

# MANAGEMENT'S DISCUSSION & ANALYSIS



This Management Discussion & Analysis is prepared based on non-consolidated financial statements of LG Corp. Please refer to page 52-57 for the non-consolidated financial statements of LG Corp.

LG Corp. is a holding company that controls other companies by means of holding their stocks and has 15 subsidiaries, 30 sub-subsidiaries as of the end of December 2008.

1. Operating Revenue & Expense

(Unit : KRW one million)

Account item	2008	2007
<b>I . Operating revenue</b>	<b>992,452</b>	<b>1,060,265</b>
1. Gains from equity method	760,404	857,315
2. Brand royalty income	191,993	164,152
3. Rental income	39,441	37,852
4. Dividend income	613	945
<b>II . Operating expense</b>	<b>114,124</b>	<b>140,781</b>
1. Losses from equity method	17,918	13,213
2. General administrative expenses	96,206	127,569

LG Corp.'s key operating revenue sources are categorized into the following :

- Gains from equity method
- Brand royalty income from licensing of the "LG" brand
- Rental income from LG Twin Tower tenants
- Dividend income from companies categorized as investment assets other than those subject to equity method by LG Corp.

1) Gains (or losses) from equity method

As of year-end 2008, companies subject to equity method by LG Corp. include 16 companies.

If an Investor Company ("Investor" hereinafter) directly, or indirectly via other companies under its substantial control, holds 20% or more of voting stocks of an Investee Company ("Investee" hereinafter), the Investee is subject to equity method. Pursuant to provisions in the Fair Trade Act that stipulate 20% or higher stake in public companies and 40% or higher stake in private companies as the criteria to deem an Investee as subsidiary, all subsidiaries of LG Corp. are subject to equity method.

Gains from equity method are calculated based on the Investor's stake ratio in the Investee and the net profit of the Investee.

- If an Investee reports net profits, the Investor increases book value of its investment stocks in the Investee by a sum equivalent to its share of the Investee's net profits and recognizes the sum as "gains from equity method."
- On the other hand, if an Investee reports net losses, the Investor reduces book value of its investment stocks in the Investee by a sum equivalent to its share of the Investee's net losses and recognizes the sum as "losses from equity method."
- If an Investor receives cash dividends from an Investee subject to equity method, the Investor reduces book value of its investment stocks in the Investee by a sum equivalent to the cash dividends.
- However, LG Corp.'s investors may find that their own calculation of the company's gains from equity method do not correspond to the figures presented in its financial statements. This is primarily because of adjustment factors including goodwill / negative goodwill<sup>(1)</sup> amortization (or reversal), transactions with the Investee, and unrealized gains (or losses).

(1) The difference between the consideration paid by the parent to minority interests and the carrying value of the ownership interests acquired by the parent.

- Definition : When acquiring shares of a subsidiary that is subject to equity method, the difference between the acquisition price (market price or fair value) and the net asset value on the book of the subsidiary is recognized as investment elimination gain or loss-similar to goodwill or negative goodwill. The company stipulates that the amount be amortized (-) or reversed (+) over 5 years.

2008 Gains (or losses) from equity method

(Unit : KRW one million)

Company	Shares Owned	Stake Ratio (%)*	Book Value	Book Value (%)	Net Income	Gains (or Losses) from Equity Method			
						Before Goodwill	Portion (%)	After Goodwill	Portion (%)
LG Electronics Inc.	50,341,430	31.1%	2,559,340	39.9%	482,786	127,896	16.5%	127,896	17.2%
Siltron Inc.	3,418,141	51.0%	239,575	3.7%	3,635	(1,419)	-0.2%	(2,438)	-0.3%
Lusem Co., Ltd.	1,400,000	64.8%	29,375	0.5%	15,026	9,758	1.3%	9,758	1.3%
<b>Electronics Total</b>			<b>2,828,290</b>	<b>44.1%</b>		<b>136,235</b>	<b>17.6%</b>	<b>135,216</b>	<b>18.2%</b>
LG Chem Ltd.	25,226,000	30.1%	1,461,822	22.8%	1,002,585	301,091	38.8%	290,282	39.1%
LG Household and Health Care Ltd.	5,315,500	30.0%	141,608	2.2%	120,575	36,074	4.6%	34,345	4.6%
LG Life Sciences, Ltd.	5,044,114	30.0%	83,295	1.3%	15,164	4,547	0.6%	(14,113)	-1.9%
LG MMA Corp.	1,200,000	50.0%	115,350	1.8%	30,192	14,814	1.9%	14,814	2.0%
<b>Chemicals Total</b>			<b>1,802,075</b>	<b>28.1%</b>		<b>356,526</b>	<b>45.9%</b>	<b>325,328</b>	<b>43.8%</b>
LG TeleCom, Ltd.	103,614,396	37.4%	716,712	11.2%	283,559	111,465	14.4%	111,465	15.0%
LG Dacom Corporation	25,018,906	30.0%	433,715	6.8%	120,289	35,668	4.6%	35,668	4.8%
<b>Telecommunications Total</b>			<b>1,150,427</b>	<b>17.9%</b>		<b>147,132</b>	<b>19.0%</b>	<b>147,132</b>	<b>19.8%</b>
LG CNS Co., Ltd.	72,072,492	82.7%	309,928	4.8%	115,402	76,279	9.8%	75,411	10.2%
Serveone Co., Ltd.	5,000,000	100.0%	223,424	3.5%	75,505	57,832	7.5%	57,832	7.8%
LG Management Development Institute	1,000,000	100.0%	17,203	0.3%	3,255	3,299	0.4%	2,914	0.4%
LG Sports Ltd.	600,000	100.0%	1,097	0.0%	(389)	(341)	0.0%	(341)	0.0%
LG Solar Energy Co., Ltd.	928,000	100.0%	26,630	0.4%	20	20	0.0%	20	0.0%
GIIR Inc.	5,798,593	35.0%	39,496	0.6%	(2,245)	(740)	-0.1%	(864)	-0.1%
<b>Services Total</b>			<b>617,778</b>	<b>9.6%</b>		<b>136,349</b>	<b>17.6%</b>	<b>134,972</b>	<b>18.2%</b>
LG Hitachi Ltd.	245,000	49.0%	14,023	0.2%	1,008	(162)	0.0%	(162)	0.0%
<b>Others Total</b>			<b>14,023</b>	<b>0.2%</b>		<b>(162)</b>	<b>0.0%</b>	<b>(162)</b>	<b>0.0%</b>
<b>Grand Total</b>			<b>6,412,593</b>	<b>100.0%</b>		<b>776,079</b>	<b>100.0%</b>	<b>742,486</b>	<b>100.0%</b>

\*Preferred stocks included

Gains or (losses) from equity method of 2008 decreased 11% year-on-year to KRW 742,486 million. Such decrease was due to the underperformance of LG subsidiaries in the second half of 2008 owing to the global economic recession and financial crisis.

In the case of LG Electronics, although the company recorded highest ever revenue and operating income thanks to improved performance in core business areas such as mobile handsets and TVs, its net income decreased 61% year-on-year due to losses on foreign currency translation which was caused by the weak Korean Won.

Meanwhile, despite adverse external circumstances such as high oil price volatility and a sharp drop in demand due to the global financial crisis, LG Chem posted highest ever result owing to strong performance in the petrochemicals division enabled by ongoing restructuring efforts and productivity and performance improvements in the IT and electronic materials division, including batteries, reinforced by cost-competitiveness.

In 2008, LG TeleCom continued to produce steady growth in terms of subscribers, revenue, and operating income. This has great significance given that the operating incomes of competitors have leveled off or fallen from the previous year. On the other hand, LG Dacom recorded remarkable revenue of KRW 1.7 trillion, a 22% increase from the previous year. Despite a surge in revenue, operating income fell by KRW 11.9 billion to KRW 217.3 billion due to a rise in marketing outlays for new businesses such as Internet phone and IPTV.

Gains (or losses) from equity method reflected on the financial statements

The purpose of the equity method is to reflect on the investment stocks the Investor's share of any change in the net asset of the Investee.

When gains (or losses) from equity method are calculated on income statements, this figure is then reflected on book value of the Investee stocks on balance sheets categorized as stocks subject to equity method.

(Unit : KRW one million)

Company	2007 Book Value (A)	2008 Acquisition /disposal (B)	2008 Dividend income (C)	2008 Gains from equity method (D)	Capital adjustment (E)	2008 Book value (F=A+B-C+D+E)
LG Electronics Inc.	2,212,686		42,790	127,896	261,549	2,559,340
Siltron Inc.	254,091		12,818	(2,438)	739	239,575
Lusem Co., Ltd.	20,317		700	9,758	0	29,375
<b>Electronics Total</b>	<b>2,487,094</b>		<b>56,308</b>	<b>135,216</b>	<b>262,288</b>	<b>2,828,290</b>
LG Chem Ltd.	1,169,118		50,452	290,282	52,873	1,461,822
LG Household and Health Care Ltd.	112,935		7,973	34,345	2,301	141,608
LG Life Sciences, Ltd.	96,984			(14,113)	424	83,295
LG MMA Corp.	107,051		4,200	14,814	(2,315)	115,350
<b>Chemicals Total</b>	<b>1,486,088</b>		<b>62,625</b>	<b>325,328</b>	<b>53,284</b>	<b>1,802,075</b>
LG TeleCom, Ltd.	638,748		31,084	111,465	(2,417)	716,712
LG Dacom Corporation	418,336		12,509	35,668	(7,779)	433,715
<b>Telecommunications Total</b>	<b>1,057,084</b>		<b>43,593</b>	<b>147,132</b>	<b>(10,196)</b>	<b>1,150,427</b>
LG CNS Co., Ltd.	285,478		54,054	75,411	3,093	309,928
Serveone Co., Ltd.	189,309		25,000	57,832	1,283	223,424
LG Management Development Institute	14,290			2,914	(0)	17,203
LG Sports Ltd.	1,439			(341)	(0)	1,097
LG Solar Energy Co., Ltd.	25,559	6,400		20	(5,349)	26,630
GILR Inc.		41,889		(864)	(1,530)	39,496
<b>Services Total</b>	<b>516,075</b>	<b>48,289</b>	<b>79,054</b>	<b>134,972</b>	<b>(2,504)</b>	<b>617,778</b>
LG Hitachi Ltd.	14,125		74	(162)	134	14,023
<b>Others Total</b>	<b>14,125</b>	<b>0</b>	<b>74</b>	<b>(162)</b>	<b>134</b>	<b>14,023</b>
<b>Grand Total</b>	<b>5,560,466</b>	<b>48,289</b>	<b>241,654</b>	<b>742,486</b>	<b>303,006</b>	<b>6,412,593</b>

Gains from equity method reflect changes in the net asset value of the Investee in each business year based on the cost of acquisition of the Investee stocks.

- At the time of acquisition, the Investee stocks are valued at the acquisition cost
- If any change in the Investee's net asset value is attributable to its net profits, the change is reflected as gains from equity method
- If any change in the Investee's net asset value is attributable to increase or decrease in its earned surplus, the change is reflected as increase or decrease in earned surplus carried forward from the prior period
- If any change in the Investee's net asset value is attributable to increase or decrease in its capital surplus or capital adjustments, the change is reflected as gains (capital adjustments) or losses on investment stocks subject to equity method

Gains (or losses) from equity method are calculated as provided in the following :

- Deduct the amount of dividends received in this period from the acquisition cost or the book value of the Investee stocks as of the prior period
- Then add the amount of gains from equity method in this period to the outcome of the above
- Then add or deduct the amounts of earned surplus carried forward from the prior period and capital adjustments, which produces the book value of the investment stocks subject to equity method as of the end of this period

Stocks subject to equity method are not marked to market even if they are marketable listed stocks. Among investment securities, marketable securities are marked to market while non-marketable stocks are reported on the book at the acquisition cost. However, in the case of non-marketable stocks whose value is seriously impaired, impairment is reflected on the value of the stocks concerned.

## 2) Brand royalty income

LG Corp. reserves the legal rights over the brand "LG." Value of a brand is determined separately from intellectual property rights such as patent rights and a brand constitutes an important competitiveness-enhancing factor that contributes to increasing a company's cash flows in the future. Brand value has a material impact on sales by working as a factor to add image and credibility to the fundamental competitiveness of a company's products.

As such, LG Corp. set the vision and core values of the "LG" brand, charged royalty from 2005 to users of the brand for enhancing the brand value through systematic brand management and strategic action plan. The company plans to reinvest part of the brand royalty income with the aim of elevating it into the global No. 1 brand, thereby, creating a virtuous circle of positive contribution to the brand users.

Basic terms of the brand license agreements are as provided in the following:

- License fee = (Consolidated sales - Consolidated advertising expenses) X 0.2%
- Payable monthly
- 3-year term
- Adjustment factors applicable depending upon the specific form of usage of the brand (whether used by a joint venture, whether logos are used, etc.)

Brand license fees are calculated and charged monthly based on the amounts of consolidated sales and consolidated advertising expenses as reported on the user's financial statements for the prior period. When the user's performance for the relevant period is fixed in the following year, then the fees are finally reconciled based on the relevant year's actual figures.

As of the end of 2008, LG Corp. posted brand royalty income of KRW 191,993 million and total of 22 companies are using LG brand.

(Unit : KRW one million)

Company	Amount received, 2008	Amount reconciled, 2008	Final brand royalty income
<b>Total</b>	<b>159,079</b>	<b>32,914</b>	<b>191,993</b>

## 3) Rental income

LG Corp. owns 85% of the LG Twin Tower located in 20 Yeoido-dong, Yeongdeungpo-gu, Seoul and, by leasing the building's office spaces and facilities, recorded rental income of KRW 39,441 million in 2008, a 4% increase from the previous year. Besides, LG Corp. is executing 2 building construction projects. One is Kasan IDC project and is going to be completed within April, 2009. Along with the completion of Kasan IDC building, additional rental income is expected. The other one is Shinmun-ro office building project and is scheduled to be completed within the second half of 2010.

**4) Dividend income**

Dividends from investment securities other than those subject to equity method are reported as dividend income.

These securities are presented as available-for-sale securities on the company's balance sheets whose value is reported at the market price in the case of stocks allowing marking to market or at the acquisition price in the case of others.

(Unit : KRW one million)

Category	Company	Amount received
Subsidiary	LG CNS Co., Ltd.	54,054
	LG Chem Ltd.	50,452
	LG Electronics Inc.	42,790
	LG TeleCom, Ltd.	31,084
	Serveone Co., Ltd.	25,000
	Siltron Inc.	12,818
	LG Dacom Corporation	12,509
	LG Household and Health Care Ltd.	7,973
	LG MMA Corp.	4,200
	Lusem Co., Ltd.	700
	<b>Sub-total</b>	<b>241,582</b>
Available-for-sale	LS Industrial Systems Co., Ltd.	587
	LG Hitachi Ltd.	74
	Koentec Co., Ltd.	19
	Korea Management Association Consultants	8
	<b>Sub-total</b>	<b>687</b>
<b>Grand Total</b>	<b>Grand Total</b>	<b>242,269</b>

**5) General administrative expenses**

Compared with the prior period, LG Corp.'s general administrative expenses decreased 25% to of KRW 96,206 million in 2008, driven primarily by not posting additional share-based payment due to decrease in LG Corp.'s share price compared to that of 2007's.

**2. Non-Operating Income & Expense**

(Unit : KRW one million)

Account item	2008	2007
<b>IV. Non-operating income</b>	<b>90,948</b>	<b>86,966</b>
1. Interest income	2,866	1,215
2. Gains on disposal of investment securities	860	8,254
3. Reversal of negative goodwill	72,973	72,973
4. Gains on disposition of tangible assets	0	-
5. Reversal of share-based payment	13,145	-
6. Miscellaneous income	1,104	4,524
<b>V. Non-operating expense</b>	<b>11,379</b>	<b>9,914</b>
1. Interest expense	11,327	9,912
2. Losses on disposition of tangible assets	12	1
3. Losses on disposition of intangible assets	30	-
4. Contributions	10	1
5. Miscellaneous expense	0	0

**1) Gains on disposition of available-for-sale securities**

In 2008, LG Corp. recorded KRW 860 million in gains on disposition of available-for-sale securities. The gain was brought from the disposition of Koentec shares.

**2) Negative goodwill**

Negative goodwill of KRW (-) 304,055 million is reported in the "intangible asset" account of LG Corp.'s balance sheets. This negative goodwill was generated in the course of LG EI's being absorbed into LG CI as of April 1, 2003. Negative goodwill arises when a certain asset is acquired at a price lower than its fair value. That is, when the fair value of the Investor's stake in the discernable assets and liabilities acquired from the Investee exceeds the acquisition cost, the excess (difference) amount is recognized as negative goodwill. The company reverses the amount over a period of 10 years by the straight-line method ending on March 31, 2013. This amount reversed is presented as "reversal of negative goodwill" under non-operating income account on income statements. The amount reversed in 2008 of KRW 72,973 million is same as that of in 2007.

(Unit : KRW one million)

Account item	Value on balance sheets	Amount reversed on income statements	
		2008	2007
Negative goodwill	304,055	72,973	72,973

**3) Reversal of share-based payment**

At the end of 2008, 698,000 shares that were granted in 2005, as stock option are outstanding. The difference between share price of LG Corp. and the exercise price increased by KRW 45,170 per share and, therefore, had posted share-based payment of KRW 29.9 billion at the end of 2007. However, the difference was narrowed by KRW 27,200 per share at the end of 2008 and LG Corp. was not obligated to post any additional share-based payment. Instead, reversal of share-based payment of KRW 13.2 billion took place.

### 3. Investment

#### Stocks purchased

(Unit : KRW one million)

Company	Types of stock	Outstanding Shares	No. of shares acquired	Total no. of shares acquired	Stake ratio acquired	Acquisition cost	Book value
LG Solar Energy Co., Ltd.	Common Stock	928,000	128,000	928,000	100.0%	6,400	26,630
GIIIR Inc.	Common Stock	16,567,409	5,798,593	5,798,593	35.0%	41,889	39,496

In 2008, LG Corp. participated in the 3rd party rights offering of GIIIR. Such decision was made due to the needs of effective means for efficient communication of "LG" brand to appreciate the value of the brand.

### 4. Tangible Asset

(Unit : KRW one million)

Account	Beginning of the year	Acquisition	Transfer	Disposal	Depreciation	Ending of the year
Land	104,891	-	129,386	-	-	234,277
Building	125,105	63	3,816	-	3,168	125,816
Structures	4,629	-	788	-	221	5,196
Vehicles	171	3,604	820	51	272	4,272
Tools and furniture	1,471	43	-	22	235	1,257
Construction in progress	102,891	83,217	135,521	-	-	50,587
<b>Total</b>	<b>339,158</b>	<b>86,927</b>	<b>711</b>	<b>73</b>	<b>3,896</b>	<b>421,405</b>

Acknowledging that Korean real estate are undervalued and office spaces are in shortage, LG Corp. had decided to participate in building investments to generate stable cash-inflow in 2007. At present, 2 building construction projects for rental purpose are in progress. Kasan IDC project will be completed within the first half of 2009 and the Shinmun-ro office building project is expected to be completed within 2010.

### 5. Borrowings

(Unit : KRW one million)

Types of borrowing	2008		2007		Increase/Decrease
	amount	composition	amount	composition	
Corporate bonds	300,000	65.9%	150,000	62.5%	150,000
Short-term borrowings	155,200	34.1%	90,000	37.5%	65,200
<b>Total</b>	<b>455,200</b>	<b>100.0%</b>	<b>240,000</b>	<b>100.0%</b>	<b>215,200</b>
Debt-to-equity ratio		7.3%		4.6%	

In 2008, borrowings of LG Corp. increased by KRW 215,200 million to KRW 455,200 million, mainly due to investments in building projects and solar business. Among increased portion of KRW 215,200 million, KRW 65,200 million was short-term, while KRW 150,000 million was long-term corporate debt.

Taking into account the sum of cash, cash equivalents and money market products of KRW 295,717 million, LG Corp. had KRW 159,483 million net borrowings as of year-end 2008.

### 6. Others

#### 1) Stock options

On March 24, 2005, LG Corp. granted stock options representing 768,000 shares via a resolution by the board of directors, with the aim of providing appropriate compensation to its officers and strong motivation towards growth of the company. The stock options granted are appreciation stock options that give the exerciser[s] cash corresponding to the difference between the exercise price and the market price at the time of exercise. Expecting a rise in its stock price, the company has purchased and currently holds the same number of treasury stocks represented by the stock options in order to minimize its expenditure associated with stock options. In 2007, 70,000 shares decrease from 768,000 shares due to retirement of a stock option recipient and 181,000 shares were exercised in 2008. As a result, the outstanding balance at the end of 2008 was 517,000 shares.

(Unit : KRW, Shares)

Name	Status	Type of stock	Changes in quantity			Unexercised	Exercise period	Exercise price	Closing Price
			Granted	Exercised	Cancelled				
Yu Sig Kang	Registered officer	Common	370,000	-	-	370,000	March 25, 2008 ~ March 24, 2012	24,730	42,700
Jin Hyun Kim	-	Common	12,000	1,000	-	11,000		24,730	42,700
Yong Jin Kim	-	Common	12,000	-	-	12,000		24,730	42,700
Ja Jung Koo	-	Common	12,000	-	-	12,000		24,730	42,700
Young Soo Shin	Registered officer	Common	12,000	-	-	12,000		24,730	42,700
Do Hyun Jung	Subsidiary's management	Common	70,000	35,000	-	35,000		24,730	42,700
Yong Sam Shin	Subsidiary's management	Common	70,000	35,000	-	35,000		24,730	42,700
Byoeng Nam Lee	Subsidiary's management	Common	70,000	40,000	-	30,000		24,730	42,700
Sang Hun Kim	-	Common	70,000	70,000	-	-		24,730	42,700
<b>Total</b>	-	-	<b>698,000</b>	<b>181,000</b>	-	<b>517,000</b>		-	-

NON-CONSOLIDATED FINANCIAL STATEMENTS

LG CORP. AS OF DECEMBER 31, 2008 AND 2007

Non-consolidated Balance Sheets

(Unit : KRW one million)

Accounts	2008	2007
<b>Assets</b>		
<b>Current Assets</b>	333,280	36,326
Cash and Cash Equivalents	173,917	8,677
Short-term Financial Instruments for Quick Assets	121,800	0
Other Receivables	28,728	19,630
Accrued Income	1,575	256
Prepaid Expenses Total	5,463	267
Available-for-Sale Securities Current for Quick Assets	1,797	281
Deferred Income Taxes Assets Current	0	7,215
<b>Non-current Assets</b>	6,622,999	5,607,320
Investment Assets	6,497,907	5,638,467
Property, Plant and Equipment	421,407	339,159
Intangible Assets	(301,319)	(374,773)
Other Non-current Assets	5,004	4,467
<b>Total Assets</b>	6,956,279	5,643,646
<b>Liabilities</b>		
<b>Current Liabilities</b>	251,363	171,886
Short-term Borrowings	155,200	90,000
Other Payables	38,678	19,753
VAT Withholdings	938	3,392
Withholdings	296	1,410
Accrued Expenses	10,735	36,550
Income Taxes Payable	43,826	20,781
Deferred Income Taxes Liabilities Current	1,690	0
<b>Non-current Liabilities</b>	473,498	296,679
Bonds	300,000	150,000
Discount on Bonds of Long-term Liabilities	(1,021)	(542)
Long-term Accrued Expenses	0	9,986
Guarantee deposits received	32,874	31,094
Provisions for Retirement and Severance Benefits	15,212	15,618
Deposits for Retirement and Severance Benefits Long-term Liabilities	(9,475)	(9,316)
Transfer to National Pension Fund	(23)	(27)
Deferred Income Taxes Liabilities Non-current	135,931	99,866
<b>Total Liabilities</b>	724,861	468,565
<b>Stockholders' Equity</b>		
<b>Capital Stock</b>	879,359	879,359
Common Stock	862,786	862,786
Preferred Stock	16,573	16,573
<b>Capital Surplus</b>	2,213,553	2,178,183
Additional Paid-in Capital	898,266	898,266
Other Capital Surplus	1,315,287	1,279,917

LG CORP. AS OF DECEMBER 31, 2008 AND 2007

Non-consolidated Balance Sheets (Continued)

(Unit : KRW one million)

Accounts	2008	2007
<b>Capital Adjustments</b>	(57,015)	(54,708)
Treasury Stock in Capital Adjustments	(15,252)	(19,757)
Capital Adjustments on Valuation of Equity Method Securities	(41,763)	(34,951)
<b>Accumulated Other Comprehensive Income</b>	150,776	(69,328)
Gains or Losses on Valuation of Available for Sale Securities	24,702	19,241
Gains on Valuation of Equity Method Securities	227,053	7,063
Losses on Valuation of Equity Method Securities	(100,979)	(95,632)
<b>Retained Earnings or Accumulated Deficit</b>	3,044,745	2,241,575
Appropriated Retained Earnings for Statutory Reserve	114,874	101,727
Discretionary Appropriated Retained Earnings for Retained Earnings or Accumulated Deficit	2,419,286	1,636,031
Retained Earnings Before Appropriations or Accumulated Deficit Before Disposition on Balance Sheet	510,585	503,817
<b>Total Stockholders Equity</b>	6,231,418	5,175,081
<b>Total Liabilities and Stockholders Equity</b>	6,956,279	5,643,646

LG CORP. FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Non-consolidated Income Statement

(Unit : KRW one million)

Accounts	2008	2007
<b>Operating Revenue</b>	992,452	1,060,265
Gains on Valuation of Equity Method Securities for Operating Revenue	760,404	857,316
Revenues-Rental	39,441	37,852
Dividend Income for Operating Revenue	614	945
Royalty Revenue	191,993	164,152
<b>Operating Expense</b>	114,124	140,781
Losses on Valuation of Equity Method Securities for Operating Expense	17,918	13,212
Administration Expense for Operating Expense	96,206	127,569
<b>Operating Income or Loss</b>	878,328	919,484
<b>Non-Operating Revenues</b>	90,948	86,966
Interest Income	2,866	1,215
Gains on Sale of Available for Sale Securities in Investment Assets	860	8,254
Recovery of Negative Goodwill	72,973	72,973
Recovery of Compensation Expenses Associated with Stock Options for Non-Operating Revenues	13,145	0
Miscellaneous Income	1,104	4,524
<b>Non-Operating Expenses</b>	11,380	9,915
Interest Expenses	11,327	9,913
Losses on Sale of Property, Plant and Equipment	13	1
Losses on Sale of Intangible Assets	30	0
Donations	10	1
<b>Income Loss Before Income Taxes Expenses</b>	957,896	996,535
<b>Income Taxes Expenses</b>	45,864	53,904
<b>Net Income or Loss</b>	912,032	942,631
<b>Earnings or Losses Per Share</b>	5,207	5,383

NON-CONSOLIDATED FINANCIAL STATEMENTS

LG CORP. FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Non-consolidated Statement of Changes in Equity

(Unit : KRW one million)

Account	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings or Accumulated Deficit	Total Equity
2007.01.01 (beginning)	879,359	1,604,977	(19,757)	(49,439)	1,825,460	4,240,601
Accumulated Effect of Accounting Policy Change, Total	0	566,010	(39,009)	(57,849)	(438,814)	30,338
Equity After Prior Period Adjustments	879,359	2,170,987	(58,766)	(107,287)	1,386,647	4,270,939
Dividends	0	0	0	0	(87,702)	(87,702)
Retained Earnings After Appropriations	0	0	0	0	1,298,945	4,183,237
Net Income or Loss	0	0	0	0	942,631	942,631
Capital Surplus on Valuation of Equity Method Securities	0	7,196	0	0	0	7,196
Capital Adjustments on Valuation of Equity Method Securities	0	0	0	4,059	0	4,059
Gains or Losses on Valuation of Available for Sale Securities	0	0	0	10,079	0	10,079
Gains on Valuation of Equity Method Securities for Total Equity	0	0	0	6,382	0	6,382
Losses on Valuation of Equity Method Securities for Total Equity	0	0	0	21,498	0	21,498
2007.12.31 (end)	879,359	2,178,183	(54,708)	(69,328)	2,241,575	5,175,081
2008.01.01 (beginning)	879,359	1,604,977	(19,757)	(47,625)	2,665,630	5,082,584
Accumulated Effect of Accounting Policy Change, Total	0	573,206	(34,951)	(21,703)	(397,165)	119,387
Equity After Prior Period Adjustments	879,359	2,178,183	(54,708)	(69,328)	2,268,465	5,201,971
Dividends	0	0	0	0	(131,470)	(131,470)
Retained Earnings After Appropriations	0	0	0	0	2,136,995	5,070,501
Net Income or Loss	0	0	0	0	912,032	912,032
Gains or Losses on Proceeds from treasury Stock	0	4,548	0	0	0	4,548
Capital Surplus on Valuation of Equity Method Securities	0	30,823	0	0	0	30,823
Proceeds from treasury Stock	0	0	4,505	0	0	4,505
Capital Adjustments on Valuation of Equity Method Securities	0	0	(6,812)	0	0	(6,812)
Gains or Losses on Valuation of Available for Sale Securities	0	0	0	5,461	0	5,461
Gains on Valuation of Equity Method Securities for Total Equity	0	0	0	219,991	0	219,991
Losses on Valuation of Equity Method Securities for Total Equity	0	0	0	(5,346)	0	(5,346)
Retained Earnings on valuation of equity method securities	0	0	0	0	(4,283)	(4,283)
2008.12.31 (end)	879,359	2,213,553	(57,015)	150,776	3,044,745	6,231,418

LG CORP. AS OF DECEMBER 31, 2008 AND 2007

Non-consolidated Statement Appropriation Retained Earnings/Disposition Accumulated Deficit

(Unit : KRW one million)

Accounts	2008	2007
Retained Earnings Before Appropriations	510,585	503,817
Unappropriated Retained Earnings	(424,054)	0
Accumulated effects of accounting policy change	26,890	(438,814)
Decrease in Retained Earnings from Equity Method Securities	(4,283)	0
Net Income	912,032	942,631
Subtotal of Retained Earnings Before Appropriation	510,585	503,817
Appropriations of Retained Earnings	510,585	927,871
Legal Reserves	13,161	13,147
Dividends	131,606	131,470
Cash Dividends	131,606	131,470
Dividends Per Share and Dividend Rate Per Share		
"Common Stock : 2008 750KRW (15%) 2007 750KRW (15%)"		
"Preferred Stock : 2008 800KRW (16%) 2007 800KRW (16%)"		
Voluntary Reserves	365,818	783,254
Transfer from Investment Losses for Voluntary Reserves	365,818	783,254
Unappropriated Retained Earnings	0	(424,054)

NON-CONSOLIDATED FINANCIAL STATEMENTS

LG CORP. FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Non-consolidated Statement Cash Flows Indirect

(Unit : KRW one million)

Accounts	2008	2007
Cash Flows from Operating Activities	331,838	196,410
Net Income or Loss	912,032	942,631
Additions of Expenses of Non-Cash Transactions	24,872	51,333
Losses on Valuation of Equity Method Securities	17,918	13,213
Retirement and Severance Benefits	1,755	3,068
Depreciation	3,896	3,610
Amortization of Intangible Assets	1,037	920
Interest Expenses	224	579
Compensation Expenses Associated with Stock Options	0	29,942
Losses on Sale of Property, Plant and Equipment	12	1
Losses on Sale of Intangible Assets	30	0
Deduction of Revenues of Non-Cash Transactions	(847,382)	(938,542)
Gains on Valuation of Equity Method Securities	760,404	857,315
Gains on Sale of Available for Sale Securities in Investment Assets	860	8,254
Recovery of Negative Goodwill for Deduction of Revenues of Non-Cash Transactions	72,973	72,973
Recovery of Compensation Expenses Associated with Stock Options for Deduction of Revenues of Non-Cash Transactions	13,145	0
Changes in Assets and Liabilities from Operating Activities	242,316	140,988
Decrease or Increase in Other Receivables	(9,099)	(12,526)
Decrease or Increase in Accrued Revenues	(1,319)	(62)
Decrease or Increase in Prepaid Expenses	(5,196)	339
Decrease or Increase in Deferred Income Taxes Assets-Current	7,215	(7,216)
Long-term Advance Payments for Changes in Assets and Liabilities from Operating Activities	(766)	(607)
Increase or Decrease in Other Payables	8,939	(5,600)
VAT Withholdings for Changes in Assets and Liabilities from Operating Activities	(2,453)	988
Increase or Decrease in Withholdings	(1,114)	(1)
Increase or Decrease in Accrued Expenses	(12,670)	4,084
Increase or Decrease in Income Taxes Payable	23,045	4,289
Increase or Decrease in Deferred Income Taxes Liabilities-Current	1,690	(1,695)
Increase or Decrease in Deferred Income Taxes Liabilities	(7,075)	23,483
Long-term Accrued Expenses for Changes in Assets and Liabilities from Operating Activities	0	9,986
Decrease or Increase in Deposits Received for Guarantees	1,780	43
Payment for Retirement and Severance Benefit	(3,122)	(3,424)
Decrease or Increase Deposits for Retirement Severance Benefits	(159)	(1,346)
Increase or Decrease in National Pension Fund	4	(8)
Succession to Provision for Retirement and Severance Benefits From Affiliated Company	960	2,864
Dividend Income for Changes in Assets and Liabilities from Operating Activities	241,656	127,397
Cash Flows from Investing Activities	(260,402)	(171,097)
Cash Inflows from Investing Activities	96,615	11,383
Proceeds from Sale of Short-term Financial Instruments	95,000	0
Proceeds from Sale of Available for sale Securities	1,528	11,336
Proceeds from Sale of Property, Plant and Equipment	61	47

LG CORP. FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Non-consolidated Statement Cash Flows Indirect (Continued)

(Unit : KRW one million)

Accounts	2008	2007
Proceeds from Intangible Assets	26	0
Cash Outflows from Investing Activities	(357,017)	(182,480)
Purchase of Short-term Financial Instruments	216,800	0
Purchase of Available for sale Securities	4,367	2
Purchase of Equity Method Securities	48,289	25,600
Increase in Deposits Provided	634	0
Purchase of Property, Plant and Equipment	86,927	156,878
Cashflows from Financing Activities	93,804	(31,380)
Cash Inflows from Financing Activities	691,077	582,322
Proceeds from Short-term Borrowings	531,003	433,000
Proceeds from Issuance of Bonds	149,297	149,322
Proceeds from Sale of Treasury Stock	10,777	0
Cash Outflows from Financing Activities	(597,273)	(613,702)
Repayments of Short-term Borrowings	465,803	376,000
Payments in Dividends	131,470	87,702
Repayments of Current Portion of Long-term Liabilities	0	150,000
Increase or Decrease in Cash and Cash Equivalents	165,240	(6,067)
Cash and Cash Equivalent at Beginning	8,677	14,744
Cash and Cash Equivalent at End	173,917	8,677