
Gross profit (loss)	(308,116)	980,869
Selling and administrative expenses	570,922	511,172
Operating income (loss)	(879,038)	469,697
Non-operating income		
Interest income	29,309	50,622
Rental income	7,811	207
Foreign exchange gains (Note 15)	306,132	273,790
Gain on foreign currency translation (Note 15)	62,576	68,520
Gain on disposal of property, plant and equipment	488	128
Gain on valuation of equity method investment (Note 7)	5,128	
Others	32,799	22,786
	444,243	416,053
Non-operating expenses		
Interest expenses	179,199	104,928
Foreign exchange losses (Note 15)	344,941	334,330
Loss on foreign currency translation (Note 15)	20,341	38,481
Loss on disposal of accounts receivable	20,778	16,858
Loss on valuation of equity method investment (Note 7)		244
Loss on disposal of property, plant and equipment	1,062	572
Loss on disposal of available-for-sale securities	35	
Loss on disposal of investments	118	
Donations	1,837	2,319
Ramp up cost (Note 6)	18,043	18,928
Others	327	395
	586,681	517,055
Income (loss) before income taxes	(1,021,476)	368,695
Income tax benefit (Note 19)	252,163	148,317
Net income (loss)	(Won) (769,313)	(Won) 517,012
Ordinary income (loss) per share (Note 20)	(Won) (2,150)	(Won) 1,523
Earnings (loss) per share (Note 20)	(Won) (2,150)	(Won) 1,523
Diluted ordinary income (loss) per share (Note 20)	(Won) (2,150)	(Won) 1,523

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Diluted earnings (loss) per share (Note 20)	(Won)	(2,150)	(Won)	1,523
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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 Shareholders Equity****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	Common Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Total
Balance as of January 1, 2005	(Won) 1,626,579	(Won) 1,012,271	(Won) 3,091,674	(Won) 42,117	(Won) 5,772,641
Issuance of common stock	162,500	1,266,979			1,429,479
Net income			517,012		517,012
Changes in capital adjustments				(43,535)	(43,535)
Balance as of December 31, 2005	1,789,079	2,279,250	3,608,686	(1,418)	7,675,597
Net loss			(769,313)		(769,313)
Changes in capital surplus		(4,078)			(4,078)
Changes in capital adjustments				(12,530)	(12,530)
Balance as of December 31, 2006	(Won) 1,789,079	(Won) 2,275,172	(Won) 2,839,373	(Won) (13,948)	(Won) 6,889,676

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, 2006 and 2005

<i>(in millions of Korean won)</i>	2006	2005
Cash flows from operating activities		
Net income (loss)	(Won) (769,313)	(Won) 517,012
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	2,593,439	1,746,901
Amortization of intangible assets	45,410	45,421
Provision for severance benefits	55,183	43,851
Gain on foreign currency translation, net	(52,233)	(34,462)
Loss on disposal of available-for-sale securities	35	
Loss on disposal of investments	118	
Gain on disposal of property, plant and equipment, net	574	444
Amortization of discount on debentures	35,615	29,891
Loss (gain) on valuation of equity method investments	(5,128)	244
Others	46,013	28,909
	2,719,026	1,861,199
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	409,123	(398,445)
Decrease (increase) in inventories	(361,919)	114,503
Decrease (increase) in other accounts receivable	(46,148)	(2,415)
Decrease in accrued income	519	101
Decrease (increase) in advance payments	(1,056)	3,832
Decrease (increase) in prepaid expenses	23,549	16,566
Decrease (increase) in prepaid value added tax	38,172	(35,634)
Decrease in other current assets	25,793	67,891
Decrease in long-term other accounts receivable		1
Increase in long-term prepaid expenses	(80,420)	(43,016)
Increase in current deferred income tax assets	50	(8,011)
Increase in non-current deferred income tax assets	(259,346)	(172,265)
Increase in trade accounts and notes payable	256,642	122,926
Increase in other accounts payable	22,767	218,698
Increase (decrease) in advances received	(12,777)	56,179
Increase in unearned revenues	7,055	
Increase in withholdings	13,322	5,927
Decrease in accrued expenses	(14,101)	(49,896)
Decrease in income taxes payable	(17,131)	(54,815)
Decrease in warranty reserve	(39,699)	(23,179)
Decrease in other current liabilities	(8,293)	(54,133)
Decrease in deferred income tax liabilities	(456)	
Increase in long-term accrued expenses	430	
Accrued severance benefits transferred from affiliated company, net	3,531	2,484
Payment of severance benefits	(33,932)	(16,306)
Decrease (increase) in severance insurance deposits	13,829	(18,817)
Decrease in contributions to the National Pension Fund	68	29

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Increase in consolidation adjustments, net	(23,785)	(2,000)
	(84,213)	(269,795)
Net cash provided by operating activities	1,865,500	2,108,416

Table of Contents**LG.Philips LCD Co., Ltd. and Subsidiaries****Consolidated Statement of Cash Flows****Years ended December 31, 2006 and 2005**

<i>(in millions of Korean won)</i>	2006	2005
Cash flows from investing activities		
Acquisition of equity-method investments	(Won) (14,400)	(Won) (14,400)
Acquisition of available-for-sale securities	(53)	(339)
Proceeds from disposal of long-term financial instruments	3	
Proceeds from disposal of available-for-sale securities	349	
Proceeds from non-current guarantee deposits	10,138	2
Payments of non-current guarantee deposits	(4,640)	(4,732)
Acquisition of property, plant and equipment	(3,075,985)	(4,166,151)
Proceeds from disposal of property, plant and equipment	11,252	461
Acquisition of intangible assets	(8,251)	(12,704)
Increase in other current assets	(8)	(11)
Net cash used in investing activities	(3,067,195)	(4,197,874)
Cash flows from financing activities		
Repayment of short-term borrowings	(58,307)	(173,004)
Repayment of current maturities of long-term debts	(442,848)	(212,931)
Proceeds from issuance of debentures	399,600	1,073,684
Proceeds from issuance of long-term debts	678,160	218,580
Proceeds from issuance of common stock		1,401,342
Net cash provided by financing activities	576,605	2,307,671
Net increase (decrease) in cash and cash equivalents	(625,090)	218,213
Cash and cash equivalents (Note 24)		
Beginning of the year	1,579,452	1,361,239
End of the year	(Won) 954,362	(Won) 1,579,452

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, 2006 and 2005****1. The Companies**

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

The Controlling Company

LG.Philips LCD Co., Ltd. was incorporated in 1985 as the original name of LG Soft, Ltd., under the Commercial Code of the Republic of Korea and commenced the manufacturing and sale of Thin Film Transistor Liquid Crystal Display (TFT LCD) from 1999. On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. (Philips) and the Company entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name from LG LCD Co., Ltd. to LG.Philips LCD Co., Ltd. effective August 27, 1999, and on August 31, 1999, the Company issued new shares of common stock to Philips for (Won)725,000 million and Philips acquired a 50% interest in LG LCD Co., Ltd.

The Controlling Company listed its shares with the Korea Stock Exchange and with the US Securities and Exchange Commission in July, 2004. In July 2005, pursuant to a Form F-1 Registration statement filed on July 22, 2005, with the US Securities and Exchange Commission, the Company sold 27,900,000 shares of common stock in the form of American Depositary Shares (ADSs) for proceeds of US\$ 1, 189,656 thousand. In addition, pursuant to the Underwriting Agreement dated July 21, 2005, the Company issued 4,600,000 shares of common stock for gross proceeds of US\$ 196,144 thousand.

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

	Number of Shares	Percentage of Ownership (%)
LG Electronics Inc.	135,625,000	37.9
Koninklijke Philips Electronics N. V.	117,625,000	32.9
Others	104,565,700	29.2
	357,815,700	100.0

Table of Contents**LG.Philips LCD Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2006 and 2005****Consolidated Subsidiaries**

Consolidated subsidiaries as of December 31, 2006, are as follows:

	Total issued and outstanding shares	No. of shares owned by the Controlling Company	Percentage of Ownership (%)
Overseas Subsidiaries			
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.	1	1	100
LG.Philips LCD Hong Kong Co., Ltd.	115,000	115,000	100
LG.Philips LCD Shanghai Co., Ltd.	1	1	100
LG.Philips LCD Poland Sp.z o.o.	2,385,900	2,385,900	100
LG.Philips LCD Guangzhou Co., Ltd.	1	1	100

¹ No shares have been issued in accordance with the local laws and regulations.
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, 2006 and 2005, its capital stock amounted to US\$5 million and is wholly owned by LG.Philips LCD Co., Ltd.

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

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

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

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

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(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, 2006 and 2005, its capital stock amounted to NTD116 million.

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

LPLCN was incorporated in Nanjing, China, in July 2002, to manufacture and sell TFT-LCD products. As of December 31, 2006, its capital stock amounted to CNY 1,380 million (2005: CNY 1,069 million), and is wholly owned by LG. Philips LCD Co., Ltd.

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

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

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

LPLSH was incorporated in Shanghai, China, in January 2003, to sell the TFT-LCD products of LG.Philips LCD Co., Ltd. As of December 31, 2006 and 2005, 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.(LPL Poland)

LPL Poland was incorporated in Poland on September 6, 2005, to manufacture and sell the TFT-LCD products of LG. Philips LCD Co., Ltd. As of December 31, 2006, its capital stock amounted to PLN 238,590,000 (2005: PLN 50,000), and is wholly 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, 2006, its capital stock amounted to CNY 318 million and is wholly owned by LG. Philips LCD Co., Ltd.

Equity-method investments

The primary business activities of the equity-method investments are as 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, 2006, its capital stock amounted to (Won)36,000 million and 40% shares of PEG are owned by LG.Philips LCD Co., Ltd.

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

Condensed Balance Sheets

	LG.Philips LCD America, Inc.		LG.Philips LCD Germany GmbH		LG.Philips LCD Japan.Co., Ltd.		LG.Philips LCD Taiwan Co., Ltd.		LG.Philips LCD Nanjing Co., Ltd.	
<i>(in millions of Korean won)</i>										
Current assets	(Won)	85,901	(Won)	361,469	(Won)	90,473	(Won)	328,203	(Won)	76,262
Non-current assets		5,366		1,797		1,045		3,731		369,940
Total assets	(Won)	91,267	(Won)	363,266	(Won)	91,518	(Won)	331,934	(Won)	446,202
Current liabilities	(Won)	81,858	(Won)	359,202	(Won)	86,925	(Won)	319,534	(Won)	80,490
Non-current liabilities						34				157,057
Total liabilities		81,858		359,202		86,959		319,534		237,547
Capital stock		6,082		1,252		1,088		4,189		177,854
Retained earnings		5,672		3,057		4,812		10,906		51,571
Capital adjustments		(2,345)		(245)		(1,341)		(2,695)		(20,770)
Total shareholders equity		9,409		4,064		4,559		12,400		208,655
Total liabilities and shareholders equity	(Won)	91,267	(Won)	363,266	(Won)	91,518	(Won)	331,934	(Won)	446,202

	LG. Philips LCD HongKong Co., Ltd.		LG. Philips LCD Shanghai Co., Ltd.		LG. Philips LCD Poland Sp z o.o.		LG. Philips LCD Guangzhou Co., Ltd.		Total	
<i>(in millions of Korean won)</i>										
Current assets	(Won)	174,257	(Won)	248,379	(Won)	32,110	(Won)	25,941	(Won)	1,422,995
Non-current assets		356		216		200,616		11,670		594,737
Total assets	(Won)	174,613	(Won)	248,595	(Won)	232,726	(Won)	37,611	(Won)	2,017,732
Current liabilities	(Won)	168,580	(Won)	244,628	(Won)	166,489	(Won)	720		