



## INTRODUCTION

1. This is an action on behalf of purchasers of LG.Philips LCD Co., Ltd. (“LG.Philips” or the “Company”) publicly traded securities, including American Depository Shares (“ADSs”), during the period from July 16, 2004 to December 11, 2006 (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”). The Company’s shares are dually listed on the New York Stock Exchange (“NYSE”) and the Korean Stock Exchange. LG.Philips engages in the manufacture and supply of thin film transistor liquid crystal displays (“LCD”) to original equipment manufacturers and multinational corporations. It sells its products primarily in the United States, Korea, Asia, and Europe.

2. During the Class Period, defendants made the positive statements below concerning the Company’s LCD business while, *unbeknownst to investors, defendants were using artificial antitrust mechanisms to support the Company’s already inflated margins*. Throughout FY 2004, defendants’ positive claims all shared a common theme – that LCD prices should stabilize in the near future – but defendants failed to mention that they themselves were causing the “stabilized” market. In FY 2005, defendants continued to make positive statements about the LCD market. But, again, defendants failed to mention they were the source of “stabilization,” *i.e.*, artificially inflated prices, stating “We expect [LCD prices] will begin to stabilize in the second quarter and then show signs of strengthening later in the year.” Defendants’ positive statements included:

### **FY 2004**

- *“In our first quarter as a public company, we continued to experience year-on-year revenue growth, as we utilized our increased capacity to generate higher sales to our global merchant customers.”*
- *“Furthermore, we believe that LG.Philips LCD is well positioned to capture market share and to grow our customer relationships. Our funding position has strengthened considerably due to the IPO proceeds and to strong cash-flow from operations . . . .”*

- *“The TFT-LCD industry should experience both unit and area growth in the fourth quarter of 2004 and during 2005.”*
- *“LG.Philips LCD will increase its output to meet this growth and to meet its customers’ needs.”*
- *“We expect prices to further stabilize, as they currently are, in Q4 2004. Prices [for both PC computers and TVs] are expected to . . . improve in the second half of 2005, mainly due to growing demand for LCD TVs.”*
- *“We continue making steady gains towards our goal of becoming the number one LCD company in the industry . . . . In the third quarter of 2004 we began mass production at the world’s largest sixth generation factory, ‘P6’, reaching an average capacity of 35,000 input sheets per month in the fourth quarter. Our advanced technology enables us to further enhance our product offerings, strengthen our market position and fortify our strategic relationships with key customers. We remain committed to growing the LCD TV segment and have announced plans for our seventh generation factory, ‘P7’, which will enable us to meet the future product needs of our customers and capitalize on the growing global opportunity for LCD TVs.”*
- *“As we announced in December 2004, price declines in the fourth quarter were greater than we anticipated earlier in that period . . . . Yet, despite these conditions, LG.Philips LCD continued to execute well on its plan to sustain market leadership, manufacturing efficiencies and sound financial management.”*

#### FY 2005

- *“Our strength and commitment to state-of-the-art manufacturing resulted in an impressive 38% increase in area shipped for the quarter, while at the same time, we were able to reduce our costs of goods sold. In 2005, we believe there will be strong growth in consumer demand for flat screen TVs, and our focus remains the same: superior execution, prudent cost-cutting measures and investing in our business to further improve our competitive position and long-term growth prospects.”*
- *“According to DisplaySearch, the TFT-LCD industry should experience both unit and area growth in 2005. LG.Philips LCD plans to increase its output to meet this anticipated growth and to meet its customers’ needs.”*
- *“We expect the industry supply/demand balance will begin to stabilize in the second quarter and then show signs of strengthening later in the year . . . . For the first quarter of 2005, we see our area shipments increasing approximately 9% quarter-on-quarter. We expect a high single digit rate decline on the ASP per net display area shipped at the end of the first quarter of 2005 as compared to the end of the fourth quarter of 2004. As a result, we expect our EBITDA margin rate in the first quarter of 2005 to be in the range of the mid-teens.”*
- *“Despite challenging market conditions, we continue to execute and perform in line with our plans . . . . As a result of our ongoing, strong ramp-up of our sixth generation factory, ‘P6’, we grew our total net display area shipped by 24 percent in the first quarter sequentially. Our seventh generation TFT-LCD facility, ‘P7’, construction remains on track for mass production to begin in the first half of*

2006. We continue to believe in the growth opportunities for the TFT-LCD industry, as LCDs evolve as the flat-panel of choice for HDTV content.”

- “During this quarter, the average LCD size increased with the adoption of large and wide LCD monitors and the growing popularity of LCD TVs. To meet the increase in demand, we continue to focus on effectively using our resources to serve our customers and improve operational efficiency.”
- “[W]e expect the industry supply/demand balance will begin to stabilize and then show signs of strengthening later in the year, mainly due to the growing demand for LCD TVs . . . .”
- “LG.Philips LCD expects to increase its output of net display area shipped at a double digit rate for the second quarter of 2005, compared to the first quarter of 2005, in order to meet the anticipated market growth and to satisfy customers’ needs. At the same time, due to market pricing conditions, the Company expects its ASP per square meter to decline at a single digit rate at the end of the second quarter of 2005, compared to the end of the first quarter in 2005. In terms of the EBITDA margin, the Company anticipates mid to high teens for Q2 05.”
- “We expect the business environment to continue strengthening in the second half of 2005 . . . . For the third quarter of 2005, we believe our area shipments will increase by a mid teen percentage quarter-on-quarter due to continued growth in the monitor and TV segments. We expect a single digit percentage increase in our average sales price per square meter of net display area shipped at the end of the third quarter of 2005 as compared to the end of the second quarter of 2005. We continue to lead the TFT-LCD market expansion and remain well positioned with the ramp up of our P6 facility and the construction of our P7 facility. Our CAPEX guidance for 2005 remains unchanged from the previous quarter’s guidance. At this stage, we estimate our preliminary CAPEX for 2006 to be in the range of KRW 3.5 trillion to KRW 4.5 trillion.”
- “In the third quarter, we experienced increased demand, especially in the LCD TV and notebook panel segments, and, as a result, we shipped a record amount of display area, despite a strong competitive environment . . . . We were able to meet this demand growth due in large part to the successful ramp up of our P6 facility, which achieved its initial design capacity of 90,000 sheets per month this quarter. While we continued to increase capacity, we were also intensely focused on cost reduction, which continued to show improvement.”
- “For the fourth quarter of 2005, we anticipate our area shipments will increase by a low teens percentage quarter-on-quarter due to continued growth, especially in the rapidly expanding TV segment . . . . We expect our average selling price per square meter of net display area shipped at the end of the fourth quarter of 2005 to be flat to slightly down, as compared to the end of the third quarter of 2005, largely due to potentially weaker pricing for some monitors. Our EBITDA margin for the fourth quarter is expected to be in the mid-to-high twenties. Our CAPEX guidance for 2005 remains unchanged from the previous quarter’s guidance, and at this stage, we maintain our preliminary CAPEX for 2006 to be in the range of KRW 3.5 trillion to KRW 4.5 trillion.”
- “During the fourth quarter, LCD TV panel demand was strong as consumers are rapidly recognizing LCD technology as “the” flat TV technology of choice . . . . In 2005, LG.Philips LCD was the number one producer of large-area TFT-LCD

*panels according to DisplaySearch, and in fact, we became the first company in the LCD industry to cumulatively sell more than 10 million, 15" and above, LCD TV panel units. With the strong holiday selling season, we have entered an era of healthy HDTV set demand growth, well-timed with the January ramp up of our Gen. 7 fab, "P7." Thus, we are well positioned to retain our leadership role in this dynamic industry.'"*

3. Defendants plotted their market stabilization goal in early 2004, if not before, when industry profits were peaking. Shortly thereafter, the average profit margins in the first half of 2004 at the three largest producers, including LG.Philips, exceeded 30%. Individually, defendants also feared their scheme, if exposed, would cause them to share the same fate as executives who had received prison sentences during 2004 and 2005 for identical conduct. As such, the price-fixing scheme was slowly unwound during early 2006. The Class Period press releases are fraught with defendants' prophetic comments of future pricing, including by which day the price of LCDs would stabilize. While defendants issued these clairvoyant statements as to LCD prices for more than two years, defendants never once admitted that they would be the very cause of *how/why* the prices of LCDs would move. But, by 2006, defendants had begun to abandon their price-fixing scheme as they watched others in their industry pay monumental fines for their illegal antitrust activities.

4. Following the abandonment of their scheme in 2006, the prices of TV panels were on track to fall 25% to 30% per annum. This decline eroded corporate profits in FY 2006 (which were previously inflated), and while defendants knew they had been under investigation for antitrust violations for some time, shareholders would not learn of it until mid-December 2006.<sup>1</sup>

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<sup>1</sup> The Company, as has been alleged by several government agencies, engaged in this price-fixing scheme with several other dominating companies within this industry.

## **THE COMPANY'S SHARES BEGIN THEIR FIRST MULTI-DAY PLUNGE**

5. By late Spring 2006, the Company's price fixing-scheme was faltering as executives had become increasingly unnerved by news of fines and even jail sentences imposed for price fixing in its industry. At the same time defendants began ceasing their illicit behavior, rumors about the reasons for the sudden "weak pricing" in the LCD marketplace circulated throughout the markets. This information entering the marketplace would eventually end the Company's ability to maintain artificially high profits via artificially inflated selling prices.

6. Defendants had begun halting most of the price-fixing activities which allowed the Company (and Individual Defendants) to reap margins (and bonuses) in the LCD industry otherwise unattainable. Thus, even before Q1 2006 results were reported, defendants knew that Q2, Q3 and Q4 2006 results would include losses totaling in excess of half a billion dollars. They knew the cessation of the activities would eviscerate nearly all the Company's profits for these quarters and would cause LG.Philips to miss its projected EPS, which had partially caused the inflation in the Company's share price. Without artificial anticompetitive mechanisms in place, the Company's near future was dim. So, too, was the future of the Company's share price, which began to *price in* rumors of anticompetitive behavior within the LCD industry, including within the Company. In a matter of weeks, the Company's shares declined from \$22 to \$15 in response to the LCD market reaction.

7. On October 10, 2006, the Company's shares tumbled nearly 8% following the Company's report that its Q3 2006 profit fell 86%. This drop in profits for Q3 2006 came on the heels of the Company's previous report for Q2 2006, where the Company posted *its first loss in 10 quarters*. Following the report of the Company's disastrous Q3 2006 results, analysts and

economists poured over the Company's SEC filings in search of a *candid* explanations for the Company's Q2 2006 loss and Q3 2006 drop in profits.

8. Contrary to the October 10, 2006 explanation, in truth, the Company's profitability fell into a steep decline in Spring of 2006 when defendants began to abandon their method of inflating the Company's profits through illegal means – price fixing – which accounted for the Company's historic profitability. Almost offering a second explanation for the Company's faltering results, defendant Wirahadiraksa made the following statement in the Company's October 10, 2006 report:

“We are now at a crucial inflection point. Without additional measures relating to product mix, cost, and productivity, we will not be able to deliver value to our shareholders. In the coming months, *LG.Philips LCD will take the required actions in these areas to better respond to a new reality on pricing, demand and competitive pressures.* We are confident that we have at least taken the right first steps – maintaining healthier inventory levels, reducing costs at an expedited rate in Q3, and aligning ourselves in a more substantial way with our customers – and management remains committed to do what is necessary to generate acceptable returns.”

9. In response to the Company's vague October 10, 2006 explanation of, among other things, how the Company will “respond to a *new* reality on pricing, demand and competitive pressures,” confused investors sold record amounts of shares, sending the Company's shares plunging 7% in one day, eroding \$200 million in market capitalization alone.

#### **THE COMPANY'S SHARES BEGIN THEIR SECOND MULTI-DAY PLUNGE**

10. On December 8, 2006, officials from South Korea's Fair Trade Commission appeared at the Company's Seoul headquarters to proceed with a formal investigation of the Company and its top executives. LG.Philips units in Tokyo and San Jose, California were also investigated. As this news began to leak, so, too, did the steam behind the Company's shares.

## THE COMPANY'S SHARES BEGIN THEIR THIRD AND FINAL MULTI-DAY PLUNGE

11. On December 11, 2006, the Company announced it was being investigated for “possible anticompetitive conduct in the LCD industry.” Samsung, Taiwan’s AU Optronics Corporation and Chi Mei, as well as Japan’s Sharp Corporation, also said they were being investigated. The announcement spurred a two-day stock slide that *erased about \$1.6 billion in market value from the top five producers, including LG.Philips. Fines from the probe will undermine the Company’s earnings in an industry where panel prices are forecast to slide more than 25% in 2007.* The defendants’ anticompetitive behavior sparked investigations by the U.S. Justice Department, the European Commission, and even regulators in Korea.<sup>2</sup>

12. Unbeknownst to shareholders, defendants knew that their illicit behavior, if revealed, could result in fines exceeding \$1 billion. Antitrust fines can be estimated based on either the success of the illicit venture or the harm emanating therefrom. Combined, the Company could pay nearly a billion dollars in fines on one continent alone:

- **Penalties in Europe:** Europe can fine as much as 10% of a company’s annual revenue, including sales of unrelated products.
- **Penalties in the U.S.:** the U.S. Justice Department can fine companies \$100 million, double the offender’s profits, or twice the victims’ losses, whichever is largest.
- **Penalties in Japan/South Korea:** in Japan and South Korea, penalties may be as high as 10% of the related product’s sales during the period of the offense.

All told, defendants knew their conduct would result in fines far exceeding the original profits from their anticompetitive behavior. Furthermore, since defendants had knowledge of the maximum fines

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<sup>2</sup> The antitrust regulator for Taiwan, home to three of the world’s five largest LCD makers, was monitoring developments in the investigation already launched by the U.S., Korea and EU.

that were assessed, these liabilities were incurred and estimable since (and even before) the Company went public.

13. During the Class Period, defendants concealed the following material adverse facts from the investing public:

(a) From on or about June 2004 until on or about June 2006, LG.Philips and its co-conspirators entered into and engaged in a combination and conspiracy in the United States and elsewhere to suppress and eliminate competition by fixing the prices of LCD panel products to be sold to resellers and consumers. The combination and conspiracy engaged in by LG.Philips and its co-conspirators was in unreasonable restraint of interstate and foreign trade and commerce in violation of §1 of the Sherman Act (15 U.S.C. §1).

(b) The charged combination and conspiracy consisted of a continuing agreement, understanding, and concert of action among LG.Philips and its co-conspirators, the substantial terms of which were to agree to fix the prices for LCD panel products to be sold to certain resellers and consumers.

(c) For the purpose of forming and carrying out the charged combination and conspiracy, LG.Philips and its co-conspirators did those things that they combined and conspired to do, including, among other things:

(i) participating in meetings, conversations and communications in the United States and elsewhere to discuss the prices of LCD panel products to be sold to certain resellers and consumers;

(ii) agreeing, during those meetings, conversations, and communications to charge prices for LCD panel products at certain levels to be sold to certain resellers and consumers;

(iii) issuing price quotations in accordance with the agreements reached;  
and

(iv) exchanging information on sales of LCD panel products to certain resellers for the purpose of monitoring and enforcing adherence to the agreed-upon prices and artificially inflating the Company's revenue and profits.

(d) As a result, the Company's shares traded at inflated prices, enabling the Company to consummate its initial public offering ("IPO") raising \$1 billion, its secondary offering raising \$1.4 billion, and obtain an additional \$500<sup>3</sup> million in other securities offerings on terms otherwise unobtainable *but for* defendants' fraudulent conduct, including the use of defective prospectuses for each such offering.

#### **JURISDICTION AND VENUE**

14. The claims asserted herein arise under and pursuant to §§10(b) and 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

15. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and §27 of the Exchange Act (15 U.S.C. §78aa).

16. Venue is proper in this District pursuant to §27 of the Exchange Act and 28 U.S.C. §1391(b). Many of the acts alleged herein, and the acts giving rise to defendants' motive, including the sale of the nearly \$3 billion worth of Company securities, occurred in substantial part in this District. In fact, defendant LG.Philips accessed the U.S. markets through its contacts with its New

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<sup>3</sup> \$200 million in United States Dollar ("USD") denomination floating rate notes and \$300 million in Korean Won ("KRW") denomination fixed rate bonds.

York-based investment bankers.<sup>4</sup> Further, defendants directed the New York investment bankers to distribute shares from this district in connection with its IPO and Secondary Offering.

17. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

### **THE PARTIES**

18. Plaintiff Betty O. Abrams purchased LG.Philips ADSs as detailed in the attached Certification and was damaged thereby.

19. Defendant LG.Philips engages in the manufacture and supply of thin film transistor liquid crystal displays to original equipment manufacturers and multinational corporations. The Company was incorporated in 1985 as LG Soft, Ltd. and changed its name to LG LCD Co., Ltd. in 1998. Further, it changed its name to LG.Philips LCD Co., Ltd. in 1999. The Company is headquartered in Seoul, South Korea.

20. Defendant Bon Joon Koo (“Koo”) is Joint Representative Director, Vice Chairman and Chief Executive Officer of the Company. He also participated in the drafting of the Company’s quarterly (and defective) press releases from July 16, 2004 through December 11, 2006, together with the Company’s defective offering documents relating to the Company’s 2004 IPO, 2004 debt offerings and the 2005 secondary offering.

21. Defendant Ron H. Wirahadiraksa (“Wirahadiraksa”) is Joint Representative Director, President and Chief Financial Officer of the Company.

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<sup>4</sup> Morgan Stanley, Citigroup and UBS Investment Bank.

22. Defendant Ki Seon Park (“Park”) is President and Chief Operations Officer of the Company.
23. Defendant Rudy Provoost (“Provoost”) is Chairman of the Board of Directors of the Company.
24. Defendant Hee Gook Lee (“Lee”) is a director of the Company.
25. Defendant Bong Sung Oum (“Oum”) is a director of the Company.
26. Defendant Bart Van Halder (“Halder”) is a director of the Company.
27. Defendant Ingoo Han (“Han”) is a director of the Company.
28. Defendant Doug J. Dunn (“Dunn”) is a director of the Company.
29. Defendant Dong Woo Chun (“Chun”) is a director of the Company.
30. The defendants named in ¶¶20-29 above are sometimes referred to as the “Individual Defendants.” They are liable for the false statements pleaded in ¶¶38-44, 46 and 48-50, as those statements were “group-published” information.

**BACKGROUND AND EXPLANATION OF DEFENDANTS’  
ILLEGAL ANTITRUST ACTIVITIES**

31. During the Class Period, defendants maintained that LG.Philips was a law abiding regulatory Company. LG.Philips engages in the manufacture and supply of thin film transistor LCDs to original equipment manufacturers and multinational corporations. The Company is headquartered in Seoul, South Korea and maintains offices throughout the United States. Moreover, billions of dollars worth of Company stock was unloaded on American shareholders vis-à-vis New York-based investment banks, including Citigroup, Morgan Stanley and UBS, who, in turn, complied with defendants’ demand to distribute shares from their respective New York City, New York offices. The Company was incorporated in 1985 as LG Soft, Ltd. and changed its name to LG

LCD Co., Ltd. in 1998. Then again, in 1999, the Company changed its name to LG.Philips LCD Co., Ltd. It sells its products primarily in the United States, Korea, Asia, and Europe.

32. Beginning by at least 2004 and continuing until at least 2006, the defendants engaged in a continuing agreement, understanding and conspiracy in restraint of trade to artificially raise, fix, maintain or stabilize prices for LCD panel makers in the United States in violation of §1 of the Sherman Act, 15 U.S.C. §1, and the federal securities laws, in turn.

33. The defendants sought to and did fix, raise and maintain, or stabilize prices for LCD panel products in the United States.

34. In formulating and effectuating the price-fixing arrangement, LG.Philips and its co-conspirators did those things that they combined and conspired to do, including, among other things:

(a) agreeing to charge prices at certain levels and otherwise to fix, increase, maintain or stabilize prices of display products sold in the United States;

(b) selling LCD panel products at the agreed upon prices; and

(c) inflating their profit margins via the above acts and sending the Company's shares to levels otherwise unlikely as these shares traded in response to the Company's profits per share.

35. The activities described above were engaged in by LG.Philips and its co-conspirators for the purpose of effectuating the unlawful arrangements to fix, maintain, raise and/or stabilize LCD panel product prices.

36. Throughout the Class Period, defendants affirmatively and fraudulently concealed this unlawful conduct from plaintiff and the Class.

37. Only on or about December 12, 2006,<sup>5</sup> when news services announced that LG.Philips had been targeted by the U.S. Justice Department for conspiring to fix the prices of LCD panel products, did the truth become known: that LG.Philips and its co-conspirators engaged in a successful, illegal price-fixing conspiracy with respect to LCD panel products, which they affirmatively concealed, in at least the following respects:

(a) By meeting secretly to discuss the prices of LCD panel products sold in the U.S. and elsewhere;

(b) By agreeing among themselves at meetings and in communications not to discuss publicly, or otherwise reveal, the nature and substance of the acts and communications in furtherance of their illegal scheme; and

(c) By giving false and pretextual reasons for the pricing of LCD panel products sold by them during the Class Period and by describing such pricing falsely as being the result of competitive factors rather than collusion.

**FALSE AND MISLEADING STATEMENTS  
DURING THE CLASS PERIOD**

38. On July 16, 2004, the Company issued a press release entitled “LG.Philips LCD announces pricing of US\$1.0 billion Initial Public Offering of 33,600,000 primary shares,” which stated in part:

LG.Philips LCD (the “Company”), one of the world’s leading TFT-LCD manufacturers, announced today the pricing of its initial public offering at \$15.00 per American Depositary Share (“ADS”) and KRW34,500 per share of common stock (“Share”). The ADSs have been approved for listing on the New York Stock Exchange under the symbol “LPL”, subject to official notice of issuance, and the Company has obtained preliminary approval, and will apply for final approval immediately after closing, to list its common stock on the Korea Stock Exchange

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<sup>5</sup> December 11, 2006 U.S. time.

under the code “034220”. Each ADS represents one half of a Share. The initial public offering comprises 33,600,000 primary Shares. The Company is offering 8,640,000 Shares to the public in Korea and 49,920,000 ADSs (equivalent to 24,960,000 Shares) outside Korea. The Company has granted the underwriters an option to purchase up to an additional 7,488,000 ADSs (equivalent to 3,744,000 Shares) to cover over-allotments, if any, outside Korea. “As the first concurrent, dual-listed initial public offering on both the Korean and the New York Stock Exchanges, we are pleased with the global investor reaction to our US\$1.0 billion initial public offering,” said Bon Joon Koo, Chief Executive Officer, LG.Philips LCD. “The proceeds from this transaction will be used to fund strategic expansion plans.” As a result of the initial public offering, the interests of LG Electronics Inc. and Koninklijke Philips Electronics N.V. in the Company will both be reduced from 50.0% to 44.8% or, if the underwriter’s over-allotment option is exercised in full, to 44.3%. LG Electronics Inc. and Koninklijke Philips Electronics N.V. will not be selling any shares in this offering. After the offering, LG.Philips LCD will have 323,600,000 Shares outstanding, or 327,344,000 Shares outstanding if the over-allotment option is exercised in full. LG Investment & Securities, Morgan Stanley and UBS Investment Bank are the joint global coordinators and joint bookrunners for the offering. Dongwon Securities is the lead Korean underwriter. A copy of the prospectus relating to the offering may be obtained from Morgan Stanley at 1585 Broadway, New York, NY 10036, from UBS Investment Bank at 299 Park Avenue, New York, NY 10171 or from LG Investment & Securities at West Tower, LG Twin Towers, 20 Yoido-dong, Youngdungpo-gu, Seoul 150-721, Republic of Korea.

39. On October 11, 2004, the Company issued a press release entitled “LG.Philips LCD

Reports Third Quarter Results,” which stated in part:

LG.Philips LCD, one of the world’s leading TFT-LCD manufacturers, today reported unaudited earnings results based on consolidated Korean GAAP for the three-month and nine-month periods ended September 30, 2004. Amounts in Korean Won are translated into US dollars at the exchange rate of KRW 1,152 per US dollar as of September 30, 2004.

-- Sales increased by 11.5% to KRW 1,875 billion (USD 1,601 million) in the third quarter of 2004 from KRW 1,681 billion (USD 1,425 million) in the third quarter of 2003 due to increased demand. Sales in the third quarter declined 19.6% compared to the second quarter of 2004 due to pricing pressure as a result of increased capacity in the industry, which stemmed in part from the easing of industry-wide shortages of materials and a build-up of inventory.

-- Operating income decreased by 29.9% to KRW 256 billion (USD 223 million) in the third quarter of 2004 from KRW 365 billion (USD 318 million) in the third quarter of 2003 and by 66.8% from KRW 771 billion in the second quarter of 2004.

-- Net income decreased by 15.2% to KRW 291 billion (USD 252 million) in the third quarter of 2004 from KRW 343 billion (USD 298 million) in the third quarter of 2003. This represents a decrease of 58.5% from KRW 701 billion (USD 609 million) in the second quarter of 2004.

***“In our first quarter as a public company, we continued to experience year-on-year revenue growth, as we utilized our increased capacity to generate higher sales to our global merchant customers,” said Bon Joon Koo, Chief Executive Officer, LG.Philips LCD. “It was a notable quarter in which we completed the world’s first concurrent dual listing with our IPO on the Korea Stock Exchange and the New York Stock Exchange, successfully commenced production at our sixth generation fabrication facility (P6) and maintained our position as the largest merchant supplier of TFT-LCD panels in the world,” concluded Mr. Koo.***

### Third Quarter Financial Review

#### Revenue and Cost

Revenue increased by 11.5% to KRW 1,875 billion (USD 1,601 million) in the three-month period ended September 30, 2004, from KRW 1,681 billion (USD 1,425 million) in the corresponding period in 2003. ***Increases in capacity contributed to additional unit sales of large-size panels for notebook computers, desktop monitors and TVs in the three-month period ended September 30, 2004, compared to the corresponding period in 2003. TFT LCD panels for desktop monitors accounted for 54.5% in terms of revenue, with notebook computers accounting for 26.5%, TVs accounting for 13.5% and applications accounting for 5.4%.***

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Ron Wirahadiraksa, Chief Financial Officer, LG.Philips LCD [stated:] ***“Furthermore, we believe that LG.Philips LCD is well positioned to capture market share and to grow our customer relationships. Our funding position has strengthened considerably due to the IPO proceeds and to strong cash-flow from operations,”*** concluded Mr. Wirahadiraksa.

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#### Outlook

***The TFT-LCD industry should experience both unit and area growth in the fourth quarter of 2004 and during 2005.***

***LG.Philips LCD will increase its output to meet this growth and to meet its customers’ needs.***

***We expect prices to further stabilize, as they currently are, in Q4 2004. Prices in the first half of 2005 are expected to remain weak for both PC computers***

*and TVs and to improve in the second half of 2005, mainly due to growing demand for LCD TVs.*

40. On January 24, 2005, the Company issued a press release entitled “LG.Philips LCD Reports Fourth Quarter 2004 Results,” which stated in part:

-- Sales in the fourth quarter of 2004 increased by 3% to KRW 1,933 billion (USD 1,867 million) from sales of KRW 1,875 billion (USD 1,811 million) in the third quarter of 2004. Sales decreased by 9% in the fourth quarter of 2004 from KRW 2,135 billion (USD 2,063 million) in the fourth quarter of 2003 due to decreases in panel prices. Fourth quarter 2004 sales comparisons, from both a sequential and year-on-year perspective, were also impacted by the Korean Won appreciation against the US dollar during this period. ***Revenues for 2004 were KRW 8,328 billion (USD 8,046 million), an increase of 37% from KRW 6,098 billion (USD 5,891 million) in 2003.***<sup>6</sup>

-- Operating income in the fourth quarter of 2004 decreased by 99% from KRW 256 billion (USD 247 million) in the third quarter of 2004. Operating income decreased to KRW 2 billion (USD 1.9 million) in the fourth quarter of 2004 from KRW 552 billion (USD 533 million) in the fourth quarter of 2003. ***Operating income for 2004 was KRW 1,728 billion (USD 1,669 million), an increase of 61% from KRW 1,074 billion (USD 1,038 million) in 2003.***

-- EBITDA in the fourth quarter of 2004 decreased by 27% to KRW 412 billion (USD 398 million) from KRW 568 billion (USD 549 million) in the third quarter of 2004. EBITDA in the fourth quarter of 2004 decreased by 51% from KRW 837 billion (USD 809 million) in the fourth quarter of 2003. ***EBITDA for 2004 was KRW 2,994 billion (USD 2,892 million), an increase of 43% from KRW 2,091 billion (USD 2,020 million) in 2003.***

-- Net income in the fourth quarter of 2004 decreased by 88% from KRW 291 billion (USD 281 million) in the third quarter of 2004. Net income decreased to KRW 35 billion (USD 34 million) in the fourth quarter of 2004 from KRW 544 billion (USD 526 million) in the fourth quarter of 2003. ***Net income for 2004 was KRW 1,655 billion (USD 1,599 million), an increase of 62% from KRW 1,019 billion (USD 984 million) in 2003.***

***“We continue making steady gains towards our goal of becoming the number one LCD company in the industry,” said Bon Joon Koo, Vice Chairman and CEO of LG.Philips LCD. “In the third quarter of 2004 we began mass***

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<sup>6</sup> Amounts in KRW are translated into US dollars at the noon buying rate in effect on December 31, 2004, which was KRW 1,035.1 per US dollar.

*production at the world's largest sixth generation factory, 'P6', reaching an average capacity of 35,000 input sheets per month in the fourth quarter. Our advanced technology enables us to further enhance our product offerings, strengthen our market position and fortify our strategic relationships with key customers. We remain committed to growing the LCD TV segment and have announced plans for our seventh generation factory, 'P7', which will enable us to meet the future product needs of our customers and capitalize on the growing global opportunity for LCD TVs."*

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*"As we announced in December 2004, price declines in the fourth quarter were greater than we anticipated earlier in that period," said Ron Wirahadiraksa, President and Chief Financial Officer of LG.Philips LCD. "Yet, despite these conditions, LG.Philips LCD continued to execute well on its plan to sustain market leadership, manufacturing efficiencies and sound financial management."*

Mr. Wirahadiraksa continued, *"Our strength and commitment to state-of-the-art manufacturing resulted in an impressive 38% increase in area shipped for the quarter, while at the same time, we were able to reduce our costs of goods sold. In 2005, we believe there will be strong growth in consumer demand for flat screen TVs, and our focus remains the same: superior execution, prudent cost-cutting measures and investing in our business to further improve our competitive position and long-term growth prospects."*

#### Liquidity

As of December 31, 2004, LG.Philips LCD had KRW 1,361 billion (USD 1,315 million) of cash and cash equivalents. Total debt at December 31, 2004, was KRW 2,679 billion (USD 2,588 million) with a net-debt-to-equity ratio of 23%.

*During the fourth quarter of 2004, LG.Philips LCD issued USD 200 million of US dollar-denominated floating rate notes and KRW 300 billion of Korean Won-denominated fixed rate bonds. The capital raised is being used for general investment purposes and refinancing of existing debt.*

#### Capital Spending

Capital expenditures in the fourth quarter of 2004 sequentially decreased to KRW 473 billion (USD 457 million) from KRW 1,434 billion (USD 1,385 million) in the third quarter of 2004, and from KRW 544 billion (USD 526 million) in the fourth quarter 2003. The capital expenditures for the fourth quarter of 2004 were mainly used for investments in P6 and ongoing operations.

#### Utilization and Capacity

Total input capacity on an area basis increased approximately 24% in the fourth quarter compared to the third quarter, due mainly to the ramp-up of P6. P6 averaged 35,000 input sheets per month for the fourth quarter of 2004.

## Outlook

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***According to DisplaySearch, the TFT-LCD industry should experience both unit and area growth in 2005. LG.Philips LCD plans to increase its output to meet this anticipated growth and to meet its customers' needs.***

***"We expect the industry supply/demand balance will begin to stabilize in the second quarter and then show signs of strengthening later in the year," commented Mr. Wirahadiraksa. "For the first quarter of 2005, we see our area shipments increasing approximately 9% quarter-on-quarter. We expect a high single digit rate decline on the ASP per net display area shipped at the end of the first quarter of 2005 as compared to the end of the fourth quarter of 2004. As a result, we expect our EBITDA margin rate in the first quarter of 2005 to be in the range of the mid-teens."***

41. On April 11, 2005, the Company issued a press release entitled "LG.Philips LCD

Reports First Quarter 2005 Results," which stated in part:

LG.Philips LCD, one of the world's leading TFT-LCD manufacturers, today reported unaudited earnings results based on consolidated Korean GAAP for the three-month period ended March 31, 2005. Amounts in Korean Won are translated into US dollars at the noon buying rate in effect on March 31, 2005, which was KRW 1,015.4 per US dollar.

-- Sales in the first quarter of 2005 increased by 7% to KRW 2,064 billion (USD 2,033 million) from sales of KRW 1,933 billion (USD 1,904 million) in the fourth quarter of 2004. Sales decreased by 6% in the first quarter of 2005 from KRW 2,188 billion (USD 2,155 million) in the first quarter of 2004 due to decreases in panel prices. First quarter 2005 sales comparisons, from both a sequential and year-on-year perspective, were also impacted by the Korean Won appreciation against the US dollar during this period.

-- Operating income in the first quarter of 2005 decreased to a loss of KRW 135 billion (USD 133 million) from a profit of KRW 2 billion (USD 2 million) in the fourth quarter of 2004 and from a profit of KRW 699 billion (USD 688 million) in the first quarter of 2004.

-- EBITDA in the first quarter of 2005 decreased by 35% to KRW 269 billion (USD 265 million) from EBITDA of KRW 412 billion (USD 406 million) in the fourth quarter of 2004. EBITDA decreased by 72% in the first quarter of 2005 from KRW 976 billion (USD 961 million) in the first quarter of 2004.

-- Net income in the first quarter of 2005 decreased to a loss of KRW 79 billion (USD 78 million) from a net profit of KRW 35 billion (USD 34 million) in the fourth quarter of 2004 and from a net profit of KRW 628 billion (USD 618 million) in the first quarter of 2004.

***“Despite challenging market conditions, we continue to execute and perform in line with our plans,” said Bon Joon Koo, CEO of LG.Philips LCD. “As a result of our ongoing, strong ramp-up of our sixth generation factory, ‘P6’, we grew our total net display area shipped by 24 percent in the first quarter sequentially. Our seventh generation TFT-LCD facility, ‘P7’, construction remains on track for mass production to begin in the first half of 2006. We continue to believe in the growth opportunities for the TFT-LCD industry, as LCDs evolve as the flat-panel of choice for HDTV content.”***

## First Quarter Financial Review

### Revenue and Cost

Revenues decreased by 6% to KRW 2,064 billion (USD 2,033 million) in the three-month period ended March 31, 2005, from KRW 2,188 billion (USD 2,155 million) in the corresponding period of 2004 due to decreases in panel prices and the strong appreciation of the Korean Won. The effect of the overall decrease in panel prices was partially offset by an increase in the volume of large and wide panels for notebook computers, desktop monitors and TVs. The increase in volume shipments was in response to the growing market needs for large and wide flat panels, especially for large size TV panels. TFT-LCD panels for desktop monitors, notebook computers, TVs and applications accounted for 56%, 18%, 22% and 4% respectively on a revenue basis in the first quarter of 2005, compared to 53%, 27%, 15% and 5% respectively on a revenue basis in the fourth quarter of 2004.

Overall, LG.Philips LCD shipped a total of 958,000 square meters of net display area, a 24% sequential quarterly increase, with an average selling price per square meter of net display area of USD 2,085 in the first quarter of 2005. This represents a decline in the selling price per square meter of net display area of approximately 10% compared to the average of the fourth quarter of 2004, and a decline of 9% at the end of the first quarter as compared to the end of the fourth quarter of 2004.

The cost of goods sold per square meter of net display area shipped was KRW 2,177 thousand (USD 2,144) for the first quarter of 2005, down 2.3% from the fourth quarter of 2004. Total cost of goods sold increased to KRW 2,102 billion (USD 2,070 million), or 48% year-on-year and 14% compared to the fourth quarter of 2004, as a result of increased volumes shipped as well as an increase in large and wide panels, especially in the TV segment.

“While the first quarter was challenging due to the strengthening of the Korean Won and a difficult pricing environment, we did see some positive emerging

trends,” said Ron Wirahadiraksa, Chief Financial Officer of LG.Philips LCD. **“During this quarter, the average LCD size increased with the adoption of large and wide LCD monitors and the growing popularity of LCD TVs. To meet the increase in demand, we continue to focus on effectively using our resources to serve our customers and improve operational efficiency.”**

#### Liquidity

As of March 31, 2005, LG.Philips LCD had KRW 1,350 billion (USD 1,330 million) of cash and cash equivalents. Total debt as of March 31, 2005, was KRW 3,030 billion (USD 2,984 million) with a net-debt-to-equity ratio of 30% compared to 23% at the end of the fourth quarter of 2004.

**During the first quarter of 2005, LG.Philips LCD issued KRW 400 billion of Korean Won-denominated fixed rate bonds. The capital raised is being used for capital expenditures.**

\* \* \*

**“As we have previously stated, we expect the industry supply/demand balance will begin to stabilize and then show signs of strengthening later in the year, mainly due to the growing demand for LCD TVs,” commented Mr. Wirahadiraksa.**

**LG.Philips LCD expects to increase its output of net display area shipped at a double digit rate for the second quarter of 2005, compared to the first quarter of 2005, in order to meet the anticipated market growth and to satisfy customers’ needs. At the same time, due to market pricing conditions, the Company expects its ASP per square meter to decline at a single digit rate at the end of the second quarter of 2005, compared to the end of the first quarter in 2005. In terms of the EBITDA margin, the Company anticipates mid to high teens for Q2 05.**

42. On July 11, 2005, the Company issued a press release entitled “LG.Philips LCD

Reports Second Quarter 2005 Results,” which stated in part:

LG.Philips LCD, one of the world’s leading TFT-LCD manufacturers, today reported unaudited earnings results based on consolidated Korean GAAP for the three-month period ended June 30, 2005. Amounts in Korean Won are translated into US dollars at the noon buying rate in effect on June 30, 2005, which was KRW 1,034.5 per US dollar.

-- Sales in the second quarter of 2005 increased by 12% to KRW 2,308 billion (USD 2,231 million) from sales of KRW 2,064 billion (USD 1,995 million) in the first quarter of 2005 and decreased 1% compared to KRW 2,332 billion (USD 2,254 million) in the second quarter of 2004. Second quarter 2005 sales were led by increased shipments of large and wide LCD TV panels, desktop monitor panels, and notebook panels.

-- Operating income in the second quarter of 2005 swung to an operating profit of KRW 29 billion (USD 28 million) from a loss of KRW 135 billion (USD 130 million) in the first quarter of 2005, compared to an operating profit of KRW 771 billion (USD 745 million) in the second quarter of 2004.

-- EBITDA in the second quarter of 2005 increased by 64% to KRW 442 billion (USD 427 million) from KRW 269 billion (USD 260 million) in the first quarter of 2005. EBITDA in the second quarter of 2005 decreased by 57% from KRW 1,034 billion (USD 1,000 million) in the second quarter of 2004.

-- Net income in the second quarter of 2005 swung to a profit of KRW 41 billion (USD 40 million) from a loss of KRW 79 billion (USD 76 million) in the first quarter of 2005, compared to a net profit of KRW 701 billion (USD 678 million) in the second quarter of 2004.

“In this dynamically expanding industry, LG.Philips LCD continues to be the number one provider of large TFT-LCD panels, with a large panel revenue market share of 24.2% in the second quarter according to DisplaySearch,” said Bon Joon Koo, Vice Chairman and CEO of LG.Philips LCD. ***“In the second quarter, we were encouraged by the growth in shipments of LCD TV panels and remain committed to executing our leadership strategy. Furthermore, our notable accomplishments during the quarter included signing a new supply agreement with HP for TFT-LCD panels, as well as receiving the Society of Information Display ‘Display of the Year Award’ for the second consecutive year and DisplaySearch’s overall ‘Customer Satisfaction Award’ for the fourth consecutive year.”***

## Second Quarter Financial Review

### Revenue and Cost

Revenues in the three-month period ended June 30, 2005 decreased by 1.0% to KRW 2,308 billion (USD 2,231 million) from KRW 2,332 billion (USD 2,254 million) in the corresponding period in 2004, as increases in shipments mostly offset the effect of decreases in panel prices. TFT-LCD panels for desktop monitors, notebook computers, TVs and “other applications” accounted for 53%, 18%, 24% and 5%, respectively, on a revenue basis in the second quarter of 2005, compared to 56%, 18%, 22% and 4%, respectively, on a revenue basis in the first quarter of 2005.

***Overall, LG.Philips LCD shipped a total of 1,096,000 square meters of net display area in the second quarter of 2005, a 14% sequential quarterly increase, with an average selling price per square meter of net display area of USD 2,062. This represents a decline in the average selling price per square meter of net display area of approximately 1.1% compared to the average of the first quarter of 2005 and an increase of 1.6% at the end of the second quarter as compared to the end of the first quarter of 2005.***

\* \* \*

***“In the second quarter we experienced increased demand for monitor and LCD TV panels,” said Ron Wirahadiraksa, President and Chief Financial Officer of LG.Philips LCD. “In anticipation of this demand, we continued the successful ramp-up of our P6 facility. TV panel shipments have benefited from LCD TV sets approaching more attractive ‘sweet spot’ prices. We have already taken a leading position in this segment and we expect to further strengthen our market position in the second half of 2005 as demand grows.”***

\* \* \*

***“We expect the business environment to continue strengthening in the second half of 2005,” commented Mr. Wirahadiraksa. “For the third quarter of 2005, we believe our area shipments will increase by a mid teen percentage quarter-on-quarter due to continued growth in the monitor and TV segments. We expect a single digit percentage increase in our average sales price per square meter of net display area shipped at the end of the third quarter of 2005 as compared to the end of the second quarter of 2005. We continue to lead the TFT-LCD market expansion and remain well positioned with the ramp up of our P6 facility and the construction of our P7 facility. Our CAPEX guidance for 2005 remains unchanged from the previous quarter’s guidance. At this stage, we estimate our preliminary CAPEX for 2006 to be in the range of KRW 3.5 trillion to KRW 4.5 trillion.”***

43. On October 11, 2005, the Company issued a press release entitled “LG.Philips LCD Reports Third Quarter 2005 Results,” which stated in part:

***-- Sales in the third quarter of 2005 increased by 19% to KRW 2,741 billion (USD 2,630 million) from sales of KRW 2,308 billion (USD 2,214 million) in the second quarter of 2005 and increased 46% compared to KRW 1,875 billion (USD 1,799 million) in the third quarter of 2004. Third quarter 2005 sales were led by the growing demand for large and wide LCD TV panels and a stronger pricing environment for notebook panels.<sup>7</sup>***

***-- Operating profit in the third quarter of 2005 increased to KRW 240 billion (USD 230 million) from KRW 29 billion (USD 28 million) in the second quarter of 2005, and compared to an operating profit of KRW 256 billion (USD 246 million) in the third quarter of 2004.***

***-- EBITDA in the third quarter of 2005 increased by 54% to KRW 681 billion (USD 653 million) from KRW 442 billion (USD 424 million) in the second***

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<sup>7</sup> Amounts in KRW are translated into US dollars at the noon buying rate in effect on September 30, 2005, which was KRW 1,042.4 per US dollar.

*quarter of 2005. EBITDA increased by 20% from KRW 568 billion (USD 545 million) in the third quarter of 2004.*

*-- Net income in the third quarter of 2005 increased to a net profit of KRW 227 billion (USD 218 million) from KRW 41 billion (USD 39 million) in the second quarter of 2005, and compared to a net profit of KRW 291 billion (USD 279 million) in the third quarter of 2004.*

*“During the third quarter, we further enhanced our product portfolio, consistently reduced our square meter costs and continued on our path of market leadership,” said Bon Joon Koo, Vice Chairman and CEO of LG.Philips LCD. “As we predicted, large and wide LCD TVs are becoming mainstream, and we are driving this growth through our cutting-edge products, manufacturing excellence and innovative partnerships. Notably, our strategic investment in a new module plant in Poland, announced during the third quarter, will enable us to better serve the fast-growing European LCD TV market while strengthening relationships with our customers there.”*

#### Third Quarter Financial Review

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*The total cost of goods sold increased to KRW 2,367 billion (USD 2,271 million), or 52% year-on-year and 9% compared to the second quarter of 2005, primarily as a result of increased shipments. The cost of goods sold per square meter of net display area shipped was KRW 1,896 thousand (USD 1,819) for the third quarter of 2005, down 4.2% from the second quarter of 2005.*

*“In the third quarter, we experienced increased demand, especially in the LCD TV and notebook panel segments, and, as a result, we shipped a record amount of display area, despite a strong competitive environment,” said Ron Wirahadiraksa, President and CFO of LG.Philips LCD. “We were able to meet this demand growth due in large part to the successful ramp up of our P6 facility, which achieved its initial design capacity of 90,000 sheets per month this quarter. While we continued to increase capacity, we were also intensely focused on cost reduction, which continued to show improvement.”*

#### Liquidity

As of September 30, 2005, LG.Philips LCD had KRW 2,129 billion (USD 2,042 million) of cash and cash equivalents. Total debt was KRW 3,618 billion (USD 3,471 million), and the net-debt-to-equity ratio was 20% as of September 30, 2005, compared to 40% last quarter, in large part due to the USD 1.4 billion follow-on equity offering in July 2005.

#### Capital Spending

Capital expenditures in the third quarter of 2005 decreased to KRW 1,380 billion (USD 1,324 million) from KRW 1,434 billion (USD 1,376 million) in the third quarter of 2004. Our capital expenditures for the third quarter of 2005 were mainly used for continued investment in P6 and P7.

\* \* \*

*“For the fourth quarter of 2005, we anticipate our area shipments will increase by a low teens percentage quarter-on-quarter due to continued growth, especially in the rapidly expanding TV segment,” commented Mr. Wirahadiraksa. “We expect our average selling price per square meter of net display area shipped at the end of the fourth quarter of 2005 to be flat to slightly down, as compared to the end of the third quarter of 2005, largely due to potentially weaker pricing for some monitors. Our EBITDA margin for the fourth quarter is expected to be in the mid-to-high twenties. Our CAPEX guidance for 2005 remains unchanged from the previous quarter’s guidance, and at this stage, we maintain our preliminary CAPEX for 2006 to be in the range of KRW 3.5 trillion to KRW 4.5 trillion.”*

44. On January 12, 2006, the Company issued a press release entitled “LG.Philips LCD Reports Fourth Quarter 2005 Results,” which stated in part:

*-- Sales in the fourth quarter of 2005 increased by 8% to KRW 2,963 billion (USD 2,934 million) from sales of KRW 2,741 billion (USD 2,714 million) in the third quarter of 2005 and increased 53% compared to KRW 1,933 billion (USD 1,914 million) in the fourth quarter of 2004. Fourth quarter sales were led by the continued growth in demand for large and wide LCD TV and notebook panels, which softened the impact of a challenging monitor demand environment.<sup>8</sup>*

*-- Operating profit in the fourth quarter of 2005 increased to KRW 334 billion (USD 331 million) from KRW 240 billion (USD 238 million) in the third quarter of 2005, and compared to an operating profit of KRW 2 billion (USD 2 million) in the fourth quarter of 2004.*

*-- EBITDA in the fourth quarter of 2005 increased by 21% to KRW 824 billion (USD 816 million) from KRW 681 billion (USD 674 million) in the third quarter of 2005. EBITDA also increased, by 100% from KRW 412 billion (USD 408 million) in the fourth quarter of 2004.*

*-- Net income in the fourth quarter of 2005 increased to a net profit of KRW 328 billion (USD 325 million) from KRW 227 billion (USD 225 million) in*

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<sup>8</sup> Amounts of KRW are translated into US dollars at the noon buying rate in effect on December 30, 2005, which was KRW 1,010.00 per US dollar.

*the third quarter of 2005, and compared to a net profit of KRW 35 billion (USD 34.6 million) in the fourth quarter of 2004.*

*“During the fourth quarter, LCD TV panel demand was strong as consumers are rapidly recognizing LCD technology as ‘the’ flat TV technology of choice,” said Bon Joon Koo, Vice Chairman and CEO of LG.Philips LCD. “In 2005, LG.Philips LCD was the number one producer of large-area TFT-LCD panels according to DisplaySearch, and in fact, we became the first company in the LCD industry to cumulatively sell more than 10 million, 15” and above, LCD TV panel units. With the strong holiday selling season, we have entered an era of healthy HDTV set demand growth, well-timed with the January ramp up of our Gen. 7 fab, ‘P7.’ Thus, we are well positioned to retain our leadership role in this dynamic industry.”*

#### Fourth Quarter Financial Review

##### Revenue and Cost

Revenue in the three-month period ended December 31, 2005 increased by 53% to KRW 2,963 billion (USD 2,934 million) from KRW 1,933 billion (USD 1,914 million) in the corresponding period in 2004, due to continued growth in TV and notebook sales. TFT-LCD panels for desktop monitors, TVs, notebook computers and “other applications” accounted for 38%, 34%, 24% and 4%, respectively, on a revenue basis in the fourth quarter of 2005, compared to 45%, 29%, 22% and 4%, respectively, on a revenue basis in the third quarter of 2005.

Overall, the Company shipped a total of 1,343,000 square meters of net display area in the fourth quarter of 2005, a 7.6% sequential quarterly increase, with an average selling price per square meter of net display area of USD 2,112. *This represents a decrease in the average selling price per square meter of net display area of approximately 0.5% compared to the average of the third quarter of 2005, and a decrease of 4.1% at the end of the fourth quarter as compared to the end of the third quarter of 2005.*

The total cost of goods sold increased to KRW 2,457 billion (USD 2,433 million), or 34% year-on-year and 4% compared to the third quarter of 2005, primarily as a result of increased shipments. The cost of goods sold per square meter of net display area shipped was KRW 1,830,000 (USD 1,812) for the fourth quarter of 2005, down 3.5% from the third quarter of 2005.

*“Our financial performance in the fourth quarter reflects the consistent approach we have taken to managing our business,” said Ron Wirahadiraksa, President and CFO of LG.Philips LCD. “We continue to enjoy unit and area demand growth, especially in the LCD TV and notebook panel segments, and are leveraging our extensive portfolio of production facilities to meet the dynamic needs of our customers. We are committed to providing the market with innovative*

*and top quality TFT-LCD panels. Our shipment growth this quarter was slightly lower than expected due to a production shift in our existing facilities to support our strategy of growing the demand of large size TVs, particularly 42" panels, in advance of the P7 ramp-up. This facilitated our sooner than expected P7 ramp up in the first week of January 2006. We anticipate sequential shipment growth in the first quarter of 2006, despite historical industry seasonality."*

*Mr. Wirahadiraksa continued "Throughout the year, we have continued to advance our technology leadership, improve operational efficiency and execute on our growth strategy. As a result, LG.Philips LCD's balance sheet remains one of the strongest in the industry and provides us with the financial flexibility to fund the opportunities we see for future growth."*

\* \* \*

Outlook

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*"We are looking forward to 2006, as the recent start of mass production of our P7 facility, which is optimized for large and wide 42" and 47" LCD TV panels, reinforces our already strong position in the TFT-LCD industry," Mr. Wirahadiraksa commented. "We also see an exciting growth opportunity for LG.Philips LCD in notebooks, particularly for the large and wide product segments. We have a leadership position in this segment and expect to maintain and grow this lead in the future."*

*"For the first quarter of 2006, which is usually seasonally weak, we anticipate our area shipments will increase by a mid-single digit percentage quarter-on-quarter fueled by continued growth in the rapidly expanding LCD TV segment," continued Mr. Wirahadiraksa. "We expect our average selling price per square meter of net display area shipped at the end of the first quarter of 2006 to decrease by a mid-single digit percentage, as compared to the end of the fourth quarter of 2005, largely due to weaker pricing for the monitor and notebook segments. Our EBITDA margin for the first quarter is expected to be a high teens percentage."*

45. By late Spring 2006, the Company's price-fixing scheme was faltering as executives had become increasingly unnerved by news of fines and even jail sentences imposed for price fixing in their industry. At the same time defendants began ceasing their illicit behavior, rumors about the reasons for the sudden "weak pricing" in the LCD marketplace circulated throughout the markets. This information entering the marketplace would eventually end the Company's ability to maintain artificially high profits via artificially inflated selling prices.

46. On April 11, 2006, the Company issued a press release entitled “LG.Philips LCD Reports First Quarter 2006 Results,” which stated in part:

LG.Philips LCD, one of the world’s leading TFT-LCD manufacturers, today reported unaudited earnings results based on consolidated Korean GAAP for the three month period ended March 31, 2006. Amounts in Korean Won (KRW) are translated into US dollars (USD) at the noon buying rate in effect on March 31, 2006, which was KRW 971.4 per US dollar.

-- Sales in the first quarter of 2006 decreased by 17% to KRW 2,471 billion (USD 2,544 million) from sales of KRW 2,963 billion (USD 3,050 million) in the fourth quarter of 2005 and increased 20% compared to KRW 2,064 billion (USD 2,125 million) in the first quarter of 2005. *The sequential decline in sales in this year’s first quarter was the result of a greater than expected decline in demand and the average selling price in both the notebook and monitor panel segments.*

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*“We began 2006 with the ramp up of P7, the world’s largest 7th generation facility. P7 will further strengthen our position in the TFT-LCD market, especially in the large panel LCD TV segment. P7 is optimized for the production of 42- and 47-inch LCD TV panels in full HD, where we are driving increased market demand,”* said Bon Joon Koo, Vice Chairman and CEO of LG.Philips LCD. “In addition, we achieved a significant milestone with the creation of the world’s largest LCD panel this quarter. The technology involved in creating a 100-inch LCD TV panel will be a catalyst for further TV innovation as we continue to meet the high demand for better picture quality and larger sizes.”

Koo continued, “P7 adds to our scale and capacity advantage, which is key to expanding our product offering. This allows us to meet the needs of our customers, particularly in the *fast-growing LCD TV segment.*”

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*“We continue to focus on profitability. Our EBITDA margin was better than expected, boosted by the operational efficiencies from the launch of P7,”* said Ron Wirahadiraksa, President and CFO of LG.Philips LCD. *“We believe that our launch of P7 earlier in the year was well timed to take advantage of the growing LCD TV market, particularly in light of the seasonal weakness in notebook and monitor panels.”*

\* \* \*

*“For the second quarter of 2006, we anticipate that our area shipments will increase quarter-on-quarter by a mid-to-high twenties percentage, driven by continued growth in the expanding LCD TV segment and progress at our P7 facility,”* said Mr. Wirahadiraksa. *“We expect our average selling price per square*

*meter of net display area shipped at the end of the second quarter of 2006 to decrease by a mid-to-high single digit percentage, as compared to the end of the first quarter of 2006, largely due to continued weakness in monitor and notebook pricing. Our EBITDA margin for the second quarter is expected to be approximately 20%.”*

*“Our capital expenditure guidance for 2006 remains unchanged from the fourth quarter of 2005 and is KRW 4.2 trillion,” concluded Mr. Wirahadiraksa.*

47. Defendants had already halted most, *if not all*, price-fixing activities, which had allowed the Company (and Individual Defendants) to reap margins (and bonuses) in the LCD industry otherwise unattainable. Thus, even before Q1 2006 results were reported, defendants knew that Q2, Q3 and Q4 2006 results would include losses totaling in excess of half a billion dollars. They knew the cessation of the activities would eviscerate nearly all the Company’s profits for these quarters and would cause LG.Philips to miss its projected EPS, which had partially caused the inflation in the Company’s share price. Without the artificial anticompetitive mechanisms in place, the Company’s near future was dim. So, too, was the future of the Company’s share price, which began to *price in* rumors of anticompetitive behavior within the LCD industry, including within the Company. In a matter of weeks, the Company’s shares declined from \$22 to \$15 in response to the LCD market reaction.

48. On July 11, 2006, the Company issued a press release entitled “LG.Philips LCD Reports Second Quarter 2006 Results,” which stated in part:

-- Sales in the second quarter of 2006 decreased by 6% to KRW 2,315 billion (USD 2,441 million) from sales of KRW 2,471 billion (USD 2,605 million) in the first quarter of 2006 and increased 0.3% compared to KRW 2,308 billion (USD 2,433 million) in the second quarter of 2005. The sequential decline in sales was the result of an industry-wide decline in average selling prices across the TV, monitor

and notebook segments, as well as less than expected sales volume growth and overcapacity.<sup>9</sup>

*-- Operating loss in the second quarter of 2006 was KRW 372 billion (USD 392 million) compared to an operating profit of KRW 52 billion (USD 55 million) in the first quarter of 2006, and an operating profit of KRW 29 billion (USD 31 million) in the second quarter of 2005.*

*-- EBITDA in the second quarter of 2006 was KRW 243 billion (USD 256 million), a decrease from KRW 670 billion (USD 706 million) in the first quarter of 2006 and a year-over-year decline of 45% from KRW 442 billion (USD 466 million) in the second quarter of 2005.*

*-- Net income in the second quarter of 2006 was a loss of KRW 322 billion (USD 339 million) compared to a profit of KRW 48 billion (USD 51 million) in the first quarter of 2006 and a profit of KRW 41 billion (USD 43 million) in the second quarter of 2005.*

*“The second quarter was a difficult quarter for the Company, as we were significantly impacted by much greater than expected industry-wide pricing weakness. As we look closely at our business and the long-term growth prospects for the TFT-LCD industry, we remain committed to building sustainable value for shareholders and customers by balancing long-term growth strategies with shorter-term actions designed to maximize operating profits,” said Bon Joon Koo, Vice Chairman and CEO of LG.Philips LCD.*

Mr. Koo continued, *“The decision to continue evaluating any further investment in a next generation and invest in a multi-purpose Gen 5.5 facility, which will be housed in our P8 facility, demonstrates our resolve to both adapt to changing market conditions and to make timely investments to meet our customers’ forthcoming needs, particularly in the expanding wide format notebook and high-end monitor segments.”*

\* \* \*

*“We are disappointed with our financial performance in the second quarter of 2006. As a result, the Company is now taking initiatives to address the issues that are affecting our business. As we announced in June, we are addressing an increase in inventory levels during a period of overcapacity, primarily in the LCD TV segment, by temporizing production. We will continue to control inventory levels going forward,” said Ron Wirahadiraksa, President and CFO of LG.Philips LCD.”*

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<sup>9</sup> Amounts in KRW are translated into US dollars at the noon buying rate in effect on June 30, 2006, which was KRW 948.5 per US dollar.

Mr. Wirahadiraksa continued, *“We believe that the temporization of production, along with other efforts, will enable us to maintain our competitiveness as a top-tier player in an industry that is starting to take a more rational approach to capacity and has undiminished long-term growth prospects. While some of the measures are immediate, we generally expect they will strengthen our shareholders’ long-term value and will enable us to leverage the industry’s strong growth opportunities as we closely examine all areas of our manufacturing, capital expenditures, customer relations and expense management. We are confident that LG.Philips LCD’s business results and prospects will improve over the course of 2006.”*

\* \* \*

*“Looking ahead, we expect to see prices begin to stabilize, and anticipate sustained growth in consumer demand for LCD TVs, in the second half of 2006, particularly in the fourth quarter. For the third quarter of 2006, we expect our area shipments to increase quarter-on-quarter by a mid-to-high twenties percentage, driven by continued growth in the expanding LCD TV segment, continued ramp up at our P7 facility, and the stabilization of pricing,” said Mr. Wirahadiraksa. “We expect our average selling price per square meter of net display area shipped at the end of the third quarter of 2006 to be relatively flat, as compared to the end of the second quarter of 2006, largely due to increased seasonal demand leading into the holiday season. We expect the average ASP per square meter in the third quarter to decrease by a mid-single digit percentage. Our EBITDA margin for the third quarter is anticipated to be in the low teens range.”*

Mr. Wirahadiraksa continued, *“We have made a decision to postpone investment in existing fabs and, as a result, have revised our capital expenditure guidance downward from KRW 4.2 trillion to KRW 3.0 trillion for 2006.”*

49. On October 10, 2006, the Company issued a press release entitled “LG Philips LCD Reports Third Quarter 2006 Results,” reporting that its Q3 2006 profit fell 86%. The Company posted its **first loss in 10 quarters**, despite posting continuous profits. The release stated in part:

LG.Philips LCD, one of the world’s leading TFT-LCD manufacturers, today reported unaudited earnings results based on consolidated Korean GAAP for the three month period ended September 30, 2006. Amounts in Korean Won (KRW) are translated into US dollars (USD) at the noon buying rate in effect on September 30, 2006, which was KRW 946.25 per US dollar.

-- Sales in the third quarter of 2006 increased by 20% to KRW 2,773 billion (USD 2,931 million) from sales of KRW 2,315 billion (USD 2,446 million) in the second quarter of 2006 and increased 1% compared to KRW 2,741 billion (USD 2,897 million) in the third quarter of 2005. The sequential rise in sales was the result

of increased seasonal demand across all segments and improving market conditions, especially in the monitor and notebook segments.

*-- Operating loss in the third quarter of 2006 was KRW 382 billion (USD 404 million) compared to an operating loss of KRW 372 billion (USD 393 million) in the second quarter of 2006, and an operating profit of KRW 240 billion (USD 254 million) in the third quarter of 2005.*

\* \* \*

*“During the third quarter, our business did not perform at the level we expected, primarily due to higher than anticipated price declines mainly for LCD TVs. As such, the Company continues to take the necessary steps to correct the issues that have limited our progress in recent quarters. Our ability to effectively reduce costs and improve efficiencies will be crucial in restoring profitability as we prepare for what we believe will be a difficult first half of 2007. We have made some inroads in these areas, and will take more substantial steps going forward,” said Bon Joon Koo, CEO of LG.Philips LCD.*

*Mr. Koo continued, “As part of our ongoing efforts to restore value for our shareholders, we have initiated a number of actions to improve customer alignment and ensure that our operations support their future needs. Toshiba’s equity participation in our new Poland module plant and our focus on Gen 5.5 to accommodate increasing demand for large and wide format notebooks and high-end monitors, are two such examples.”*

50. Contrary to the October 10, 2006 explanation, in truth, the Company’s profitability fell into a steep decline after defendants began to abandon their method of inflating the Company’s profits through illegal means – price fixing – which accounted for the Company’s historic profitability. The released continued:

*“We are now at a crucial inflection point. Without additional measures relating to product mix, cost, and productivity, we will not be able to deliver value to our shareholders. In the coming months, **LG.Philips LCD will take the required actions in these areas to better respond to a new reality on pricing, demand and competitive pressures.** We are confident that we have at least taken the right first steps – maintaining healthier inventory levels, reducing costs at an expedited rate in Q3, and aligning ourselves in a more substantial way with our customers – and management remains committed to do what is necessary to generate acceptable returns.”*

51. In response to the Company’s vague October 10, 2006 discussion of how the Company would “respond to a *new* reality on pricing, demand and competitive pressures,” the

Company's shares plunged during the two-day decline that followed, eroding more than \$200 million in market capitalization alone.

#### **DEFENDANTS' SCHEME BEGINS TO UNRAVEL AND PROMPT REGULATORY ACTION**

52. On December 8, 2006, officials from South Korea's Fair Trade Commission raided the Company's Seoul headquarters. LG.Philips units in Tokyo and San Jose, California were also investigated. Rumors of the investigation leaked, pushing shares into a multi-day decline.

53. On December 11, 2006, the Company announced it was being investigated for "possible anticompetitive conduct in the LCD industry." *The announcement spurred a two-day stock slide that erased about \$1.6 billion in market value from the Company and its top competitors. Fines from the probe would undermine earnings in an industry where panel prices are forecast to slide more than 25% this year.*

54. The penalties defendants have subjected the Company to are far larger than defendants led shareholders to believe. Europe may fine as much as 10% of a company's annual revenue, including sales of unrelated products, whereas the U.S. Justice Department can fine companies \$100 million, double the offender's profits, or twice the victims' losses, whichever is largest. In Japan and South Korea, penalties may be as high as 10% of the related product's sales during the period of the offense. Defendants failed to account for the fines which defendants could have estimated based on the maximum limits of the above policies.

#### **DEFENDANTS' MISLEADING FINANCIAL REPORTING DURING THE CLASS PERIOD**

55. In order to inflate the price of LG.Philips' stock and make its refinancing of debt and acquisition possible, defendants caused the Company to falsely report its results during at least fiscal 2004-2006 through its illegal and collusive dealings with other companies in violation of U.S. law.

56. The fiscal 2004-2006 results were included in Form 6-Ks/20-Fs filed with the SEC. The results were also included in press releases.

57. LG.Philips issued misleading 2004-2006 financial statements, in that the Company failed to include adequate disclosures as to significant amounts of its revenues, including that such revenues were derived from illegal activities which could not continue. As such the 2004-2006 financial statements were not a fair presentation of LG.Philips' results and were presented in violation of GAAP and SEC rules.

58. GAAP are those principles recognized by the accounting profession as the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. SEC Regulation S-X (17 C.F.R. §210.4-01(a)(1)) states that financial statements filed with the SEC which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate, despite footnote or other disclosure. Regulation S-X requires that interim financial statements must also comply with GAAP, with the exception that interim financial statements need not include disclosure which would be duplicative of disclosures accompanying annual financial statements. 17 C.F.R. §210.10-01(a).

59. Due to these accounting improprieties, the Company presented its financial results and statements in a manner which violated GAAP, including the following fundamental accounting principles:

(a) The principle that interim financial reporting should be based upon the same accounting principles and practices used to prepare annual financial statements was violated (APB No. 28, ¶10);

(b) The principle that financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions was violated (FASB Statement of Concepts No. 1, ¶34);

(c) The principle that financial reporting should provide information about the economic resources of an enterprise, the claims to those resources, and effects of transactions, events and circumstances that change resources and claims to those resources was violated (FASB Statement of Concepts No. 1, ¶40);

(d) The principle that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it was violated. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Statement of Concepts No. 1, ¶50);

(e) The principle that financial reporting should provide information about an enterprise's financial performance during a period was violated. Investors and creditors often use information about the past to help in assessing the prospects of an enterprise. Thus, although investment and credit decisions reflect investors' expectations about future enterprise performance, those expectations are commonly based at least partly on evaluations of past enterprise performance (FASB Statement of Concepts No. 1, ¶42);

(f) The principle that financial reporting should be reliable in that it represents what it purports to represent was violated. That information should be reliable as well as relevant is a notion that is central to accounting (FASB Statement of Concepts No. 2, ¶¶58-59);

(g) The principle of completeness, which means that nothing is left out of the information that may be necessary to insure that it validly represents underlying events and conditions was violated (FASB Statement of Concepts No. 2, ¶¶79); and

(h) The principle that conservatism be used as a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered was violated. The best way to avoid injury to investors is to try to ensure that what is reported represents what it purports to represent (FASB Statement of Concepts No. 2, ¶¶95, 97).

(i) Further, the undisclosed adverse information concealed by defendants during the Class Period is the type of information which, because of SEC regulations, regulations of the national stock exchanges and customary business practice, is expected by investors and securities analysts to be disclosed and is known by corporate officials and their legal and financial advisors to be the type of information which is expected to be and must be disclosed.

### **FIRST CLAIM FOR RELIEF**

#### **For Violation of §10(b) of the Exchange Act and Rule 10b-5 Against All Defendants**

60. Plaintiff incorporates ¶¶1-59 by reference.

61. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or recklessly disregarded were materially false and misleading in that they contained material misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

62. Defendants violated §10(b) of the Exchange Act and Rule 10b-5 in that they:

(a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of LG.Philips publicly traded securities during the Class Period.

63. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for LG.Philips publicly traded securities. Plaintiff and the Class would not have purchased LG.Philips publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

64. As a direct and proximate result of these defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of LG.Philips publicly traded securities during the Class Period.

## **SECOND CLAIM FOR RELIEF**

### **For Violation of §20(a) of the Exchange Act Against All Defendants**

65. Plaintiff incorporates ¶¶1-64 by reference.

66. The executive officers of LG.Philips prepared, or were responsible for preparing, the Company's press releases and SEC filings. The Individual Defendants controlled other employees of LG.Philips. LG.Philips controlled the Individual Defendants and each of its officers, executives and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the Exchange Act.

## **CLASS ACTION ALLEGATIONS**

67. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased LG.Philips publicly traded securities on the open market during the Class Period (the “Class”). Excluded from the Class are defendants, directors and officers of LG.Philips and their families and affiliates.

68. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. During the Class Period, LG.Philips had more than 715 million shares outstanding, owned by thousands of persons.

69. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the Exchange Act was violated by defendants;
- (b) Whether defendants omitted and/or misrepresented material facts;
- (c) Whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading; and
- (d) Whether defendants knew or recklessly disregarded that their statements were false and misleading.

## **PRAYER**

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action;
- B. Awarding damages, including interest;
- C. Awarding reasonable costs, including attorneys’ fees; and
- D. Such equitable/injunctive or other relief as the Court may deem proper

**JURY DEMAND**

Plaintiff demands a trial by jury.

DATED: February 7, 2007

LERACH COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
SAMUEL H. RUDMAN (SR-7957)  
DAVID A. ROSENFELD (DR-7564)

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SAMUEL H. RUDMAN

58 South Service Road, Suite 200  
Melville, NY 11747  
Telephone: 631/367-7100  
631/367-1173 (fax)

LERACH COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
WILLIAM S. LERACH  
DARREN J. ROBBINS  
655 West Broadway, Suite 1900  
San Diego, CA 92101  
Telephone: 619/231-1058  
619/231-7423 (fax)

LAW OFFICES OF ALFRED G.  
YATES, JR., P.C.  
ALFRED G. YATES, JR.  
519 Allegheny Building  
429 Forbes Avenue  
Pittsburgh, PA 15219  
Telephone: 412/391-5164  
412/471-1033 (fax)

Attorneys for Plaintiff