

ELECTRONICS
TELECOMMUNICATIONS
SERVICES
CHEMICALS



LG Twin Towers, 20, Yeouido-dong,
Yeongdeungpo-gu, Seoul 150-720, Korea
www.lg.net

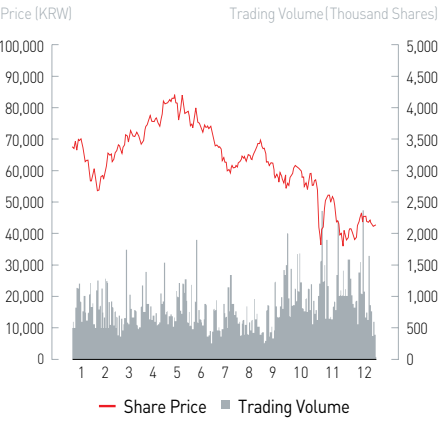




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Common Stock



Preferred Stock



Financial Highlights

(Unit : KRW one million)

		2008	2007
Total Assets		6,956,279	5,643,646
	Current Assets	333,280	36,327
	Non-current Assets	6,622,998	5,607,320
Total Liabilities		724,861	468,565
	Current Liabilities	251,363	171,886
	Non-current Liabilities	473,498	296,679
Total Shareholders' Equity		6,231,418	5,175,082
	Shareholders' Equity	879,359	879,359
	Capital Surplus	2,213,553	2,178,183
	Capital Adjustments	△57,015	△54,708
	Accumulated Other Comprehensive Income	150,776	△69,328
	Retained Earnings	3,044,744	2,241,576
Operating Revenue		992,452	1,060,265
Operating Expenses		114,124	140,781
Operating Income		878,328	919,484
Non-operating Income		90,948	86,966
Non-operating Expenses		11,379	9,914
Income before Income Tax		957,897	996,535
Income Tax Expense		45,864	53,904
Net Income		912,032	942,631
		(Unit : KRW, %, Times, Shares)	
Net Debt-to-equity Ratio		1.96	3.94
Return on Equity (ROE)		15.99	20.14
Book Value per Share		37,145	31,556
Price Book Value Ratio (PBR)	Highest	2.32	2.88
	Lowest	0.91	0.86
Earnings per Share (EPS)		5,207	5,383
Price Earnings Ratio (PER)	Highest	16.52	16.87
	Lowest	6.48	5.06
Share Price	Common Stock, Highest	86,000	90,800
	Common Stock, Lowest	33,750	27,250
	Preferred Stock, Highest	40,500	44,300
	Preferred Stock, Lowest	13,900	15,200
	Common Stock, Year-End	42,700	69,900
	Preferred Stock, Year-End	16,250	33,950
Number of Shares Issued	Common Stock	172,557,131	172,557,131
	Preferred Stock	3,314,677	3,314,677



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Through excellence in customer satisfaction and shareholder-oriented management, LG will broaden the scope of its first-rate products and services to further elevate the LG brand. 99

BON MOO KOO
Chairman and CEO
LG Corp.

Dear valued shareholders and customers,

Allow me to begin by expressing my sincere gratitude for the unwavering support and trust you have given LG.

The economic environment in 2008 was very unstable. Fluctuations in oil and raw materials price along with the spillover of the global financial crisis caused a great deal of the uncertainty into the real economy. Despite increasing instability in the business environment and ever intensifying competition, LG was able to achieve consistent growth.

In 2008, LG Corp. recorded KRW 992.5 billion in operating revenue and KRW 957.9 billion in ordinary income. Although these figures (affected by the foreign currency translation losses of our electronics subsidiaries caused by the weak Korean won) represent somewhat of a decline compared to 2007, the actual business performance of most of our subsidiaries has improved during 2008. For example, LG Electronics and LG Chem posted the highest revenue and operating income ever in 2008.

2008 was also a significant year for bearing fruit in areas other than financial performance. Our mobile handset business was ranked a third place globally, by volume, thanks to outstanding product quality and sophisticated design that captivated customers' minds. LG's medium-and large-sized batteries, a core component of the eco-friendly automobiles, also earned recognition for their distinctive technological strength. In the wireless and wired telecommunication services, we expanded the existing market paradigm by launching preemptive offerings in Internet and data-based services, and affirmed their possibility as future growth engines for LG's telecommunications business. Going forward, we will continue our relentless pursuit of maximum customer satisfaction and shareholder-centered management. Furthermore, we are committed to continue to expand our first-tier products and services to solidify the LG brand.

We anticipate that the impact of the global recession will spread broader and deeper in 2009. In particular, consumer spending, which has a direct effect on our businesses, is expected to contract severely. Knowing what potentially lies ahead, all of our LG subsidiaries stand ready to execute countermeasures dependent upon how the market conditions change. Rather than being complacent about the success we have accomplished to date, our entire organization stands prepared for the challenges we see ahead.

In addition, we will continue to drive innovations in customer value, and make unrelenting preparations for the future. In doing so, we hope to further develop into a company that realizes the greatest value for our shareholders. Guided by "outside the box" thinking and an emphasis on a higher level of innovation, we will strive to satisfy our customers, and touch their hearts on every level, including design, R&D, quality, and service. We are determined to offer our customers values that they will find compelling and irresistible. Investments to obtain proprietary core technologies and to identify new growth businesses will continue.

The ability of LG to maneuver through this downturn and even turn it into an opportunity rests its people and the culture within which they work. Among the key values within LG is trust with the organization and between co-workers. Given our founding management principle of "respecting human dignity," LG creates a culture of trust and cooperation whereby our staff can be creative and take on new challenges with a sense of ownership and teamwork based on mutual trust.

Dear valued shareholders and customers,

In closing, LG stands where it is today, after overcoming numerous obstacles for more than six decades, thanks to the trust and affection we have received from our shareholders and customers. Throughout this year, all of us at LG will put forward our best efforts, armed with determination, to exceed the expectation of our shareholders and customers. We appreciate your valuable support and encouragement, and we look forward to growing our relationship in the years to come.

Thank you.

LG always on your side



Chairman of the Board

BON MOO KOO

Education | Cleveland University, USA
MBA
Current | Chairman and CEO, LG Corp.
2003 | Chairman and CEO, LG Corp.
1998 | Chairman and CEO,
LG Electronics / LG Chem

Director

YU SIG KANG

Education | Seoul National University
BS in Business Administration
Current | Vice Chairman and CEO, LG Corp.
1999 | Chief, LG Executive Office for
Corporate Restructuring
1987 | Director, LG Electronics
1972 | Joined LG Chem



Director

JUNO CHO

Education | University of Chicago, USA
MBA
Current | COO & Executive Vice President, LG Corp.
2004 | President, LG Electronics MobileComm U.S.A.
2002 | Executive Vice President, LG Electronics
1996 | Vice President, LG Chairman's Office



Director

JUN HO HAN

Education | Kyung Hee University
PhD in Public Administration
Current | Vice Chairman and CEO,
Samchully
2004 | Chairman and CEO, KEPCO

Director

KYUNG HEE YOON

Education | Seoul National University
BS in Law
Current | Chairman, Macquarie Capital
Advisors, Macquarie Securities
Korea Limited
2004 | Chairman and Country
Executive, ABN AMRO Korea



Director

YOUNG SOO SHIN

Education | Northwestern University, USA
PhD in Industrial Engineering
and Management Sciences
Current | Professor, Yonsei University
1999 | Chairman, Korean Production
& Operation Management Society

Director

DAE HWAN KIM

Education | Oxford University, UK
PhD in Economics
Current | Professor, Inha University
2004 | Minister of Labor



Love and Happiness for customers



Senior Vice President
SUN TAE KIM
Head of Management
Administration Team
(Telecommunications and Services)



Senior Vice President
JONG SANG LEE
General Council,
Member of Korean Bar



Vice President
MYUNG KWAN LEE
Head of Human Resources



Vice President
BONG SOO KIM
Head of Management
Administration Team
(Chemicals)



Vice President
DONG SEOK CHA
Head of Finance & Accounting Team



Vice President
YAUN MO LEE
Head of Management
Administration Team
(Electronics)

Vice President
JAE HOON YANG
Head of Chairman's Office



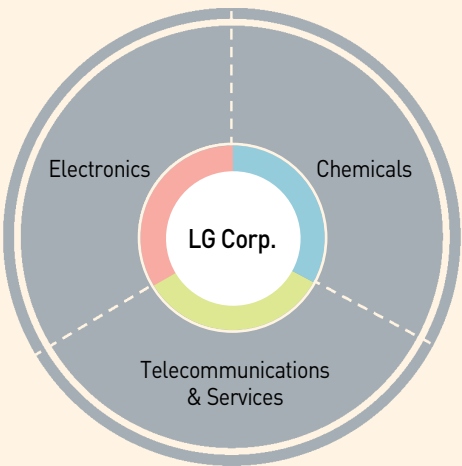
Vice President
KENNETH WONUK CHANG
Head of Business
Development Team

Vice President
HEUNG RYEOL YOON
Legal Team,
Member of Korean Bar



Holding Structure

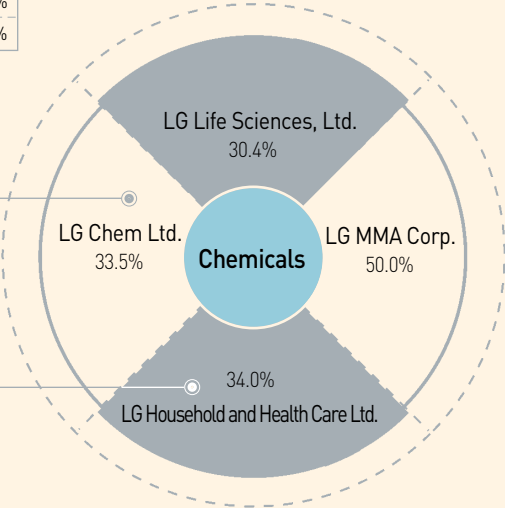
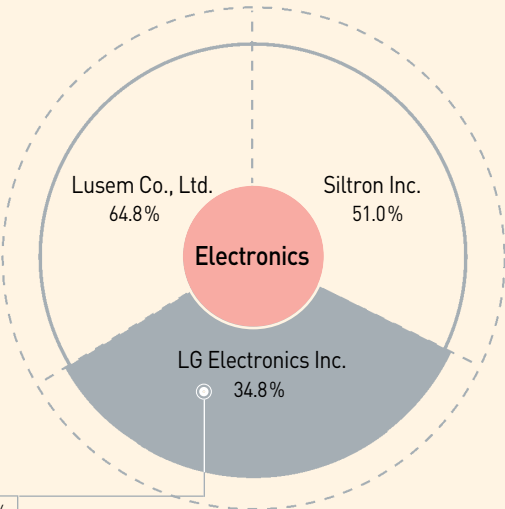
No. of subsidiaries: 15
No. of sub-subsidiaries: 28
No. of great sub-subsidiaries: 2
Note: As of December 31, 2008/Stake ratios are based on common stocks.



LG Display Co., Ltd.	37.9%
LG Innotek Co., Ltd.	50.1%
LG Micron Ltd.	52.0%
Hiplaza Co., Ltd.	100.0%
Hi Business Logistics	100.0%
System Air-con Engineering Incorporation	100.0%

LG DOW Polycarbonate Ltd.	50.0%
SEETEC Co., Ltd.	50.0%

Coca-Cola Beverage Company	90.0%
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CS Leader, Ltd.	100.0%
AIN Teleservice	100.0%

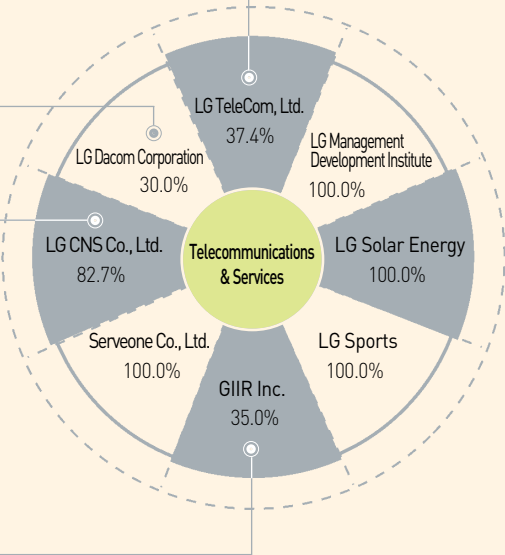
CS Onepartner Corporation	100.0%
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LG Powercom Corporation	45.4%
Dacom Crossing Corporation	51.0%
Dacom Multimedia Internet Corporation	88.1%

LG N-Sys Inc.	100.0%
V-ENS Co., Ltd.	100.0%
Ucess Partners Co., Ltd.	100.0%
Biztech & Ektimo Co., Ltd.	61.3%

Wisebell	100.0%
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HS Ad	100.0%
W Brand Connection Co.	100.0%
Bugs Com Ad	70.0%
Alchemedia	51.0%
M. Hub Inc.	50.6%
G outdoor	100.0%
TAMS Media	100.0%
Pressline	70.0%
Twenty Twenty	100.0%
L. Best	100.0%



Gains(or Losses) from Equity Method

As of December 31, 2008

(Unit: KRW one million)

Company	Shares Owned	Stake Ratio *	Book Value	Book Value Portion	Net Income	Gains (or Losses) from Equity Method			
						Before Goodwill	Portion	After Goodwill	Portion
LG Electronics	50,341,430	31.11%	2,559,340	39.91%	482,786	127,896	16.48%	127,896	17.23%
Siltron	3,418,141	51.00%	239,575	3.74%	3,635	-1,419	-0.18%	-2,438	-0.33%
Lusem	1,400,000	64.81%	29,375	0.46%	15,026	9,758	1.26%	9,758	1.31%
Electronics Total			2,828,290	44.11%		136,235	17.55%	135,216	18.21%
LG Chem	25,226,000	30.07%	1,461,822	22.80%	1,002,585	301,091	38.80%	290,282	39.10%
LG Household and Health Care	5,315,500	30.00%	141,608	2.21%	120,575	36,074	4.65%	34,345	4.63%
LG Life Sciences	5,044,114	30.00%	83,295	1.30%	15,164	4,547	0.59%	-14,113	-1.90%
LG MMA	1,200,000	50.00%	115,350	1.80%	30,192	14,814	1.91%	14,814	2.00%
Chemicals Total			1,802,075	28.10%		356,526	45.94%	325,328	43.82%
LG TeleCom	103,614,396	37.37%	716,712	11.18%	283,559	111,465	14.36%	111,465	15.01%
LG Dacom	25,018,906	30.04%	433,715	6.76%	120,289	35,668	4.60%	35,668	4.80%
Telecommunications Total			1,150,427	17.94%		147,132	18.96%	147,132	19.82%
LG CNS	72,072,492	82.67%	309,928	4.83%	115,402	76,279	9.83%	75,411	10.16%
Serveone	5,000,000	100%	223,424	3.48%	75,505	57,832	7.45%	57,832	7.79%
LG Management Development Institute	1,000,000	100%	17,203	0.27%	3,255	3,299	0.43%	2,914	0.39%
LG Sports	600,000	100%	1,097	0.02%	-389	-341	-0.04%	-341	-0.05%
LG Solar Energy	928,000	100%	26,630	0.42%	20	20	0.00%	20	0.00%
G I I R	5,798,593	35.00%	39,496	0.62%	-2,245	-740	-0.10%	-864	-0.12%
Services Total			617,778	9.63%		136,349	17.57%	134,972	18.18%
LG Hitachi	245,000	49.00%	14,023	0.22%	1,008	-162	-0.02%	-162	-0.02%
Others Total			14,023	0.22%		-162	-0.02%	-162	-0.02%
Grand Total			6,412,593	100.00%		776,079	100.00%	742,486	100.00%

* Stake ratios include preferred stocks.

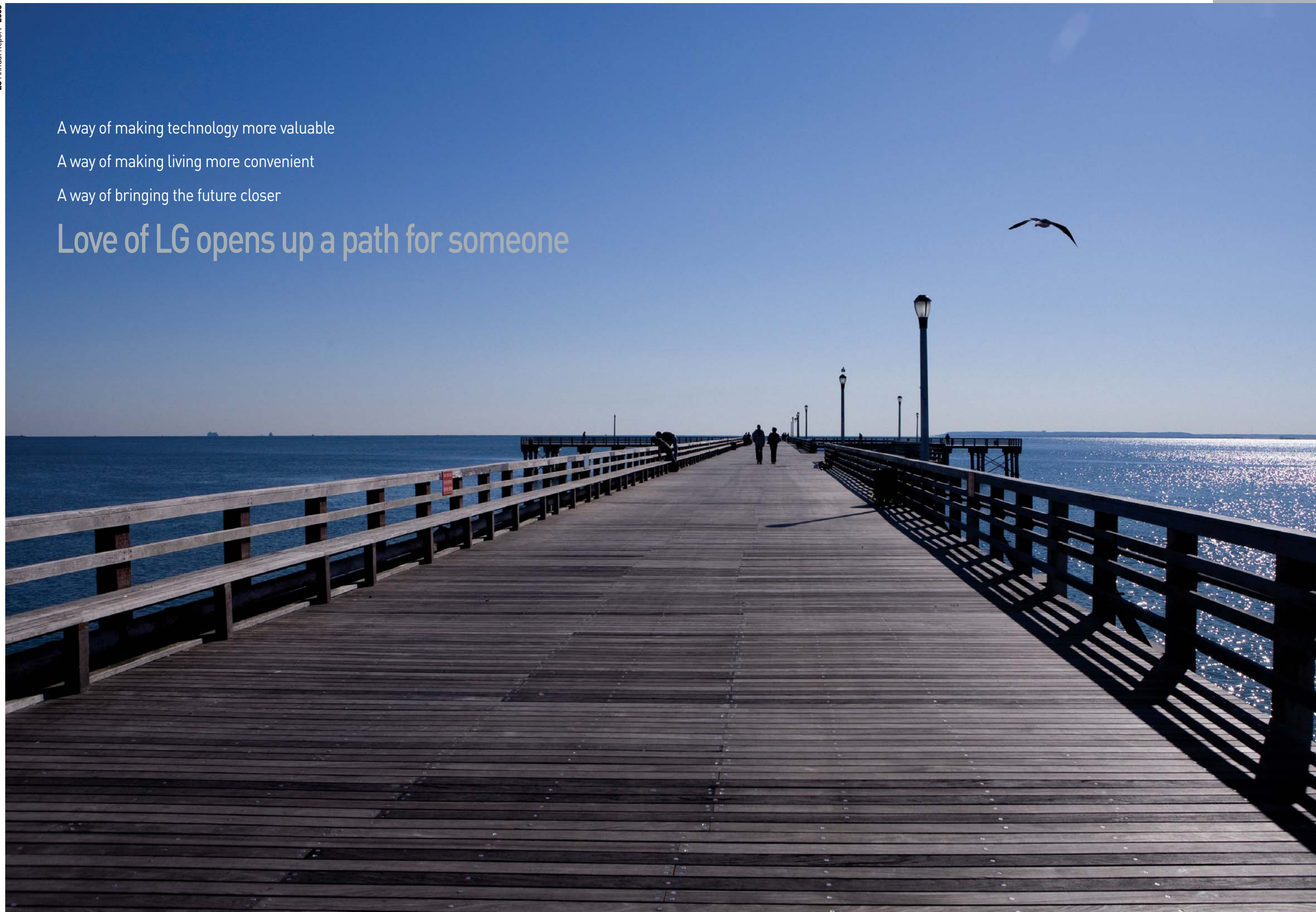


A way of making technology more valuable

A way of making living more convenient

A way of bringing the future closer

Love of LG opens up a path for someone





A new vessel for holding a dream

A new thinking for raising standards of living

A new method for expressing one's mind

Love of LG opens up a new culture

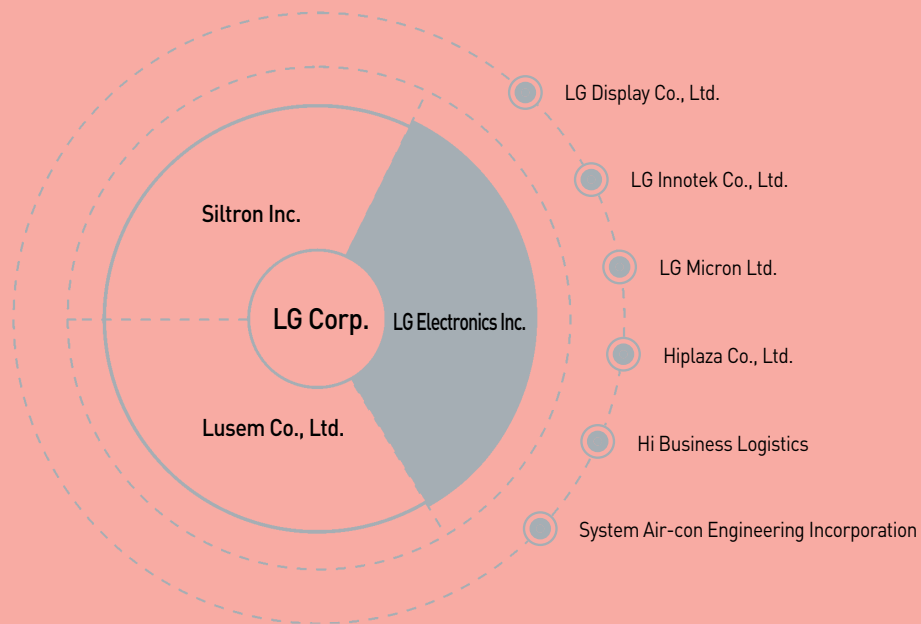
Beautiful changes for customers

Insightful ideas for future generations

Extraordinary efforts for the precious environment

Love of LG becomes purely natural





Performance in 2008

The business environment in 2008 was an unfavorable one due to the global economic recession, which brought about intensified competition. However, as a result of considerable improvements in productivity, business-wide cost-saving measures in areas including R&D, services, support functions, and production, and growth in sales of premium products, the electronics business was able to achieve meaningful performance growth.

In 2008, LG Electronics recorded KRW 49.3 trillion in global revenue, a 21% increase from the previous year. Revenue from exports accounted for about 87% of the total. Operating income soared by 73% year-on-year to KRW 2.1 trillion thanks to improved performance in core business areas such as mobile handsets and TVs.

The overall increase in sales during 2008 demonstrates the success of the company's strategic focus on creating customer value and ROIC-driven management. Above all, brand awareness has improved substantially. Corporate brand awareness of LG Electronics grew from 27% in 2007 to 39% in 2008 in terms of unaided awareness. In particular, TV brand awareness in North America recorded a significant improvement. In addition, the focus of the business operation completely shifted to customers and, as a result, product competitiveness was enhanced. In product development, a customer insight-based process was introduced based on which hit products such as the Viewty and the Voyager mobile phones and the Scarlet LCD TV were launched in succession. They won positive evaluations from consumers and contributed greatly to increases in sales and profitability. In particular, 2008 was a significant year in that LG Electronics sold more than 100 million handsets and became one of the world's top three players.

LG Display, including headquarters and overseas subsidiaries, achieved KRW 16.3 trillion in annual revenue and KRW 1.7 trillion in operating income, both of which are company records.

Despite an oversupply beginning in the third quarter and a serious global recession triggered by the financial crisis in the United States, LG Display performed relatively well based on the technological strength and sales know-how it had built up. Mass production at the Guangzhou plant was successfully launched. Business transformation through strategic alliances with players in upstream and downstream industries was undertaken smoothly, including the establishment of a joint venture with AmTRAN Technology of Taiwan and equity investments in Avaco and TLI Inc.

In addition, IPS (In-Plane Switching) technology marketing activities in China also generated a positive impact. The company was able to gain the confidence that technology marketing can spread out globally.

Although the market environment changed drastically over the past year, LG Display strengthened its position to address market changes effectively and, as a result, was able to achieve its highest-ever revenue and operating income in 2008.

Business Strategy for 2009

In 2009, lowered demand brought on by the global economic recession will continue, and the ensuing stepped-up competition is expected to escalate. This will be one of the most challenging periods ever. LG Electronics plans to focus on bolstering its risk management system to cope with the economic slowdown, turning this recession into an opportunity to strengthen fundamentals, build up differentiated capabilities, and secure a base for mid-to long-term competitive edges.

To begin, the company will reduce costs in non-strategic areas while continuing to invest resources to secure core capabilities such as brand marketing, R&D, and design. Whenever possible, it will seek opportunities to strengthen its market dominance.

In addition, the company will promote operational flexibility to improve cost structure and maximize operational efficiency. Supply stability such as “On Time Delivery” and demand management capability such as “Sales Forecast Accuracy” will be improved to increase overall capabilities in supply chain management. Aggressive efforts will be also made to optimize global production sites. LG Electronics will also set up a powerful risk management system to address the economic recession. Monitoring will be tightened for regions and that present high risks in revenue and profitability, and action plans will be devised to counter possible risks. In addition, debt and inventories will be rigorously managed to improve working capital and stabilize financial structure.

Based on these activities, the company will place emphasis on coping with the global recession and building a base for mid-to long-term growth in order to secure a clear competitive edge and take the lead when the global economy turns around.

In 2009, LG Display aims to overcome the crisis wisely and, at the same time, turn the threat into an opportunity. It is true that the global economy and the LCD market are not favorable at this time, but confidence that intense efforts made by the company over the past two years to improve soundness are on track is the greatest asset to be emerged as a winner.

This year, LG Display will start operating new production lines to preempt new markets. The company plans to begin mass-production of its 8G line in Paju in the first half of this year and of its expanded 6G line in Gumi in the second quarter. Then, the company will aim to capture the rapidly growing LCD market for 50-inch LCD TVs and the laptops and monitors with 16:9 ratio screens to achieve leadership in the new markets.

In addition, over the long term LG Display aspires to become the “Number One Display Company in Profitability by 2011”. The company believes that it is most important to move away from the old paradigm of the LCD industry with its volume growth driven by over-investment and economies of scale and solidify a profitable base to ensure sustainable growth despite the risks of intense competition and large-scale investment.

To this end, LG Display will continue to push forward the “maximum capacity and minimum loss” initiative to achieve its highest productivity. This movement to maximize productivity efficiency, which had the effect of increasing production capacity by over 25% without any new investment in 2008 alone, serves as the basis for building soundness and a profitable base for LG Display. New production lines such as the 8G line and expanded 6G line will increase production capacity in line with the market situation. However, introducing the concept of greatest production efficiency from the time a line is built is expected to assure not only the highest productivity but also profitability from the beginning of its operation.

Faced with the crisis of the global economic recession, LG Display has braced itself to capture new markets by running new production lines, to attract additional high-value clients by offering distinctive value, to secure profitability through stronger fundamentals, to generate performance that surpasses its competitors’ by developing new growth drivers, and to make the first move when the LCD market recovers.

LG Display will further ensure its profitability through new resolutions and determination and strive to exceed the expectations of shareholders at all times.

LG Electronics Inc.

Since being founded in 1958 as Goldstar, LG Electronics has stood at the fore of the Korean electronics industry through innovative technology and product development in the fields of electronics and information & telecommunications. It has now become a key global player in all of these sectors. As a result of on-going R&D investment, aggressive global marketing, and continuous innovation, the company has secured worldwide product and market leadership and is opening a new chapter in the world’s electronics and telecommunications industries. LG Electronics consists of four divisions: mobile communication, digital appliance, digital display, and digital media. The company develops its global business through a network of more than 80 production and sales subsidiaries around the world and a global marketing organization.

Date of establishment	October 1958
Address	20 Yeouido-dong, Yeongdeungpo-gu, Seoul Sites in Korea (production and R&D) : Pyeongtaek, Gumi, Changwon, Cheongju, Anyang, Seongnam (Bundang) and Seoul Global network (subsidiaries) : 82 subsidiaries
CEO	Yong Nam
Business divisions	· Home Entertainment : LCD/Plasma TVs, Audio, Video, Optical Storage · Mobile Communications : Mobile Phones, Netbooks · Home Appliance : Washing Machines, Refrigerators, etc. · Air Conditioning : Residential/Commercial Air Conditioners, HomNet Solution, Compressor · Business Solutions : Monitors, Commercial Displays, Car Infotainment, Security Business
Homepage	www.lge.com / www.lge.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	4,517,638	2,827,427
Non-current Assets	12,820,243	11,510,378
Total Assets	17,337,881	14,337,805
Current Liabilities	5,941,588	4,422,631
Non-current Liabilities	2,989,488	2,704,472
Total Liabilities	8,931,076	7,127,103
Capital stock	809,169	809,169
Capital Surplus	2,651,911	2,219,993
Capital Adjustments	4,117,223	(44,893)
Accumulated Other Comprehensive Income	(44,893)	703,467
Retained Earnings	873,395	3,522,966
Total Shareholders' Equity	8,406,805	7,210,702
Sales	27,638,515	23,501,935
Operating Income	1,226,889	564,584
Income before Income Taxes Expenses	515,024	1,486,913
Net Income	482,786	1,222,395
Gains (Losses) from Equity Method	127,896	276,405
LG Corp. Ownership	34.8%	34.8%

Siltron Inc.

Since its inception in 1985, Siltron has grown into Korea’s leading silicon wafer manufacturer. Wafers are the building blocks used to make semiconductor substrates. Siltron aspires to be a leader in the evolution of digital devices by developing key materials for the digital industry based on a spirit of creativity and challenge, and to provide the greatest value to its shareholders, customers, and employees by pursuing profitability and growth. To this end, the company is diversifying its business in order to produce polished wafers, processed wafers, compound substrate and wafers using state-of-the-art materials.

Date of establishment	April 1985
Address	164-2 Simi-dong, Gumi-si, Gyeongsangbuk-do Sites in Korea (production and R&D) : Gumi and Icheon Global network (subsidiary) : United States (sales subsidiary)
CEO	Hee Gook Lee
Products	100, 125, 150, 200, 300mm polished wafers, 150, 200, 300mm epitaxial wafers, 125 x 125, 156 x 156 mm solar cell wafers
Homepage	www.siltron.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	321,010	260,863
Non-current Assets	986,703	791,290
Total Assets	1,307,713	1,052,153
Current Liabilities	447,561	303,535
Non-current Liabilities	371,572	239,988
Total Liabilities	819,133	543,523
Capital stock	33,512	33,512
Capital Surplus	28,265	28,265
Capital Adjustments	426,567	-
Accumulated Other Comprehensive Income	-	(1,213)
Retained Earnings	237	448,066
Total Shareholders' Equity	488,581	508,630
Sales	872,439	830,494
Operating Income	116,222	180,408
Income before Income Taxes Expenses	(3,252)	186,092
Net Income	3,635	167,893
Gains (Losses) from Equity Method	(2,438)	78,335
LG Corp. Ownership	51.0%	51.0%

Lusem Co., Ltd.

Lusem, a joint venture between LG Corp. and OKI Electronics of Japan, produces drive ICs, a key component in flat panel displays. The company is advancing to become the world s no. 1 industry player through passion, a sense of ownership, and an innovative mindset.

Date of establishment July 2004
Address 1Block 23 Lot 5, Gumi National 4th Complex,Gupo-dong, Gumi-si, Gyeongsangbuk-do
CEO Dong Chan Kim
Products Drive ICs, a core component of flat panel displays
Homepage www.lusem.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	60,005	48,091
Non-current Assets	21,839	33,729
Total Assets	81,844	81,820
Currenilities	31,101	43,628
Non-current Liabilities	5,484	6,880
Total Liabilities	36,585	50,507
Capital stock	10,800	10,800
Capital Surplus	3,748	3,748
Capital Adjustments	30,711	-
Accumulated Other Comprehensive Income	-	-
Retained Earnings	-	16,765
Total Shareholders' Equity	45,259	31,313
Sales	261,440	213,254
Operating Income	22,504	11,998
Income before Income Taxes Expenses	17,856	10,519
Net Income	15,026	9,610
Gains (Losses) from Equity Method	9,758	6,210
LG Corp. Ownership	64.8%	64.8%

Financial Information

Unit : KRW one million

	LG Display Co., Ltd.		LG Innotek Co., Ltd.		LG Micron Ltd.	
	Manufacture of TFT - LCDs		Manufacture of other electronic parts		Manufacture of other electronic parts	
	2008	2007	2008	2007	2008	2007
Current Assets	6,256,112	5,644,253	453,719	298,811	323,665	171,816
Non-current Assets	10,245,875	7,750,182	357,847	263,272	693,350	666,100
Total Assets	16,501,987	13,394,435	811,565	562,083	1,017,015	837,916
Current Liabilities	4,581,959	2,245,410	258,465	256,632	497,822	215,410
Non-current Liabilities	2,644,007	2,859,652	61,359	49,582	173,229	286,815
Total Liabilities	7,225,965	5,105,062	319,825	306,214	671,051	502,225
Capital stock	1,789,079	1,789,079	60,104	43,104	53,882	37,500
Capital Surplus	2,311,071	2,311,071	175,170	56,243	114,312	87,413
Capital Adjustments	5,001,935	-	256,467	-	173,387	-
Accumulated Other Comprehensive Income	-	5,823	-	(1,679)	-	(3,086)
Retained Earnings	173,938	4,183,400	-	158,201	4,384	213,865
Total Shareholders' Equity	9,276,022	8,289,373	491,741	255,869	345,964	335,692
Sales	15,865,240	14,163,131	1,415,644	1,321,354	895,305	665,831
Operating Income	1,536,306	1,491,135	50,969	10,782	59,581	(1,127)
Income before Income Taxes Expenses	1,293,480	1,545,562	52,306	30,930	(46,750)	(40,635)
Net Income	1,086,896	1,344,027	56,411	25,176	(40,805)	(38,812)

Financial Information

Unit : KRW one million

	Hiplaza Co., Ltd.		Hi Business Logistics		System Air-con Engineering Incorporation	
	Home appliances retail/wholesale/service		Freight brokerage		Repair of other general machinery & equipment	
	2008	2007	2008	2007	2008	2007
Current Assets	96,824	59,082	44,265	37,264	2,858	1,746
Non-current Assets	155,409	131,324	26,214	22,293	899	486
Total Assets	252,233	190,406	70,479	59,557	3,757	2,232
Current Liabilities	121,377	57,860	38,102	36,424	1,936	449
Non-current Liabilities	12,556	14,202	1,792	1,223	67	48
Total Liabilities	133,932	72,062	39,893	37,647	2,003	497
Capital stock	37,200	37,200	3,600	3,600	1,700	1,700
Capital Surplus	62,458	62,458	4,400	4,400	-	-
Capital Adjustments	18,644	-	20,409	-	(7)	(14)
Accumulated Other Comprehensive Income	-	-	-	344	-	-
Retained Earnings	-	18,687	2,176	13,566	62	49
Total Shareholders' Equity	118,301	118,345	30,585	21,910	1,755	1,735
Sales	784,296	743,357	290,940	270,544	37,340	5,344
Operating Income	2,601	2,997	8,265	8,409	25	(6)
Income before Income Taxes Expenses	31	2,719	8,984	8,391	21	50
Net Income	(43)	1,961	6,843	5,764	20	37



Performance in 2008

In 2008, 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 KRW 16.7 trillion in revenue, a 23% year-on-year increase, and KRW 1 trillion in current net income. Such impressive accomplishments can be attributed 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. The company also laid the foundation for expanding the petrochemicals business on a global scale, and developed the world's first lithium-ion batteries for electric cars while signing a supply agreement with General Motors. For LG Chem, the year 2008 marked a turning point in its preparation for the future.

Through portfolio improvements to raise the share of high value-added products, and continuous cost-saving and productivity improvements, the petrochemicals division increased revenue by 30% compared to the previous year and achieved a higher operating margin than its peers. The domestic sector maximized the synergy from the merger with LG Petrochem while successfully pursuing the commercialization of elastomers, the acquisition of SAP business, and a BPA capacity build-up. The overseas business portfolio has been further stabilized through enhanced marketing capabilities in China and increased revenue in non-China markets.

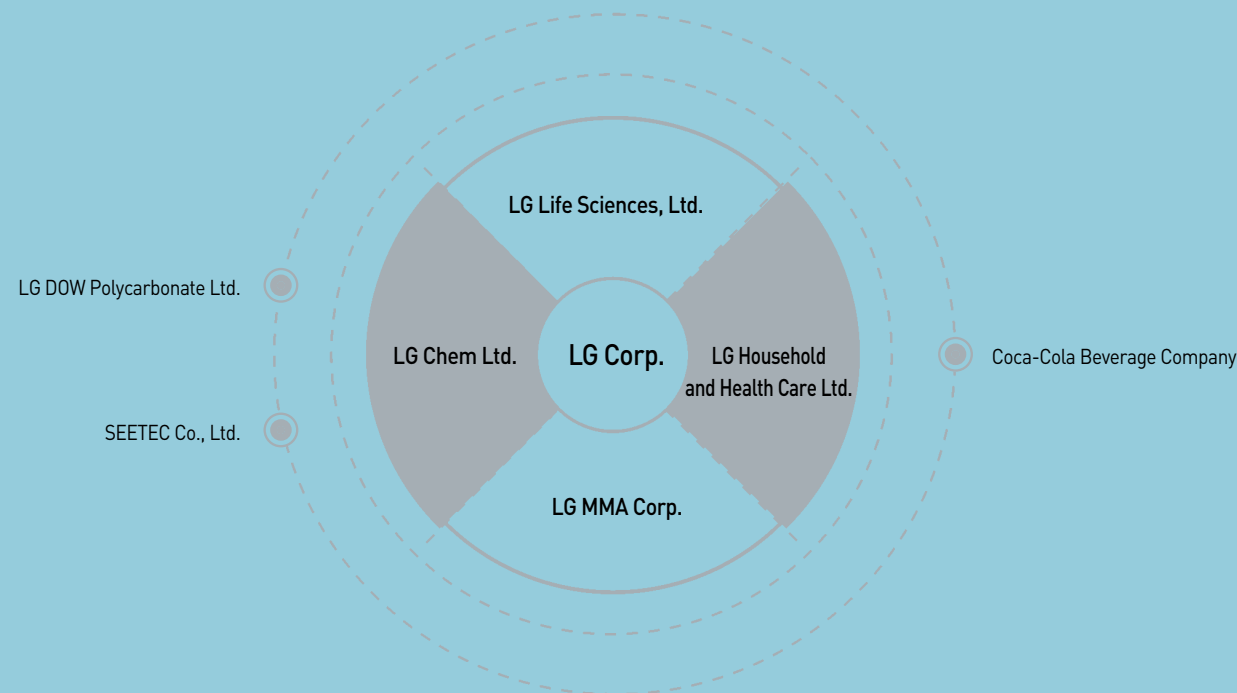
The industrial materials division managed to achieve revenue comparable to the previous year thanks to aggressive penetration into overseas markets and expansion into related sectors despite a deteriorating external environment marked by bankruptcies and a capital crunch in the automotive and construction sectors. Moreover, the company widened its profitability margin over competitors by minimizing cost increases triggered by soaring oil prices through Speed Management.

Revenue from the Information and electronic materials division rose 27% year-on-year thanks to healthy growth in sales of polarizers, a core product. The division also outperformed competitors in terms of operating margin. The battery business realized a long-cherished goal of supplying prismatic batteries to Nokia. Through a strong customer base, the division continues to grow steadily. In particular, its operating margin stands at the industry's highest level thanks to steady productivity improvements and cost competitiveness secured through the procurement of low-cost raw materials differentiated from our competitors.

LG Household and Health Care achieved a remarkable jump in revenue and operating income compared to the previous year, driven by continuous growth of premium products and the successful market entry of beverage products, a new area. Although the household care products division was at a cost disadvantage due to rising raw materials prices and the weak Korean won, revenue and profitability of premium brands posted increases. The cosmetics division produced steady growth, which is attributable to the rise of prestige brands and upgrading of mass brands. Meanwhile, Su:m, a new premium brand, saw a successful launch.

In the case of the beverage business, the division ended four years of money-losing operations and succeeded in posting a profit in the first year after its acquisition through the growth of major brands and streamlining of pricing.

LG Life Sciences continued to pursue the hybrid strategy, which aims to build R&D capacity and raise competitiveness in the domestic market at the same time. The company recorded a high profit at the 9% level through increased exports of bio-products and a turnaround in the fine chemicals and veterinary pharmaceuticals businesses. In order to prepare for the advent of an aged society, LG Life Sciences constantly endeavors to expand the R&D pipeline for new medicines, including a cure for diabetes.



Business Strategy for 2009

The business environment is likely to deteriorate in 2009 due to the global recession. However, LG Chem will overcome this crisis through a rapid crisis management system that swiftly addresses changes in the business environment. The petrochemicals division will solidify its profit base by optimizing its current business. It also plans to secure new opportunities for worldwide growth in core business areas. In the case of the industrial materials division, a focus on the core business area will be sharpened through a spin-off which will specialize in industrial goods. The Information and electronic materials division will proactively identify new business sectors, such as glass, and secure a base for sustainable growth beyond polarizers. The battery business expects to raise its profile within the industry through bold investments in production facilities and a competitive edge in cost. In addition, with an attitude of turning a crisis into an opportunity, LG Chem will identify and aggressively invest in growth sectors in order to be better prepared for the future.

While growth in global demand is likely to slow and production from new capacities in the Middle East is expected to pick up, the petrochemicals division plans to boost cost competitiveness, increase the share of high-end products, and restructure some underperforming businesses. In addition, it will realize its global market entry through a new joint venture based on securing competitively priced raw materials.

The industrial materials division will revamp its business portfolio to focus on core businesses such as windows and doors, and high functional materials. It will also expand in global markets and build a new business base. It will focus on fostering a sound base from which to pursue considerably greater growth and profits in the future. When the spin-off takes place on April 1, the effects of "select and focus are expected to be maximized throughout business activities, including in new business, marketing, and R&D. The division will renew itself as a customer-centered company marked by a distinctive business culture and technologies.

The Information and electronic materials division is expected to face a challenging business environment this year due to falling demand in the IT sector because of the global recession. However, it plans to turn the crisis into an opportunity through cost innovation and new-business development. With regard to the polarizer, the core product, cost competitiveness at the industry' s highest level will be assured by localizing key raw materials and the build-up of super-wide production lines to generate stable profits. In addition, to deliver sustainable growth, new businesses such as semiconductors, lighting, and energy materials will be identified to prepare for the future.

The battery market is expected to recede due to the economic recession. However, the company plans to take advantage of the crisis and focus on improving its market position. To this end, production capacity will be drastically increased to better meet customers' needs and strengthen cooperative relationships with customers. In addition, emphasis will be placed on differentiating materials technology - the strength of LG Chem - to build quality and cost competitiveness that is beyond the reach of competitors.

As for LG Household and Health Care, building on a sound foundation, the household care products division will endeavor to become a true market leader by launching distinctive product brands ahead of others. The cosmetics division will work to narrow the gap against competitors by upgrading its five major brands to premium products. The beverage division will take its first steps toward becoming the industry's number one company by making distribution more competitive through sales methods appropriate to each distribution channel.

LG Life Sciences will continue to carry out its main strategy of focusing its R&D capabilities on developing new lifestyle drugs to further diversify its R&D pipeline. In order to stimulate overseas business, the company plans to expand into markets in developing economies, particularly those in Latin America and the Middle East. In addition, to ensure a stable source of income and sustainable growth, the portfolio will be enhanced by launching new products that exploit the company' s license-in and R&D capabilities.

LG Chem Ltd.

LG Chem was established in 1947 as the parent company of LG and led Korea's chemical industry for more than half a century. As Korea's largest integrated chemical company, it has nurtured the country's IT and electronic materials and clean energy businesses. The company is evolving into a producer of world-class petrochemicals and industrial materials built on quality competitiveness. Key areas of business include ①Petrochemicals: basic chemical products and synthetic resins such as PVC, ABS, high-functional engineering plastics; ②IT & electronic materials: basic materials for IT and electronics industries such as LCD polarizers and photosensitive materials; ③Batteries: small batteries for mobile phones/laptops and medium/large batteries for electric vehicles; and ④Industrial materials: construction materials and high-tech industrial materials. By providing distinctive materials and solutions, LG Chem is becoming a global company alongside its customers.

Date of establishment

January 1947

Address

20 Yeouido-dong, Yeongdeungpo-gu, Seoul
Sites in Korea (production and R&D) : Yeosu, Daesan, Ochang, Cheongju, Ulsan, Iksan, Naju, Gimcheon, Daejeon, and Seoul
Global network (subsidiaries) : 25 subsidiaries in nine countries
(※ Includes headquarters in Korea and subsidiaries (LG Dow/SEETEC included))

CEO

Bahnsuk Kim

Business areas

· Petrochemicals : ABS, PVC, etc.

· Information and electronic materials : Polarizers for LCDs , etc.

· Batteries : Batteries for mobile phones/laptops/electric cars

· Construction materials and industrial materials : doors and windows, flooring, etc.

Homepage

www.lgchem.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	3,316,648	2,861,887
Non-current Assets	4,719,734	4,188,065
Total Assets	8,036,382	7,049,952
Current Liabilities	2,162,325	2,030,208
Non-current Liabilities	984,364	1,141,549
Total Liabilities	3,146,688	3,171,756
Capital stock	419,500	419,500
Capital Surplus	1,314,549	1,299,358
Capital Adjustments	3,036,751	(23,475)
Accumulated Other Comprehensive Income	(14,600)	(16,322)
Retained Earnings	133,494	2,199,135
Total Shareholders' Equity	4,889,694	3,878,196
Sales	14,487,830	10,795,320
Operating Income	1,429,631	763,622
Income before Income Taxes Expenses	1,323,790	822,447
Net Income	1,002,585	686,205
Gains (Losses) from Equity Method	290,282	167,079
LG Corp. Ownership	33.5%	33.5%

LG Household and Health Care Ltd.

Since becoming Korea' s first modern cosmetics maker in 1947, LG Household and Health Care has stood at the fore in household products such as toothpaste and detergents, as well as cosmetics. Thanks to generous customer support, the company has achieved steady growth. Positioned as Korea' s leading company specializing in household products and cosmetics, LG Household and Health Care helps people enjoy healthier and more comfortable lives through a number of best-selling products, including Perioe, Elastine, Say, Tech, Jayonpong, and Saffron. In cosmetics, the company supports everyone' s desire to look beautiful through its signature brands like OHUI, Whoo, Su:m, ISA KNOX, and SooRyeHan.

Date of establishment

April 2001

Address

20 Yeouido-dong, Yeongdeungpo-gu, Seoul
Sites in Korea (production and R&D) : Seoul, Daejeon, Cheongju, Ulsan, Onsan, and Naju
Global network (subsidiaries) : five subsidiaries in three countries

CEO

Suk Cha

Business areas

· Household goods : oral care, skincare, and hair care products; laundry and household cleaning products; and hygienic paper products

· Cosmetics : OHUI, Whoo, ISA KNOX, SooRyeHan, LacVert, Cathy Cat, and Vonin

Homepage

www.lgcare.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	330,561	288,470
Non-current Assets	709,499	698,132
Total Assets	1,040,061	986,602
Current Liabilities	413,474	378,600
Non-current Liabilities	141,925	226,209
Total Liabilities	555,400	604,809
Capital stock	88,589	88,590
Capital Surplus	97,326	97,350
Capital Adjustments	363,168	(70,877)
Accumulated Other Comprehensive Income	(71,375)	(1,100)
Retained Earnings	6,953	267,832
Total Shareholders' Equity	484,661	381,793
Sales	1,354,585	1,172,451
Operating Income	153,523	126,403
Income before Income Taxes Expenses	162,289	116,901
Net Income	120,575	80,277
Gains (Losses) from Equity Method	34,345	13,732
LG Corp. Ownership	34.0%	34.0%

LG Life Sciences, Ltd.

LG Life Sciences, a bioscience company founded in August of 2002, has developed Factive, a new medicine known worldwide, and intends to grow into a world-class bioscience company with global marketing capabilities. For 27 years since 1981, the company has focused its R&D efforts on bio- and synthetic medicine. As a result, in 2003, it succeeded in obtaining U.S. FDA approval for a new medicine, for the first time in Korean history. Going forward, LG Life Sciences plans to contribute to the betterment of human health and quality of life and become a leader in the bioscience industry, one of Korea's future strategic industries.

Date of establishment August 2002
Address 20 Yeouido-dong, Yeongdeungpo-gu, Seoul
Sites in Korea (production and R&D) : Iksan, Onsan, and Daejeon
Global network (subsidiary) : three sales subsidiaries in three countries
CEO In Chull Kim
Business areas
· Synthetic and bio-pharmaceuticals : Degenerative arthritis drugs, human growth hormones, hypertension drugs, ophthalmological surgery medicine, interferon, infertility treatments, hepatitis diagnosis reagent, etc.
· Veterinary medicine : Bovine somatotropin (BST), etc.
· Agricultural chemicals : Insecticides, herbicides, disinfectants, etc.
Homepage www.lgls.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	165,824	206,819
Non-current Assets	222,204	203,130
Total Assets	388,029	409,949
Current Liabilities	98,851	137,940
Non-current Liabilities	11,476	10,883
Total Liabilities	110,326	148,823
Capital stock	84,066	84,066
Capital Surplus	147,046	147,046
Capital Adjustments	46,471	(0)
Accumulated Other Comprehensive Income	(0)	(1,293)
Retained Earnings	120	31,307
Total Shareholders' Equity	277,702	261,126
Sales	281,891	256,403
Operating Income	25,096	25,622
Income before Income Taxes Expenses	21,609	23,096
Net Income	15,164	18,546
Gains (Losses) from Equity Method	(14,113)	(13,093)
LG Corp. Ownership	30.4%	30.4%

Financial Information

Unit : KRW one million

	LG DOW Polycarbonate Ltd.		SEETEC Co., Ltd.		Coca-Cola Beverage Company	
	Manufacture of synthetic resins & other plastic materials		Supply of utilities and logistics services		Manufacture of beverages	
	2008	2007	2008	2007	2008	2007
Current Assets	75,145	83,208	77,699	218,611	79,180	68,547
Non-current Assets	223,162	254,494	299,109	301,878	255,824	308,191
Total Assets	298,307	337,702	376,808	520,489	335,004	376,738
Current Liabilities	88,714	77,383	83,219	202,944	87,231	137,844
Non-current Liabilities	102,105	111,686	2,492	2,566	48,571	30,614
Total Liabilities	190,818	189,069	85,711	205,510	135,802	168,458
Capital stock	140,516	140,516	33,257	33,257	375,983	367,249
Capital Surplus	-	-	27,866	27,866	63,675	16,903
Capital Adjustments	(28,996)	-	-	-	(240,456)	-
Accumulated Other Comprehensive Income	(4,032)	(770)	35	40	-	-
Retained Earnings	-	8,887	229,939	253,816	-	(175,873)
Total Shareholders' Equity	107,488	148,633	291,097	314,979	199,202	208,279
Sales	320,288	259,509	470,381	359,348	534,959	461,585
Operating Income	(26,274)	(5,991)	7,085	11,422	42,194	(7,416)
Income before Income Taxes Expenses	(37,883)	(8,557)	10,720	20,118	36,555	(6,479)
Net Income	(37,883)	(8,813)	(23,877)	15,173	36,555	(6,479)

LG MMA Corp.

Upon its founding in March of 1991, LG MMA began local production of MMA and PMMA, which are used in a variety of industries, and helped stabilize their supply to Korean clients, which had until then depended entirely on imports, thus enhancing their global competitiveness in the process. LG MMA currently operates MMA plants 1 and 2 with combined annual production capacity of 100,000 tons and PMMA plants 1 and 2 with combined annual production capacity of 90,000 tons. With the completion of MMA plant 3 in 2008, the company is now able to produce 180,000 tons of MMA and 90,000 tons of PMMA annually, solidifying its number one position in Korea and emerging as a global MMA producer. In addition, through joint R&D with its partners, LG MMA provides the highest quality products and services to its clients, quickly and conveniently. By doing so, the company is setting an example by practicing the LG management principles of "value creation for customers" and "respect for human dignity.

Date of establishment March 1991
Address 12F, Uwha Securities Building, 23-7 Yeouido-dong, Yeongdeungpo-gu, Seoul
Site in Korea (production) : Yeosu
CEO Dae Hyun Jun
Business areas
Production and sales of MMA and PMMA
Homepage www.lgmma.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	141,174	87,151
Non-current Assets	385,501	370,586
Total Assets	526,675	457,737
Current Liabilities	111,458	113,267
Non-current Liabilities	182,349	128,765
Total Liabilities	293,807	242,032
Capital stock	24,000	24,000
Capital Surplus	29,041	29,041
Capital Adjustments	185,673	-
Accumulated Other Comprehensive Income	-	(1,217)
Retained Earnings	(5,847)	163,881
Total Shareholders' Equity	232,868	215,705
Sales	409,266	326,463
Operating Income	50,792	40,689
Income before Income Taxes Expenses	43,220	33,349
Net Income	30,192	33,996
Gains (Losses) from Equity Method	14,814	16,801
LG Corp. Ownership	50.0%	50.0%



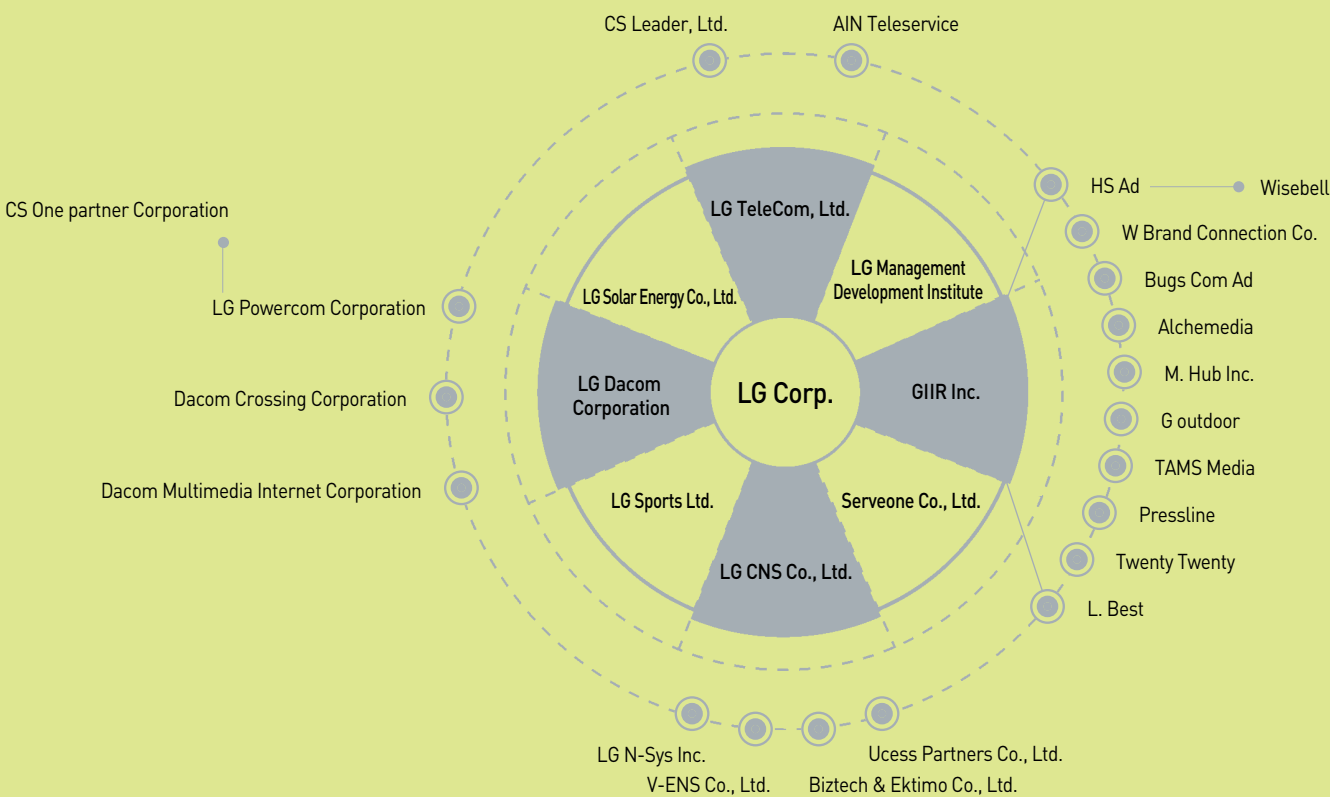
Performance in 2008

In 2008, LG TeleCom continued to produce steady growth in terms of subscribers, revenue, and operating income. Among three leading Korean mobile telecom operators, it was the only one to enlarge its share of cumulative subscribers. As a result, LG TeleCom secured 8.21 million cumulative subscribers, based on which the company posted KRW 3.4 trillion in service revenue, a 6% year-on-year increase. Operating income totaled KRW 379 billion, an increase of KRW55 billion from the previous year. This has great significance given that the operating incomes of competitors have leveled off or fallen from the previous year. In addition, the company's open-type wireless Internet service OZ, which was launched with the buildup of a nationwide CDMA Revision A network, attracted 450,000 subscribers. In order to overcome constraints in overseas roaming service, the CDMA auto-roaming function (Japan, China, North America, etc.) was built into most handset models launched in the second half. Service providers engaged in unprecedented competition to attract subscribers in the first half of 2008, which led to profitability deterioration. While the market cooled rapidly in the second half, LG TeleCom still achieved impressive performance and received a positive response from the market for maintaining a balance between profitability and growth.

LG Dacom recorded KRW 1.6 trillion in revenue, a 22% increase from the previous year, posting the highest-ever performance since the company was founded. 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. Although growth in the fixed line market was stagnant, LG Dacom was nonetheless able to maintain healthy growth thanks to rapid expansion in eBiz and IDC business and steady growth in corporate Internet and phone services. In particular, in order to approach convergence head-on, the company launched myLG070 (WiFi-based Internet phone service) and myLGtv (Internet TV service). By attracting 1.2 million subscribers to the Internet phone service, the company reinforced its position as a first mover. In collaboration with LG Powercomm, a subsidiary, LG Dacom laid the foundation for an all-out launch of TPS (Triple Play Service).

Despite keen competition, LG Powercomm focused on optic LAN service and attracted 460,000 net subscribers to its XPEED high-speed Internet service. In terms of net increase, the company remained the industry leader. As a result, cumulative subscribers exceeded two million and the company succeeded in attracting 2.18 million cumulative subscribers in the three years and four months since the service was launched. Thanks to new subscribers of high-speed Internet service, LG Powercomm posted KRW 1.3 trillion in revenue, a 15% year-on-year growth. Operating income reached KRW 88.7 billion, an increase of KRW 43.9 billion over the previous year, as a result of a differentiated marketing strategy, including a greater share of direct channel, despite an unfavorable environment. In particular, 2008 has been a year for LG Powercomm to lay the groundwork for offering services combining myLG070 and myLGtv in collaboration with LG Dacom and for building the framework to compete in TPS the following year.

Over the past year, LG CNS placed emphasis on identifying new business, including convergence engineering, and developing areas of preeminence in Korea such as ERP and next-generation banking systems. As a result, the company achieved its best-ever performance since its founding: KRW 2 trillion in revenue and KRW 142.1 billion in operating income. Performance in competitive markets was especially noteworthy. LG CNS not only maintained its number one position in the IT service market, but also further widened the gap against competitors. In addition, orders received in four areas of business (ITO, BPO, overseas, and new business) that the company focused on for future growth accounted for 43% of total orders received from the competitive market. This indicates that LG CNS also succeeded in raising its growth potential. Moreover, the company exerted much effort to introduce best practices such as putting a specialized matrix organization in place and establishing a global service implementation system.



Business Strategy in 2009

A series of policy changes are anticipated in 2009: the elimination of pricing approvals for dominant operators; legislation on the redistribution of MVNO (mobile virtual network operator); a review of voice-over WiBro and entry of new players to promote WiBro; and the reallocation of frequencies on low-frequency bands. In addition, the integration of fixed line and wireless services, such as the merger of KT and KTF, is also expected to bring about changes in the market.

LG TeleCom will continue to improve fundamental competitiveness much as it has in the past. It plans to offer call quality comparable to its competitors, improve Revision A-based data quality, steadily expand the OZ subscriber base, and continually introduce new handsets unique to LG TeleCom. In addition, the company will prepare for new competition by securing low frequency bands and considering business diversification, including new business development. This year is expected to be a challenging period for late starters given the decline in the number of new subscribers due to market saturation and a drop in the number of customers switching service providers under MNP (mobile number portability) due to obligatory subscription agreements/intra-network price discounts. Nonetheless, LG TeleCom will distinguish itself from competitors and improve its reputation through relentless innovation of customer value.

LG Dacom and LG Powercomm plan to develop their business structures to digital convergence in earnest while seeking steady growth in existing areas of business. In particular, in the convergence business they plan to position themselves as a leading player by amassing the resources of three LG telecom affiliates, including LG TeleCom. To this end, they will further enhance service combining Internet phone (myLG070) and Internet TV (myLGtv) while targeting subscribers of LG Powercomm s high-speed Internet service XPEED. In order to launch this business and efficiently address the market, the integration of LG Dacom and LG Powercomm is under review. Meanwhile, they will reinforce their competitive edge at building efficient infrastructure in preparation for the BcN (Broadband Convergence Network) era by upgrading their hybrid fiber coaxial network to 100 M and building an IPTV real-time broadcasting network. In 2009, determined efforts will be made to attract more subscribers and create a business base in which customers can truly experience the convenience and economical efficiency of a convergence environment.

In 2009, LG CNS will focus on sustaining the profitability of its traditional IT service business in the Korean market and promoting growth through convergence engineering and overseas business. To raise productivity, the company plans to increase its share of global implementation and the knowledge asset-based business. It will also invest in business areas in which it can become number one in the global market. In addition, in order to further expand its capacity to create customer value, LG CNS will continue to enhance client expertise and implementation specialization.

LG TeleCom, Ltd.

Just over a year after its founding in July 1996, LG TeleCom launched nationwide commercial PCS service in October 1997 by capitalizing on its ability to commercialize CDMA technology for the first time in the world. Upholding the principle of customer-focused management, LG TeleCom built a world-class digital network that opened a new chapter in mobile telecom service.

The company provides distinctive, value-innovative service through consistent innovation and unrivaled customer service. It is also enhancing competitiveness in every respect through innovations to distribution structure, pricing plans, and handset design. In particular, LG TeleCom offers entertainment and attractions through OZ, its open-type mobile Internet service, and has cemented its leadership in mobile Internet service. Moreover, LG TeleCom is making a concerted effort to identify a service befitting the 4G project, which will provide super high-speed multimedia service through mobile phones and provide the company with the momentum to drive the future market.

Date of establishment July 1996
Address 1700 Sangam-dong, Mapo-gu, Seoul
CEO Il Jae Jung
Business areas Mobile phone service, wireless Internet service, corporate mobile telecom service, m-commerce service, global service
Homepage www.lgtelecom.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	1,184,299	1,202,516
Non-current Assets	2,674,163	2,426,205
Total Assets	3,858,463	3,628,721
Current Liabilities	1,676,702	1,230,402
Non-current Liabilities	214,682	625,148
Total Liabilities	1,891,384	1,855,549
Capital stock	1,386,392	1,386,392
Capital Surplus	11,579	11,579
Capital Adjustments	569,908	-
Accumulated Other Comprehensive Income	-	5,668
Retained Earnings	(801)	369,533
Total Shareholders' Equity	1,967,079	1,773,171
Sales	4,797,951	4,585,520
Operating Income	379,049	323,945
Income before Income Taxes Expenses	362,883	320,069
Net Income	283,559	275,289
Gains (Losses) from Equity Method	111,465	108,549
LG Corp. Ownership	37.4%	37.4%

LG Dacom Corporation

LG Dacom, which was founded in 1982 as an information telecommunications company, launched its business by providing domestic and international leased line services to build corporate telecom networks. Then, with local, long distance, and international telephone service and the Internet circuit service Boranet in place, it solidified its position as an integrated information telecom service provider. Recently, it has been leading the market with myLG070, the No. 1 brand in the Korea's Internet phone market, and IPTV myLGtv, a broadcasting/telecom convergence service. LG Dacom has grown into Korea's top-notch information telecommunications company, providing the integrated Internet services that are essential for today's information society, including Internet, 3-Biz, security solutions, telephone service, Internet data centers, and Webhard, in collaboration with its subsidiaries LG Powercomm, Dacom Multimedia Internet (DMI), and Dacom Crossing (DC).

Date of establishment March 1982 (became LG affiliate in Jan. 2000)
Address LG Dacom Bldg., 706-1 Yeoksam-dong, Gangnam-gu, Seoul
CEO Jong Eun Park
Business areas e-Biz, Boranet/Bora homenet, domestic/international phone service, various value-added phone services (1633, 08217, 0505, 1544, 1644, etc.), integrated Internet business service, including N/W solutions
Homepage www.lgdacom.net

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	410,197	342,965
Non-current Assets	1,675,954	1,679,681
Total Assets	2,086,151	2,022,646
Current Liabilities	450,183	483,961
Non-current Liabilities	192,492	146,031
Total Liabilities	642,675	629,991
Capital stock	416,436	416,436
Capital Surplus	629,175	629,175
Capital Adjustments	413,934	(2,008)
Accumulated Other Comprehensive Income	(15,555)	14,017
Retained Earnings	(514)	335,035
Total Shareholders' Equity	1,443,476	1,392,654
Sales	1,647,262	1,353,064
Operating Income	217,316	229,247
Income before Income Taxes Expenses	172,166	182,355
Net Income	120,289	133,543
Gains (Losses) from Equity Method	35,668	40,603
LG Corp. Ownership	30.0%	30.0%

LG CNS Co., Ltd.

LG CNS is an integrated IT service company providing IT-related total solutions. It is engaged in a number of businesses in Korea and abroad, including consulting, traditional IT services (system integration, maintenance), IT convergence (LED image, u-city, u-healthcare), ITO (IT Outsourcing) and BPO (Business Process Outsourcing). LG CNS was established in 1987 under the name STM (System Technology Management) in a 50-50 joint venture with U.S.-based EDS. In 1995 it was renamed LG-EDS System as part of the LG Group's CI initiative. Finally, at the end of 2001, the company took over all equities from EDS and, in January 2002, was renamed as LG CNS.

Date of establishment January 1987
Address 10-1 Hoehyeon-dong 2-ga, Jung-gu, Seoul
IT Centers : Sangam, Incheon
Overseas subsidiaries : eight subsidiaries in eight countries
CEO Chae Chol Shin
Business areas Consulting, system integration, IT outsourcing, BPO, IT, convergence
Homepage www.lgcns.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	585,816	451,010
Non-current Assets	410,710	376,632
Total Assets	996,527	827,642
Current Liabilities	557,027	440,221
Non-current Liabilities	6,794	7,273
Total Liabilities	563,821	447,495
Capital stock	47,188	47,188
Capital Surplus	46,983	46,660
Capital Adjustments	335,719	(6)
Accumulated Other Comprehensive Income	(6)	(597)
Retained Earnings	2,821	286,903
Total Shareholders' Equity	432,705	380,147
Sales	2,001,581	1,738,776
Operating Income	142,103	140,975
Income before Income Taxes Expenses	160,442	153,890
Net Income	115,402	114,163
Gains (Losses) from Equity Method	75,411	83,597
LG Corp. Ownership	82.7%	82.7%

LG Management Development Institute

LG Inhwawon, also known as LG Academy (LGA), educates and trains LG employees to practice LG's philosophy of "creating value for customers" and "respecting human dignity" and develops and nurtures globally competitive manpower who can contribute to LG's vision of becoming a world-class company. The LG Economic Research Institute (LGERI) provides surveys and research on the economy, industries, and financial markets in Korea and abroad and diagnostic and consulting services on corporate management. It also offers customers high-quality economic and business management information through its research findings in the LG Weekly Economy, an analysts' report; the periodicals Economic Outlook and KEB; and various other publications including research reports and book summaries.

Date of establishment November 1988
Address 165 Haewol-ri, Icheon-si, Gyeonggi-do
CEO Michael Byeongnam Lee (LGA) / Joo Hyung Kim (LGERI)
Business areas
· LGA : Training for select talents, mandatory staff training, professional job training, management education, globalization education, and e-Learning
· LGERI : Surveys of economic, industries, and financial markets in Korea and abroad, management consulting, and publishing of various professional economic journals such as LG Weekly Economy
Homepage www.lgacademy.com / www.lgeri.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	28,928	22,776
Non-current Assets	38,401	37,366
Total Assets	67,330	60,142
Current Liabilities	8,996	7,194
Non-current Liabilities	41,148	39,047
Total Liabilities	50,145	46,241
Capital stock	6,000	6,000
Capital Surplus	-	-
Capital Adjustments	11,185	-
Accumulated Other Comprehensive Income	-	-
Retained Earnings	-	7,901
Total Shareholders' Equity	17,185	13,901
Sales	57,537	48,873
Operating Income	3,387	3,705
Income before Income Taxes Expenses	4,827	4,841
Net Income	3,284	3,405
Gains (Losses) from Equity Method	2,914	3,021
LG Corp. Ownership	100.0%	100.0%

Serveone Co., Ltd.

Serveone's divisions include MRO (Maintenance, Repair and Operation), an Internet-based purchasing service; FM (Facility Management), a building management and remodeling service; and CM (Construction Management), an integrated management service for construction projects from design to construction works. In addition to providing such outsourcing services for companies, Serveone operates the Gonjiam Resort and the Gonjiam Country Club, which provide customers with a unique, luxurious setting in which to relax. Under the vision of being "a professional service provider to gain customers' total trust and satisfaction," Serveone strives to offer optimal service at all times.

Date of establishment January 2002
Address 20 Yeouido-dong, Yeongdeungpo-gu, Seoul
Global network (subsidiary) : one subsidiary in one country (China)
CEO Tae-O Kim
Business areas
· MRO : Internet-based purchasing service (B2B)
· FM : Building management, PM, internal communications
· Resort & Golf Course : Konjiam Resort, Konjiam Country Club
· CM : Construction and construction project management
Homepage www.serveone.co.kr

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	499,405	532,955
Non-current Assets	659,426	448,162
Total Assets	1,158,830	981,117
Current Liabilities	442,899	347,754
Non-current Liabilities	450,898	420,118
Total Liabilities	893,797	767,872
Capital stock	25,000	25,000
Capital Surplus	127	127
Capital Adjustments	238,504	-
Accumulated Other Comprehensive Income	-	120
Retained Earnings	1,402	187,999
Total Shareholders' Equity	265,033	213,245
Sales	2,037,504	1,588,886
Operating Income	89,733	70,083
Income before Income Taxes Expenses	97,376	77,819
Net Income	75,505	56,219
Gains (Losses) from Equity Method	57,832	47,741
LG Corp. Ownership	100.0%	100.0%

LG Sports Ltd.

Established in 1983, LG Sports is Korea's first professional sports operation company. It currently manages the LG Twins, a baseball team, and the LG Sakers, a basketball team. As Korea's leading integrated professional sports company, it is making significant contributions to the development of the Korean sports industry.

Date of establishment November 1983
Address Jamsil Sports Complex, 10 Jamsil 1-dong, Songpa-gu, Seoul
CEO Sung Duk Ahn
Business areas
Operation of professional baseball and basketball teams
Homepage www.lgtwins.com / www.lgsakers.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	8,238	5,571
Non-current Assets	8,962	9,550
Total Assets	17,200	15,122
Current Liabilities	15,423	13,008
Non-current Liabilities	729	676
Total Liabilities	16,152	13,684
Capital stock	3,000	3,000
Capital Surplus	-	-
Capital Adjustments	(1,952)	-
Accumulated Other Comprehensive Income	-	-
Retained Earnings	-	(1,563)
Total Shareholders' Equity	1,048	1,437
Sales	32,394	25,210
Operating Income	(104)	75
Income before Income Taxes Expenses	(389)	(95)
Net Income	(389)	(95)
Gains (Losses) from Equity Method	(341)	(120)
LG Corp. Ownership	100.0%	100.0%

LG Solar Energy Co., Ltd.

Founded in September 2007, LG Solar Energy is a solar photovoltaic power generating company. In June of 2008, it completed construction of a 14 mw solar power plant in Korea's Taeon County and generates power for commercial purposes.

Date of establishment September 2007
Address 20 Yeuido-dong, Yeongdeungpo-gu, Seoul
Plant - Banggal-ri, Wonbuk-myeon, Taeon-gun, Chungcheongnam-do
CEO Myung Seok Park
Business areas
Solar photovoltaic power generation

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	4,870	8,552
Non-current Assets	104,901	17,008
Total Assets	109,770	25,560
Current Liabilities	6,697	1
Non-current Liabilities	76,443	-
Total Liabilities	83,141	1
Capital stock	4,640	4,000
Capital Surplus	27,288	21,538
Capital Adjustments	40	-
Accumulated Other Comprehensive Income	-	-
Retained Earnings	(5,339)	20
Total Shareholders' Equity	26,630	25,559
Sales	6,030	-
Operating Income	2,175	(1)
Income before Income Taxes Expenses	(702)	24
Net Income	20	20
Gains (Losses) from Equity Method	20	20
LG Corp. Ownership	100.0%	100.0%

GIIR Inc.

GIIR is Korea's first marketing communications group created to actively respond to the rapidly evolving advertising/marketing communications environment. GIIR consists of advertising, media, research, star management and other diverse specialty marketing agencies that respond to the demand of our clients in order to help them create a powerful relationship with consumers.

Date of establishment May 1984
Address 15F, LG Mapo Towers, 275 Gongdeok 2-dong, Mapo-gu, Seoul
CEO Chong S. Lee
Business areas
Non-financial holding company
Homepage www.g2rgroup.com

Financial Information

Unit : KRW one million

	2008	2007
Current Assets	59,065	31,350
Non-current Assets	49,842	59,308
Total Assets	108,907	90,658
Current Liabilities	3,430	921
Non-current Liabilities	105	623
Total Liabilities	3,535	1,545
Capital stock	17,571	11,773
Capital Surplus	54,582	18,523
Capital Adjustments	(5,453)	(5,453)
Accumulated Other Comprehensive Income	(2,187)	(1,177)
Retained Earnings	40,858	65,447
Total Shareholders' Equity	105,371	89,113
Sales	11,945	18,617
Operating Income	(4,772)	6,448
Income before Income Taxes Expenses	(1,798)	8,793
Net Income	(2,245)	8,428
Gains (Losses) from Equity Method	(864)	-
LG Corp. Ownership	35.0%	-

Financial Information

Unit : KRW one million

	CS Leader, Ltd.		AIN Teleservice	
	Telemarketing services		Telemarketing services	
	2008	2007	2008	2007
Current Assets	6,857	6,139	9,663	5,962
Non-current Assets	440	516	219	285
Total Assets	7,297	6,655	9,882	6,248
Current Liabilities	5,201	4,153	7,011	5,545
Non-current Liabilities	1,667	-	1,285	-
Total Liabilities	6,868	4,153	8,296	5,545
Capital stock	400	400	400	400
Capital Surplus	694	694	-	-
Capital Adjustments	-	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-
Retained Earnings	(665)	1,407	1,186	302
Total Shareholders' Equity	429	2,501	1,586	702
Sales	44,005	50,748	61,044	53,162
Operating Income	(2,688)	(178)	127	(608)
Income before Income Taxes Expenses	(2,072)	286	1,233	91
Net Income	(2,072)	199	883	76

Financial Information

Unit : KRW one million

	LG N-Sys Inc.		V-Ens Co., Ltd.	
	IT infrastructure solutions and services		Total automotive development & consulting services including product development and production engineering	
	2008	2007	2008	2007
Current Assets	220,827	168,014	36,171	23,720
Non-current Assets	32,312	26,621	5,195	5,663
Total Assets	253,139	194,635	41,366	29,383
Current Liabilities	161,753	115,061	31,241	12,740
Non-current Liabilities	6,369	8,785	52	47
Total Liabilities	168,122	123,846	31,294	12,787
Capital stock	10,000	10,000	1,800	1,800
Capital Surplus	57,238	57,238	45	45
Capital Adjustments	17,779	-	8,107	-
Accumulated Other Comprehensive Income	-	-	-	33
Retained Earnings	-	3,551	121	14,718
Total Shareholders' Equity	85,017	70,789	10,072	16,596
Sales	630,381	241,214	86,772	53,469
Operating Income	24,158	5,537	11,583	6,578
Income before Income Taxes Expenses	21,671	5,191	494	7,035
Net Income	15,929	3,551	229	5,037

Financial Information

Unit : KRW one million

	Biztech & Ektimo Co., Ltd.		Ucess Partners Co., Ltd.	
	Integration consulting and construction of computer system		Call center & Telemarketing services	
	2008	2007	2008	2007
Current Assets	6,602	7,475	14,376	913
Non-current Assets	743	721	2,186	-
Total Assets	7,345	8,196	16,562	913
Current Liabilities	2,038	2,858	19,147	4
Non-current Liabilities	1,179	923	1,016	-
Total Liabilities	3,217	3,781	20,163	4
Capital stock	900	900	1,000	1,000
Capital Surplus	4,179	4,179	-	-
Capital Adjustments	[951]	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-
Retained Earnings	-	[664]	[4,601]	[91]
Total Shareholders' Equity	4,128	4,415	[3,601]	909
Sales	21,231	20,167	19,955	-
Operating Income	[363]	[671]	[4,153]	[91]
Income before Income Taxes Expenses	[229]	[846]	[4,510]	[91]
Net Income	[287]	[854]	[4,510]	[91]

Financial Information

Unit : KRW one million

	LG Powercom Corporation		Dacom Crossing Corporation		Dacom Multimedia Internet Corporation	
	Wire communication service		Wire communication service		Wire communication/ telecommunication services	
	2008	2007	2008	2007	2008	2007
Current Assets	377,164	228,663	9,596	5,570	7,764	7,919
Non-current Assets	1,559,909	1,434,776	55,009	52,538	7,747	7,283
Total Assets	1,937,074	1,663,439	64,605	58,108	15,512	15,202
Current Liabilities	644,586	492,199	48,840	6,777	2,290	3,347
Non-current Liabilities	300,397	259,871	708	34,719	668	401
Total Liabilities	944,983	752,070	49,548	41,496	2,958	3,748
Capital stock	667,000	600,000	33,241	33,241	4,742	4,742
Capital Surplus	157,786	150,000	-	-	3,712	3,712
Capital Adjustments	167,305	-	[18,022]	[162]	4,339	[238]
Accumulated Other Comprehensive Income	-	56	[162]	-	[238]	-
Retained Earnings	-	161,314	-	[16,466]	-	3,237
Total Shareholders' Equity	992,091	911,370	15,057	16,613	12,554	11,453
Sales	1,273,769	1,109,618	18,851	13,685	18,981	15,954
Operating Income	88,658	44,771	[1,435]	[1,630]	112	917
Income before Income Taxes Expenses	20,796	7,720	[1,556]	[1,547]	602	1,268
Net Income	5,991	25,522	[1,556]	[1,547]	1,102	1,268

Financial Information

Unit : KRW one million

	HS Ad		W Brand Connection Co.		Bugs Com Ad	
	Full-service agency		Advertising agency		Advertising agency	
	2008	2007	2008	2007	2008	2007
Current Assets	147,346	201,197	898	707	1,656	9,664
Non-current Assets	11,073	7,252	100	139	505	1,813
Total Assets	158,419	208,449	998	846	2,160	11,478
Current Liabilities	125,914	171,967	114	140	12,758	13,893
Non-current Liabilities	2,352	2,317	83	33	73	97
Total Liabilities	128,266	174,285	197	174	12,831	13,990
Capital stock	5,000	5,000	1,500	1,500	100	100
Capital Surplus	17,492	17,492	-	-	-	-
Capital Adjustments	-	-	-	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-	-	-
Retained Earnings	7,661	11,672	[699]	[827]	[10,771]	[2,612]
Total Shareholders' Equity	30,153	34,164	801	673	[10,671]	[2,512]
Sales	153,996	181,609	2,183	1,689	6,555	16,851
Operating Income	5,129	10,451	103	40	[6,670]	[2,034]
Income before Income Taxes Expenses	7,302	13,475	129	56	[8,159]	[2,760]
Net Income	4,752	9,651	129	56	[8,159]	[2,760]

Financial Information

Unit : KRW one million

	Alchemedia		M. Hub Inc.		G outdoor	
	Advertising agency		Advertising agency		Advertising agency	
	2008	2007	2008	2007	2008	2007
Current Assets	13,539	17,009	31,376	29,058	83	1,549
Non-current Assets	532	506	1,559	789	-	-
Total Assets	14,071	17,514	32,936	29,847	83	1,549
Current Liabilities	13,025	16,441	29,228	26,197	1,699	1,524
Non-current Liabilities	-	-	109	113	-	-
Total Liabilities	13,025	16,441	29,338	26,310	1,699	1,524
Capital stock	200	200	2,005	2,005	50	50
Capital Surplus	-	-	695	695	-	-
Capital Adjustments	-	-	-	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-	-	-
Retained Earnings	846	846	898	836	[1,666]	[25]
Total Shareholders' Equity	1,046	1,046	3,598	3,537	[1,616]	25
Sales	1,934	2,080	3,443	3,007	-	-
Operating Income	595	835	447	474	[1,661]	[18]
Income before Income Taxes Expenses	963	1,134	978	977	[1,641]	[22]
Net Income	712	815	671	674	[1,641]	[22]

Financial Information

Unit : KRW one million

	TAMS Media		Pressline	
	Advertising agency		IT Solution	
	2008	2007	2008	2007
Current Assets	771	1,013	36	78
Non-current Assets	13	76	-	361
Total Assets	784	1,089	36	439
Current Liabilities	1,852	650	424	323
Non-current Liabilities	26	13	-	10
Total Liabilities	1,879	662	424	333
Capital stock	1,350	1,350	1,000	1,000
Capital Surplus	-	-	-	-
Capital Adjustments	(20)	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-
Retained Earnings	(2,424)	(923)	(1,388)	(894)
Total Shareholders' Equity	(1,094)	427	(388)	106
Sales	1,967	1,236	84	157
Operating Income	(1,437)	(972)	(206)	(259)
Income before Income Taxes Expenses	(1,501)	(293)	(493)	(287)
Net Income	(1,501)	(293)	(493)	(287)

Financial Information

Unit : KRW one million

	Twenty Twenty		L. Best	
	Advertising agency		Full-service agency	
	2008	2007	2008	2007
Current Assets	20	26	14,376	913
Non-current Assets	-	-	2,186	-
Total Assets	20	26	16,562	913
Current Liabilities	154	142	19,147	4
Non-current Liabilities	-	-	1,016	-
Total Liabilities	154	142	20,163	4
Capital stock	50	50	1,000	1,000
Capital Surplus	-	-	-	-
Capital Adjustments	-	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-
Retained Earnings	(184)	(166)	(4,601)	(91)
Total Shareholders' Equity	(134)	(116)	(3,601)	909
Sales	-	-	19,955	-
Operating Income	(6)	(2)	(4,153)	(91)
Income before Income Taxes Expenses	(18)	(11)	(4,510)	(91)
Net Income	(18)	(11)	(4,510)	(91)

Financial Information

Unit : KRW one million

	CS One partner Corporation		Wisebell	
	Call Center & Telemarketing services		Advertising agency	
	2008	2007	2008	2007
Current Assets	4,011	-	3,287	1,825
Non-current Assets	340	-	139	178
Total Assets	4,351	-	3,426	2,003
Current Liabilities	1,009	-	1,557	992
Non-current Liabilities	426	-	49	54
Total Liabilities	1,435	-	1,606	1,046
Capital stock	200	-	400	400
Capital Surplus	3,800	-	-	-
Capital Adjustments	-	-	-	-
Accumulated Other Comprehensive Income	-	-	-	-
Retained Earnings	(1,084)	-	1,420	557
Total Shareholders' Equity	2,916	-	1,820	957
Sales	7,241	-	8,941	5,216
Operating Income	(1,127)	-	1,818	1,074
Income before Income Taxes Expenses	(1,084)	-	1,841	1,071
Net Income	(1,084)	-	1,360	790

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
I . Operating revenue	992,452	1,060,265
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
II . Operating expense	114,124	140,781
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⁽¹⁾ 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%
Electronics Total			2,828,290	44.1%		136,235	17.6%	135,216	18.2%
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%
Chemicals Total			1,802,075	28.1%		356,526	45.9%	325,328	43.8%
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%
Telecommunications Total			1,150,427	17.9%		147,132	19.0%	147,132	19.8%
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%
Services Total			617,778	9.6%		136,349	17.6%	134,972	18.2%
LG Hitachi Ltd.	245,000	49.0%	14,023	0.2%	1,008	(162)	0.0%	(162)	0.0%
Others Total			14,023	0.2%		(162)	0.0%	(162)	0.0%
Grand Total			6,412,593	100.0%		776,079	100.0%	742,486	100.0%

*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
Electronics Total	2,487,094		56,308	135,216	262,288	2,828,290
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
Chemicals Total	1,486,088		62,625	325,328	53,284	1,802,075
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
Telecommunications Total	1,057,084		43,593	147,132	(10,196)	1,150,427
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
GIIR Inc.		41,889		(864)	(1,530)	39,496
Services Total	516,075	48,289	79,054	134,972	(2,504)	617,778
LG Hitachi Ltd.	14,125		74	(162)	134	14,023
Others Total	14,125	0	74	(162)	134	14,023
Grand Total	5,560,466	48,289	241,654	742,486	303,006	6,412,593

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
Total	159,079	32,914	191,993

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
	Sub-total	241,582
Available-for-sale	LS Industrial Systems Co., Ltd.	587
	LG Hitachi Ltd.	74
	Koentec Co., Ltd.	19
	Korea Management Association Consultants	8
Sub-total		687
Grand Total	Grand Total	242,269

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
IV . Non-operating income	90,948	86,966
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
V . Non-operating expense	11,379	9,914
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
GIIR 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 GIIR. 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
Total	339,158	86,927 -	711 -	73 -	3,896	421,405

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
Total	455,200	100.0%	240,000	100.0%	215,200
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
Total	-	-	698,000	181,000	-	517,000	-	-	-

NON-CONSOLIDATED FINANCIAL STATEMENTS

LG CORP. AS OF DECEMBER 31, 2008 AND 2007

Non-consolidated Balance Sheets (Unit : KRW one million)

Accounts	2008	2007
Assets		
Current Assets	333,280	36,326
Cash and CashEquivalents	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
Non-current Assets	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
Total Assets	6,956,279	5,643,646
Liabilities		
Current Liabilities	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
Non-current Liabilities	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 doposits 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
Total Liabilities	724,861	468,565
StockHolders' Equity		
Capital Stock	879,359	879,359
Common Stock	862,786	862,786
Preferred Stock	16,573	16,573
Capital Surplus	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
Capital Adjustments	(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)
Accumulated Other Comprehensive Income	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 Securitie	(100,979)	(95,632)
Retained Earnings or Accumulated Deficit	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
Total Stockholders Equity	6,231,418	5,175,081
Total Liabilities and Stockholders Equity	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
Operating Revenue	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
Operating Expense	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
Operating Income or Loss	878,328	919,484
Non-Operating Revenues	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
Non-Operating Expenses	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
Income Loss Before Income Taxes Expenses	957,896	996,535
Income Taxes Expenses	45,864	53,904
Net Income or Loss	912,032	942,631
Earnings or Losses Per Share	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 methodsecurities	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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007



To the Shareholders and Board of Directors of LG Corp.:

We have audited the accompanying consolidated balance sheets of LG Corp. (the "Company") and its subsidiaries (collectively 'the Group') as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in its shareholders' equity and its cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, including LG Electronics Inc. whose statements reflect 85.1% and 84.9% (before elimination of intercompany transactions) of the consolidated total assets as of December 31, 2008 and 2007, and 94.1% and 93.2% (before elimination of intercompany transactions) of the consolidated total sales for the years ended December 31, 2008 and 2007. Those financial statements were audited by other auditors whose reports have been furnished us, and our opinion, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2007, and the results of their operations, changes in their shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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

March 27, 2009

Deloitte Anjin LLC

Notice to Readers

This report is effective as of March 27, 2009, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

LG CORP.

AS OF DECEMBER 31, 2008 AND 2007

(Unit : KRW one million)

	2008	2007
ASSETS		
CURRENT ASSETS :		
Cash and cash equivalents (Note 24)	₩5,422,394	₩3,679,568
Short-term financial instruments (Note 3)	2,597,206	1,140,353
Short-term investment securities (Note 6)	2,444	5,926
Trade accounts and notes receivable, net (Notes 4 and 24)	9,086,857	8,251,800
Inventories, net (Note 5)	8,866,196	7,586,044
Short-term loans, net (Note 4)	102,884	38,343
Other accounts receivable, net (Notes 4 and 24)	1,312,558	1,287,644
Accrued income, net (Note 4)	350,187	96,247
Advanced payments, net (Note 4)	282,801	239,495
Prepaid expenses	476,820	345,609
Derivative transaction debit (Note 16)	51,331	10,885
Current deferred income tax assets (Note 19)	909,396	923,830
Others	1,056,154	690,862
Total current assets	30,517,228	24,296,606
NON-CURRENT ASSETS :		
Property, plant and equipment, net (Notes 9, 11, 12 and 13)	28,823,367	25,498,089
Long-term financial instruments (Note 3)	191,812	87,449
Long-term investment securities (Note 7)	340,556	229,688
Equity-method investments (Note 8)	620,430	578,347
Long-term trade accounts and notes receivable, net (Note 4)	144,002	113,269
Guarantee deposits	785,141	718,083
Long-term loans, net (Note 4)	86,868	113,656
Long-term prepaid expenses	488,968	395,477
Deferred income tax assets (Note 19)	1,178,654	916,615
Long-term derivative transactions debit (Note 16)	139,325	7,715
Intangible assets, net (Notes 2 and 10)	1,130,798	833,708
Other investments	334,949	291,522
	34,264,870	29,783,618
Total assets	₩ 64,782,098	₩ 54,080,224

(Continued)

Auditor's Report

CONSOLIDATED BALANCE SHEETS (CONTINUED)

LG CORP.		AS OF DECEMBER 31, 2008 AND 2007	
		(Unit : KRW one million)	
	2008	2007	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES :			
Short-term borrowings (Note 11)	₩7,956,286	₩5,501,320	
Current maturities of long-term debts (Note 11)	3,032,003	2,034,683	
Trade accounts and notes payable (Note 24)	6,144,919	6,290,779	
Other accounts payable (Note 24)	4,550,661	3,134,988	
Advances from customers	419,383	464,601	
Withholdings	643,886	468,074	
Accrued expenses	3,164,800	2,195,930	
Income tax payable (Note 19)	1,175,773	783,982	
Unearned income	88,710	79,865	
Derivative transaction credit (Note 16)	85,126	68,550	
Current deferred income tax liabilities (Note 19)	3,072	981	
Other current liabilities	845,395	111,911	
Total current liabilities	28,110,014	21,135,664	
LONG-TERM LIABILITIES :			
Debentures, net (Note 12)	4,615,991	5,550,001	
Long-term debts, net of current portion (Note 12)	3,791,037	3,018,513	
Long-term other accounts payable (Note 13)	561,971	120,648	
Accrued severance benefits, net (Notes 2 and 14)	588,906	588,272	
Guarantee deposits received	275,499	263,839	
Deferred income tax liabilities (Note 19)	830,008	771,084	
Long-term derivative transaction credit (Note 16)	174,925	130,375	
Other long-term liabilities	99,273	573,219	
	10,937,610	11,015,951	
Total liabilities	39,047,624	32,151,615	
COMMITMENTS AND CONTINGENCIES (Note 15)			
SHAREHOLDERS' EQUITY (Note 17) :			
Capital stock :			
Common stock	862,786	862,786	
Preferred stock	16,573	16,573	
Capital surplus	2,213,553	2,189,063	
Capital adjustments	(57,015)	(60,155)	
Accumulated other comprehensive income (loss)	150,762	(131,985)	
Retained earnings	3,045,008	2,244,831	
Minority interests	19,502,807	16,807,496	
Total shareholders' equity	25,734,474	21,928,609	
Total liabilities and shareholders' equity	₩64,782,098	₩54,080,224	

See accompanying notes to consolidated financial statements

Auditor's Report

CONSOLIDATED STATEMENTS OF INCOME

LG CORP.		FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	
		(Unit : KRW one million, except per share amounts)	
	2008	2007	
SALES (Notes 22 and 27)	₩90,222,484	₩76,288,334	
COST OF SALES	67,835,678	58,247,909	
GROSS PROFIT	22,386,806	18,040,425	
SELLING AND ADMINISTRATIVE EXPENSES (Note 26)	15,465,375	12,969,656	
OPERATING INCOME	6,921,431	5,070,769	
NON-OPERATING INCOME :			
Interest income	417,949	271,910	
Dividends income	1,444	2,705	
Rental income	38,391	35,528	
Foreign exchange gains	5,629,362	1,005,658	
Gain on foreign currency translation	658,008	283,337	
Gain on disposal of short-term investment securities	-	6,929	
Gain on disposal of investment securities	62,900	49,094	
Gain on valuation of equity-method investments (Note 8)	93,045	65,793	
Gain on disposal of equity-method investments	125	825	
Gain on disposal of property, plant and equipment	36,054	56,861	
Gain on derivative transactions (Note 16)	253,494	67,972	
Gain on valuation of derivative instruments (Note 16)	293,476	15,361	
Amortization of negative goodwill (Note 10)	112,143	112,164	
Others	289,363	370,598	
	7,885,754	2,344,735	

(Continued)

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

LG CORP.			FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	
			(Unit : KRW one million, except per share amounts)	
	2008	2007		
NON-OPERATINGEXPENSES:				
Interest expense	₩777,936	₩869,956		
Foreign exchange losses	5,886,901	761,963		
Loss on foreign currency translation	2,030,708	218,915		
Donations	45,059	44,325		
Loss on valuation of equity-method investments [Note 8]	78,872	37,641		
Loss on disposal of short-term investment securities	11	1,306		
Loss on valuation of short-term investment securities	60	676		
Loss on disposal of investment securities	8,440	2,726		
Impairment loss on investment securities	2,180	21,923		
Loss on disposal of property, plant and equipment	93,278	124,572		
Impairment loss on property, plant and equipment	125,544	97,595		
Loss on redemption of debentures	13	19,500		
Other bad debt expense	12,396	10,563		
Loss on derivative transactions [Note 16]	520,471	90,996		
Loss on valuation of derivative instruments [Note 16]	170,146	94,136		
Loss on disposal of trade accounts receivable	299,838	351,100		
Others	697,014	234,478		
	10,748,867	2,982,371		
INCOME BEFORE INCOME TAX - CONTINUING OPERATIONS	4,058,318	4,433,133		
INCOME TAX EXPENSE FOR CONTINUING OPERATIONS [Note 19]	1,092,157	792,544		
SUBSIDIARIES' NET LOSS BEFORE ACQUISITION	[634]	[6,538]		
INCOME AFTER INCOME TAX - CONTINUING OPERATIONS	2,966,795	3,647,127		
LOSS FOR DISCONTINUED OPERATIONS [Note 28]				
(Income tax effect: 2007 - ₩5,687 million)	-	14,992		
NET INCOME	₩2,966,795	₩3,632,135		
Parent interests' share in income	₩912,115	₩922,356		
Minority interests' share in incom	₩2,054,680	₩2,709,779		
PER SHARE DATA [Note 20]:				
Parent interests' share in income per common share - continuing operations	₩5,208	₩5,289		
Minority interests' share in income per common share	₩5,208	₩5,267		

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

LG CORP.								FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	
								(Unit : KRW one million)	
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income [loss]	Retained earnings	Minority interests	Total		
Balance at January 1, 2007	₩879,359	₩2,227,584	₩(65,842)	₩(201,610)	₩1,385,954	₩14,169,085	₩18,394,530		
Dividends to shareholders	-	-	-	-	(87,702)	(201,417)	(289,119)		
Balance after appropriations	879,359	2,227,584	(65,842)	(201,610)	1,298,252	13,967,668	18,105,411		
Net income	-	-	-	-	922,356	2,709,779	3,632,135		
Changes in the scope of consolidation	-	(33,916)	6,619	-	1,739	345,954	320,396		
Change in valuation of available-for-sale securities, net	-	-	-	(9,894)	-	8,196	(1,698)		
Loss on valuation of investment securities, net	-	-	-	42,778	-	(33,721)	9,057		
Loss on valuation of derivatives instruments for cash flow hedge	-	-	-	(3,344)	-	(7,033)	(10,377)		
Overseas operations translation adjustments	-	-	-	40,085	19,730	(157,302)	(97,487)		
Others	-	(4,605)	(932)	-	2,754	(26,045)	(28,828)		
Balance as of December 31, 2007	₩879,359	₩2,189,063	₩(60,155)	₩(131,985)	₩2,244,831	₩16,807,496	₩21,928,609		
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income [loss]	Retained earnings	Minority interests	Total		
Balance at January 1, 2008	₩879,359	₩2,189,063	₩(60,155)	₩(131,985)	₩2,244,831	₩16,807,496	₩21,928,609		
Dividends to shareholders	-	-	-	-	(131,470)	(527,587)	(659,057)		
Balance after appropriations	879,359		(60,155)	(131,985)	2,113,361	16,279,909	21,269,552		
Net income	-	-	-	-	912,115	2,054,680	2,966,795		
Disposal of treasury stocks	-	4,548	4,505	-	-	-	9,053		
Changes in the scope of consolidation	-	29,638	-	-	-	249,719	279,357		
Change in valuation of available-for-sale securities, net	-	-	-	(5,923)	-	(11,877)	(17,800)		
Loss on valuation of investment securities, net	-	-	-	11,549	-	59,597	71,146		
Loss on valuation of derivatives instruments for cash flow hedge	-	-	-	(13,565)	-	26,946	13,381		
Overseas operations translation adjustments	-	-	-	263,358	-	839,274	1,102,632		
Others		(9,696)	(1,365)	27,328	19,532	4,559	40,358		
Balance as of December 31,2008	₩879,359	₩2,213,553	₩(57,015)	₩150,762	₩3,045,008	₩19,502,807	₩25,734,474		

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

LG CORP.		FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	
(Unit : KRW one million)			
	2008	2007	
CASH FLOWS FROM OPERATING ACTIVITIES :			
Net income	₩ 2,966,795	₩ 3,632,135	
Adjustments to reconcile net income to net cash provided by operating activities :			
Provision for severance benefits	452,326	509,055	
Depreciation and amortization	5,477,166	5,898,395	
Bad debt expense	94,938	112,438	
Other bad debt expense	12,396	9,922	
Loss on foreign currency translation, net	1,350,607	3,792	
Loss on disposal of trade accounts receivable	299,838	350,004	
Loss (gain) on disposal of short-term investment securities, net	11	(5,623)	
Loss on valuation of short-term investment securities, net	60	676	
Gain on disposal of investment securities, net	(54,460)	(46,368)	
Gain on disposal of equity-method investments	(125)	(825)	
Impairment loss on investment securities, net	741	21,923	
Gain on valuation of equity-method investments, net	(14,173)	(28,152)	
Loss on disposal of property, plant and equipment, net	55,874	77,127	
Impairment loss on property, plant and equipment	126,271	98,469	
Amortization of discounts on debentures	37,652	57,856	
Loss on redemption of debentures	13	19,500	
Amortization of negative goodwill	(112,143)	(112,164)	
Loss on derivative transactions, net	282,809	21,918	
Loss (gain) on valuation of derivative instruments, net	(123,330)	78,775	
Others, net	1,449,675	1,161,379	
	9,336,146	8,228,097	

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

LG CORP.		FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007	
		(Unit : KRW one million)	
	2008	2007	
CHANGES IN OPERATING ASSETS AND LIABILITIES :			
Increase in trade accounts and notes receivable	₩(681,565)	₩(427,531)	
Increase in other accounts receivable	(13,111)	(394,186)	
Increase in inventories	(1,176,652)	(231,004)	
Increase in accrued income	(275,201)	(38,565)	
Increase in advanced payments	(28,188)	(63,232)	
Increase in prepaid expenses	(77,545)	(49,160)	
Increase in other current assets	(437,000)	(144,286)	
Increase in long-term prepaid expenses	(162,825)	(116,378)	
Increase in long-term trade accounts and notes receivable	(211,054)	(161,320)	
Change in deferred income tax, net	(184,069)	(421,890)	
Decrease in trade accounts and notes payable	(535,356)	(87,166)	
Increase (decrease) in other accounts payable	1,417,484	(890,293)	
Decrease in advances from customers	(63,736)	(40,654)	
Increase (decrease) in withholdings	151,709	(45,193)	
Increase in accrued expenses	933,657	313,644	
Increase in income tax payable	388,185	367,539	
Increase in unearned income	5,270	15,000	
Decrease in other current liabilities	(1,200,708)	(543,306)	
Accrued severance benefits transferred from affiliated company	2,214	2,691	
Increase in severance insurance deposits	(73,601)	(187,595)	
Decrease in contributions to the National Pension Fund	2,211	3,295	
Payment of severance benefits	(366,689)	(351,344)	
Others	500,187	437,597	
	(2,086,383)	(3,053,337)	
Net cash provided by operating activities	10,216,558	8,806,895	
CASH FLOWS FROM INVESTING ACTIVITIES :			
Acquisition of short-term financial instruments, net	(1,731,426)	(894,684)	
Disposal (acquisition) of short-term investment securities, net	5,305	(1,904)	
Collection (extension) of short-term and long-term loans, net	(37,539)	17,037	
Disposal of long-term financial instruments, net	233,649	37,512	
Disposal of investment securities	89,724	393,926	
Acquisition of investment securities	(231,989)	(287,801)	
Acquisition of equity-method investments, net	(50,248)	(377,941)	
Decrease (increase) in guarantee deposits, net	(29,504)	236,528	
Decrease (increase) in other investments, net	(3,240)	16,576	
Disposal of property, plant and equipment	649,102	277,157	
Acquisition of property, plant and equipment	(8,189,791)	(5,071,208)	
Acquisition of intangible assets, net	(307,779)	(189,469)	

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

LG CORP.

FOR YEARS ENDED DECEMBER 31, 2008 AND 2007

(Unit : KRW one million)

	2008	2007
Disposal (acquisition) of derivatives, net	(254,731)	9,439
Net cash used in investing activities	(9,858,467)	(5,834,832)
CASH FLOWS FROM FINANCING ACTIVITIES :		
Payment of short-term borrowings, net	₩ 2,304,544	₩ (269,356)
Payment of dividends	(659,057)	(422,894)
Repayment of current maturities of long-term debts	(2,209,795)	(2,855,292)
Proceeds from debentures	582,833	1,904,597
Repayment of debentures	(88,308)	(758,053)
Proceeds from long-term debts	1,07,477	1,318,604
Repayment of long-term debts	(140,754)	(856,555)
Increase (decrease) in other long-term liabilities, net	222,684	(395,211)
Change in overseas operations translation adjustments	189,745	8,732
Increase (decrease) in cash from consolidated capital transaction	(10)	199,341
Others	74,741	(20,736)
Net cash used in financing activities	(1,334,100)	(2,146,823)
CASH FLOWS FROM CHANGES IN THE SCOPE OF CONSOLIDATION	50,635	62,283
CASH FLOWS FROM CHANGES IN THE RESTATEMENT OF SUBSIDIARIES	-	21,100
NET INCREASE IN CASH AND CASHEQUIVALENTS	1,742,826	908,623
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	3,679,568	2,770,945
CASH AND CASH EQUIVALENTS, AT END OF YEAR	₩ 5,422,394	₩ 3,679,568

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

LG CORP.		FOR YEARS ENDED DECEMBER 31, 2008 AND 2007	
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1. THE CONSOLIDATED COMPANIES AND EQUITY METHOD INVESTEEES

The accompanying consolidated financial statements include the accounts of LG Corp. and its 160 and 149 subsidiaries in 2008 and 2007, respectively (collectively 'the Group').

The Holding Company

As a holding company, LG Corp. ('the Company'), formerly known as LG Chem Investment Ltd. (LGCI), merged with LG Electronics Investment Ltd. (LGEI) and the real estate and investment division of LG MRO and changed its name from LG Chem Investment Ltd. to LG Corp. in March 2003. On July 1, 2004, the Company spun-off and incorporated GS Corp. (formerly GS Holdings Corp.) as a holding company. Accordingly, investments in GS Home Shopping Inc., GS-Caltex Oil Corp. and GS Mart Co., Ltd. and certain buildings were transferred to GS Corp. (formerly GS Holdings Corp.). Thereafter, GS Corp. (formerly GS Holdings Corp.) and its subsidiaries received an approval from the Fair Trade Commission on their breakaway from the LG Group on January 27, 2005.

In February 1970, the Company` s shares were listed on the Korea Exchange.

As of December 31, 2008, the Company has an outstanding capital stock of ₩879,359 million, including preferred stock of ₩16,573 million, as a result of the several issuances of new shares of stock, mergers and spin-off transactions.

Consolidated Companies

Consolidated subsidiaries as of December 31, 2008 and 2007 are as follows :

	Percentage of ownership (%)		Number of shares owned	
	2008	2007	2008	2007
CONSOLIDATED SUBSIDIARIES :				
DOMESTIC SUBSIDIARIES :				
LG Electronics Inc.	34.80	34.80	50,341,430	50,341,430
LG Chem Ltd.	33.53	33.53	25,226,000	25,226,000
LG Telecom Ltd.	37.37	37.37	103,614,396	103,614,396
LG Dacom Corporation	30.04	30.04	25,018,906	25,018,906
LG Household & Health Care Ltd.	34.03	34.03	5,315,500	5,315,500
LG Life Science Co., Ltd.	30.43	30.43	5,044,114	5,044,114
Siltron Inc.	51.00	51.00	3,418,141	3,418,141
LG CNS Co., Ltd.	82.67	82.67	72,072,492	72,072,492
Serveone Co., Ltd.	100.00	100.00	5,000,000	5,000,000
LG MMA Corp.	50.00	50.00	1,200,000	1,200,000
LG N Sys Co., Ltd.	100.00	100.00	2,000,000	2,000,000
Lusem Co., Ltd.	64.81	64.81	1,400,000	1,400,000
LG Management Development Institute	100.00	100.00	1,200,000	1,200,000
LG Sports Ltd.	100.00	100.00	600,000	600,000
LG Display Co., Ltd. (formerly LG Philips LCD Co., Ltd.)	37.90	37.90	135,625,000	135,625,000
LG Innotek Co., Ltd.	69.80	69.80	6,017,400	6,017,400
Hi Plaza Inc.	100.00	100.00	7,440,000	7,440,000
LG Micron Ltd.	36.00	36.00	2,699,702	2,699,702
Hi Business Logistics	100.00	100.00	720,000	720,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Percentage of ownership (%)		Number of shares owned	
	2008	2007	2008	2007
LG SMBA Alliance Fund	50.00	50.00	(*)1	(*)1
Innovation Investment	83.33	83.33	(*)1	(*)1
LG Dow Polycarbonate Ltd.	50.00	50.00	7,025,785	7,025,785
Dacom Multimedia Internet, Inc.	88.06	88.06	8,351,406	8,351,406
DACOM Crossing Co., Ltd.	51.00	51.00	3,390,582	3,390,582
LG Powercom	40.87	45.43	54,516,667	54,516,667
V-ENS Co., Ltd.	100.00	100.00	360,000	360,000
Coca-Cola Beverage Co.	90.00	100.00	176,562,200	176,562,200
Biztech & Ektimo, Inc.(*)2	61.00	-	1,016,416	-
LG Solar Energy Inc. (*)2	100.00	-	928,000	-
GIIR Corporation (*)3	35.00	-	5,798,593	-
HS Ad Co., Ltd. (*)3	100.00	-	5,000,000	-
M.Hub Inc. (*)3	50.62	-	203,000	-
Alchemedia Co., Ltd. (*)3	51.00	-	102,000	-
Bugs Com Ad Co., Ltd. (*)3	70.00	-	140,000	-
OVERSEAS SUBSIDIARIES :				
LG Electronics Austria GmbH (LGEAG)	100.00	100.00	(*)1	(*)1
LG Electronics Alamaba, Inc. (LGEAI)	100.00	100.00	266	266
LG Electronics Almaty Kazak Co., Ltd.(LGEAK)	100.00	100.00	(*)1	(*)1
LG Electronics Australia Pty., Ltd. (LGEAP)	100.00	100.00	2,685,000	2,685,000
Arcelic-LG Klima Sanayi Ve Ticarte A.S. (LGEAT)	50.00	50.00	144,000	144,000
LG Electronics Da Amazonia Ltda. (LGEAZ)	100.00	100.00	(*)1	(*)1
LG Electronics Colombia, Ltda. (LGECEB)	100.00	100.00	(*)1	(*)1
LG Electronics (China) Co., Ltd. (LGECH)	100.00	100.00	(*)1	(*)1
LG Electronics Canada, Inc. (LGECI)	100.00	100.00	42,900	42,900
LG Electronics Inc. Chile Limitada (LGECL)	100.00	100.00	(*)1	(*)1
LG Electronics Czech S.R.O. (LGE CZ)	100.00	100.00	(*)1	(*)1
LG Electronics Deutschland GmbH. (LGEDG)	100.00	100.00	(*)1	(*)1
LG Electronics Egypt S.A.E. (LGEEG)	95.00	95.00	136,800	136,800
Eic Properties Pte. Ltd.	38.20	38.20	13,052,940	13,052,940
LG Electronics Espana S.A. (LGEES)	100.00	100.00	472,967	472,967
LG Goldstar France S.A.R.L. (LGEFS)	100.00	100.00	69,848	69,848
LG Electronics Gulf FZE (LGE GF)	100.00	100.00	40	40
LG Electronics HK Ltd. (LGEHK)	100.00	100.00	6,752,817	6,752,817
LG Electronics Nature (Hangzhou) Recording Media Co., Ltd. (LGEHN)	70.00	70.00	(*)1	(*)1
LG Electronics Hellas S.A. (LGEHS)	100.00	100.00	1,600,000	1,600,000
Huizhou LG Electronics Inc. (LGEHZ)	80.00	80.00	-	-
LG Electronics India (PVT.) Ltd. (LGEIL)	100.00	100.00	113,128,726	113,128,726
PT LG Electronics Indonesia (LGEIN)	100.00	100.00	51,920	51,920
LG Electronics Italy S.P.A. (LGEIS)	100.00	100.00	18,785,000	18,785,000
LG Electronics JIT Europe B.V (LGEJE)	100.00	100.00	180	180

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Percentage of ownership (%)		Number of shares owned	
	2008	2007	2008	2007
LG Electronics Japan Inc. (LGEJP)	100.00	100.00	1,380,000	1,380,000
LG Electronics Latvia, LLC (LGELV)	100.00	100.00	(*)1	(*)1
LG Electronics (Kunshan) Computer Co.,Ltd. (LGEKS)	100.00	100.00	(*)1	(*)1
LG Electronics Mlawo Sp.zo.o (LGEMA)	100.00	100.00	412,616	412,616
LG Electronics Morocco SARL (LGEMC)	100.00	100.00	315,213	315,213
LG Electronics Magyar KFT. (LGEMK)	100.00	100.00	(*)1	(*)1
LG Electronics Monterrey Mexico S.A. de C.V (LGEMM)	100.00	100.00	88,031	70,162
LG Electronics Mobile Research U.S.A., LLC (LGEMR)	100.00	100.00	(*)1	(*)1
LG Electronic Romania S.R.L (LGERO)	100.00	100.00	2,052,000	2,052,000
LG Electronics Mexico S.A. DECV (LGEMS)	100.00	100.00	893,084	714,328
LG Electronics Mexicali S.A.de C.V. (LGEMX)	100.00	100.00	513,626	899,625
LG Electronics (Nanjing) Plasma Co., Ltd. (LGENP)	100.00	100.00	(*)1	(*)1
LG Electronics Nanjing Display Co., Ltd. (LGEND)	70.00	70.00	(*)1	(*)1
LG Electronics Philippine Inc. (LGEPH)	100.00	100.00	739,036	739,036
LG Electronics Polska Sp.Z.O.O. (LGEPL)	100.00	100.00	28,366	28,366
NanJing LG Panda Appliances Co., Ltd. (LGEPN)	70.00	70.00	(*)1	(*)1
LG Electronics Peru S.A. (LGEPR)	100.00	100.00	59,626,822	59,626,822
LG Electronics Panama S.A. (LGEPS)	100.00	100.00	193,747	193,747
LG Electronics Portugal S.A. (LGEPT)	100.00	100.00	(*)1	(*)1
Qingdao LG Langchao Digital Communication Co., Ltd.	70.00	70.00	(*)1	(*)1
LG Electronics Qinhuangdao Inc. (LGEQH)	100.00	100.00	(*)1	(*)1
LG Electronics (China) Research and Development Center Co., Ltd. (LGERD)	100.00	100.00	(*)1	(*)1
LG Electronics Russia Inc. (LGERI)	95.02	95.02	2,290	2,290
LG Electronics Raynosa, S.A.de C.V. (LGER S)	100.00	100.00	72,000	72,000
LG Electronics S.A. (PTY) Ltd. (LGESA)	100.00	100.00	293,344,000	293,344,000
LG Electronics European Holdings B.V. (LGEEH)	100.00	100.00	6,544	6,544
Shanghai LG Electronics Co., Ltd. (LGESH)	70.00	70.00	(*)1	(*)1
LG Electronics De Sao Paulo Ltda (LGESP)	100.00	100.00	(*)1	(*)1
LGE Sweden AB (LGESW)	100.00	100.00	76,157	76,157
LG Electronics (Shenyang) Inc. (LGESY)	78.87	78.87	(*)1	(*)1
LG Electronics Tianjin Appliances Co., Ltd. (LGETA)	80.00	80.00	(*)1	(*)1
LG Electronics Thailand Co., Ltd. (LGETH)	100.00	100.00	6,138,995	6,138,995
Taizhou LG Electronics Refrigeration Co., Ltd. (LGETR)	100.00	100.00	(*)1	(*)1
LG Electronics Taistar Taiwan Co., Ltd. (LGETT)	99.94	99.94	52,859,202	52,892,542
LG Electronics United Kingdom Ltd. (LGEUK)	100.00	100.00	192,000	192,000
LG Electronics USA Inc. (LGEUS)	100.00	100.00	32,884	32,884
LG Electronics Vietnam Co., Ltd. (LGEVN)	100.00	100.00	(*)1	(*)1
LG Electronics Wroclaw Sp. z o.o (LGEWR)	100.00	100.00	181,018	181,018
Langchao LG Digital Mobile Communication Co., Ltd. (LGEYT)	72.00	72.00	(*)1	(*)1
LG Electronics MobileComm U.S.A., Inc (LGEMU)	100.00	100.00	10,000	10,000
LG Electronics (M) SND. BHD (LGEML)	100.00	100.00	28,515,181	28,515,181

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Percentage of ownership (%)		Number of shares owned	
	2008	2007	2008	2007
LG Electronics Singapore Pte Ltd. (LGESL)	100.00	100.00	11,084,000	11,084,000
LG Electronics Overseas Trading FZE	100.00	100.00	1	1
LG Soft India PVT Ltd. (LGSIL)	100.00	100.00	9,946,000	9,946,000
Zenith Electronics Co. (Zenith)	100.00	100.00	2,000	2,000
Beijing LG Building Development Co., Ltd.	100.00	100.00	(*1)	(*1)
LG Holdings (HK) Ltd.	50.00	50.00	102,000,000	102,000,000
Goldstar MobileComm. France S.A.S.U	100.00	100.00	400,000	400,000
LG Electronics RUS, LLC	100.00	100.00	(*1)	(*1)
LG Electronics Benelux Sales B.V.	100.00	100.00	18,000	18,000
LG Electronics European Logistics & Service B.V.	100.00	100.00	2,784,000	2,784,000
LG Electronics European Shared Service Center B.V.	100.00	100.00	150,000	150,000
LG Innotek Huizhou Inc. (LGITHZ)	100.00	100.00	(*1)	(*1)
PT. LG Innotek Indonesia (LGITIN)	100.00	100.00	5,000	5,000
LG Innotek USA Inc. (LGITUS)	100.00	100.00	100.00	100.00
LG Innotek Yantai Co. Ltd. (LGITYT)	100.00	100.00	(*1)	(*1)
LG Innotek Poland., Ltd.	100.00	100.00	175,438	95,742
LG Philips LCD America Inc.	100.00	100.00	5,000,000	5,000,000
LG Philips LCD Japan Co., Ltd.	100.00	100.00	1,900	1,900
LG Philips LCD Germany GmbH	100.00	100.00	960,000	960,000
LG Philips LCD Taiwan Co., Ltd.	100.00	100.00	11,549,994	11,549,994
LG Philips LCD Nanjing Co., Ltd.	100.00	100.00	(*1)	(*1)
LG Philips LCD Hong Kong Co., Ltd.	100.00	100.00	115,000	115,000
LG Philips LCD Shanghai Co., Ltd.	100.00	100.00	(*1)	(*1)
LG Philips LCD Poland Sp. zo.o	80.00	80.00	4,103,277	4,103,277
LG Philips LCD Guangzhou Co., Ltd.	100.00	100.00	(*1)	(*1)
LG Philips LCD Shenzhen Co., Ltd. (*4)	100.00	100.00	(*1)	(*1)
LG Micron (Fujian) Electronics Co., Ltd.	80.00	80.00	(*1)	(*1)
LG Vina Chemical Co.	40.00	40.00	1,520,000	1,520,000
LG India Holdings Inc.	100.00	100.00	126,746,122	126,746,122
Tianjin LG-Dagu Chemical Co., Ltd.	75.00	75.00	(*1)	(*1)
Tianjin LG New Building Materials Co., Ltd.	100.00	100.00	(*1)	(*1)
LG Chem Hong Kong, Ltd.	100.00	100.00	6,500,000	6,500,000
LG Chemical America Inc.	100.00	100.00	3,420	3,420
LG Solid Source LLC	51.00	51.00	(*1)	(*1)
LG Chemical (Guangzhou)	100.00	100.00	(*1)	(*1)
LG Chem Information & Electronics Materials	100.00	100.00	(*1)	(*1)
LG Chem Industrial Materials	100.00	100.00	6,160	6,160
LG Chem Taiwan, Ltd.	100.00	100.00	6,922,566	6,922,566
LG Chem Display Materials Co., Ltd.	100.00	100.00	(*1)	(*1)
Tianjin LG Bohai Chemical Co., Ltd.	75.00	75.00	(*1)	(*1)
LG Chem (China) Investment Co., Ltd	100.00	100.00	(*1)	(*1)
LG Chem (Tianjin) Engineering Plastics Co., Ltd.	100.00	100.00	(*1)	(*1)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Percentage of ownership (%)		Number of shares owned	
	2008	2007	2008	2007
LG Chem Europe Gmbh	100.00	100.00	(*1)	(*1)
Ningbo LG-Yongxing Chemical Co., Ltd.	75.00	75.00	(*1)	(*1)
LG Chem Poland Sp.Z.O.O	100.00	100.00	(*1)	(*1)
Beijing LG Household Chemical Co., Ltd.	78.00	78.00	8,915,400	8,915,400
Hangzhou LG Cosmetics Co., Ltd.	81.71	81.71	5,720,000	5,720,000
LG Vina Cosmetics J/V Co., Ltd.	60.00	60.00	2,700,000	2,700,000
LG Household & Health Care International Trading (Shanghai) Co., Ltd	100.00	100.00	2,950,000	2,950,000
LG Siltron America, Inc.	100.00	100.00	3,000,000	3,000,000
LG CNS China Inc.	100.00	100.00	(*1)	(*1)
LG Electronics Africa, LLC (*2)	100.00	-	3	-
HI LOGISTICS Europe B.V. (*2)	100.00	-	12,000	-
LG Electronics Argentina S.A. (*2)	100.00	-	36,925,000	-
LG Electronics Egypt Cairo SAE (*2)	100.00	-	13,510	-
LG Chemical India Pvt. Ltd.	100.00	-	(*1)	-
Serveone (Nanjing).Co., Ltd. (*2)	100.00	-	(*1)	-
Suzhou Raken Technology co., Ltd. (*4)	51.00	-	(*1)	-
Beijing Yuanzhimeng Advertising Co., Ltd. (*3)	70.00	-	700	-
LG Electronics Ticaret A.S. (*4)	100.00	-	39,620,000	-
CCKBC (Netherlands) Holding BV (*5)	-	100.00	-	25,050
CCKBC (Netherlands) Holding BV (*5)	-	100.00	-	25,050
Global Professional Sourcing Co., Ltd. (*6)	-	70.00	-	700,000
LG CNS Europe B.V (*7)	-	100.00	-	5,000
LG CNS America Inc. (*7)	-	100.00	-	100

(*1) There are no issued and outstanding shares of the investees due to the local laws or these are not corporations.
(*2) As its total assets exceeded ₩7,000 million as of December 31, 2007, these subsidiaries are included in the scope of consolidation for 2008.
(*3) In 2008, this subsidiary was newly acquired through participated in paid-in capital increase of GHIR Corporation and was included in consolidated subsidiaries.
(*4) As it was established with capital stock less than ₩7,000 million during 2008, it was not qualified as subsidiary for consolidation.
(*5) These subsidiaries were going to be liquidated till 3 months later; thus, excluded from consolidated subsidiaries.
(*6) As of December 31, 2008, this subsidiary was liquidated and was excluded from consolidated subsidiaries.
(*7) As its total assets decreased to less than ₩7,000 million as of December 31, 2007, these subsidiaries are excluded from the scope of consolidation for 2008.

Summary of Significant Financial Data
A summary of significant financial data of the controlling company and its subsidiaries included in the accompanying consolidated financial statements as of and for the years ended December 31, 2008 and 2007 are as follows :

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2008

In millions of Korean won

Company	Total assets	Shareholders' equity	Sales	Net income(loss)
LG Corp.	₩ 6,956,279	₩ 6,231,418	₩ 992,452	₩ 912,032
LG Electronics Inc. (*1)	42,372,296	14,792,573	63,280,391	438,535
LG Chem Ltd. (*1 and 2)	9,735,573	5,052,658	16,697,078	1,002,585
LG Telecom Ltd. (*2)	3,858,463	1,967,079	4,797,951	283,559
LG Dacom Corporation (*1)	3,607,968	2,039,006	2,581,992	120,289
LG Household & Health Care Ltd. (*1 and 2)	1,257,296	525,680	1,967,694	119,333
LG Life Science Co., Ltd.	388,029	277,702	281,891	15,164
G II R Inc. (*1)	289,748	105,198	210,598	(2,245)
Siltron Inc. (*2)	1,307,713	488,581	872,439	3,635
LG CNS Co., Ltd.	996,527	432,705	2,001,581	115,402
Serveone Co., Ltd.	1,158,830	265,033	2,037,504	75,505
LG MMA Corp.	526,675	232,868	409,266	30,192
LG N Sys Co., Ltd.	253,139	85,017	630,381	15,929
Lusem Co., Ltd.	81,844	45,259	261,440	15,026
Others	358,538	93,406	479,322	10,702
Elimination and other consolidation procedures	(8,366,820)	(6,899,709)	(7,279,496)	(2,243,528)
Total	₩ 64,782,098	₩ 25,734,474	₩ 90,222,484	₩ 912,115

(*1) The financial data of the intermediary parents such as LG Electronics Inc., LG Chem Ltd., LG Dacom Corporation, LG Household & Health Care Ltd. and G II R Inc. are based on their consolidated financial statements.

(*2) The financial statements are not adjusted to reconcile the differences in accounting policies.

As of and for the year ended December 31, 2007

In millions of Korean won

Company	Total assets	Shareholders' equity	Sales	Net income
LG Corp.	₩ 5,598,838	₩ 5,082,584	₩ 1,021,522	₩ 901,298
LG Electronics Inc. (*1)	34,584,427	12,827,955	53,426,741	1,228,921
LG Chem Ltd. (*1 and 2)	8,550,754	4,043,946	13,524,809	688,636
LG Telecom Ltd. (*2)	3,628,721	1,773,171	4,585,520	275,289
LG Dacom Corporation(*1)	3,273,440	1,899,458	2,196,588	133,856
LG Household & Health Care Ltd. (*1 and 2)	1,198,145	388,191	1,707,961	79,978
LG Life Science Co., Ltd.	409,949	261,126	256,403	18,546
Siltron Inc. (*2)	1,052,153	508,630	830,494	167,893
LG CNS Co., Ltd.	827,642	380,147	1,738,776	114,163
Serveone Co., Ltd.	981,117	213,245	1,588,886	56,219
LG MMA Corp.	457,737	215,705	326,463	33,996
LG N Sys Co., Ltd.	194,635	70,788	515,170	17,739
Lusem Co., Ltd.	81,820	31,313	213,254	9,610
Others	170,074	57,914	310,201	13,827
Elimination and other consolidation procedures	(6,929,228)	(5,825,564)	(5,134,936)	(2,817,615)
Total	₩ 54,080,224	₩ 21,928,609	₩ 76,288,334	₩ 922,356

(*1) The financial data of the intermediary parents such as LG Electronics Inc., LG Chem Ltd., LG Dacom Corporation and LG Household & Health Care Ltd. were based on their consolidated financial statements.

(*2) The financial statements are not adjusted to reconcile the differences in accounting policies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

Basis of Consolidated Financial Statement Presentation

The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

Application of the Statements of Korea Accounting Standards "(SKAS")

The Korean Accounting Standards Board has published a series of Statements of Korea Accounting Standards ("SKAS"). As SKAS No. 1 through 25 (except for No. 14 and No 24) were effective for the Group on January 1, 2008, the Group adopted these standards in its financial statements as of and for the year ended December 31, 2008.

The accompanying consolidated financial statements were approved by the management on March 25, 2009.

Through December 31, 2008, certain SKASs were amended, and interpretations and opinions were released. A summary of the amended SKASs, Interpretations and Opinions, which have been adopted by the Company, is as follows :

SKAS No. 5 "Property, Plant and Equipment (revised)"

SKAS No. 9 "Convertible Securities (revised)"

SKAS No. 15 "Investments in Associates (revised)"

SKAS No. 16 "Income Taxes (revised)"

SKAS No. 20 "Related Party Disclosures (revised)"

Interpretation 53-70 "Accounting for Derivative Instruments (revised)"

Opinion on Financial Reporting Practice 2008-2 "Accounting when a foreign currency contract which was deemed a forecasted transaction and to which cash flow hedge accounting was applied becomes a firm commitment."

The significant accounting standards followed by the group in the preparation of its 2008 consolidated financial statements are the same as the principals in the preparation of 2007, except for the application of amended and newly released statements above.

Application of Accounting Policy

The consolidated financial statements are recorded based on non-consolidated financial statements that are recorded according to SKAS by each consolidated subsidiary. However, the accounting policy of the controlling company is applied to similar case or transaction in order to identify the accounting policy of consolidated subsidiaries with the controlling company unless the differences from the accounting policy between the controlling company and subsidiaries are not significant. In addition, the controlling company adopts the same closing date of consolidated subsidiaries for the consolidated financial statements.

Elimination of Investment and Capital Accounts

The investment account of the controlling company is eliminated against the corresponding capital accounts of its consolidated subsidiaries. The Company records differences between the investment account and corresponding capital accounts of subsidiaries as goodwill or negative goodwill in accordance with the Accounting Standards for Business Combination. The goodwill is amortized over the relevant years not to exceed 20 years using the straight-line method. The negative goodwill is amortized over the weighted average useful life of amortizable assets using the straight-line method less than the sum of fair value of non-monetary identifiable assets of subsidiaries. The amount that exceeds the sum of fair value of non-monetary identifiable assets of subsidiaries is accounted for as non-operating income at the date of acquisition.

In 2008, the changes of goodwill and negative goodwill that occurred from consolidated adjustment entry and not reflected in the non-consolidated financial statements are as follows :

In millions of Korean won

	Goodwill	Negative goodwill
2008.1.1	₩33,470	₩-
Increase (including changes in the scope of consolidation and others)	4,292	-
Amortization	(33,957)	-
2008.12.31	₩3,805	₩-

Accounting for Changes in Share of Subsidiaries

After obtaining control over the subsidiary, the differences between the investment account and corresponding capital accounts of subsidiaries arising from additional acquisition of interest in a subsidiary, increased paid-in capital, stock dividend, and capital increase by transfer of capital stock without compensation are reflected in the consolidated capital surplus and in case of insufficiency, the remaining is deducted from the consolidated retained earnings. After the disposal of a portion of the stocks of subsidiaries to non-subsidiary parties and the subsidiary still belongs to consolidated companies, the gain or loss on disposal of the subsidiary's stock is accounted for as the same above.

Elimination of Intercompany Unrealized Income

Unrealized income included in inventories, property, plant and equipment, and other assets as a result of intercompany transactions is eliminated based on the average gross profit ratio of the corresponding company. Unrealized income arising from sales by the controlling company to the consolidated subsidiaries is fully eliminated and charged to the equity of the controlling company. Unrealized income arising from sales by the consolidated subsidiaries to the controlling company or between consolidated subsidiaries is charged to the equity of the controlling company to the extent of the controlling company's percentage of ownership.

Translation of Foreign Currency Financial Statements

Accounts and records of the overseas subsidiaries are maintained in foreign currencies. For presentation in the accompanying consolidated financial statements, the assets and liabilities of the overseas subsidiaries have been translated at exchange rates as of the balance sheet date and the equity of the overseas subsidiaries at the acquisition date has been translated at exchange rates as of the acquisition date. Also, the change of the equity and profit and loss calculated after the acquisition date that are not associated with retained earnings have been translated at the transaction date. Resulting differences are accounted for as an overseas operation translation debit or credit in the accumulated other comprehensive income (loss), a component of shareholders' equity.

Reclassification of Financial Statements of Consolidated Subsidiaries

For convenience of consolidation, certain accounts in the financial statements of consolidated subsidiaries were reclassified and changed to conform to consolidated financial statement presentation. Such reclassifications had no effect on the net income or net equity of subsidiaries.

Cash, Cash Equivalents and Short-Term Financial Instruments

Cash and cash equivalents include currency, checks issued by others, other currency equivalents, current deposits, passbook deposits and cash equivalents, which are securities and short-term money market instruments that can be easily converted into cash and whose risk of value fluctuation arising from changes of interest rate is not material. Only investments with maturities (or date of redemption) of three months or less from the acquisition date are included as cash equivalents.

Revenue Recognition

Revenue generated from sale of goods is recognized upon delivery; however, revenue is recognized when the terms of the sales have been fully met if there are sales terms related with post-delivery. Revenue recognition on service or construction contract (contract of service directly related with construction, removal or restoration of an asset, contract of environmental restoration project related with asset removal, or lotting-out of apartment building based on purchase offer including advanced sale) is recognized based on percentage-of-completion method. However, application of percentage-of-completion method on advanced sales such as lotting-out of apartment is limited to the contracts which are already closed. When loss from service or construction contract is probable, the loss is immediately recognized as provision for construction losses and charged to cost of sales or cost of construction in the same period. In addition, when the Group has an obligation for construction warranty after the construction or service is completed, total estimated construction warranty expense is included in cost of construction or service in the fiscal year during which the construction is completed or service is rendered, and records the provision for construction warranty liability on the balance sheet.

Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts to cover estimated losses on receivables (trade accounts receivables, other accounts receivables, loans and others), based on collection experience and analysis of the collectability of individual outstanding receivables.

Inventories

Inventories are stated at the lower of cost or market value, with cost being determined by the moving-average method or the weighted-average method, except for materials-in-transit for which cost is determined by the specific identification method. When the market value of inventories (net realizable value for finished goods or merchandise and current replacement cost for raw materials) is less than the carrying value, the carrying value is stated at the lower of cost or market. The Group applies the lower of cost or market method by group of inventories and loss on inventory valuation is presented as a deduction from inventories and charged to cost of sales. The valuation loss is recorded as cost of sales. If, however, the circumstances which cause the valuation loss cease to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed limited to the original carrying amount before valuation. The reversal is a deduction from cost of sales. For the years ended December 31, 2008 and 2007, ₩356,818 million and ₩131,640 million, respectively, are recorded as valuation loss.

Valuation of Investment Securities (except for equity-method investments)

Debt and equity securities are initially stated at the market value of consideration given for acquisition (market value of securities acquired if market value of consideration given is not available) plus incidental costs attributable to the acquisition of the securities and are classified into trading, available-for-sale and held-to-maturity securities depending on the purpose and nature of acquisition. The Group presents trading securities as short-term investments, and available-for-sale securities and held-to-maturity securities as short-term investments or long-term investment securities depending on their nature in the balance sheet. The moving average method for equity securities and the specific identification method for debt securities are used to determine the cost of securities for the calculation of gain (loss) on disposal of those securities.

The following is the specific valuation method applied for debt and equity securities :

1) Trading securities

Securities that are bought and held principally for the purpose of selling them in the near term with active and frequent buying and selling, including securities which consist of a portfolio of securities with the clear objective of generating profits on short-term differences in price, are classified as trading securities. Trading securities are recorded at their fair value and unrealized gains or losses from trading securities are recorded as gain (loss) on valuation of trading securities included in the non-operating income (expense).

2) Held-to-maturity security

Debt securities that have fixed or determinable payments with a fixed maturity are classified as held-to-maturity securities only if the Group has both the positive intent and ability to hold those securities to maturity. However, debt securities, whose maturity dates are due within one year from the balance sheet date, are classified as current assets. After initial recognition, held-to-maturity securities are stated at amortized cost in the balance sheet. When held-to-maturity securities are measured at amortized costs, the difference between their acquisition cost and face value is amortized using the effective interest rate method and the amortization is included in the cost and interest income.

When the possibility of not being able to collect the principal and interest of held-to-maturity securities according to the terms of the contracts is highly likely, the difference between the recoverable amount (the present value of expected cash flows using the effective interest rate upon acquisition of the securities) and book value is recorded as loss on impairment of held-to-maturity securities included in the non-operating expense and the held-to-maturity securities are stated at the recoverable amount after impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss is recorded as reversal of impairment loss on held-to-maturity securities included in non-operating income. However, the resulting carrying amount after the reversal of impairment loss shall not exceed the amortized cost that would have been measured, at the date of the reversal, if no impairment loss was recognized.

3) Available-for-sale securities

Debt and equity securities that do not fall under the classifications of trading or held-to-maturity securities are categorized and presented as available-for-sale securities included in investment assets. However, if an available-for-sale security matures or it is certain that such security will be disposed of within one year from the balance sheet dates, it is classified as a current asset. Available-for-sale securities are recorded at fair value. Unrealized gain or loss from available-for-sale securities are presented as gain or loss on valuation of available-for-sale securities included in accumulated other comprehensive income (loss) under shareholders' equity. In addition, accumulated gain or loss on valuation of available-for-sale securities is reflected in either gain or loss on disposal of available-for-sale securities or loss on impairment of available-for-sale securities upon disposal or recognition of impairment of the securities.

However, available-for-sale equity securities that are not marketable and whose fair value cannot be reliably measured are recorded at acquisition cost. When there is objective evidence that the available-for-sale securities are impaired and the recoverable amount is lower than the cost (amortized cost for debt securities) of the available-for-sale securities, an impairment loss is recognized as loss on impairment of available-for-sale securities in non-operating expense and the related unrealized gain or loss remaining in shareholders equity is adjusted to the impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss can be recognized up to the previously recorded impairment loss as a reversal of loss on impairment of available-for-sale securities in non-operating income. However, if the fair value increases after the impairment loss is recognized but does not relate to the recovery of impairment loss as described above, the increase in fair value is recorded in shareholders' equity.

Equity-Method Investments

Investments in equity securities of Group, over which the Group exercises significant influence, are reported using the equity method of accounting.

1) Accounting for changes in the equity of the investee

Under the equity method of accounting, the Group records changes in its proportionate equity of the net assets of the investee depending on the nature of the underlying changes in the investee as follows; (i) "valuation on equity-method investments" in the non-operating income (expense) for net income (loss) of the investee; (ii) "increase (decrease) in retained earnings of valuation on equity-method investments" in the retained earnings for changes in beginning retained earnings of the investee; (iii) "increase (decrease) in valuation on equity-method investments" in accumulated other comprehensive income (loss) for other changes in shareholders' equity of the investee.

When the equity-method investee's unappropriated retained earnings carried over from prior period changes due to significant error corrections, the Company records the changes in equity as "equity in income (loss) of associates" included in the non-operating income (expense) if the impact of the changes on the Company's non-consolidated financial statements is not significant. If the changes results from the changes in accounting policies of the equity method investee, they are reflected in unappropriated retained earnings carried over from prior period in accordance with SKAS on changes in accounting policy and errors corrections. When the investee declares cash dividends, the dividends to be received are deducted directly from equity-method investments.

2) Treatment of investment difference

Difference between the acquisition cost and the Group's proportionate equity in the fair value of net assets of the investee upon acquisition ("Investment difference") is considered as (negative) goodwill and accounted for in accordance with accounting standards for business combination. The goodwill portion is amortized over useful lives within 20 years on a straight line method while the negative goodwill portion is amortized over the weighted average useful lives of depreciable non-monetary assets of the investee. The amortization is included in "valuation on equity-method investments".

When the Group's equity interest in the investee increases due to an increase (or decrease) in contributed capital with (or without) consideration, the changes in the Company's proportionate equity in the investee are accounted for as investment difference. If the Group's equity interest decreases, the changes are accounted for as "gain (loss) on disposal of the equity-method investments".

3) Difference between the fair value and book value of net asset of the investee

Upon acquisition of the equity-method investments, the Group's proportionate shares in the differences between the fair values and book values of the identifiable assets and liabilities of the investee are amortized/reversed and included in "valuation on equity-method investments" in accordance with the investee's methods of accounting for the assets and liabilities.

4) Elimination of unrealized gain or loss from intercompany transactions

The Group's proportionate share in the gain (loss) arising from transactions between the Group and the investee, which remains in the book value of assets held as of balance sheet date, is considered unrealized gain (loss) and adjusted to equity-method investments.

5) Impairment loss on equity-method investments

When there is objective evidence that the equity-method investments is impaired and the recoverable amount is lower than the carrying amount of the equity-method investments, an impairment loss is recognized as "loss on impairment of equity-method investments" included in non-operating expense and the unamortized investment difference is first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss is recognized as income up to the previously recorded impairment loss. The book value of the equity-method investments after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not been originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

6) Translation of financial statements of overseas investees

For overseas investees whose financial statements are prepared in foreign currencies, the equity-method of accounting is applied after assets and liabilities are translated in accordance with the accounting treatments for the translation of the financial statements of overseas' subsidiaries for consolidated financial statements. The Group's proportionate share of the difference between assets net of liabilities and shareholders' equity after translation into Korean won is accounted for as "increase (decrease) in equity of associates" included in accumulated other comprehensive income (loss).

Property, Plant and Equipment and Related Depreciation

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

Property, plant and equipment are stated at cost, except for certain assets subject to upward revaluations in accordance with the Asset Revaluation Law. In accordance with the Group's policy, borrowing costs in relation to the manufacture, purchase, construction or development of assets are charged to current operations as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets :

	Useful lives
Buildings	5 ~ 50 years
Structures	4 ~ 50 years
Machinery and equipment	3 ~ 50 years
Others	2 ~ 50 years

Routine maintenance and repairs are charged to expense as incurred. Expenditures, which enhance the value or extend the useful lives of the related assets, are capitalized.

The Group assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely, and recognizes an impairment loss when the carrying value of an asset exceeds the value of its future economic benefits. The carrying value of the impaired assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets is recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Intangible Assets

Intangible assets, consisting of intellectual property rights, development costs, goodwill and others, are stated at cost, net of accumulated amortization. Amortization of intangible assets is computed using the straight-line method over the following estimated useful lives :

	Useful lives
Goodwill	(*)
Negative goodwill	(*)
Development costs	3 ~ 10 years
Intellectual property rights	5 ~ 10 years
Others	3 ~ 25 years

(*) When the initial purchase price exceeds or is below the Group's initial proportionate ownership in the net fair value of the investee, which is the net of the fair value of the investee's assets and liabilities identified, the Group considers the difference as goodwill (negative goodwill) and amortizes goodwill over the relevant period, not to exceed 20 years in accordance with the Accounting Standards for Business Combination. The negative goodwill is amortized over the weighted average useful life of amortizable assets using the straight-line method less than the sum of fair value of non-monetary identifiable assets of subsidiaries. The amount that exceeds the sum of fair value of non-monetary identifiable assets of subsidiaries is accounted for as non-operating income at the date of acquisition.

Research and development costs are charged to current operations when incurred and are included in operating expenses. Costs incurred in developing new products or technologies, which can be clearly defined and measured, and having probable future economic benefits, are capitalized as development costs. Other development costs are charged as normal development expense in the period incurred. Capitalized development costs are amortized over the relevant years not to exceed 20 years using the straight-line method. For the years ended December 31, 2008 and 2007, the Group recorded ₩2,127,466 million and ₩1,812,715 million, respectively, of research and development costs as current expenses.

When the recoverable amount (the higher of net sales price or value in use) of intangible assets is significantly lower than the carrying amount due to obsolescence and other, the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by amortization.

Lease Transactions

A lease is classified as a finance lease or an operating lease depending on the extent of transfer to the Company of the risks and rewards incidental to ownership. If a lease meets any one of the following criteria, it is accounted for as a finance lease :

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a bargain price and it is certain that the option will be exercised;
- The lease term is for the major part (75% or more) of the economic life of the asset even if title is not transferred;
- At the date of lease commencement the present value of the minimum lease payments amounts to at least substantially all (90% or more) of the fair value of the leased asset; or
- The leased assets are of such a specialized nature that only the Company can use them without major modifications.

All other leases are treated as operating leases.

For operating leases, lease payments excluding guaranteed residual value are recognized as an expense on a straight-line basis over the lease term and contingent rent is expensed as incurred. Finance leases are recognized as assets and liabilities at the lower of fair value of the leased property or the present value of the minimum lease payments discounted using the implicit interest rate of the lessor (or the Group's incremental borrowing rate if the implicit interest rate is not practicable to determine). Any initial direct costs incurred by the Group are added to the amount recognized as an asset. The depreciation policy for depreciable leased assets is consistent with that for the similar depreciable assets that are owned by the Group. Annual minimum lease payments excluding guaranteed residual value is allocated to interest expense, which is calculated using the effective interest rate, and finance lease repayment amount. Contingent rent relating to finance lease is charged as expenses in the periods in which they are incurred, however, if the amount is material, it is allocated to principal and interest, respectively, over the remaining lease term.

Revaluation of Receivables

Receivables, which are modified during the course of court receivership, court mediation or restructuring of customers, are revalued at the present value discounted by an adjusted interest rate. The difference between the book value and the present value is accounted for as bad debt expense.

Convertible Bonds

When issuing convertible bonds, the proceeds from issuance are allocated between the liability feature, representing the straight bonds, and the equity feature, representing the conversion right. The amount allocated to the equity feature is recognized as consideration for the conversion right and classified as other paid-in capital. When additional stocks are issued as a result of the exercise of the conversion right, it is reclassified as paid-in capital in excess of par value. Interest expense on a convertible bond is measured by applying the effective interest rate of the straight bond to the book value of the bond. The book value of the bond refers to the amount measured by adjusting ① bond discount or premium, ②conversion right adjustment and ③ premium on bond redemption (when there are specific payment terms) to the face value of the bond.

Premiums or Discounts on Debentures

The Group accounts for the difference between the face value and issued value of debentures as an addition to or deduction from debentures. Premiums or discounts on debentures are amortized using the effective interest rate method over the terms of the debentures. The resulting amortization is recorded as interest expense.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates in effect at the balance sheet date (₩1,257.50 and ₩938.20 to US\$1.00 at December 31, 2008 and 2007, respectively). Resulting translation gains and losses are recognized in current operations.

Stock Option Plan

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

Treasury Stock

The Group records acquisition cost of treasury stock as capital adjustments. Loss on disposal of treasury stock, net of gain on disposal of treasury stock which is accounted for as other capital surplus, is recorded in other capital adjustments and will be disposed of in accordance with the guidelines which are applicable for the disposition of accumulated deficit.

Accrued Severance Benefits

Employees and directors with at least a year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date. The accrued liabilities that would be payable assuming all eligible employees were to resign amount to ₩1,560,349 million and ₩1,462,923 million as of December 31, 2008 and 2007, respectively.

A portion of the accrued severance benefits of the Group are funded through a group severance insurance plan with financial institutions including Kyobo Life Insurance Co., Ltd and the amounts funded under this insurance plan are classified as a deduction to accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Group. In accordance with the National Pension Act, a certain portion of accrued severance benefits is deposited to the National Pension Fund and deducted from accrued severance benefits.

Actual payments of severance indemnities amounted to ₩366,689 million and ₩351,344 million for the years ended December 31, 2008 and 2007, respectively.

Long-Term Accounts Receivable and Payable

Long-term accounts receivable and payable arising from long-term contracts are recorded at the net present value of future cash flows, calculated using the effective interest rate method at the time of the contracts execution. The difference between the nominal value and the present value of these accounts receivable or payable is amortized over the contract period using the effective interest rate method. The resulting amortization is recognized as interest income or expense.

Product Warranty

The Group provides warranties against product defects for a specified period of time after the sale. Estimated costs of product warranties are charged to current operations at the time of sale and are included in the accompanying consolidated balance sheets as a product warranty reserve.

Impairment Loss

An impairment loss related to assets, other than marketable securities, investment securities, restructured receivables and assets for which present value discounts are applied, are included in income from operations when there are declines in fair value arising from obsolescence, physical damage or the significant decline in market value. A subsequent recovery is recorded as non-operating income up to the original book value.

Derivative Financial Instruments

The Group utilizes derivative instruments to reduce its exposure to fluctuations in interest and foreign currency exchange rates. Rights or obligations derived from derivative instruments are recorded as assets or liabilities at fair value on an accrual basis. Gains or losses on valuation of derivative instruments are recognized in current operations, except for gains and losses on valuation of derivative instruments used to hedge cash flows risk, which are recorded as accumulated other comprehensive income (loss).

Income Tax

When the Group recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability and tax base, a deferred income tax liability for taxable temporary difference is fully recognized except to the extent in accordance with related SKAS while a deferred tax asset for deductible temporary difference is recognized to the extent that it is almost certain that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset (liability) is classified as current or non-current asset (liability) depending on the classification of related asset (liability) in the balance sheet. Deferred income tax asset (liability), which does not relate to specific asset (liability) account in the balance sheet such as deferred income tax asset recognized for tax loss carryforwards, is classified as current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expense are included in income tax expense in the statement of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholders equity in current or prior periods, or business combinations, is directly adjusted to equity account or goodwill (or negative goodwill).

Discontinued Operations

The Group offset the operation income (loss) and non-operation income (loss) from discontinued operations including discontinued related costs and impairment loss of discontinued operations.

Sale of Accounts and Notes Receivable

The Group sells certain accounts and notes receivable to financial institutions at a discount, and accounts for the transactions as a sale of the receivables, if the rights and obligations relating to the receivables are substantially transferred to the buyers. The losses from the sale of the receivables are charged to current operations as incurred.

Reconciliation of the Differences in Accounting Policies

The Company makes adjustments to the financial statements of consolidated subsidiaries which capitalized interest expense for the year ended December 31, 2008. Details are as follows :

In millions of Korean won

	Net assets before adjustments	Adjustments	Net assets after adjustments
LG Chem Ltd.	₩5,052,658	₩(21,534)	₩5,031,124
LG Household & Health Care Ltd.	525,680	(3,463)	522,217
Siltron Inc.	488,581	(18,830)	469,751
LG Telecom Ltd.	1,967,079	(27,709)	1,939,370

Reclassification

For comparative purposes, certain accounts in the 2007 financial statements were reclassified and changed to conform to 2008 financial statement presentation. Such reclassifications had no effect on the net income or net equity reported in the 2007 financial statements.

3. RESTRICTED BANK DEPOSITS

As of December 31, 2008 and 2007, certain bank deposits pledged as collaterals for various loans from banks and other financial institutions consist of following :

In millions of Korean won

	2008	2007
Short-term financial instruments	₩9,744	₩54,858
Long-term financial instruments	183,177	54,076
Total	₩192,921	₩108,934

4. RECEIVABLES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

Receivables and related allowances for doubtful accounts as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	2008				2007			
	Originalamount	Allowance for doubtful accounts	Discounts for present value	Net carrying value	Original amount	Allowance for doubtful accounts	Discounts for present value	Net carrying value
Trade accounts and notes receivable	₩9,492,595	₩(405,738)	₩-	₩9,086,857	₩8,693,138	₩(441,338)	₩-	₩8,251,800
Short-term loans	107,701	(4,817)	-	102,884	43,599	(5,256)	-	38,343
Other accounts receivable	1,421,409	(108,851)	-	1,312,558	1,399,430	(111,786)	-	1,287,644
Accrued income	350,276	(89)	-	350,187	97,068	(821)	-	96,247
Advanced payments	288,291	(5,490)	-	282,801	242,904	(3,409)	-	239,495
Long-term loans	89,464	(2,596)	-	86,868	114,746	(1,090)	-	113,656
Long-term trade accounts and notes receivable	161,539	(1,936)	(15,601)	144,002	123,546	(311)	(9,966)	113,269
Total	₩11,911,275	₩(529,517)	₩(15,601)	₩11,366,157	₩10,714,431	₩(564,011)	₩(9,966)	₩10,140,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	2008	2007
Finished goods and merchandise, net	₩ 4,627,059	₩ 3,639,629
Work-in-process and finished sub-assemblies, net	842,943	649,546
Raw materials and supplies, net	1,997,016	1,824,084
Materials-in-transit, net	1,174,691	1,292,889
Others	224,487	179,896
Total	₩ 8,866,196	₩ 7,586,044

6. SHORT-TERM INVESTMENT SECURITIES

Short-term investment securities as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	Acquisition cost		Book value		Fair value or net asset value	
	2008	2007	2008	2007	2008	2007
Trading Securities : Stock	₩ 34	₩ -	₩ 115	₩ -	₩ 115	₩ -
Available-for-sales Securities : Special money in trust	₩ -	₩ 4,976	₩ -	₩ 4,976	₩ -	₩ 4,976
Governmental bonds	2,183	879	2,183	879	2,183	879
	₩ 2,183	₩ 5,855	₩ 2,183	₩ 5,855	₩ 2,183	₩ 5,855
Held-to-maturity Securities :						
Governmental bonds	₩ 146	₩ 71	₩ 146	₩ 71	₩ 146	₩ 71
	₩ 2,363	₩ 5,926	₩ 2,444	₩ 5,926	₩ 2,444	₩ 5,926

7. LONG-TERM INVESTMENT SECURITIES

(1) Long-term investment securities as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	2008	2007
Available-for-sale securities	₩ 334,098	₩ 228,614
Held-to-maturity securities	6,458	1,074
	₩ 340,556	₩ 229,688

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Available-for-sale securities as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	Percentage of ownership (%)	Acquisition cost		Book value	
	2008.12.31	2008	2007	2008	2007
Available-for-sale Securities: Marketable equity securities					
SK Broadband Co., Ltd. (formerly Hanaro Telecom Inc.)	3.06	₩ 65,932	₩ 65,932	₩ 40,142	₩ 75,760
LS Industrial Systems	2.30	12,413	12,413	33,956	38,373
Nara Mold & Die Co., Ltd.	12.57	812	812	3,624	4,195
ADP Engineering Co., Ltd.	7.03	75	75	2,693	4,084
Heerim Architects & Planners Co., Ltd.	2.29	2,051	-	2,360	-
Woori Investment & Securities Co., Ltd. (*1)	0.11	5,415	-	1,863	-
KRTnet Corporation	3.51	927	927	869	1,956
AhnLab Coconut, Inc.(*2)	0.51	638	638	430	1,052
Hana Financial Group Inc.	0.01	685	685	228	589
Others		118	4,612	103	2,686
		89,066	86,094	86,268	128,695
Available-for-sale Securities: Non-marketable equity securities					
HannStar Display Corporation	-	129,497	-	129,497	-
Owens Corning Korea (*3)	29.18	22,865	22,865	32,531	22,865
Korea Economic Daily	13.60	13,608	13,608	14,068	13,608
KIF Venture Investment	3.33	10,000	10,000	10,000	10,000
CS One Partner Corporation (*4)	100.00	4,000	-	4,000	-
LG Household & HealthCare (Taiwan), Ltd.(*4)	90.00	2,634	-	2,634	-
Haebong Co., Ltd.	19.71	2,018	-	2,018	-
3alogics Co., Ltd.	4.64	1,632	632	1,632	632
Korea Software Financial Cooperative	1.32	1,600	1,600	1,600	1,600
CIC Korea Inc.	4.95	1,316	1,316	1,316	1,316
MIRASEUM Inc.	5.00	1,283	-	1,283	-
Caspianbank	0.72	1,250	930	1,250	930
GL Pharmtech Inc.	-	1,000	1,000	1,000	1,000
CJ Power Cast Inc.	19.90	995	995	995	995
Cheongna IBT Co., Ltd.	1.50	930	-	930	-
Neo Technology Inc.	6.81	912	912	912	912
SQ Technologies(*5)	19.90	1,098	2,690	815	2,407
LGHA(*4,6)	100.00	1,013	1,013	802	-
Korea Construction Financial Cooperative	0.01	669	264	669	264
TU Media Corporation	2.98	6,500	6,500	627	627
Korea VAN Service Co., Ltd.	16.34	600	600	600	600
NARA M Tech, Inc.	19.90	597	597	597	597
HASIU	12.10	576	576	576	576
EIC	9.20	2,298	2,298	510	509
LG Chem Industrial Material Russia, LLC (*7)	99.00	505	-	505	-
1,3,4 Merit com	₩ 10.00	₩ 500	₩ -	₩ 500	₩ -
Others		53,332	74,154	28,159	34,517
		263,228	142,550	240,026	93,955

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Percentage of ownership (%)	Acquisition cost		Book value	
	2008.12.31	2008	2007	2008	2007
		352,294	228,644	326,294	222,650
Available-for-sale Securities - Debt securities					
Governmental bonds		4,514	2,676	4,514	2,676
Convertible bonds issued by IGA Korea Co., Ltd.		1,000	1,000	1,000	1,000
Convertible bonds issued by TOVIS Co., Ltd.		-	265	-	265
Others		2,290	3,530	2,290	2,023
		7,804	7,471	7,804	5,964
		₩360,098	₩236,115	₩334,098	₩228,614

[*1] During this period, it had increased as G || R Inc. fell within the scope of consolidation.
[*2] All investment securities of AhnLab Coconut Inc. which were classified as available-for-sale securities as of December 31, 2007, has been merged into Ahnlab Inc. for the year ended December 31, 2008.
[*3] The investment was not accounted for using the equity-method since it could no longer exercise significant influence on the investee.
[*4] Excluded as equity-method investee since its total assets decreased to less than ₩7,000 million.
[*5] Due to an decrease of number of shares of SQ Technologies that are issued, the Company received ₩1,592 million in cash and it directly reduced its book value by that amount.
[*6] As LG HAI's net asset value had been recovered, recovery of impairment loss for ₩802 million was recorded.
[*7] It is currently in the process of incorporating.

[3] Held-to-maturity of debt securities as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won		
	2008	2007
Government bonds	₩118	₩388
Others	6,340	686
	₩6,458	₩1,074

The annual maturities of debt securities classified as available-for-sale securities and held-to-maturity securities as of December 31, 2008 are as follows :

In millions of Korean won		
	Available-for-sale securities	Held-to-maturity securities
Maturity		
Over one year to five years	₩6,804	₩6,458
Over five years	1,000	-
	₩7,804	₩6,458

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. EQUITY-METHOD INVESTMENTS

Equity-method investments as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won							
	Percentage of ownership (%)	Acquisition cost		Fair value or net book value		Book value	
	2008	2008	2007	2008	2007	2008	2007
Investee :							
- Domestic :							
LG Hitachi Ltd.	49.00	₩6,060	₩6,060	₩14,070	₩14,152	₩13,972	₩14,091
LG Solar Energy Inc. [*1]	-	-	25,600	-	25,559	-	24,665
LG Unicharm Co., Ltd.	49.00	11,907	11,907	6,992	6,248	7,403	7,328
Hankuk Electric Glass Co., Ltd.	20.00	119,282	119,282	84,006	86,010	101,606	100,208
LG-Nortel Co., Ltd.	50.00	153,254	153,254	284,747	240,516	193,656	189,448
TLI Inc.[*2]	13.00	14,074	-	7,310	-	12,565	-
Avacoco., Ltd.[*2]	20.00	6,173	-	6,795	-	6,021	-
New Optics Inc. [*2]	37.00	9,700	-	12,571	-	11,721	-
Seetec Co., Ltd.	50.00	36,643	36,643	147,465	157,490	58,416	64,306
Tech Win Inc. [*3]	19.90	419	-	2,861	-	2,861	-
HNIP Inc. [*2]	32.20	13,300	-	1,216	-	10,353	-
Others	-	53,906	49,541	35,955	52,044	58,685	58,844
		424,718	402,287	603,988	582,019	477,259	458,890
- Overseas :							
HLDS (Japan)	49.00	7,684	7,684	31,541	27,118	37,102	32,088
SKT Vietnam PTE., Ltd.(formerly SLD)	25.00	72,194	72,194	50,352	42,691	50,403	42,805
LGELF [*2]	100.00	5,541	-	5,541	-	5,541	-
Guangzhou R&D JV Center [*2]	50.00	3,655	-	4,569	-	4,569	-
M. Dohmen S.A.	49.00	43,203	43,203	4,023	5,889	993	993
LG CNS Europe B.V. [*4]	100.00	1,237	-	3,656	-	3,536	-
LG CNS America, Inc. [*4]	100.00	1,773	-	2,850	-	2,860	-
TA-Internet Data Center Company [*3 and 5]	30.00	1,279	-	2,309	-	2,309	-
LGewa(UK) [*6]	100.00	1,073,020	1,073,020	(379,326)	(379,326)	-	-
Others	-	1,111,521	2,664,831	(359,202)	(181,392)	35,858	43,571
		2,321,107	3,860,932	(633,687)	(485,020)	143,171	119,457
		₩2,745,825	₩4,263,219	₩(29,699)	₩96,999	₩620,430	₩578,347

[*1] In 2008, the investee was changed to consolidated subsidiary from equity-method investment.
[*2] In 2008, consolidated subsidiary was newly acquired.
[*3] In 2008, the investee was changed to equity-method investment from available-for-sale securities.
[*4] In 2008, the investee was changed to equity-method investment from consolidated subsidiary.
[*5] The financial statements as of December 31, 2008 were not available at closing date, so it was accounted for using equity method based on the financial statements as of September 30, 2008.
[*6] It was in the process of liquidation. Since it stopped applying the equity method, there was a change in the investment value that was not reflected.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in equity-method investments for the years ended December 31, 2008 and 2007 are as follows :

In millions of Korean won

	2008					
	January 1, 2008	Acquisition	Changes in consolidation scope	Valuation gain (loss)	Other increase (decrease)	December 31, 2008
Investee :						
- Domestic :						
LG Hitachi Ltd.	₩ 14,091	₩ -	₩ -	₩ (179)	₩ 60	₩ 13,972
LG Solar Energy Inc.	24,665	-	(24,665)	-	-	-
LG Unicharm Co., Ltd.	7,328	-	-	75	-	7,403
Hankuk Electric Glass Co., Ltd.	100,208	-	-	6,913	(5,515)	101,606
LG-Nortel Co., Ltd.	189,448	-	-	49,213	(45,005)	193,656
TLI Inc.	-	-	-	(822)	13,387	12,565
Avacoco., Ltd.	-	-	-	(36)	6,057	6,021
New Optics Inc.	-	-	-	1,580	10,141	11,721
Seetec Co., Ltd.	64,306	-	-	(5,878)	(12)	58,416
TECH WIN Inc.	-	418	-	2,443	-	2,861
HNIP Inc.	-	13,300	-	(3,073)	126	10,353
Others	58,844	5,616	(2,224)	(137)	(3,414)	58,685
	458,890	19,334	(26,889)	50,099	(24,175)	477,259
- Overseas :						
HLDS (Japan)	32,088	-	-	1,895	3,119	37,102
SKT Vietnam PTE., Ltd. (formerly SLD)	42,805	-	-	(5,651)	13,249	50,403
LGELF	-	5,541	-	-	-	5,541
Guangzhou R&D JV Center	-	-	-	(31)	4,600	4,569
M. Dohmen S.A.	993	-	-	-	-	993
LG CNS Europe B.V.	-	-	3,812	731	(1,007)	3,536
LG CNS America, Inc.	-	-	2,724	(658)	794	2,860
TA-Internet Data Center Company	-	1,279	-	750	280	2,309
Others	43,571	179	(14,104)	(32,962)	39,174	35,858
	119,457	6,999	(7,568)	(35,926)	60,209	143,171
	₩ 578,347	₩ 26,333	₩ (34,457)	₩ 14,173	₩ 36,034	₩ 620,430

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In millions of Korean won

	2007					
	January 1, 2007	Acquisition	Changes in consolidation scope	Valuation gain (loss)	Other increase (decrease)	December 31, 2007
Investee :						
- Domestic :						
LG Hitachi Ltd.	₩ 13,000	₩ -	₩ -	₩ 1,158	₩ (67)	₩ 14,091
LG Solar Energy Inc.	-	25,600	-	(873)	(62)	24,665
LG Unicharm Co., Ltd.	9,430	-	-	(2,102)	-	7,328
Hankuk Electric Glass Co., Ltd.	113,741	-	-	(12,540)	(993)	100,208
LG-Nortel Co., Ltd.	159,866	-	-	25,397	4,185	189,448
Seetec Co., Ltd.	54,749	-	-	9,542	15	64,306
Others	30,350	30,043	(10,000)	6,076	2,375	58,844
	381,136	55,643	(10,000)	26,658	5,453	458,890
- Overseas :						
HLDS(Japan)	29,801	-	-	4,030	(1,743)	32,008
SLD Telecom Pte. Ltd. (Vietnam)	47,067	-	-	(4,664)	402	42,805
LGEWR (Poland)	53,805	-	(53,805)	-	-	-
M.Dohmen S.A.	993	-	-	-	-	993
Others	57,425	13,763	(22,169)	2,128	(7,575)	43,571
	189,091	13,763	(75,974)	1,494	(8,916)	119,457
	₩ 570,227	₩ 69,406	₩ (85,974)	₩ 28,152	₩ (3,463)	₩ 578,347

(3) At December 31, 2008, as the book value of investment securities using the equity method become zero, the cumulative change not recognized is as follows :

In millions of Korean won

	2008	
	Unrecognized loss	Unrecognized equity
LGEWA(UK)(*)	₩ 328,704	₩ (50,622)

(*) It includes the realized but unrecognized loss on the investment of LG. Philips Displays Holding B.V., which is LGEWA's investee.

9. PROPERTY, PLANT AND EQUIPMENT

(1) Changes in property, plant and equipment for the years ended December 31, 2008 and 2007 are as follows :

In millions of Korean won

	2008							
	Land	Buildings	Structures	Machinery	Vehicles	Construction - in-progress	Others	Total
Beginning balance	₩ 2,364,809	₩ 6,814,642	₩ 851,266	₩ 11,475,177	₩ 59,971	₩ 2,350,772	₩ 1,581,452	₩ 25,498,089
Acquisitions and capital expenditure	71,481	143,909	27,347	844,109	135,355	6,116,376	851,214	8,189,791
Disposal and transfer-in (out)	151,747	683,890	221,507	2,407,564	(61,315)	(3,717,583)	(169,642)	(483,832)
Depreciation	-	(372,370)	(64,144)	(4,076,485)	(25,596)	-	(623,409)	(5,162,004)
Impairment loss	-	-	-	727	-	-	(126,271)	(125,544)
Other changes(*)	15,678	531,776	61,739	(76,556)	5,326	273,059	95,845	906,867
Ending balance	2,603,715	7,801,847	1,097,715	10,574,536	113,741	5,022,624	1,609,189	28,823,367
Ending accumulated depreciation	₩ -	₩ (1,685,384)	₩ (469,870)	₩ (26,381,421)	₩ (112,193)	₩ -	₩ (3,968,222)	₩ (32,617,090)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In millions of Korean won

	2007							
	Land	Buildings	Structures	Machinery	Vehicles	Construction - in-progress	Others	Total
Beginning balance	₩2,305,471	₩6,149,772	₩805,294	₩12,803,485	₩44,053	₩2,410,857	₩1,730,547	₩26,249,479
Acquisitions and capital expenditure	(16,431)	122,096	14,657	435,462	24,851	3,728,589	843,837	5,153,061
Disposal and transfer-in (out)	20,653	634,288	88,631	2,646,394	(1,284)	(3,898,354)	(130,992)	(640,664)
Depreciation	-	(344,256)	(50,864)	(4,381,486)	(16,521)	-	(715,131)	(5,508,258)
Other changes(*)	55,116	252,742	(6,452)	(28,678)	8,872	109,680	(146,809)	244,471
Ending balance	2,364,809	6,814,642	851,266	11,475,177	59,971	2,350,772	1,581,452	25,498,089
Ending accumulated depreciation	₩-	₩(1,266,438)	₩(393,238)	₩(22,318,472)	₩(93,742)	₩-	₩(3,229,721)	₩(27,301,611)

(*) Increase (decrease) caused by change in consolidated companies and fluctuation in foreign exchange rates.

(2) As of December 31, 2008, property, plant and equipment, up to a maximum of ₩1,670,737 million (2007: ₩1,749,501 million) are pledged as collaterals for various loans from banks and other financial institutions.

(3) As of December 31, 2008, the value of the Group's land, located in the Republic of Korea as determined by the local government in Korea for property tax assessment purposes, amounts to approximately ₩3,662,735 million (2007 : ₩3,286,523 million).

(4) As of December 31, 2008, inventories and property, plant and equipment are insured against fire and other casualty losses for up to ₩64,249,396 million (2007 : ₩41,328,374 million).

As of December 31, 2008, the fire insurance policies amounting to ₩65,000 million are pledged as collateral for long-term debts from The Korea Development Bank.

10. INTANGIBLE ASSETS

Changes in intangible assets for the years ended December 31, 2008 and 2007 are as follows :

In millions of Korean won

	2008					
	Intellectual property rights	Development costs	Goodwill	Negative goodwill	Others	Total
Beginning balance	₩332,735	₩282,309	₩466,428	₩(651,220)	₩403,456	₩833,708
Increase	91,186	155,582	39,290	-	202,482	488,540
Amortization	(88,225)	(72,442)	(86,450)	112,143	(61,164)	(196,138)
Disposal and impairment	(8,616)	(8,882)	(1,739)	-	(6,590)	(25,827)
Other changes	98	(19,422)	11,577	5	38,257	30,515
Ending balance	₩327,178	₩337,145	₩429,106	₩(539,072)	₩576,441	₩1,130,798

In millions of Korean won

	2007					
	Intellectual property rights	Development costs	Goodwill	Negative goodwill	Others	Total
Beginning balance	₩367,029	₩288,135	₩715,637	₩(763,384)	₩217,373	₩824,790
Increase	91,051	76,603	13,722	-	135,828	317,204
Amortization	(57,892)	(75,036)	(263,331)	112,164	(77,964)	(362,059)
Disposal and impairment	(65,043)	(31,828)	(4,399)	-	(8,517)	(109,787)
Other changes	(2,410)	24,435	4,799	-	136,736	163,560
Ending balance	₩332,735	₩282,309	₩466,428	₩(651,220)	₩403,456	₩833,708

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. SHORT-TERM BORROWINGS AND CURRENT MATURITIES OF LONG-TERM DEBTS

Short-term borrowings as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	Annual interest rates [%]	2008	2007
Bank overdrafts	4.00 ~ 15.00	₩158,779	₩150,965
Won currency short-term borrowings	4.62 ~ 9.71	502,489	463,049
Foreign currency short-term borrowings	1.89 ~ 18.09	2,401,695	911,543
Notes discounted and commercial papers	5.65 ~ 9.10	1,173,201	597,332
Usance and D/A	1.26 ~ 6.00	20,483	18,000
Negotiation trade bills (*)	-	3,367,245	3,141,330
Others	3.33 ~ 21.00	332,394	219,101
		₩7,956,286	₩5,501,320

(*) The Group negotiates trade bills, accrued from internal transactions between consolidated subsidiaries, through banks. The amount above has not yet matured as of December 31, 2008.

See Notes 3 and 9 for collateral arrangements on these loans. Repayments of the above borrowings are guaranteed by financial institutions.

Current maturities of long-term debts as of December 31, 2008 and 2007 are as follows :

In millions of Korean won

	2008	2007
Debentures	₩1,928,398	₩1,470,086
Less: Discount on debentures	(1,253)	(27,450)
	1,927,145	1,442,636
Long-term debts	1,104,858	592,047
	₩3,032,003	₩2,034,683

12. LONG-TERM DEBTS

Long-term debts as of December 31, 2008 and 2007 are as follows :

(1) Debentures

In millions of Korean won

	Annual interest rates [%]	2008	2007
Won currency bonds	3.50 ~ 8.39	₩4,249,399	₩4,994,000
Foreign currency bonds	5.00 ~ 8.20	1,804,513	1,454,210
Convertible bonds	-	511,555	511,555
		6,565,467	6,959,765
Add : Redemption premium		85,787	85,787
Less : Discounts on debentures		(106,865)	(25,465)
Current maturities		(1,928,398)	(1,470,086)
		₩4,615,991	₩5,550,001

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Long-term Debts

In millions of Korean won

	Annual interest rates (%)	2008	2007
Won currency	2.00 ~ 9.00	₩ 657,250	₩ 304,606
Foreign currency	1.68 ~ 7.60	4,238,645	3,305,954
		4,895,895	3,610,560
Less: Current maturities		(1,104,858)	(592,047)
		₩ 3,791,037	₩ 3,018,513

See Notes 3 and 9 for collateral arrangements on these loans.

Annual maturities of long term debts, excluding discount on debentures, as of December 31, 2008 are as follows :

In millions of Korean won

Year ending December 31, 2008	Long-term Debts	Debentures
2010	₩ 909,023	₩ 2,320,977
2011	1,436,900	750,000
Thereafter	1,445,114	1,566,092
	₩ 3,791,037	₩ 4,637,069

13. LEASES

As of December 31, 2008, the Group has recorded its capital leases amounting to ₩65,887 million (2007 : ₩43,085 million) as property, plant and equipment. Related depreciation expenses for the year ended December 31, 2008 amounted to ₩9,851 million (2007 : ₩6,043 million).

As of December 31, 2008, future lease payments under capital lease agreements are as follows :

In millions of Korean won

Year ending December 31,	Lease expenses
2009	₩ 21,849
2010	22,126
2011	16,154
	60,129
Less: Unearned interest	(4,248)
Current maturities	(21,849)
	₩ 34,032

As of December 31, 2008, future lease payments under operating lease agreements are as follows :

In millions of Korean won

Year ending December 31,	Lease expenses
2009	₩ 93,463
2010	70,674
2011	56,652
2012	31,334
Thereafter	25,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. ACCRUED SEVERANCE BENEFITS

Changes in accrued severance benefits for the years ended December 31, 2008 and 2007 are as follows :

In millions of Korean won

	2008	2007
Beginning balance	₩ 1,426,923	₩ 1,231,617
Payment	(366,689)	(351,344)
Transfer from related companies	2,214	2,691
Increase due to changes in consolidation scope	7,259	30,827
Provision	452,326	533,815
Others	2,316	15,317
	1,560,349	1,462,923
Less : Contribution to the National Pension Fund	(10,716)	(12,827)
Deposits for severance benefits	(960,727)	(861,824)
Ending balance	₩ 588,906	₩ 588,272

15. COMMITMENTS AND CONTINGENCIES

(1) Technical Assistance Agreements

As of December 31, 2008, the Group is a party to various technical assistance agreements with various foreign companies such as Matsushida Inc. in Japan.

(2) Legal Actions

1) As of December 31, 2008, the Company is a defendant (5 cases, USD 130 million and ₩1 billion) and a plaintiff (5 cases, ₩6.83 billion) in various foreign and domestic legal actions arising from the normal course of business, including 7 brand infringement cases. The Company believes that, although the outcome of these cases is uncertain, their ultimate resolution would not result in a material loss to the Company.

2) As of December 31, 2008, LG Electronics Inc. is a defendant in 36 foreign legal actions arising from the normal course of business, including 15 intellectual property rights infringement cases and 21 actions for damages. As of December 31, 2008, LG Electronics Inc. is a defendant in 19 domestic legal actions arising from the normal course of business, including 2 intellectual property rights infringement cases and 17 actions for damages.

As of December 31, 2008, LG Electronics Inc. is being investigated by Korean Fair Trade Commission and the authorities in EU due to an illegal agreement between CRT manufacturers. In addition, LG Electronics Canada Inc. was insisted on presenting testimony against an illegal agreement by Court of Ontario, Superior Court of Justice, Toronto Region. LG Electronics Canada Inc. was named as a defendant due to an illegal agreement between CRT manufacturers and a class action is pending at Court of Ontario, Superior Court of Justice, Toronto Region.

As of December 31, 2008, LG Electronics Inc. and LG Electronics U.S.A., Inc. were named as defendants in a consolidated class action regarding the illegal agreement between CRT manufacturers and the class action is pending at Northern District of California, U.S.A. The Company believes that, although the outcome of these cases is uncertain, their ultimate resolution would not result in a material loss to the companies.

3) As of December 31, 2008, LG Display Co., Ltd. is being investigated by Korean Fair Trade Commission and the authorities in U.S.A., Japan and others due to an illegal agreement. Regarding this investigation, LG Display Co., Ltd. entered into a plea agreement that pays penalties for five years with United States Department of Justice and recorded USD 400 million as loss. In addition, LG Display Co., Ltd. was named as a defendant in a class action due to a violation of Antitrust Laws regarding LCD panel sales and the class action is pending at Northern District of California, U.S.A. In addition, LG Display Co., Ltd. and the board are named as defendants in a class action due to a violation of the Securities Exchange Act regarding an illegal agreement of LCD panel sales in February 2007, and the class action is pending at Southern District of New York, U.S.A.

4) Major legal actions other than above cases pending as of December 31, 2008 are as follows :

In millions of Korean won

	Plaintiff		Defendant		Purpose
	Number of cases	Amount	Number of cases	Amount	
LG Chem Ltd.	11	₩3,799	7	₩603	Claim for sales receipt
LG Household & Health Care Ltd.	-	-	4	100 & USD1,800,000	Claim for cancel of patent registration
Coca-Cola Beverage Co.	-	-	1	550	Sale of land compensation for invention
LG Life Science Co., Ltd.	-	-	2	230	Claim for cable rental fee
LG Powercom	1	4,657	1	1,083	Actions for damages
Dacom Multimedia Internet, Inc.	-	-	1	970	Actions for damages and others
LG Telecom Ltd.	-	-	18	550	Claim for share of a loss
LG CNS Co., Ltd.	-	-	3	3,391	Actions for damages and others
Serveone Co., Ltd.	-	-	4	527	Claim for share of a loss

5) As of December 31, 2008, the Group has been named as the defendant and plaintiff in various foreign and domestic legal actions arising from the normal course of business. The Group's management believes that the actions against the Group pending as of December 31, 2008, in aggregate, will not have a material adverse impact on the Group's operations or financial position.

(3) Guarantees

1) As of December 31, 2008, the Company has a joint guarantee for obligations existing before the spin-off, which were assumed by LG Chem, Ltd. and LG Household & Health Care Ltd. on April 1, 2001, assumed by LG Electronics Inc. on April 1, 2002, assumed by LG Life Sciences, Ltd. on August 1, 2002 and assumed by GS Holdings Corp. on July 1, 2004.

2) As of December 31, 2008, LG Chem Ltd. has a joint guarantee for obligations existing before the spin-off, which were assumed by Seetec Co., Ltd. and Lotte Daesan Petrochemical Corporation on January 1, 2005. In addition, LG Chem Ltd. has a guarantee on delivery of products for customers.

3) LG Sports Ltd. spun off and transferred professional soccer business segment to GS Sports Ltd. on June 1, 2004, and completed the spin-off registration on June 4, 2004. LG Sports Ltd. has a joint guarantee for obligations existing before the spin-off, which were assumed by GS Sports Ltd. In conformity with a spin-off plan recognized in a special meeting of shareholders on April 27, 2004, and spin-off agreement between LG Sports Ltd. and GS Sports Ltd., when obligations are generated and determined after the date of spin-off (June 1, 2004), regarding the behavior or fact before the date of spin-off, or when obligations, which were generated and determined before the date of spin-off but were not recorded in the spin-off plan, are generated, the company related to the behavior or fact has obligation. When the relation is uncertain, LG Sports Ltd. and GS Sports Ltd. have obligations according to the net asset ratio (16:84), respectively.

4) As of December 31, 2008, the Group has guarantees up to ₩3,000 million and USD 450 thousand on indebtedness of other companies other than equity-method investees.

(4) Collaterals

1) As of December 31, 2008, the Company has provided 4 blank notes to Woori Bank and other companies in LG Twin Tower as collaterals in relation to rental deposits. In addition, the Company has provided a CD amounting to ₩21.8 billion to the court as a collateral in relation to the indulgence of corporate tax for the interim period ended 2008.

2) Major notes provided as collaterals as of December 31, 2008 are as follows :

In millions of Korean won

	Number of Notes	Purpose
LG Electronics Inc.	1	Guarantees for obligations
LG Innotek Co., Ltd.	1	Guarantees for obligations
Siltron Inc.	3	Borrowings and financial agreements
LG MMA Corp.	1	Tax on oil import
LG Dacom Corporation	1	Operating lease
LG Telecom Ltd.	1	Long-term borrowings
LG CNS Co., Ltd.	2	Fee payment & contract fulfillment
Serveone Co., Ltd.	58	Service contracts

3) As of December 31, 2008, Serveone Co., Ltd. has provided stocks to the Korea Development Bank and other 6 financial institutions as collaterals in relation to BTL business.

(5) Agreements

1) As of December 31, 2008, the Company has bank overdraft facility agreements and payment guarantees for foreign currencies agreements with Woori Bank up to ₩4,500 million and USD 500 thousand, respectively. The Company has a CP loan agreement with NH Bank up to ₩70,000 million. LG Electronics Inc. has bank overdraft facility agreements with Woori Bank up to ₩250,500 million. In addition, LG Electronics Inc. has negotiation agreements for oversea trade receivables with Shinhan bank and other 31 banks up to ₩8,517,225 million and for domestic trade receivables with Woori Bank up to ₩50,000 million.

2) As of December 31, 2008, LG Electronics Inc. has exclusive selling card agreement with Kookmin Bank and others up to ₩200,000 million. In addition, LG Electronics Inc. has an electronic loan agreement with pledge of receivables, which LG Electronics Inc. guarantees to pay the bank when customers discount receivables before the due date of payment, with Shinhan Bank and other 8 banks up to ₩965,450 million.

3) As of December 31, 2008, LG Chem Ltd. and its domestic subsidiaries have bank overdraft facility agreements up to ₩82,000 million, opening agreements of import letters of credit up to US\$ 285 million, and opening agreements of local letters of credit up to ₩142,800 million and US\$ 40 million. In addition, LG Chem Ltd. and its domestic subsidiaries have exporting notes discount agreements up to US\$ 800 million, other payment guarantees for foreign currencies agreements up to US\$ 15 million and other notes discount agreements up to ₩50,000 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4) Major agreements other than above as of December 31, 2008 are as follows :

In millions of Korean won

	Foreign currency	Korean currency	Purpose
LG Household & Health Care Ltd.	USD 7,500,000	₩219,500	Borrowings, L/C and others
LG MMA Corp.	USD 30,000,000	109,500	Borrowings, discount of notes, L/C and others
LG Life Science Co., Ltd.	-	13,200	Overdrafts
Siltron Inc.	USD 72,300,000	168,000	Overdrafts, L/C and others
Lusem Co., Ltd.	USD 19,700,000	44,000	Borrowings, discount of notes and others
LG Dacom Corporation	-	288,732	Borrowings, overdrafts and others
LG Telecom Ltd.	-	364,500	CP, overdrafts, discount of notes and others
LG CNS Co., Ltd.	USD 41,000,000	80,339	CP, overdrafts, discount of notes, L/C and others
LG N Sys Co., Ltd.	USD 5,418,000	70,100	CP, overdrafts, L/C and other
Serveone Co., Ltd.	USD 1,000,000	387,000	Purchase card agreement, discount of notes, L/C and others
LG Sports Ltd.	-	10,000	Discount of notes
GIIR Corporation	-	198,843	Purchase card agreement, discount of notes and others

(6) As of December 31, 2008, domestic companies are contingently liable for notes from export sales which were discounted through financial institutions in the ordinary course of business amounting to ₩535,681 million.

(7) As of December 31, 2008, LG Electronics Inc. contracted to transfer primary beneficiary certificates up to ₩190 billion to the special purpose companies by revolving for three years on May 18, 2006. In relation to this agreement, the Company has an obligation to maintain the balance of receivables transferred to the special purpose companies over ₩212,000 million.

(8) As of December 31, 2008, LG Dow Polycarbonate Ltd. is to maintain debt ratio (net liabilities / shareholders' equity) below 25% under the loan agreement between LG Dow Polycarbonate Ltd. and bond financial institutions. When LG Dow Polycarbonate Ltd. fails to comply with a certain percentage of debt ratio and interest coverage ratio, it is not allowed to provide dividend without consent of bond financial institutions.

(9) In accordance with the resolution of the Board of Directors on December 13, 2007, the Company has entered into a LG brand license agreement with companies including LG Electronics Inc.

16. DERIVATIVES

As of December 31, 2008, the Group's foreign exchange forward contracts and interest rate swaps are as follows :

Foreign exchange forward contracts

In millions of Korean won

Type of contract	Contract		Gain or loss on statements of income		Accumulated other comprehensive loss (*)
	Currency	Amount	Gains	Losses	
Forward	USD	₩1,228	₩-	₩4	₩-
	KRW	166,156	4,407	13,359	-
	EUR	84,370	-	1,544	(2,298)
Option	KRW	11	88,282	5,006	-
Swap	USD	188,625	-	45,536	-
	EUR	438,971	-	49,580	-
	KRW	767,147	137,308	16,611	(28,857)
			₩229,997	₩131,640	₩(31,155)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interest rate swap contracts

In millions of Korean won

Amount		Annual Interest rate[%]		Gain or loss on statements of income		Accumulated other comprehensive loss (*)
Currency	Amount	Receipts	Disbursement	Gains	Losses	
KRW	₩20,000	4.95%	3M CD+0.20%	₩-	434	₩-
KRW	10,000	5.60%	3M CD+0.79%	-	128	-
KRW	74,000	6.63%	MOR+1.20%	-	37,725	(5,339)
KRW	9,774	6.68%	3M CD+1.00%	-	219	-
KRW	1,544	7.13%	3M CD+1.53%	-	-	77
				₩-	₩38,506	₩(5,262)

Foreign currency - Interest swap contracts

In millions of Korean won

Contract		Annual interest rate [%]		Gain or loss on statements of income		Accumulated other comprehensive loss (*)
Currency	Amount	Currency	Amount	Receipts	Disbursement	
KRW	₩229,400	USD	₩200	8.20%	8.25%	₩63,479
						₩-
						₩(177)

(*)The amount of accumulated other comprehensive loss is recorded after considering the deferred tax effect.

According to accounting of cash flow hedges, the derivatives are expected to be exposed to cash flow fluctuation risk at most by October 30, 2019. Among gain or loss on valuation of derivative instruments that are recorded as accumulated other comprehensive loss, ₩11,198 million is expected to be recognized as losses on statements of income.

As of December 31, 2007, the Group's foreign exchange forward contracts and interest rate swaps are as follows :

Foreign exchange forward contracts

In millions of Korean won

Type of contract	Contract		Gain or loss on statements of income		Accumulated other comprehensive loss (*)
	Currency	Amount	Gains	Losses	
Forward	USD	₩367,048			
	KRW	985			
	EUR	95,833	₩1,159	₩6,242	₩-
Future	JPY	383	5	-	-
Option	USD	231,735			
	EUR	93,218	368	14,098	-
Swap	USD	231,735			
	EUR	93,218	11,551	59,542	(6,728)
			₩13,083	₩79,882	₩(6,728)

Interest rate swap contracts

In millions of Korean won

Amount		Gain or loss on statements of income		Gain or loss on statements of income		Accumulated other comprehensive loss (*)
Currency	Amount	Receipts	Disbursement	Gains	Losses	
USD	₩469,100	5.62%	3M Libor + 65bp	₩-	₩14,254	₩-
USD	28,146	5.59%	3M Libor floating rate	-	-	(385)
KRW	20,000	4.61%	3M CD floating rate	-	-	-
KRW	10,000	4.7%	3M CD + 0.73%	9	-	-
KRW	10,000	5.6%	3M CD + 0.79%	12	-	-
KRW	20,000	4.95%	3M CD + 0.20%	35	-	-
				₩574	₩14,254	₩(385)

Foreign currency - Interest swap contracts

In millions of Korean won

Contract				Annual interest rate (%)		Gain or loss on statements of income		Accumulated other comprehensive loss (*)
Currency	Amount	Currency	Amount	Receipts	Disbursement	Gains	Losses	
KRW	₩229,400	USD	₩187,640	8.20%	8.25%	₩1,704	₩-	₩(3,174)

(*)The amount of accumulated other comprehensive income (loss) is recorded after considering the deferred tax effect.

17. SHAREHOLDERS' EQUITY

Capital Stock

Capital stock as of December 31, 2008 and 2007 is as follows :

In millions of Korean won

No. of shares authorized	Par value	Type	No. of shares issued	Capital stock
700,000,000 shares	5,000 won	Common stock	172,557,131 shares	₩862,786
	5,000 won	Preferred stock	3,314,677 shares	₩16,573

Capital Surplus

As of December 31, 2008, capital surplus consists of paid-in capital in excess of par value amounting to ₩898,266 million and other capital surplus amounting to ₩1,315,287 million.

Capital Adjustments

Capital adjustments as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	2008	2007
Treasury stock	₩(15,252)	₩(19,757)
Other capital adjustments	(41,763)	(40,398)
	₩(57,015)	₩(60,155)

The Company has 610,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2008 and 791,789 shares of common stock and 6,810 shares of preferred stock as of December 31, 2007. In 2008, The Group sold 181,000 shares of treasury stock and recorded ₩4,548 million of gain on disposition of treasury stock excluding tax effect in other capital surplus.

The Company purchased treasury stock to hedge the cost of stock option and has a plan to hold the treasury stock for exercise of stock option (see note 23).

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) as of December 31, 2008 and 2007 consists of the following :

In millions of Korean won

	2008	2007
Loss on valuation of available-for-sale securities	₩(57,978)	₩(52,055)
Gain on foreign operation translation	303,217	12,531
Loss on valuation of equity-method investments	(78,911)	(90,460)
Loss on valuation of derivative instruments	(15,566)	(2,001)
	₩150,762	₩(131,985)

Retained Earnings

Retained earnings as of December 31, 2008 and 2007 consist of the following :

In millions of Korean won

	2008	2007
Legal reserve	₩114,874	₩101,727
Earned surplus reserve	114,874	101,727
Voluntary reserve	2,419,286	1,636,031
Reserve for business rationalization	431,065	431,065
Reserve for financial structure improvement	84,458	84,458
Reserve for investment losses	1,903,763	1,120,508
Unappropriated retained earnings	510,848	507,073
	₩3,045,008	₩2,244,831

1) Legal Reserve

The Korean Commercial Code requires the Company to appropriate an amount equal to a minimum of 10% of its cash dividends as a legal reserve until such reserve equals 50% of its paid-in capital. This reserve is not available for the payment of cash dividends. Subject to the approval of the Board of Directors, it may be transferred to common stock or may be used to reduce accumulated deficit, if any.

2) Other Reserves

Pursuant to the Korean tax laws, the Company is allowed to claim the amount of retained earnings appropriated for reserve for loss on investment as deductions in its income tax return. This reserve is not available for the payment of dividends until used for the specified purpose or otherwise reversed.

18. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated statements of comprehensive income for the years ended December 31, 2008 and 2007 are as follows :

In millions of Korean won

	2008	2007
Net income	₩ 2,966,795	₩ 3,632,135
Other comprehensive income (loss):		
Loss on valuation of available-for-sale securities (tax effect 2008 : (928) 2007 : (4,019))	(17,800)	(1,698)
Gain (loss) on foreign operation translation (tax effect 2008 : 58,911 2007 : 16,645)	1,129,960	(117,217)
Gain (loss) on valuation of derivative instruments (tax effect 2008 : 698 2007 : (1,388))	13,381	(10,376)
Gain on valuation of equity-method investments (tax effect 2008 : 3,709 2007 : 17,764)	71,146	37,969
	1,196,687	(91,322)
Comprehensive income	₩ 4,163,482	₩ 3,540,813
Parent interest in comprehensive income	1,194,862	1,020,894
Minority interests in comprehensive income	2,968,620	2,519,919

19. INCOME TAX

Income tax expense from continuing operation for the years ended December 31, 2008 and 2007 consists of the following :

In millions of Korean won

	2008	2007
Current income tax	₩ 1,342,635	₩ 822,854
Income tax directly adjusted to capital surplus	(224,469)	(77,622)
Changes in deferred income tax assets (liabilities) in tax credits carried forward	88,095	(130,503)
Changes in deferred income tax assets (liabilities) in temporary differences	(132,818)	(53,356)
Changes in deferred income tax due to deficit carried forward	26,654	252,783
Income tax expense for discontinued operations	-	(5,687)
Others	(7,940)	(15,925)
Income tax expense from continuing operation	₩ 1,092,157	₩ 792,544

Components of deferred income tax assets (liabilities) as of December 31, 2008 are as follows :

In millions of Korean won

	2008				Deferred income tax assets (liabilities)
	Beginning balance	Changes in consolidated companies	Changes	Ending balance	
Accrued severance benefits	₩ 171,493	₩ 836	₩ 52,868	₩ 225,197	₩ 49,543
Severance insurance plans	(225,385)	-	32,221	(193,164)	(42,496)
Allowance for doubtful accounts	229,381	1,578	(67,547)	163,412	39,493
Accrued interest income	(36,358)	(1,297)	(84,514)	(122,169)	(29,565)
Derivatives	59,763	-	(198,675)	(138,912)	(33,247)
Inventory	90,817	-	10,992	101,809	23,664
Depreciation	454,556	-	199,474	654,030	136,234
Gain on valuation of quity-method investments	(1,376,409)	(9,328)	(1,329,600)	(2,715,337)	(597,352)
Deficit carried forward	1,204,057	-	134,163	1,338,220	304,461
Tax credits carried forward	710,067	39,910	(50,712)	699,265	699,265
Others	1,294,493	1,688	2,679,618	3,975,799	1,021,050
	2,576,475	33,387	1,378,288	3,988,150	1,571,050
Deduction :					
Gain on valuation of equity-method investments	77,785			4,452	979
Tax credits carried forward	9,603			46,986	46,986
Deficit carried forward	-			5,531	1,217
Others	211,476			488,627	302,800
Total	2,277,611			3,442,554	1,219,068
Deferred income tax Assets	1,060,711			1,219,068	1,219,068
Other consolidated deferred income tax assets	7,669			35,902	35,902
Total	₩ 1,068,380			₩ 1,254,970	₩ 1,254,970

The Company periodically assesses its ability to recover deferred income tax assets. In the event of a significant uncertainty regarding the Company's ultimate ability to recover such assets, a valuation allowance is recorded to reduce the assets to its estimated net realizable value. Deferred income tax assets are recognized to the extent that it is almost certain that such deferred income tax assets will be realized.

The statutory income tax rate, including resident tax surcharges, applicable to LG Corp. and its domestic subsidiaries was 27.5% for 2008 and 2007. Deferred income tax assets were computed by applying the present tax rate of 24.2% (the current temporary difference) and 22% (the non-current temporary difference) for the temporary differences expected to be realized in the future.

As a result of tax adjustments and tax credits, effective tax rate of the Company for the years ended December 31, 2008 and 2007 was approximately 27% and 18%, respectively.

20. EARNINGS PER COMMON SHARE

Basic income per common share for continuing operations and basic net income per common share for the years ended December 31, 2008 and 2007 is calculated as follows :

Basic income per common share for continuing operations

In millions of Korean won

	2008	2007
Parent interests in income - continuing operations	₩912,115	₩926,163
Preferred stock dividends	(2,646)	(2,646)
Additional income available for preferred stock	(14,745)	(15,015)
Income available for common stock - continuing operations (A)	894,724	908,502
Weighted average number of common shares outstanding (B) (*)	171,808,134 shares	171,765,342 shares
Parent interest in income per common share - continuing operations (A/B)	₩5,208	₩5,289

Basic net income per common share

In millions of Korean won

	2008	2007
Parent interests in net income	₩912,115	₩922,356
Preferred stock dividends	(2,646)	(2,646)
Additional income available for preferred stock	(14,745)	(14,943)
Net income available for common stock (A)	894,724	904,767
Weighted average number of common shares outstanding (B) (*)	171,808,134 shares	171,765,342 shares
Parent interest in basic net income per common share (A/B)	₩5,208	₩5,267

(*) Treasury stock is deducted from outstanding common stock.

The weighted average number of common shares outstanding for the year ended December 31, 2008 is calculated as follows :

In millions of Korean won

Date	No of common shares	Weighted rate	Weighted average number of common shares
2008.01.01	171,765,342	366	62,866,115,172
2008.09.29	Disposal of treasury stock 50,435	94	4,740,890
2008.09.30	Disposal of treasury stock 8,000	93	744,000
2008.10.01	Disposal of treasury stock 24,000	92	2,208,000
2008.10.02	Disposal of treasury stock 12,000	91	1,092,000
2008.10.13	Disposal of treasury stock 38,379	80	3,070,320
2008.10.14	Disposal of treasury stock 48,186	79	3,806,694
	171,946,342		62,881,777,076

The weighted average number of common shares in 2007 was calculated excluding treasury stock from total number of shares issued of the Group.

21. DIVIDENDS

Details of dividends of the Company for the years ended December 31, 2008 and 2007 are as follows :

	2008	2007
Shares entitled to dividends		
Common stock	171,946,342 shares	171,765,342 shares
Preferred stock	3,307,867 shares	3,307,867 shares
Dividend per share		
Common stock	₩750 (15%)	₩750 (15%)
Preferred stock	800 (16%)	800 (16%)
Dividend amount		
Common stock	₩128,960 million	₩128,824 million
Preferred stock	2,646 million	2,646 million
	₩131,606 million	₩131,470 million

Dividend payout ratio for the years ended December 31, 2008 and 2007 is as follows :

In millions of Korean won

	2008	2007
Total dividends (A)	₩131,606	₩131,470
Net income (B)	912,115	922,356
Dividend payout ratio ((A)/(B))	14.43%	14.25%

Dividend yield ratio for the years ended December 31, 2008 and 2007 is as follows :

In Korean won

	2008		2007	
	Common shares	Preferred shares	Common shares	Preferred shares
Dividend per share (A)	₩750	₩800	₩750	₩800
Market price as of the balance sheet date (B)	42,700	16,250	69,900	33,950
Dividend yield ratio ((A)/(B))	1.76%	4.92%	1.07%	2.36%

22. RELATED PARTY TRANSACTIONS

Significant transactions which occurred in the ordinary course of business with subsidiaries and affiliated companies for the years ended December 31, 2008 and 2007, and the related account balances as of December 31, 2008 and 2007 are summarized as follows :

(1) Transactions and balances between the Company and its consolidated subsidiaries

In millions of Korean won

Company	Sales	Purchases	Receivables	Payables
LG Electronics Inc.	₩111,693	₩3,982	₩14,629	₩13,910
LG Chem Ltd.	40,318	-	7,723	6,024
LG Dacom Corporation	3,251	3	-	577
LG Display Co., Ltd.	27,312	-	2,577	2,727
LG CNS Co., Ltd.	4,466	1,778	160	758
Serveone Co., Ltd.	1,778	13,221	2,711	2,474
LG Sports Ltd.	45	10,261	-	951
Others	26,764	8,959	24,015	2,551
2008 Total	₩215,627	₩38,204	₩51,815	₩29,972
2007 Total	₩182,486	₩70,355	₩20,301	₩28,161

(2) Transactions and balances between consolidated subsidiaries :

In millions of Korean won

Company	Counterpart	Sales	Receivables
LG Electronics Inc.	LG Telecom Ltd. and others	₩20,864,114	₩3,527,775
LG Chem Ltd.	LG Household & Health Care Ltd. and others	2,458,577	352,301
LG Dacom Corporation	LG Powercom and others	217,154	46,837
LG Household & Health Care Ltd.	LG Chem Ltd. and others	71,619	31,467
Others		23,741,519	3,684,654
2008 Total		₩47,352,983	₩7,643,034
2007 Total		₩38,379,009	₩6,141,513

(3) Transactions and balances between the Group and equity-method investees :

In millions of Korean won

Company	Counterpart	Sales	Purchases	Receivables	Payables
LG Electronics Inc.	HLDS (Japan) and others	₩2,192,306	₩2,088,943	₩291,852	₩626,443
LG Chem Ltd.	Seetec Co., Ltd. and others	699,067	236,259	34,871	16,163
LG Household & Health Care Ltd.	Cognis Rika	41,223	130,273	17,546	26,363
Others		433,157	408,699	95,350	166,484
2008 Total		₩3,365,753	₩2,864,174	₩439,619	₩835,453
2007 Total		₩2,228,258	₩3,552,072	₩305,717	₩681,779

(4) Guarantees of the Group on the indebtedness of its consolidated subsidiaries, equity-method investees and other related parties :

In millions of Korean won

	2008	2007
LG Electronics Inc.	₩3,484,728	₩2,666,671
LG Chem Ltd.	189,060	160,285
LG Household & Health Care Ltd.	10,459	5,183
Others	62,873	12,150
	₩3,747,120	₩2,844,289

(5) Significant key management compensation cost for the controlling company and key subsidiaries for the years ended December 31, 2008 and 2007 are as follows :

In millions of Korean won

	LG Corp.	LG Electronics Inc.	LG Chem Ltd.	Others (*)	Total
Short-term salaries	₩12,055	₩27,933	₩58,283	₩36,689	₩134,960
Severance benefits	1,451	3,357	5,126	11,782	21,716
Compensation expense related to stock options	(13,145)	(1,902)	1,059	-	(13,988)
2008 Total	₩361	₩29,388	₩64,468	₩48,471	₩142,688
2007 Total	₩52,651	₩28,867	₩58,040	₩42,873	₩182,431

(*) Including LG Household & Health Care Ltd., LG Telecom Ltd., LG Life Science Co., Ltd. LG Dacom Corporation and LG GIIR Corporation.

23. STOCK OPTION PLAN

(1) Cash-settled share-based payment transactions

The Group grants stock options to its executives and employees who contribute to the Group's development in accordance with the resolution of the Board of Directors or approval of the shareholders of the Group.

The details of the stock options are as follows as of December 31, 2008 :

	LG Corp.	LG Electronics Inc.	LG Chem Ltd.	LG Display Co.,Ltd.
Grant date	March 24, 2005, the resolution of the Board of Directors	March 22, 2005, the resolution of the Board of Directors	March 25, 2005, the resolution of the Board of Directors	April 7, 2005, the resolution of the Board of Directors
Grant method	To compensate the difference between market price of the stock and exercise price of the option			
Exercisable period	Within 4 years from the day after 3 years from grant date	Within 4 years from the day after 3 years from grant date	Within 4 years from the day after 3 years from grant date	Within 4 years from the day after 3 years from grant date
Number of shares granted	768,000 shares (*1). If the increase ratio of the stock price for three years from grant date of the stock options is not higher than that of the KOSPI (Korea Composite Stock Price Index), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.	766,000 shares (*2). If the increase ratio of the stock price for three years from grant date of the stock options is not higher than that of the KOSPI (Korea Composite Stock Price Index), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.	568,000 shares (*3). If the increase ratio of the stock price for three years from grant date of the stock options is not higher than that of the KOSPI (Korea Composite Stock Price Index), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.	450,000 shares (*4). If the increase ratio of the stock price for three years from grant date of the stock options is not higher than that of the KOSPI (Korea Composite Stock Price Index), the final number of shares to be exercised shall be 50% of number of shares to be exercised at grant date.
Exercise price	₩ 24,730 per share	₩ 71,130 per share	₩ 42,530 per share	₩ 44,050 won per share (*5)
Exercisable condition	For executives and employees who have worked for the company for more than two years from grant date			

(*1) As of December 31, 2008, the number of shares of LG Corp. to be exercised is 517,000 shares as 251,000 shares of stock options were canceled in 2005 due to the retirement and other reason.

(*2) Based on the stock options contracts, it confirmed 361,000 shares to be exercised consisting of 50% of the outstanding shares, of which was not forfeited. By exercising the options, 53,500 shares were deducted from 307,500 shares of total outstanding shares.

(*3) As of December 31, 2008, the number of shares of LG Chem Ltd. is nil as 347,000 shares and 221,000 shares of stock options were canceled due to the retirement and other reason.

(*4) Based on the stock option contract, 10,000 shares could still be exercised consisting of 50% of the outstanding shares, of which was not forfeited.

(*5) The exercise price of LG. Display Co., Ltd. decreased from ₩ 44,260 to ₩ 44,050 per share due to the additional issuance of common stock in 2005.

(2) Equity-settled share-based payment transactions

GIIR Inc., a subsidiary of the Company, has granted share options on its ordinary shares to qualifying employees and executives. As of December 31, 2008, share option arrangements are as follows.

Company	First stock option	Second stock option	Third stock option
Grant date	August 22, 2003, the resolution of the Board of Directors	December 30, 2003, the resolution of the Board of Directors	August 10, 2004,the resolution of the Board of Directors
Grant method	To be granted to purchase the Company's common stocks at exercise price of the option		
Exercisable period	Within 7 years from the day after 3 years from grant date	Within 8 years from the day after 3 years from grant date	Within 9 years from the day after 3 years from grant date
Number of shares granted (*)	204,000 shares	35,000 shares	130,000 shares
Exercise price	₩ 19,412 per share	₩ 21,722 per share	₩ 18,947 per share
Exercisable condition	For executives and employees who have worked for the company for more than three years from grant date		

(*) As of December 31, 2008, the number of shares to be exercised is 323,000 shares as 46,000 shares of stock options were canceled due to the retirement and other reason.

Stock option compensation cost was calculated under the following assumptions :

Company	1st	2nd	3rd
Fair value of stock at grant date	₩ 19,100	₩ 20,900	₩ 19,100
Present value of exercise price	16,027	17,834	16,030
Risk-free interest rate	4.79%	4.9%	4.18%
Expected life	4year		
Expected volatility	1.001	1.001	1.577
Compensation cost per share	3,073	3,066	9,257
Total compensation cost	578 million	95 million	965 million

(3) Compensation expense related to the stock options for the years ended December 31, 2008 and 2007 consists of the following :

In millions of Korean won

	2008	2007
LG Corp. (*1)	₩ 13,145]	₩ 29,942
LG Electronics Inc. (*1)	(6,082]	11,256
LG Chem Ltd.	1,059	11,856
LG Display Co., Ltd. (*1)	(560]	560
GIIR Corp. (*2)	-	-
	₩ 18,728]	₩ 53,614

(*1) As the decline of stock price of LG Corp., LG Electronics Inc. and LG Display Co., Ltd. during 2008, accrual for the stock option compensation for 2007 was decreased in 2008.

(*2) There was no compensation expense that should be recognized during 2008. Due to forfeited shares in 2007, stock options worth ₩ 60 million were reclassified as other capital surplus.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

24. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 2008 and 2007, monetary assets and liabilities denominated in foreign currencies consist of the following :

	Foreign currencies (In thousands)				Korean won equivalent (In millions)	
	2008		2007		2008	2007
Cash and cash equivalents	USD	599,696	USD	101,518	₩ 1,937,075	₩ 814,473
	EUR	126,200	EUR	137,863		
	JPY	908,161	JPY	1,340,986		
	CNY	2,341,000	CNY	1,577,331		
	VND	7,984,867	VND	24,805,476		
	and others		and others			
Trade accounts and notes receivable	USD	1,652,483	USD	1,316,684	6,525,773	4,475,653
	EUR	381,373	EUR	296,164		
	JPY	2,253,909	JPY	20,400,793		
	CNY	3,594,143	CNY	4,144,048		
	VND	13,945,505	VND	16,189,577		
	and others		and others			
Other accounts receivable	USD	3,213	USD	21,348	32,505	97,016
	EUR	525	EUR	2,445		
	JPY	748	JPY	42,000		
	CNY	154,001	CNY	6,099		
	VND	19,120,338	VND	8,377,888		
	and others		and others			
Trade accounts and notes payable	USD	916,111	USD	666,328	3,876,012	2,795,321
	EUR	1,524	EUR	72,534		
	JPY	7,795,967	JPY	14,427,481		
	CNY	7,051,000	CNY	10,003,473		
	VND	24,771,902	VND	50,254,662		
	and others		and others			
Other accounts payable	USD	683,409	USD	1,186,673	1,045,103	3,995,371
	EUR	134	EUR	181,031		
	JPY	11,775,672	JPY	3,906,565		
	CNY	65,954	CNY	8,553,351		
	VND	389,640	VND	18,945,562		
	and others		and others			

In addition, assets and liabilities of oversea subsidiaries are recorded in foreign currency.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

25. SUPPLEMENTAL CASH FLOW INFORMATION

Significant transactions not affecting cash flows for the years ended December 31, 2008 and 2007 are as follows :

	In millions of Korean won	
	2008	2007
Reclassification of construction-in-progress to property, plant and equipment	₩ 1,910,153	₩ 1,025,779
Reclassification of long-term debts to current maturities	1,104,858	592,047
Reclassification of debentures to current maturities	1,928,398	1,470,086
Reclassification of long-term receivables to current maturities	197,633	215,253
Reclassification of long-term prepaid expenses to current maturities	44,139	-

26. SELLING AND ADMINISTRATIVE EXPENSES

Details of selling and administrative expenses for the year ended December 31, 2008 and 2007 are as follows :

	In millions of Korean won	
	2008	2007
Salaries	₩ 2,719,198	₩ 2,114,107
Provision for severance benefits	185,447	180,744
Employee benefits	546,634	412,899
Rent	590,986	522,024
Depreciation	706,788	770,823
Amortization of intangible assets	192,983	284,916
Bad debt expenses	72,020	93,959
Advertising expenses	2,171,697	1,457,145
Various service fees	2,009,765	1,567,400
Warranty expenses	1,353,458	999,706
Freight	2,332,972	1,906,501
Sales promotional expenses	516,172	963,684
Others	2,067,255	1,695,748
Salaries	185,447	180,744
	₩ 15,465,375	₩ 12,969,656

27. SEGMENT INFORMATION

Financial data by business division as of and for the years ended December 31, 2008 and 2007 is as follows :

In millions of Korean won							
	2008						
	Electronics	Chemicals	Communications	Others	Total Consolidated adjustment	Total	
Sales							
External	₩110,079,626	₩21,446,345	₩7,756,813	₩5,510,584	₩144,793,368	₩(54,570,884)	₩90,222,484
Inter-segment	(46,704,899)	(4,076,307)	(679,083)	(3,110,595)	(54,570,884)	54,570,884	-
	₩63,374,727	₩17,370,038	₩7,077,730	₩2,399,989	₩90,222,484	₩-	₩90,222,484
Operating income	₩4,267,669	₩1,721,800	₩683,700	₩414,152	₩7,087,321	₩(165,890)	₩6,921,431
Assets	59,287,797	13,092,194	7,961,804	10,035,426	90,377,221	(25,595,123)	64,782,098

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In millions of Korean won

	2007						
	Electronics	Chemicals	Communications	Others	Total	Consolidated adjustment	Total
Sales							
External	₩89,478,231	₩18,983,249	₩7,077,841	₩4,271,101	₩119,810,422	₩(43,522,088)	₩76,288,334
Inter-segment	(35,921,979)	(4,714,140)	(549,819)	(2,336,150)	(43,522,088)	43,522,088	-
	₩53,556,252	₩14,269,109	₩6,528,022	₩1,934,951	₩76,288,334	₩-	₩76,288,334
Operating income	₩2,965,652	₩1,396,691	₩597,250	₩329,290	₩5,288,883	₩(218,114)	₩5,070,769
Assets	47,135,307	12,370,620	7,388,115	7,749,801	74,643,843	(20,563,619)	54,080,224

Financial data by geographic area as of and for the years ended December 31, 2008 and 2007 is as follows :

	2008								
	Domestic(*)	China	Asia	North America	Europe	Others	Total	Consolidated adjustment	Total
Sales									
External	₩66,381,450	₩22,846,617	₩10,737,033	₩21,214,584	₩18,718,221	₩4,895,463	₩144,793,368	₩(54,570,884)	₩90,222,484
Inter-segment	(34,815,758)	(9,174,134)	(1,903,862)	(3,973,378)	(4,593,735)	(110,017)	(54,570,884)	54,570,884	-
	₩31,565,692	₩13,672,483	₩8,833,171	₩17,241,206	₩14,124,486	₩4,785,446	₩90,222,484	₩-	₩90,222,484
Operating income	₩5,804,543	₩252,595	₩195,165	₩223,369	₩320,419	₩291,230	₩7,087,321	₩(165,890)	₩6,921,431
Assets	67,122,569	6,866,212	3,716,972	4,899,929	5,570,499	2,201,040	90,377,221	(25,595,123)	64,782,098

	2007								
	Domestic(*)	China	Asia	North America	Europe	Others	Total	Consolidated adjustment	Total
Sales									
External	₩43,522,029	₩18,252,463	₩9,771,264	₩22,967,249	₩18,252,021	₩7,045,396	₩119,810,422	₩(43,522,088)	₩76,288,334
Inter-segment	(14,369,029)	(7,416,795)	(4,593,195)	(7,402,452)	(7,450,047)	(2,290,570)	(43,522,088)	43,522,088	-
	₩29,153,000	₩10,835,668	₩5,178,069	₩15,564,797	₩10,801,974	₩4,754,826	₩76,288,334	₩-	₩76,288,334
Operating income	₩2,925,192	₩623,140	₩329,332	₩611,603	₩613,049	₩186,567	₩5,288,883	₩(218,114)	₩5,070,769
Assets	35,229,930	10,229,352	5,405,264	10,217,704	10,171,719	3,389,874	74,643,843	(20,563,619)	54,080,224

(*) Domestic sales include the exports made based on local letters of credit.

28. DISCONTINUED OPERATIONS

In 2007, a representative director of LG Chem. Ltd. approved to dispose 3 departments; Safety materials, AMS filters and Fluorescent materials.

(1) Discontinued operations' loss for the year ended December 31, 2007 is as follows :

In millions of Korean won

Company	Safety materials	AMS filters	Fluorescent materials
Impairment loss on discontinued operations assets	₩(2,495)	₩(4,765)	₩(261)
Loss on safety materials department (excluding impairment loss)	(6,362)	(6,380)	(416)
Discontinued operations loss before income tax expense	(8,857)	(11,145)	(677)
Tax effect	2,436	3,065	186
Discontinued operations loss after income tax expense	₩(6,421)	₩(8,080)	₩(491)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In millions of Korean won

Company	Safety materials	AMS filters	Fluorescent materials
Cash flows from operating activities	₩2,166	₩967	₩2,044
Cash flows from investing activities	3,673	(2,056)	21
Cash flows from financing activities	(5,839)	1,089	(2,065)
Total	₩-	₩-	₩-

29. BUSINESS COMBINATION (CONSOLIDATION)

(1) Transfer of business between LG Electronics Inc., a subsidiary of Group, and LG Micron Ltd., a subsidiary of LG Electronics Inc.

After the board of directors' authorization dated on February 21, 2008, LG Electronics Inc., effective on May 1, 2008, made investment in kind in LG Micron Ltd. and transferred its Printed Circuit Board ("PCB") division to LG Micron Ltd., and acquired the PDP Rear Plate ("PRP") division from LG Micron Ltd.

As a result of transaction above, LG Electronics Inc. measured the transferred assets and liabilities in accordance with the Accounting Standards for Business Combination and received 3,276,324 common shares of LG Micron Ltd. and ₩56,859 million in cash for settlement of the transaction.

Condensed financial information of the transferred divisions as of May 1, 2008 was as follows :

In millions of Korean won

	Printed Circuit Board ("PCB") Division	PDP Rear Plate ("PRP") Division
Assets :		
Quick assets	₩192	₩256
Inventories	40,432	1,640
Tangible assets	145,845	102,240
Intangible assets	356	1,100
	₩186,825	₩105,236
Liabilities :		
Current liabilities	₩700	₩-
Non-current liabilities	3,375	900
	₩4,075	₩900

(2) Business acquisition of LG Chem. Ltd.

Effective on September 1, 2008, based on authorization of the board of directors on June 23, 2008, LG Chem. Ltd., subsidiary of Group, acquired the SAP division including the related facilities located in Kim-chun plants of Kolon Ltd. LG Chem. Ltd. began to control the business based on the contract dated on September 1, 2008. Details of the transaction are as follows :

1) Assets and liabilities transferred by business acquisition were measured in accordance with the Accounting Standards for Business Combination.

2) Consideration paid in exchange for the business acquisition and others

a. Accounting for the transaction due to acquisition of the SAP division is as follows :

In millions of Korean won

	Amounts
Purchase cost	₩87,000
Fair value of assets and liabilities	60,908
Goodwill	₩26,092

b. Changes of goodwill recognized through business acquisition after the acquisition date are as follows :

In millions of Korean won

	Amounts
Initial goodwill	₩26,092
Amortization cost (*)	870
Ending goodwill	₩25,222

(*) Goodwill is amortized over ten years using the straight line method.

c. Condensed balance sheet of the SAP division of Kolon Ltd. as of September 1, 2008 is as follows :

In millions of Korean won

	Amounts
Net of current assets and current liabilities	₩14,372
Non-current assets	46,536
	₩60,908

d. Others

Based on the contracts between LG Chem. Ltd. and Kolon Ltd., the value of assets and liabilities could be adjusted by the result of due diligence and whether the creditors of the liabilities agree on the terms.

(3) Merge between LG Chem. Ltd. and LG Petrochemical Co., Ltd.

LG Chem. Ltd. concluded a consolidation agreement with LG Petrochemical Co., Ltd. on July 10, 2007 according to decisions of the executive directors on July 5, 2007 and merged on November 1, 2007 after approvals at the general meeting of shareholders.

LG Chem. Ltd. issued 0.4805033 shares (par value : ₩5,000) for each share of LG Petrochemical Co., Ltd. excluding shares of LG Petrochemical Co., Ltd. (percentage of ownership : 40%, 18,080,000 shares) that is held by LG Chem. Ltd. and treasury stocks (percentage of ownership : 10.21%, 4,615,042 shares).

Assets and liabilities that were acquired by LG Chem. Ltd. were estimated at book value in consolidated financial statements according to the Accounting Standards for Business Combination (consolidation between parents and subsidiaries).

LG Chem. Ltd. calculated ₩520,638 million as a paid-in capital in excess of par value in non-consolidated financial statements after deducting the difference between acquisition payment and net asset value since acquisition payment was greater than net asset value of LG Petrochemical Co., Ltd.

30. UNCERTAINTIES RESULTING FROM THE CURRENT GLOBAL FINANCIAL CRISIS AND THE APPRECIATION OF EXCHANGE RATES

The Republic of Korea and private sectors are going through the financial restructuring process to mitigate the financial uncertainties and risks due to the global financial crisis. The government is currently proposing amendments to regulations relating to the financial matters so the companies can survive and even operate it more profitable and efficient. The Company and its subsidiaries can be affected by such economic conditions directly or indirectly. Even though this uncertainty resulted from such conditions is possibly reflected on the management judgment of Company and its subsidiaries when they prepare the financial statements, the outcome of this uncertainty could be significantly different from the accompanying financial statements.

31. SUBSEQUENT EVENTS

(1) Issuance of debentures

After December 31, 2008, issuances of debentures of subsidiaries are as follows :

In millions of Korean won

	Kind of bond	Denomination	Rate of interest (%)
Investee :			
LG Electronics Inc.	Unguaranteed bond	₩190,000	5.99
LG Chem Ltd.		150,000	5.38
LG Dacom Corporation		100,000	5.85
LG CNS Co., Ltd.		40,000	6.10
Siltron Inc.		60,000	7.40
Serveone Co., Ltd.		30,000	6.80
Total		₩570,000	

(2) Increased paid-in capital

On March 13, 2009, the board of directors of V-ENS Co., Ltd. decided to issue additional common stocks (number of shares : 50,000, Issue price : ₩100,000 /per share).

(3) Equipment investment

On February 26, 2009, the board of directors of LG TeleCom, Ltd. decided that the company will invest in network equipment (Amounts : ₩185,500 million, Term : January 2009 ~ June 2009).

(4) Change of affiliates

CCKBC (Netherlands) Holding I BV and CCKBC (Netherlands) Holding II BV, the subsidiaries of LG Household & Health Care Ltd., were liquidated on January 5, 2009.

