LG Chem, Ltd. and Subsidiaries
Consolidated Financial Statements
December 31, 2013 and 2012
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Consolidated Financial Statements

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Report of Independent Auditors

To the Board of Directors and Shareholders of
LG Chem, Ltd.

We have audited the accompanying consolidated statements of financial position of LG Chem, Ltd. and its subsidiaries (collectively the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Ningbo LG Yongxing Chemical Co., Ltd. and certain other consolidated subsidiaries, whose financial statements represent 13% of the Company’s consolidated total assets as of December 31, 2013 (2012: 18%), and represent 14% of the Company’s consolidated total revenue for the year ended December 31, 2013 (2012: 19%). These financial statements were audited by other auditors whose reports have been furnished to 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the 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 LG Chem, Ltd. and its subsidiaries as of December 31, 2013 and 2012, and their financial performance and cash flows for the years then ended, in conformity with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”).
Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Seoul, Korea
March 6, 2014

This report is effective as of March 6, 2014, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.
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<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>3, 5, 6</td>
<td>Cash and cash equivalents</td>
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<tr>
<td>3, 5, 7, 33</td>
<td>Trade receivables</td>
<td>3,220,504</td>
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<td>3, 5, 7, 33</td>
<td>Other receivables</td>
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<td>Prepaid income taxes</td>
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<td>3, 5, 8, 10</td>
<td>Other financial assets</td>
<td>-</td>
</tr>
<tr>
<td>15</td>
<td>Other current assets</td>
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<td>Inventories</td>
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<td></td>
<td><strong>Total current assets</strong></td>
<td>8,031,617</td>
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<tr>
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<td><strong>Non-current assets</strong></td>
<td></td>
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<tr>
<td>3, 5, 7</td>
<td>Other receivables</td>
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<tr>
<td>3, 5, 8, 9</td>
<td>Other financial assets</td>
<td>5,952</td>
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<tr>
<td>1, 12, 35</td>
<td>Investments in associates and joint ventures</td>
<td>447,867</td>
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<tr>
<td>30</td>
<td>Deferred income tax assets</td>
<td>77,069</td>
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<tr>
<td>13</td>
<td>Property, plant and equipment</td>
<td>8,559,609</td>
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<td>14</td>
<td>Intangible assets</td>
<td>263,093</td>
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<td>15</td>
<td>Other non-current assets</td>
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<td></td>
<td><strong>Total non-current assets</strong></td>
<td>9,414,847</td>
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<td><strong>Total assets</strong></td>
<td>17,446,464</td>
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<td><strong>Liabilities and equity</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Current liabilities</strong></td>
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<td>3, 5, 33</td>
<td>Trade payables</td>
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<td>3, 5, 33</td>
<td>Other payables</td>
<td>838,021</td>
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<td>3, 5, 16</td>
<td>Borrowings</td>
<td>2,206,848</td>
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<td>3, 5, 8, 10</td>
<td>Other financial liabilities</td>
<td>-</td>
</tr>
<tr>
<td>17</td>
<td>Provisions</td>
<td>2,045</td>
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<tr>
<td>30</td>
<td>Current income tax liabilities</td>
<td>134,946</td>
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<td>5, 19</td>
<td>Other current liabilities</td>
<td>147,726</td>
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<td><strong>Total current liabilities</strong></td>
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<td><strong>Non-current liabilities</strong></td>
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<td>3, 5</td>
<td>Other payables</td>
<td>76,346</td>
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<td>3, 5, 16</td>
<td>Borrowings</td>
<td>803,634</td>
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<tr>
<td>17</td>
<td>Provisions</td>
<td>17,481</td>
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<td>18</td>
<td>Net defined benefit liability</td>
<td>51,911</td>
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<tr>
<td>30</td>
<td>Deferred income tax liabilities</td>
<td>173,553</td>
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<td></td>
<td><strong>Total non-current liabilities</strong></td>
<td>1,122,925</td>
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<tr>
<td></td>
<td><strong>Total liabilities</strong></td>
<td>5,720,802</td>
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</table>

**LG Chem, Ltd. and Subsidiaries**

Consolidated Statements of Financial Position

December 31, 2013 and 2012

*(in millions of Korean won)*
LG Chem, Ltd. and Subsidiaries  
Consolidated Statements of Financial Position  
December 31, 2013 and 2012

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
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<tr>
<td>Equity attributable to owners of the parent</td>
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<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>1, 21</td>
<td>369,500</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
<td>1,157,772</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>23</td>
<td>(15,699)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td>(87,259)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>22</td>
<td>10,172,632</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11,596,946</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>128,716</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>11,725,662</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td></td>
<td>17,446,464</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## LG Chem, Ltd. and Subsidiaries
### Consolidated Statements of Income
**Years Ended December 31, 2013 and 2012**

*(in millions of Korean won, except per share amounts)*

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>33, 35</td>
<td>23,143,612</td>
<td>23,263,019</td>
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<tr>
<td><strong>Cost of sales</strong></td>
<td>25, 33</td>
<td>(19,834,673)</td>
<td>(19,955,076)</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td>3,308,939</td>
<td>3,307,943</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>24, 25, 33</td>
<td>(1,565,895)</td>
<td>(1,397,620)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>35</td>
<td>1,743,044</td>
<td>1,910,323</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>5, 27</td>
<td>203,420</td>
<td>99,990</td>
</tr>
<tr>
<td><strong>Finance expenses</strong></td>
<td>5, 27</td>
<td>(236,554)</td>
<td>(153,938)</td>
</tr>
<tr>
<td><strong>Share of profit of associates and joint ventures</strong></td>
<td>12</td>
<td>5,388</td>
<td>12,420</td>
</tr>
<tr>
<td><strong>Other non-operating income</strong></td>
<td>5, 28</td>
<td>362,351</td>
<td>371,853</td>
</tr>
<tr>
<td><strong>Other non-operating expenses</strong></td>
<td>5, 29</td>
<td>(476,353)</td>
<td>(360,150)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>34</td>
<td>1,601,296</td>
<td>1,880,498</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>30</td>
<td>(330,683)</td>
<td>(374,153)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td>1,270,613</td>
<td>1,506,345</td>
</tr>
</tbody>
</table>

Attributable to:

- **Owners of the parent**
  - 1,265,968
  - 1,494,487

- **Non-controlling interests**
  - 4,645
  - 11,858

### Earnings per share for profit attributable

- **to owners of the parent (in won)**
  - Basic and diluted earnings per ordinary share
    - for profit for the year
      - 17,211
      - 20,318
  - Basic and diluted earnings per preferred share
    - for profit for the year
      - 17,261
      - 20,368

The accompanying notes are an integral part of these consolidated financial statements.
LG Chem, Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2013 and 2012

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>1,270,613</td>
<td>1,506,345</td>
</tr>
<tr>
<td>Other comprehensive income (loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items not reclassifiable subsequently to profit or loss:</td>
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<tr>
<td>Remeasurements of the net defined benefit liability</td>
<td>18</td>
<td>(3,590)</td>
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<tr>
<td>Shares of actuarial loss from associates</td>
<td>(41)</td>
<td>(75)</td>
</tr>
<tr>
<td>Income tax effect relating to components of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other comprehensive income</td>
<td>30</td>
<td>868</td>
</tr>
<tr>
<td>Items reclassifiable subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>3,463</td>
<td>(74,458)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>154</td>
<td>527</td>
</tr>
<tr>
<td>Others</td>
<td>(2,508)</td>
<td>(9,778)</td>
</tr>
<tr>
<td>Income tax effect relating to components of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other comprehensive income</td>
<td>30</td>
<td>529</td>
</tr>
<tr>
<td>Other comprehensive loss for the year, net of tax</td>
<td>(1,125)</td>
<td>(130,760)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>1,269,488</td>
<td>1,375,585</td>
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<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>1,262,923</td>
<td>1,371,658</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>6,565</td>
<td>3,927</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital</th>
<th>Capital surplus</th>
<th>Other components of equity</th>
<th>Accumulated other comprehensive income</th>
<th>Retained earnings</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1, 2012</td>
<td>369,500</td>
<td>1,157,772</td>
<td>(15,699)</td>
<td>(11,398)</td>
<td>8,053,307</td>
<td>9,553,482</td>
<td>154,197</td>
<td>9,707,679</td>
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</tbody>
</table>

**Comprehensive income:**

| Profit for the year | - | - | - | - | 1,494,487 | 1,494,487 | 11,858 | 1,506,345 |
| Remeasurements of the net defined benefit liability | 18 | 18 | - | - | - | (47,175) | (47,175) | - | (47,175) |
| Currency translation differences | - | - | - | (66,242) | - | (66,242) | (7,931) | 74,173 |
| Cash flow hedges | - | - | - | 399 | - | 399 | - | 399 |
| Others | - | - | - | (9,736) | (75) | (9,811) | - | (9,811) |
| Total comprehensive income | - | - | - | (75,579) | 1,447,237 | 1,371,658 | 3,927 | 1,375,585 |

**Transactions with owners:**

| Dividends | 32 | - | - | - | - | (294,520) | (294,520) | (21,627) | (316,147) |
| Others | - | - | - | - | (1,321) | (1,321) | (441) | (1,762) |
| Total transactions with owners | - | - | - | - | (295,841) | (295,841) | (22,068) | (317,909) |

| Balance at December 31, 2012 | 369,500 | 1,157,772 | (15,699) | (86,977) | 9,204,703 | 10,629,299 | 136,056 | 10,765,355 |
| Balance at January 1, 2013 | 369,500 | 1,157,772 | (15,699) | (86,977) | 9,204,703 | 10,629,299 | 136,056 | 10,765,355 |

**Comprehensive income:**

| Profit for the year | - | - | - | - | 1,265,968 | 1,265,968 | 4,645 | 1,270,613 |
| Remeasurements of the net defined benefit liability | 18 | 18 | - | - | - | (2,722) | (2,722) | - | (2,722) |
| Currency translation differences | - | - | - | 2,010 | - | 2,010 | 1,920 | 3,930 |
| Cash flow hedges | - | - | - | 117 | - | 117 | - | 117 |
| Others | - | - | - | (2,409) | (41) | (2,450) | - | (2,450) |
| Total comprehensive income | - | - | - | (282) | 1,262,025 | 1,262,023 | 6,565 | 1,268,588 |

**Transactions with owners:**

| Dividends | 32 | - | - | - | - | (294,520) | (294,520) | (13,653) | (308,173) |
| Others | - | - | - | - | (756) | (756) | (252) | (1,008) |
| Total transactions with owners | - | - | - | - | (295,276) | (295,276) | (13,905) | (309,181) |

| Balance at December 31, 2013 | 369,500 | 1,157,772 | (15,699) | (87,259) | 10,172,632 | 11,596,946 | 128,716 | 11,725,662 |

The accompanying notes are an integral part of these consolidated financial statements.
LG Chem, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash flows from operating activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash generated from operations</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Interest received</td>
<td>36,317</td>
</tr>
<tr>
<td></td>
<td>Interest paid</td>
<td>(90,370)</td>
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<tr>
<td></td>
<td>Dividends received</td>
<td>1,407</td>
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<td></td>
<td>Income taxes paid</td>
<td>(328,213)</td>
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<tr>
<td></td>
<td><strong>Net cash generated from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash flows from investing activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Decrease in other receivables</td>
<td>1,234,072</td>
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<td></td>
<td>Decrease in non-current other receivables</td>
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<td></td>
<td>Proceeds from disposal of property, plant and equipment</td>
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<td></td>
<td>Proceeds from disposal of intangible assets</td>
<td>383</td>
</tr>
<tr>
<td></td>
<td>Increase in other receivables</td>
<td>(1,121,188)</td>
</tr>
<tr>
<td></td>
<td>Increase in non-current other receivables</td>
<td>(23,428)</td>
</tr>
<tr>
<td></td>
<td>Increase in non-current other financial assets</td>
<td>(74)</td>
</tr>
<tr>
<td></td>
<td>Acquisition of investments in associates and joint ventures</td>
<td>(25,420)</td>
</tr>
<tr>
<td></td>
<td>Acquisition of property, plant and equipment</td>
<td>(1,360,673)</td>
</tr>
<tr>
<td></td>
<td>Acquisition of intangible assets</td>
<td>(41,322)</td>
</tr>
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<td></td>
<td><strong>Net cash used in investing activities</strong></td>
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<td></td>
<td>Cash flows from financing activities</td>
<td></td>
</tr>
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<td>Proceeds from borrowings</td>
<td>339,848</td>
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<td>Repayments of borrowings</td>
<td>(230,245)</td>
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<td></td>
<td>Dividends paid</td>
<td>(308,405)</td>
</tr>
<tr>
<td></td>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
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</tr>
<tr>
<td></td>
<td><strong>Net increase(decrease) in cash and cash equivalents</strong></td>
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</tr>
<tr>
<td></td>
<td>Cash and cash equivalents at the beginning of year</td>
<td>720,767</td>
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<tr>
<td></td>
<td>Exchange gains (losses) on cash and cash equivalents</td>
<td>4,463</td>
</tr>
<tr>
<td></td>
<td><strong>Cash and cash equivalents at the end of year</strong></td>
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</tr>
</tbody>
</table>

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

General information about LG Chem, Ltd. (the "Parent Company") and its subsidiaries (collectively "the Company") is as follows:

1.1 The Parent Company

The Parent Company was spun off on April 1, 2001, from LG Chem Investment Ltd. (formerly LG Chemical Ltd.), to engage in the petrochemicals, industrial materials, and information and electronic materials business. It completed its registration process on April 3, 2001. The Parent Company’s shares have been listed on the Korea Stock Exchange since April 25, 2001.

The Parent Company merged with LG Daesan Petrochemical Ltd. on January 1, 2006, and with LG Petrochemical Co., Ltd. on November 1, 2007. The Parent Company also spun off its Industrial Materials segment to LG Hausys, Ltd. on April 1, 2009, and merged with LG Polycarbonate Ltd. on April 1, 2012.

As of December 31, 2013, the Parent Company has its manufacturing facilities in Yeosu, Daesan, Ochang, Cheongju, Ulsan, Naju, Iksan, Paju and Gimcheon.

The Parent Company is authorized to issue 292 million shares of ordinary shares with par value of ₩5,000 per share. As of December 31, 2013, the Parent Company has issued 66,271,100 ordinary shares (₩331,356 million) and 7,628,921 preferred shares (₩38,144 million). The largest shareholder of the Parent Company is LG Corp., which owns 33.53% of the Parent Company’s ordinary shares. Preferred shareholders have no voting rights but are entitled to receive dividends at a rate 1% more than those paid to ordinary shareholders.

1.2 Business overview

The Company is engaged in petrochemicals business, information and electronic materials, and batteries business. The petrochemical business includes production of olefin petrochemicals such as ethylene, propylene, butadiene from Naphtha and aromatic petrochemicals such as benzene, xylene, toluene, and production of synthetic resin, synthetic rubber, and synthetic components from olefin and aromatic petrochemicals. This business is regarded as important as it provides primary materials to other industries and bears characteristics of large-volume process industry. The Company’s major products are ethylene, polyethylene, propylene, synthetic rubber, polyvinyl chloride (PVC), plasticizer, acrylate, acrylonitrile -butadiene-styrene (ABS), epoxy resin, and others.

The information and electronic materials business manufactures and supplies electronic materials such as optical material including 3D FPR, sensitized material, OLED-related materials and PCB materials. The Company produces Liquid Crystal Display Glass based on the source technology licensed from SCHOTT Solar, Inc., a Germany-based company, combining with its high-quality production techniques.

The batteries business manufactures and supplies batteries ranging from small batteries for portable media devices such as laptop computers, camcorders, mobiles and PDA to battery for electric vehicles and batteries for energy storage system. Currently, the battery division for electronic vehicles is in its position to supply to major domestic/foreign car manufacturing companies.
### 1.3 Consolidated subsidiaries, associates and joint ventures

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Percentage of ownership (%)</th>
<th>Business location</th>
<th>Fiscal year-end</th>
<th>Business activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tianjin LG Dagu Chemical Co., Ltd.</td>
<td>75</td>
<td>China</td>
<td>December 31</td>
<td>PVC manufacturing and sales</td>
</tr>
<tr>
<td>Ningbo LG Yongxing Chemical Co., Ltd.¹</td>
<td>75</td>
<td>China</td>
<td>December 31</td>
<td>ABS/SBL manufacturing and sales</td>
</tr>
<tr>
<td>Ningbo Zhenhai LG Yongxing Trading Co., Ltd.¹</td>
<td>75</td>
<td>China</td>
<td>December 31</td>
<td>ABS sales</td>
</tr>
<tr>
<td>LG Chem HK Ltd.</td>
<td>100</td>
<td>Hong Kong</td>
<td>December 31</td>
<td>Sales and trading</td>
</tr>
<tr>
<td>LG Chemical India Pvt. Ltd. ²</td>
<td>100</td>
<td>India</td>
<td>December 31</td>
<td>Syntetic resins manufacturing and sales</td>
</tr>
<tr>
<td>LG Polyform India Pvt. Ltd.²</td>
<td>100</td>
<td>India</td>
<td>December 31</td>
<td>PS manufacturing</td>
</tr>
<tr>
<td>LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.</td>
<td>100</td>
<td>China</td>
<td>December 31</td>
<td>EP manufacturing and sales</td>
</tr>
<tr>
<td>LG Chem (Nanjing) Information &amp; Electronics Materials Co., Ltd.</td>
<td>100</td>
<td>China</td>
<td>December 31</td>
<td>Battery/ Polarizer Manufacturing and sales</td>
</tr>
<tr>
<td>LG Chem (Taiwan), Ltd.</td>
<td>100</td>
<td>Taiwan</td>
<td>December 31</td>
<td>Polarizer manufacturing and sales</td>
</tr>
<tr>
<td>LG Chem Display Materials (Beijing) Co., Ltd.</td>
<td>100</td>
<td>China</td>
<td>December 31</td>
<td>Polarizer manufacturing</td>
</tr>
<tr>
<td>Tianjin LG Bohai Chemical Co., Ltd.⁴</td>
<td>75</td>
<td>China</td>
<td>December 31</td>
<td>VCM, EDC manufacturing and sales</td>
</tr>
<tr>
<td>Tianjin LG BOTIAN Chemical Co., Ltd.⁴</td>
<td>56</td>
<td>China</td>
<td>December 31</td>
<td>SBS manufacturing and sales</td>
</tr>
<tr>
<td>LG Chem (China) Investment Co., Ltd.</td>
<td>100</td>
<td>China</td>
<td>December 31</td>
<td>China holding company</td>
</tr>
<tr>
<td>LG Chem (Tianjin) Engineering Plastics Co., Ltd.</td>
<td>100</td>
<td>China</td>
<td>December 31</td>
<td>ABS/EP manufacturing and sales</td>
</tr>
<tr>
<td>LG Chem Europe GmbH</td>
<td>100</td>
<td>Germany</td>
<td>December 31</td>
<td>Sales and trading</td>
</tr>
<tr>
<td>LG Chem Poland Sp. z.o.o</td>
<td>100</td>
<td>Poland</td>
<td>December 31</td>
<td>Polarizer manufacturing</td>
</tr>
<tr>
<td>LG Chem Michigan Inc.</td>
<td>100</td>
<td>USA</td>
<td>December 31</td>
<td>Medium&amp;Large sized battery research and manufacturing</td>
</tr>
<tr>
<td>LG Chem Power Inc.</td>
<td>100</td>
<td>USA</td>
<td>December 31</td>
<td>Medium&amp;Large sized battery research</td>
</tr>
<tr>
<td>LGC Petrochemical India Private Limited.⁵</td>
<td>100</td>
<td>India</td>
<td>December 31</td>
<td>Service</td>
</tr>
<tr>
<td>Haengboknuri ⁶</td>
<td>100</td>
<td>Korea</td>
<td>December 31</td>
<td>Facility management and general cleaning</td>
</tr>
<tr>
<td>LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI ⁷</td>
<td>100</td>
<td>Turkey</td>
<td>December 31</td>
<td>Sales and trading</td>
</tr>
</tbody>
</table>

#### Associates and Joint ventures

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Percentage of ownership (%)</th>
<th>Business location</th>
<th>Fiscal year-end</th>
<th>Business activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG Vina Chemical Co., Ltd.</td>
<td>40</td>
<td>Vietnam</td>
<td>December 31</td>
<td>DOP production and sales</td>
</tr>
<tr>
<td>HL Greenpower Co., Ltd.</td>
<td>49</td>
<td>Korea</td>
<td>December 31</td>
<td>Battery manufacturing for electric automobile</td>
</tr>
<tr>
<td>LG Holdings (HK) Ltd.</td>
<td>26</td>
<td>Hong Kong</td>
<td>December 31</td>
<td>Sales and trading</td>
</tr>
<tr>
<td>TECWIN Co., Ltd.</td>
<td>20</td>
<td>Korea</td>
<td>December 31</td>
<td>Environment solution and Construction of chemical plant</td>
</tr>
<tr>
<td>SEETEC Co., Ltd.</td>
<td>50</td>
<td>Korea</td>
<td>December 31</td>
<td>Plant utility and Distribution, research assistance service</td>
</tr>
<tr>
<td>LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.⁸</td>
<td>100</td>
<td>Brazil</td>
<td>December 31</td>
<td>Sales and trading</td>
</tr>
<tr>
<td>CNOOC &amp; LG Petrochemicals Co., Ltd.</td>
<td>50</td>
<td>China</td>
<td>December 31</td>
<td>ABS manufacturing and sales</td>
</tr>
<tr>
<td>KLPE Limited Liability Partnership ⁷</td>
<td>50</td>
<td>Kazakhstan</td>
<td>December 31</td>
<td>PE manufacturing and sales</td>
</tr>
<tr>
<td>LG Fuel Cell Systems Inc.¹⁰</td>
<td>18</td>
<td>USA</td>
<td>December 31</td>
<td>Power fuel cell research</td>
</tr>
</tbody>
</table>

¹ As of December 31, 2013, Ningbo LG Yongxing Chemical Co., Ltd. owns 100% of Ningbo Zhenhai LG Yongxing Trade Co., Ltd. shares.

² As of December 31, 2013, LG Chemical India Pvt. Ltd. owns 100% of LG Polyform India Pvt. Ltd. shares.

³ During the year, the Parent Company acquired additional shares of LG Chem (Nanjing) Information & Electronics Materials Co., Ltd. for $29,076 million.
As of December 31, 2013, Tianjin LG Bohai Chemical Co., Ltd. owns 20.30% of Tianjin LG BOTIAN Chemical Co., Ltd. shares.

LGC Petrochemical India Private Limited was established during the year, and the Parent Company newly acquired 100% of its shares for W299 million.

Haengboknuri was established during the year, and the Parent Company newly acquired 100% of its shares for W600 million.

LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI was established during the year, and the Parent Company newly acquired 100% of its shares for W174 million.

Classified as an investment in associate due to its small scale, and the Parent Company acquired additional shares of LG Chem BRASIL INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA for W321 million.

During the year, the Parent Company acquired additional shares of KLPE Limited Liability Partnership for W18,680 million.

During the year, investment into LG Fuel Cell Systems Inc. was reclassified from available for-sale financial assets to investment in associate as the Parent Company can exercise significant influence as the executive of the Parent Company is a member of the board of directors of LG Fuel Cell Systems Inc. In addition, LG Fuel Cell Systems Inc. issued new shares with disproportionate rights during the year and the Parent Company acquired its additional shares for W6,419 million. As a result, the Parent Company’s percentage of ownership increased to 18% (Note 12).
1.4 Summarized financial information of subsidiaries, associates and joint ventures

Summarized financial information (before elimination of intercompany transactions) of subsidiaries, associates and joint ventures is as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Consolidated subsidiaries</th>
<th>December 31, 2013</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Liabilities</td>
<td>Equity</td>
<td>Revenue</td>
<td>Profit/(loss) for the year</td>
</tr>
<tr>
<td>Tianjin LG DAGU Chemical Co., Ltd.</td>
<td>205,089</td>
<td>128,586</td>
<td>76,503</td>
<td>421,332</td>
</tr>
<tr>
<td>Ningbo LG Yongxing Chemical Co., Ltd.</td>
<td>754,027</td>
<td>422,303</td>
<td>331,724</td>
<td>1,884,097</td>
</tr>
<tr>
<td>LG Chem HK Ltd.</td>
<td>151,726</td>
<td>137,091</td>
<td>14,635</td>
<td>605,212</td>
</tr>
<tr>
<td>LG Chem America, Inc.</td>
<td>134,543</td>
<td>121,895</td>
<td>12,648</td>
<td>622,905</td>
</tr>
<tr>
<td>LG Chemical India Pvt. Ltd.</td>
<td>32,617</td>
<td>131</td>
<td>32,486</td>
<td>1,445</td>
</tr>
<tr>
<td>LG Polymers India Pvt. Ltd.</td>
<td>101,120</td>
<td>55,099</td>
<td>46,021</td>
<td>238,882</td>
</tr>
<tr>
<td>LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.</td>
<td>96,086</td>
<td>51,182</td>
<td>44,904</td>
<td>174,437</td>
</tr>
<tr>
<td>LG Chem (Nanjing) Information &amp; Electronics Materials Co., Ltd.</td>
<td>1,379,626</td>
<td>832,963</td>
<td>546,663</td>
<td>1,724,065</td>
</tr>
<tr>
<td>LG Chem (Taiwan), Ltd.</td>
<td>184,398</td>
<td>113,877</td>
<td>70,521</td>
<td>414,542</td>
</tr>
<tr>
<td>LG Chem Display Materials (Beijing) Co., Ltd.</td>
<td>26,596</td>
<td>4,352</td>
<td>22,244</td>
<td>14,573</td>
</tr>
<tr>
<td>Tianjin LG Bohai Chemical Co., Ltd.</td>
<td>371,875</td>
<td>172,956</td>
<td>198,921</td>
<td>471,838</td>
</tr>
<tr>
<td>LG Chem (China) Investment Co., Ltd.</td>
<td>180,918</td>
<td>97,844</td>
<td>83,074</td>
<td>32,737</td>
</tr>
<tr>
<td>LG Chem (Tianjin) Engineering Plastics Co., Ltd.</td>
<td>71,319</td>
<td>33,324</td>
<td>37,995</td>
<td>110,968</td>
</tr>
<tr>
<td>LG Chem Europe GmbH</td>
<td>84,226</td>
<td>70,714</td>
<td>13,512</td>
<td>241,170</td>
</tr>
<tr>
<td>LG Chem Poland Sp. z o.o.</td>
<td>45,239</td>
<td>26,809</td>
<td>18,430</td>
<td>74,309</td>
</tr>
<tr>
<td>LG Chem Michigan Inc.</td>
<td>174,008</td>
<td>147,684</td>
<td>26,324</td>
<td>1,208</td>
</tr>
<tr>
<td>LG Chem Power Inc.</td>
<td>9,934</td>
<td>9,553</td>
<td>381</td>
<td>21,333</td>
</tr>
<tr>
<td>Tianjin LG BOTIAN Chemical Co., Ltd.</td>
<td>70,250</td>
<td>76,338</td>
<td>(6,088)</td>
<td>138,999</td>
</tr>
<tr>
<td>LGVina Chemical Co., Ltd.</td>
<td>7,118</td>
<td>5,627</td>
<td>1,491</td>
<td>15,349</td>
</tr>
<tr>
<td>LG Holdings (HK) Ltd.</td>
<td>371</td>
<td>6</td>
<td>365</td>
<td>451</td>
</tr>
<tr>
<td>Haengboknuri</td>
<td>1,182</td>
<td>503</td>
<td>679</td>
<td>1,797</td>
</tr>
<tr>
<td>LG CHEM TK KIMYA SANAYI VE TICARET LIMITED SIRKETI</td>
<td>622</td>
<td>384</td>
<td>238</td>
<td>964</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Associates and joint ventures</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LG Vina Chemical Co., Ltd.</td>
<td>25,428</td>
<td>16,746</td>
<td>8,682</td>
<td>73,171</td>
</tr>
<tr>
<td>HL Greenpower Co., Ltd.</td>
<td>64,627</td>
<td>30,452</td>
<td>34,175</td>
<td>127,035</td>
</tr>
<tr>
<td>LG Holdings (HK) Ltd.</td>
<td>374,511</td>
<td>137,538</td>
<td>236,973</td>
<td>45,192</td>
</tr>
<tr>
<td>TECWIN Co., Ltd.</td>
<td>45,619</td>
<td>15,778</td>
<td>29,841</td>
<td>83,852</td>
</tr>
<tr>
<td>SEETEC Co., Ltd.</td>
<td>399,798</td>
<td>50,563</td>
<td>349,235</td>
<td>573,102</td>
</tr>
<tr>
<td>LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.</td>
<td>142</td>
<td>64</td>
<td>78</td>
<td>892</td>
</tr>
<tr>
<td>CNOOC &amp; LG Petrochemicals Co., Ltd.</td>
<td>214,226</td>
<td>136,737</td>
<td>77,489</td>
<td>-</td>
</tr>
<tr>
<td>KLPE Limited Liability Partnership</td>
<td>210,585</td>
<td>42,007</td>
<td>168,578</td>
<td>-</td>
</tr>
<tr>
<td>LG Fuel Cell Systems Inc.</td>
<td>35,757</td>
<td>9,653</td>
<td>26,104</td>
<td>4,946</td>
</tr>
</tbody>
</table>
LG Chem, Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements  
December 31, 2013 and 2012  

(*in millions of Korean won*)

<table>
<thead>
<tr>
<th>Consolidated subsidiaries</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Equity</th>
<th>Revenue</th>
<th>Profit/(loss) for the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tianjin LG DAGU Chemical Co., Ltd.</td>
<td>206,570</td>
<td>125,990</td>
<td>80,580</td>
<td>423,628</td>
<td>(6,292)</td>
</tr>
<tr>
<td>Ningbo LG Yongxing Chemical Co., Ltd.</td>
<td>753,128</td>
<td>426,398</td>
<td>326,730</td>
<td>1,862,728</td>
<td>56,436</td>
</tr>
<tr>
<td>LG Chem HK Ltd.</td>
<td>150,860</td>
<td>136,736</td>
<td>14,124</td>
<td>615,340</td>
<td>1,453</td>
</tr>
<tr>
<td>LG Chem America, Inc.</td>
<td>124,318</td>
<td>113,329</td>
<td>10,989</td>
<td>576,090</td>
<td>2,233</td>
</tr>
<tr>
<td>LG Chemical India Pvt. Ltd.</td>
<td>32,577</td>
<td>117</td>
<td>32,460</td>
<td>1,824</td>
<td>134</td>
</tr>
<tr>
<td>LG Polymers India Pvt. Ltd.</td>
<td>89,400</td>
<td>40,331</td>
<td>49,069</td>
<td>214,108</td>
<td>6,545</td>
</tr>
<tr>
<td>LG Chemical (Guangzhou) Engineering Plastics Co., Ltd.</td>
<td>81,606</td>
<td>43,177</td>
<td>38,429</td>
<td>145,145</td>
<td>4,134</td>
</tr>
<tr>
<td>LG Chem (Nanjing) Information &amp; Electronics Materials Co., Ltd.</td>
<td>1,158,794</td>
<td>706,676</td>
<td>452,118</td>
<td>1,587,822</td>
<td>38,334</td>
</tr>
<tr>
<td>LG Chem (Taiwan), Ltd.</td>
<td>153,824</td>
<td>97,504</td>
<td>56,320</td>
<td>308,017</td>
<td>6,777</td>
</tr>
<tr>
<td>LG Chem Display Materials (Beijing) Co., Ltd.</td>
<td>22,583</td>
<td>1,756</td>
<td>20,827</td>
<td>15,885</td>
<td>1,710</td>
</tr>
<tr>
<td>Tianjin LG Bohai Chemical Co., Ltd.</td>
<td>397,646</td>
<td>177,923</td>
<td>219,723</td>
<td>484,948</td>
<td>11,862</td>
</tr>
<tr>
<td>LG Chem (China) Investment Co., Ltd.</td>
<td>86,121</td>
<td>7,130</td>
<td>78,991</td>
<td>32,005</td>
<td>4,067</td>
</tr>
<tr>
<td>LG Chem (Tianjin) Engineering Plastics Co., Ltd.</td>
<td>76,712</td>
<td>44,679</td>
<td>32,033</td>
<td>113,645</td>
<td>4,474</td>
</tr>
<tr>
<td>LG Chem Europe GmbH</td>
<td>57,335</td>
<td>46,442</td>
<td>10,893</td>
<td>159,585</td>
<td>3,470</td>
</tr>
<tr>
<td>LG Chem Poland Sp. z o.o.</td>
<td>30,400</td>
<td>16,392</td>
<td>14,008</td>
<td>32,455</td>
<td>(3,199)</td>
</tr>
<tr>
<td>LG Chem Michigan Inc.</td>
<td>163,941</td>
<td>122,925</td>
<td>41,016</td>
<td>-</td>
<td>(8,554)</td>
</tr>
<tr>
<td>LG Chem Power Inc.</td>
<td>15,673</td>
<td>15,599</td>
<td>74</td>
<td>21,684</td>
<td>(2,227)</td>
</tr>
<tr>
<td>Tianjin LG BOTIAN Chemical Co., Ltd.</td>
<td>83,719</td>
<td>86,961</td>
<td>(3,242)</td>
<td>162,216</td>
<td>(10,235)</td>
</tr>
<tr>
<td>Ningbo Zhenhai LG Yongxing Trading Co., Ltd.</td>
<td>2,356</td>
<td>1,025</td>
<td>1,331</td>
<td>14,272</td>
<td>150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Associates and joint ventures</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LG Vina chemical Co., Ltd.</td>
<td>26,357</td>
<td>17,169</td>
<td>9,188</td>
<td>80,224</td>
<td>3,271</td>
</tr>
<tr>
<td>HL Greenpower Co., Ltd.</td>
<td>93,676</td>
<td>61,925</td>
<td>31,751</td>
<td>107,647</td>
<td>2,686</td>
</tr>
<tr>
<td>LG Holdings (HK) Ltd.</td>
<td>374,780</td>
<td>151,013</td>
<td>223,767</td>
<td>40,267</td>
<td>8,454</td>
</tr>
<tr>
<td>TECWIN Co., Ltd.</td>
<td>51,890</td>
<td>24,790</td>
<td>27,100</td>
<td>99,792</td>
<td>3,780</td>
</tr>
<tr>
<td>SEETEC Co., Ltd.</td>
<td>373,833</td>
<td>40,532</td>
<td>333,301</td>
<td>488,218</td>
<td>12,436</td>
</tr>
<tr>
<td>LG Chem Brasil INTERMEDIACAO DE NEGOCIOS DO SETOR QUIMICO LTDA.</td>
<td>361</td>
<td>217</td>
<td>144</td>
<td>1,375</td>
<td>55</td>
</tr>
<tr>
<td>CNOOC &amp; LG Petrochemicals Co., Ltd.</td>
<td>90,572</td>
<td>12,085</td>
<td>78,487</td>
<td>-</td>
<td>(1,260)</td>
</tr>
<tr>
<td>KLPE Limited Liability Partnership</td>
<td>141,258</td>
<td>485</td>
<td>140,773</td>
<td>-</td>
<td>(1,792)</td>
</tr>
</tbody>
</table>
2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The Company's financial statements for the annual period, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The Company newly applied the following amended and enacted standards for the annual period beginning on January 1, 2013:

- Amendment to Korean IFRS 1001, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
  The amendment requires entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. The Company applies the amendment retroactively and there is no impact of the application of this amendment on its total comprehensive income or loss.

- Amendment to Korean IFRS 1019, Employee Benefits
  The amendment requires entities to immediately recognize all actuarial gains and losses incurred in other comprehensive income or loss. All past service costs incurred are immediately recognized in accordance with the change of the plan, and the previous separate calculation of the interest cost and the expected returns on plan assets has been revised to calculate net interest expense (income) by applying the discount rate used in the defined benefit obligation measurement in the net defined benefit liabilities (assets). There is no material impact of the application of this amendment on the consolidated financial statements.
- Korean IFRS 1110, *Consolidated Financial Statements*

Korean IFRS 1110, *Consolidated Financial Statements*, introduces a single control concept and provides a specific guidance for the control. The adoption of this standard does not have an impact on consolidation scope in the consolidated financial statements.

- Korean IFRS 1111, *Joint Arrangements*

Korean IFRS 1111, *Joint Arrangements*, reflects the substance of joint arrangements and focuses on the rights and obligations of the parties to the joint arrangements rather than on the legal forms of the arrangements. Joint arrangements are classified into joint operations or joint ventures. The adoption of this standard does not have an impact on the consolidated financial statements.

- Korean IFRS 1112, *Disclosures of Interests in Other Entities*

Korean IFRS 1112, *Disclosure of Interests in Other Entities*, provides disclosure requirements for all types of equity investments in other entities including subsidiaries, associates, joint ventures and unconsolidated structured entities.

- Korean IFRS 1027, *Separate Financial Statements*

Korean IFRS 1027, *Separate Financial Statements*, contains accounting treatments and requirements for investments in subsidiaries, associates and joint ventures relating only to separate financial statements of the Controlling Company.

- Korean IFRS 1113, *Fair Value Measurement*

Korean IFRS 1113, *Fair Value Measurement*, provides a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across K-IFRS. The Company has applied this standard prospectively according to the transitional provisions of K-IFRS 1113 and there is no material impact of the application of this standard on the consolidated financial statements.

(b) New standards and interpretations not yet adopted

New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2013, and not early adopted by the Company are as follows:

- Amendment to Korean IFRS 1110, *Consolidated Financial Statements*

Amendment to Korean IFRS 1110, *Consolidated Financial Statements*, provides that, if a parent company qualifies as an investment entity, it is required to measure its investments in subsidiaries at fair value through profit and loss instead of consolidating these subsidiaries in its consolidated financial statements. The amendment does not apply for a parent of an investment entity if the parent itself is not an investment entity. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have a material impact on its consolidated financial statements.

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion. This amendment is effective for annual periods beginning on or after January 1, 2014, and the Company expects that the application of this interpretation would not have a material impact on its consolidated financial statements.
- Amendment to Korean IFRS 1039, **Financial Instruments: Recognition and Measurement**

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations. This amendment is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have a material impact on its consolidated financial statements.

- Enactment of Korean IFRS 2121, **Levies**

Korean IFRS 2121, *Levies*, are applied to a liability to pay a levy imposed by a government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation (the obligating event). This interpretation is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The Company expects that the application of this interpretation would not have a material impact on its consolidated financial statements.

### 2.3 Consolidation

The Company has prepared the consolidated financial statements in accordance with Korean IFRS 1110, *Consolidated financial statements*.

1. **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of a subsidiary begins from the date the Company obtains control of a subsidiary and ceases when the Company loses control of the subsidiary.

The Company applies the acquisition method to account for business combinations. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis in the event of liquidation, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. All other non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

Goodwill is recognized as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Balances of receivables and payables, income and expenses and unrealized gains on transactions between the Company subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

2. **Changes in ownership interests in subsidiaries without change of control**

In transactions with non-controlling interests, which do not result in loss of control, the Company
recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(3) Associates

Associates are all entities over which the Company has significant influence, and investments in associates are initially recognized at acquisition cost using the equity method. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. If there is any objective evidence that the investment in the associate is impaired, the Company recognizes the difference between the recoverable amount of the associate and its book value as impairment loss.

(4) Joint Arrangements

A joint arrangement of which two or more parties have joint control is classified as either a joint operation or a joint venture. A joint operator has rights to the assets, and obligations for the liabilities, relating to the joint operation and recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation. A joint venturer has rights to the net assets relating to the joint venture and accounts for that investment using the equity method.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 35). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Committee that makes strategic decisions.

2.5 Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the each entity operates (the “functional currency’). The consolidated financial statements are presented in Korean won, which is the Parent Company’s functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

(3) Consolidated companies

The results and financial position of all consolidated entities that have a functional currency different from the presentation currency are translated as follows:
1. Company and basis of accounting

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

ii) income and expenses for each statement of income are translated at average exchange rates; and

iii) equity is translated at the historical exchange rate; and

iv) all resulting exchange differences are recognized in other comprehensive income.

2.6 Financial assets

(a) Classification and measurement

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on trade date.

At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments over three months; or the disappearance of an active market for that financial asset because of financial difficulties. A significant or a prolonged decline in the fair value of an available-for-sale equity instrument below its cost is also objective evidence of impairment.

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The
related financial liability is classified as ‘borrowings’ in the statement of financial position (Note 16).

### 2.7 Derivative financial instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within ‘other non-operating income (expenses)’ or ‘finance income (expenses)’ according to the nature of transactions.

### 2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost method except goods in transit which is determined using the specific identification method.

### 2.9 Property, plant and equipment

Property, plant and equipment is stated at its cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>25 - 50 years</td>
</tr>
<tr>
<td>Structures</td>
<td>15 - 50 years</td>
</tr>
<tr>
<td>Machinery</td>
<td>6 - 15 years</td>
</tr>
<tr>
<td>Others</td>
<td>1 - 6 years</td>
</tr>
</tbody>
</table>

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and, if appropriate, accounted for as changes in accounting estimates.

### 2.10 Borrowing costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.
2.11 Government grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.12 Intangible assets

Goodwill is measured as explained in Note 2.3(1). Goodwill arising on the acquisition of subsidiaries and business is included in intangible assets and goodwill arising on the acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or group of CGUs, that is expected to benefit from the synergies of the combination. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Intangible assets, except for goodwill, are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Internally generated software development costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives, are as follows:

<table>
<thead>
<tr>
<th>Development costs</th>
<th>3 - 6 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial property rights</td>
<td>5 - 15 years</td>
</tr>
<tr>
<td>Others</td>
<td>6 - 20 years</td>
</tr>
</tbody>
</table>

2.13 Research and development

Costs associated with research are recognized as an expense as incurred. Costs that are identifiable, controllable and directly attributable to development projects are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the development project so that it will be available for use;
- Management intends to complete the development project and use or sell it;
- There is an ability to use or sell the development project;
- It can be demonstrated how the development project will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the development project are available; and
- The expenditure attributable to the development project during its development can be reliably measured.
Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs that are recognized as intangible assets are amortized using the straight-line method over their estimated useful lives of three to six years when the assets are available for use and are tested for impairment.

2.14 Impairment of non-financial assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as ‘trade payables’, ‘borrowings’, and ‘other payables’ in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.
2.16 Current and deferred income tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.18 Employee benefits

The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The contributions are recognized as employee benefit expenses when an employee has rendered service. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.
If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Company. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company’s activities, as described below. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognized upon delivery of products to customers. The Company recognizes provisions for product warranties and sales returns based on reasonable expectation reflecting warranty obligation and sales return rates incurred historically.

(b) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.
2.20 Leases

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Company are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases and recognized as lease assets and liabilities at the lower of the fair value of the leased property and the present value of the minimum lease payments on the opening date of the lease period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

3. Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain exposures.

Risk management is carried out by the Company's finance team under policies approved by the Corporate Management Committee. The finance team identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Corporate Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of surplus liquidity.

(1) Market risk

1) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

Management has set up a policy to require consolidated companies to manage their foreign exchange risk against their functional currency. The Company manages maximum loss for currency risk exposures within acceptable range by using currency risk management model and hires employees who are exclusively responsible for currency risk management.

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through borrowings denominated in the relevant foreign
currencies.

As of December 31, 2013 and 2012, the Company’s monetary assets and liabilities denominated in currencies other than its functional currency, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Liabilities</td>
<td>Assets</td>
</tr>
<tr>
<td>USD</td>
<td>1,982,900</td>
<td>2,466,188</td>
</tr>
<tr>
<td>EUR</td>
<td>65,178</td>
<td>93,749</td>
</tr>
<tr>
<td>JPY</td>
<td>23,922</td>
<td>94,583</td>
</tr>
<tr>
<td>GBP and others</td>
<td>3,848</td>
<td>3,734</td>
</tr>
</tbody>
</table>

As of December 31, 2013 and 2012, if the Company’s functional currency had weakened / strengthened by 10% against the US dollar with all other variables held constant, profit for the year would have been affected as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013 increase (10%)</th>
<th>2013 decrease (10%)</th>
<th>2012 increase (10%)</th>
<th>2012 decrease (10%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>(48,329)</td>
<td>48,329</td>
<td>(55,058)</td>
<td>55,058</td>
</tr>
</tbody>
</table>

The above sensitivity analysis has been performed for monetary assets and liabilities denominated in foreign currencies other than the Company’s functional currency at the reporting date.

2) Cash flow and fair value interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises through floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty caused by fluctuations in interest rates and minimizing net interest expense.

The Company adequately minimizes risks from interest rate fluctuations through various policies, such as sharing excess cash within the Company (internal cash sharing) to minimize external borrowings, avoiding high rate borrowings, reforming capital structure, managing an appropriate ratio of fixed rate borrowings and floating rate borrowings, monitoring a fluctuation of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The impact of 0.1% (10 basis points) higher/lower of interest rate with all other variables held constant on the Company’s post-tax profit for the year and on equity as of December 31, 2013, is as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>Impact on post-tax profit</th>
<th>Impact on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase</td>
<td>(1,639)</td>
<td>(1,639)</td>
</tr>
<tr>
<td>Decrease</td>
<td>1,639</td>
<td>1,639</td>
</tr>
</tbody>
</table>

25
(2) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

As of December 31, 2013 and 2012, the maximum degrees of credit exposures are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>Before impairment</th>
<th>Accumulated impairment loss</th>
<th>After impairment (maximum exposure)</th>
<th>Before impairment</th>
<th>Accumulated impairment loss</th>
<th>After impairment (maximum exposure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and receivables</td>
<td>5,300,464</td>
<td>(14,951)</td>
<td>5,285,513</td>
<td>4,653,130</td>
<td>(10,110)</td>
<td>4,643,020</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>-</td>
<td>-</td>
<td>2,352</td>
<td>-</td>
<td>2,352</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,300,464</td>
<td>(14,951)</td>
<td>5,285,513</td>
<td>4,655,482</td>
<td>(10,110)</td>
<td>4,645,372</td>
</tr>
</tbody>
</table>

In addition, details of financial guarantees provided by the Company are disclosed in Notes 3.1.(3) and 20.

The Company has established the following policies and procedures to manage credit risks.

To manage credit risks relating to trade receivables, the Company evaluates the credit rating of customers and determines credit limit for each customer based on the information provided by credit rating agencies and other available financial information before commencing business with customers. The credit risks relating to trade receivables are also mitigated by insurance contracts, collaterals as well as payment guarantees.

The Company has entered into export insurance contracts with Korea Trade Insurance Corporation to mitigate credit risks relating to export trade receivables to overseas customers. The Company is also provided with collaterals by customers depending on their credit rating or payment guarantees from the customers’ financial institutions as necessary.

The Company has deposited its cash and cash equivalents and other long-term deposits in several financial institutions such as Woori Bank and Shinhan Bank. The Company has also entered into derivative contracts with several financial institutions. The Company maintains business relationship with those financial institutions with high credit ratings evaluated by independent credit rating agencies and accordingly, credit risks associated with these financial institutions are limited.

(3) Liquidity risk

Cash flow forecasting is performed by corporate finance team. Finance team monitors rolling forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company’s debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements - for example, currency restrictions.
1) The table below analyzes the Company’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

### (in millions of Korean won)

#### December 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 year</th>
<th>1 to 2 years</th>
<th>2 to 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings (excluding finance lease liabilities)</td>
<td>2,345,659</td>
<td>485,874</td>
<td>355,533</td>
<td>278</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>3,195</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,106,478</td>
<td>51,154</td>
<td>25,192</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,455,332</strong></td>
<td><strong>537,028</strong></td>
<td><strong>380,725</strong></td>
<td><strong>278</strong></td>
</tr>
</tbody>
</table>

### (in millions of Korean won)

#### December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 year</th>
<th>1 to 2 years</th>
<th>2 to 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings (excluding finance lease liabilities)</td>
<td>1,770,631</td>
<td>496,794</td>
<td>801,771</td>
<td>284</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>2,481</td>
<td>3,195</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,288,782</td>
<td>15,652</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,061,894</strong></td>
<td><strong>515,641</strong></td>
<td><strong>801,771</strong></td>
<td><strong>284</strong></td>
</tr>
</tbody>
</table>

2) As of December 31, 2013, there is no outstanding balance of the Company’s derivative financial liabilities. The table below analyzes the Company’s derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date as of December 31, 2012.

### (in millions of Korean won)

#### December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>Less than 1 year</th>
<th>1 to 2 years</th>
<th>2 to 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net-settled derivative financial liabilities Hedging Net-cash flow</td>
<td>(154)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross-settled derivative financial liabilities Trading Inflow</td>
<td>173,728</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Outflow</td>
<td>(171,376)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3) The table below analyzes the Company’s financial guarantee contracts into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>December 31, 2013</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 year</td>
<td>1 to 2 years</td>
<td>2 to 5 years</td>
<td>Over 5 years</td>
</tr>
<tr>
<td>Financial guarantee contracts¹</td>
<td>132</td>
<td>144</td>
<td>509</td>
<td>389</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>December 31, 2012</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 1 year</td>
<td>1 to 2 years</td>
<td>2 to 5 years</td>
<td>Over 5 years</td>
</tr>
<tr>
<td>Financial guarantee contracts¹</td>
<td>60,121</td>
<td>132</td>
<td>470</td>
<td>571</td>
</tr>
</tbody>
</table>

¹ The Company and LG Hausys Ltd. have provided the joint guarantee for obligations outstanding as of April 1, 2009, the spin-off date. The amounts represent the maximum amount of the guarantee allocated to the earliest period in which the guarantee could be called (Note 20).

3.2 Capital risk management

The Company’s capital objectives are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated statement of financial position plus net debt.

The gearing ratio and debt-to-equity ratio as of December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won, except for ratios)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total borrowings (Note 16) (A)</td>
<td>3,010,482</td>
<td>2,946,907</td>
</tr>
<tr>
<td>Less: cash and cash equivalents (B)</td>
<td>(1,399,054)</td>
<td>(720,767)</td>
</tr>
<tr>
<td>Net debt (C=A+B)</td>
<td>1,611,428</td>
<td>2,226,140</td>
</tr>
<tr>
<td>Total liabilities (D)</td>
<td>5,720,802</td>
<td>5,815,798</td>
</tr>
<tr>
<td>Total equity (E)</td>
<td>11,725,662</td>
<td>10,765,355</td>
</tr>
<tr>
<td>Total capital (F=C+E)</td>
<td>13,337,090</td>
<td>12,991,495</td>
</tr>
<tr>
<td>Gearing ratio (C/F)</td>
<td>12.1%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Debt-to-equity ratio (D/E)</td>
<td>48.8%</td>
<td>54.0%</td>
</tr>
</tbody>
</table>
3.3 Fair value

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1**: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3**: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2013, there are no financial instruments measured at fair value. The following tables present the Company's financial assets and liabilities that are measured at fair value as of December 31, 2012:

*(in millions of Korean won)*

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current financial assets</td>
<td>-</td>
<td>2,352</td>
<td>-</td>
<td>2,352</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>-</td>
<td>2,352</td>
<td>-</td>
<td>2,352</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current financial liabilities</td>
<td>-</td>
<td>154</td>
<td>-</td>
<td>154</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>-</td>
<td>154</td>
<td>-</td>
<td>154</td>
</tr>
</tbody>
</table>

All other non-current financial assets of the Company consist of available-for-sale equity securities and are measured at cost (December 31, 2013: ₩5,952 million; December 31, 2012: ₩21,811 million) as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. These are not included in the analysis above (Note 9). The Company does not have any plans to dispose of these available-for-sale equity securities in the near future.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses various techniques and makes judgments based on current market conditions. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The financial instruments included in Level 2 are derivative financial instruments. The fair value of derivative financial instruments is determined using forward exchange rates at the end of the reporting period with the resulting value discounted back to present value.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amount of the trade and other receivables classified as current is reasonable approximated at fair value. Unless the carrying amount of borrowings is not a reasonable approximation of the fair value, in which case information related to the fair value of the borrowings is presented in Note 16.

4. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities after the end of the reporting period are addressed below.

(1) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 14).

(2) Income taxes

The Company is operating in numerous countries and the income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 30).

(3) Provisions

The Company recognizes provisions for product warranties and sales return as of the reporting date as described in Note 17. The amounts are estimated based on historical data.

(4) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 18).
5. Financial instruments by category

Categorizations of financial instruments are as follows:

### (in millions of Korean won)

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans and</td>
</tr>
<tr>
<td></td>
<td>receivables</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,399,054</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>3,220,504</td>
</tr>
<tr>
<td>Other receivables</td>
<td>640,998</td>
</tr>
<tr>
<td>Other non-current receivables</td>
<td>25,026</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,285,582</strong></td>
</tr>
</tbody>
</table>

### (in millions of Korean won)

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hedging derivatives</td>
</tr>
<tr>
<td></td>
<td>Liabilities at amortized cost</td>
</tr>
<tr>
<td>Trade payables</td>
<td>-</td>
</tr>
<tr>
<td>Other payables</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings (current)</td>
<td>-</td>
</tr>
<tr>
<td>Other current liabilities (dividends payable)</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current payables</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings (non-current)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,194,211</strong></td>
</tr>
</tbody>
</table>
### LG Chem, Ltd. and Subsidiaries
#### Notes to the Consolidated Financial Statements
##### December 31, 2013 and 2012

#### (in millions of Korean won)

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hedging derivatives</td>
</tr>
<tr>
<td>Trade payables</td>
<td>-</td>
</tr>
<tr>
<td>Other payables</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings (current)</td>
<td>-</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>154</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>-</td>
</tr>
<tr>
<td>(dividends payable)</td>
<td></td>
</tr>
<tr>
<td>Other non-current payables</td>
<td>-</td>
</tr>
<tr>
<td>Borrowings (non-current)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>154</strong></td>
</tr>
</tbody>
</table>

Net gains (losses) on financial instruments by category are as follows:

#### (in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets at fair value through profit or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain(loss) on valuation/ disposal</td>
<td>(1,841)</td>
<td>7,470</td>
</tr>
<tr>
<td><strong>Hedging derivatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on valuation recognized in other comprehensive expenses</td>
<td>154</td>
<td>527</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(179)</td>
<td>(740)</td>
</tr>
<tr>
<td><strong>Assets classified as available-for-sale</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend income</td>
<td>190</td>
<td>157</td>
</tr>
<tr>
<td><strong>Loans and receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>35,733</td>
<td>30,099</td>
</tr>
<tr>
<td>Loss(gain) on foreign currency translation</td>
<td>(12,504)</td>
<td>(31,440)</td>
</tr>
<tr>
<td>Loss(gain) on foreign exchange</td>
<td>(62,725)</td>
<td>(129,223)</td>
</tr>
<tr>
<td><strong>Liabilities at amortized cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(92,588)</td>
<td>(102,517)</td>
</tr>
<tr>
<td>Gain on foreign currency translation</td>
<td>30,552</td>
<td>41,159</td>
</tr>
<tr>
<td>Gain on foreign exchange</td>
<td>48,014</td>
<td>114,331</td>
</tr>
</tbody>
</table>

32
6. Cash and cash equivalents

Details of cash and cash equivalents are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits and cash on hand</td>
<td>341,854</td>
<td>282,039</td>
</tr>
<tr>
<td>Financial deposits, others</td>
<td>1,057,200</td>
<td>438,728</td>
</tr>
<tr>
<td>Total</td>
<td>1,399,054</td>
<td>720,767</td>
</tr>
</tbody>
</table>

As of December 31, 2013, other non-current receivables amounting to W24 million are restricted from withdrawal in connection with maintaining checking accounts (2012: W38 million). As of December 31, 2013, cash and cash equivalents include deposits with banks of W4,167 million held by a subsidiary which are not freely remissible to the Parent Company because of currency exchange restrictions (2012: W4,079 million).

7. Trade and other receivables

Trade and other receivables, net of allowance for doubtful accounts, are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original amount</td>
<td>Less: allowance for doubtful accounts</td>
</tr>
<tr>
<td>Trade receivables¹</td>
<td>3,235,455</td>
<td>(14,951)</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>640,998</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current receivables</td>
<td>25,026</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3,901,479</td>
<td>(14,951)</td>
</tr>
</tbody>
</table>

¹ As of December 31, 2013, trade receivables transferred to financial institutions but not fully derecognized are as follows (Note 16):

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>Loans and receivables (trade receivables collateralized borrowings)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2013</td>
<td>December 31, 2012</td>
</tr>
<tr>
<td>Carrying amount of transferred assets</td>
<td>934,724</td>
<td>994,295</td>
</tr>
<tr>
<td>Carrying amount of related liabilities</td>
<td>(934,724)</td>
<td>(994,295)</td>
</tr>
</tbody>
</table>
Details of other receivables are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-trade receivables</td>
<td>84,856</td>
<td>99,107</td>
</tr>
<tr>
<td>Financial deposits</td>
<td>528,926</td>
<td>642,616</td>
</tr>
<tr>
<td>Accrued income</td>
<td>3,930</td>
<td>7,664</td>
</tr>
<tr>
<td>Deposits</td>
<td>23,286</td>
<td>23,359</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>640,998</td>
<td>772,746</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial deposits</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Loans</td>
<td>298</td>
<td>150</td>
</tr>
<tr>
<td>Deposits</td>
<td>24,704</td>
<td>20,530</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,026</td>
<td>20,718</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>666,024</td>
<td>793,464</td>
</tr>
</tbody>
</table>

The aging analysis of these trade and other receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receivables not past due</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>2,988,575</td>
<td>2,879,061</td>
</tr>
<tr>
<td>Other receivables</td>
<td>644,446</td>
<td>787,580</td>
</tr>
<tr>
<td><strong>Past due but not impaired</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 3 months</td>
<td>241,309</td>
<td>256,772</td>
</tr>
<tr>
<td>3 to 6 months</td>
<td>232,631</td>
<td>239,804</td>
</tr>
<tr>
<td>Over 6 months</td>
<td>3,500</td>
<td>3,295</td>
</tr>
<tr>
<td><strong>Impaired receivables</strong></td>
<td>5,571</td>
<td>5,328</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,235,455</td>
<td>3,141,161</td>
</tr>
</tbody>
</table>

The movements in bad debt allowance for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>10,110</td>
<td>5,072</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>6,453</td>
<td>6,147</td>
</tr>
<tr>
<td><strong>Write-off</strong></td>
<td>(868)</td>
<td>(826)</td>
</tr>
<tr>
<td><strong>Exchange differences</strong></td>
<td>(744)</td>
<td>(283)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>14,951</td>
<td>10,110</td>
</tr>
</tbody>
</table>

The carrying amounts of trade and other receivables approximate their fair values.
8. Other financial assets and liabilities

Details of other financial assets and liabilities are as follows:


Other financial assets
Derivatives (Note 10)                           -                  2,352
Available-for-sale (Note 9)                     5,952              21,811
Less: current portion                          -                  (2,352)
Total                                           5,952              21,811

Other financial liabilities
Derivatives (Note 10)                           -                  154
Less: current portion                          -                  (154)
Total                                           -                  -

9. Financial assets classified as available-for-sale

The movements in financial assets classified as available-for-sale for the years ended December 31, 2013 and 2012, are as follows:


Beginning balance                                21,811             5,973
Exchange differences                             (9)                (12)
Additions                                        -                  15,850
Transfer\(^1\)                                    (15,850)           -
Ending balance                                    5,952              21,811

In 2013, the investment into LG Fuel Cell Systems Inc. was reclassified from available-for-sale financial assets to investment in associates as the Parent Company can exercise significant influence as the executive of the Parent Company is a member of the board of directors of LG Fuel Cell Systems Inc. (Note 12).

Financial assets classified as available-for-sale consist of unlisted equity securities. The unlisted equity securities are measured at cost as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

No impairment losses were recognized for financial assets classified as available-for-sale during the years ended December 31, 2013 and 2012.
10. Derivative financial instruments

Details of derivative financial assets and liabilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
</tr>
<tr>
<td><em>Current</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Held-for-trading</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

There are no derivative financial contracts as of December 31, 2013. Details of derivative financial contracts as of December 31, 2012, are as follows:

<table>
<thead>
<tr>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classification</td>
</tr>
<tr>
<td>Forward exchange</td>
</tr>
<tr>
<td>Interest rate swap</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Trading derivative financial instrument is classified as a current asset or liability. Hedging derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months.

There was no ineffective portion of cash flow hedges.

11. Inventories

Details of inventories are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original amount</td>
<td>Valuation allowance</td>
</tr>
<tr>
<td>Merchandise</td>
<td>67,723</td>
<td>(952)</td>
</tr>
<tr>
<td>Finished products</td>
<td>1,160,004</td>
<td>(40,127)</td>
</tr>
<tr>
<td>Semi-finished products</td>
<td>372,872</td>
<td>-</td>
</tr>
<tr>
<td>Work-in-process</td>
<td>1,151</td>
<td>-</td>
</tr>
<tr>
<td>Raw materials</td>
<td>708,986</td>
<td>(2,203)</td>
</tr>
<tr>
<td>Supplies</td>
<td>90,193</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,607,313</td>
<td>(43,282)</td>
</tr>
</tbody>
</table>

12. Investments in associates and joint ventures

Changes in the carrying amount of investments in associates and joint ventures for the years ended December 31, 2013 and 2012, are as follows:

| (in millions of Korean won) | December 31, 2013 | | | | | | | |
|-----------------------------|------------------|-------------|-------------|-------------|-------------|-------------|------------------|
|                             | Beginning balance| Acquisitions | Dividends   | Share of profit/(loss) of associates | Share of other comprehensive income/(expense) of associates | Others | Ending balance |
| LG Vina chemical Co., Ltd.  | 3,675            | -           | (1,276)     | 1,098       | (24)        | -           | 3,473           |
| HL Greenpower Co., Ltd.    | 15,557           | -           | -           | 2,931       | 502         | -           | 16,746          |
| LG Holdings (HK) Ltd.      | 60,012           | -           | -           | 1,193       | 502         | -           | 63,445          |
| TECWIN Co., Ltd.           | 5,408            | -           | (35)        | 582         | -           | -           | 5,955           |
| SEETEC Co., Ltd.           | 155,042          | -           | -           | 9,736       | -           | (43)        | 164,735         |
| LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. | 258 | 321 | - | - | - | - | 579 |
| CNOOC & LG Petrochemicals Co., Ltd. | 39,244 | - | - | (1,027) | 528 | - | 38,745 |
| KLPE Limited Liability Partnership | 125,872 | 18,680 | - | (1,363) | (3,415) | - | 139,774 |
| LG Fuel Cell Systems Inc. | - | 22,269 | - | (7,762) | (98) | 6 | 14,415 |
| Total                      | 405,068          | 41,270      | (1,311)     | 5,388       | (2,507)     | (41)       | 447,867         |

| (in millions of Korean won) | December 31, 2012 | | | | | | | |
|-----------------------------|------------------|-------------|-------------|-------------|-------------|-------------|------------------|
|                             | Beginning balance| Acquisitions | Dividends   | Share of profit/(loss) of associates | Share of other comprehensive income/(expense) of associates | Others | Ending balance |
| LG Vina chemical Co., Ltd.  | 3,911            | -           | (1,373)     | 1,434       | (297)       | -           | 3,675           |
| HL Greenpower Co., Ltd.    | 14,250           | -           | -           | 1,289       | -           | 18          | 15,557          |
| LG Holdings (HK) Ltd.      | 61,459           | -           | -           | 2,198       | (3,645)     | -           | 60,012          |
| TECWIN Co., Ltd.           | 4,570            | 13          | (33)        | 858         | -           | -           | 5,408           |
| SEETEC Co., Ltd.           | 147,423          | -           | -           | 7,712       | -           | (93)        | 155,042         |
| LG Chem Brasil INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA. | 258 | - | - | - | - | - | 258 |
| LG Yongxing International Trading Co., Ltd. | 82 | (82) | - | - | - | - | - |
| CNOOC & LG Petrochemicals Co., Ltd. | 40,969 | - | - | (175) | (1,550) | - | 39,244 |
| KLPE Limited Liability Partnership | 55,486 | 75,585 | - | (696) | (4,283) | - | 125,872 |
| Total                      | 326,408          | 75,496      | (1,406)     | 12,420      | (9,775)     | (75)       | 405,068         |

1 During the year, the Company acquired additional shares of KLPE Limited Liability Partnership for W18,680 million. The Company has recognized W10,388 million as other payables as of December 31, 2013, for the unpaid consideration in the acquisition of KLPE Limited Liability Partnership.

2 In 2013, investment into LG Fuel Cell Systems Inc. was reclassified from available for-sale financial assets to investment in associates as the Parent Company can exercise significant influence as the executive of the Parent Company is a member of the board of directors of LG Fuel Cell Systems Inc. In addition, LG Fuel Cell Systems Inc. issued new shares with disproportionate rights during the year and the Parent Company acquired additional shares for W6,419 million. As a result, the Parent Company’s percentage of ownership increased to 18% (Note 9).
### 13. Property, plant and equipment

Changes in the carrying amounts of property, plant and equipment for the years ended December 31, 2013 and 2012, are as follows:

#### December 31, 2013

<table>
<thead>
<tr>
<th>Land</th>
<th>Buildings</th>
<th>Structures</th>
<th>Machinery</th>
<th>Vehicles</th>
<th>Tools</th>
<th>Equipment</th>
<th>Others</th>
<th>Construction in-progress</th>
<th>Machinery in-transit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>712,238</td>
<td>1,647,499</td>
<td>485,908</td>
<td>3,504,325</td>
<td>10,249</td>
<td>249,746</td>
<td>89,504</td>
<td>88,294</td>
<td>1,340,170</td>
<td>220,245</td>
<td>8,348,178</td>
</tr>
<tr>
<td>712,238</td>
<td>1,981,069</td>
<td>814,135</td>
<td>8,189,666</td>
<td>38,873</td>
<td>570,364</td>
<td>230,923</td>
<td>197,705</td>
<td>1,374,966</td>
<td>220,245</td>
<td>14,960,184</td>
</tr>
<tr>
<td>-</td>
<td>(5)</td>
<td>(9,069)</td>
<td>-</td>
<td>(4,032)</td>
<td>(110)</td>
<td>-</td>
<td>(34,796)</td>
<td>-</td>
<td>(48,310)</td>
<td></td>
</tr>
<tr>
<td>101,028</td>
<td>300,111</td>
<td>126,162</td>
<td>1,321,344</td>
<td>3,267</td>
<td>114,160</td>
<td>30,173</td>
<td>35,184</td>
<td>1,241,315</td>
<td>141,012</td>
<td>3,413,756</td>
</tr>
<tr>
<td>-</td>
<td>(450)</td>
<td>(2,016)</td>
<td>(12,850)</td>
<td>(951)</td>
<td>(10,551)</td>
<td>(904)</td>
<td>-</td>
<td>(1,881,596)</td>
<td>(206,713)</td>
<td>(2,216,031)</td>
</tr>
<tr>
<td>(370)</td>
<td>(1,314)</td>
<td>591</td>
<td>152</td>
<td>(336)</td>
<td>(33)</td>
<td>-</td>
<td>10,117</td>
<td>-</td>
<td>8,799</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(53,078)</td>
<td>(36,693)</td>
<td>(778,823)</td>
<td>(3,011)</td>
<td>(73,488)</td>
<td>(25,912)</td>
<td>(50,596)</td>
<td>-</td>
<td>(1,021,401)</td>
<td></td>
</tr>
<tr>
<td>(68)</td>
<td>(9,811)</td>
<td>(1,614)</td>
<td>(37,207)</td>
<td>(108)</td>
<td>(3,075)</td>
<td>(1,067)</td>
<td>-</td>
<td>(20,742)</td>
<td>-</td>
<td>(73,692)</td>
</tr>
<tr>
<td>812,828</td>
<td>1,882,957</td>
<td>572,338</td>
<td>3,996,941</td>
<td>9,438</td>
<td>276,456</td>
<td>91,761</td>
<td>73,082</td>
<td>689,264</td>
<td>154,544</td>
<td>8,559,609</td>
</tr>
<tr>
<td>813,367</td>
<td>2,279,332</td>
<td>935,506</td>
<td>10,040,565</td>
<td>36,701</td>
<td>646,873</td>
<td>253,098</td>
<td>210,204</td>
<td>743,592</td>
<td>154,544</td>
<td>16,113,782</td>
</tr>
<tr>
<td>- (386,539)</td>
<td>(361,532)</td>
<td>(6,005,703)</td>
<td>(27,161)</td>
<td>(363,365)</td>
<td>(160,238)</td>
<td>(137,122)</td>
<td>-</td>
<td>-</td>
<td>(7,441,660)</td>
<td></td>
</tr>
<tr>
<td>(539)</td>
<td>(9,836)</td>
<td>(1,636)</td>
<td>(37,921)</td>
<td>(102)</td>
<td>(7,052)</td>
<td>(1,999)</td>
<td>-</td>
<td>(54,328)</td>
<td>-</td>
<td>(112,513)</td>
</tr>
</tbody>
</table>

#### December 31, 2012

<table>
<thead>
<tr>
<th>Land</th>
<th>Buildings</th>
<th>Structures</th>
<th>Machinery</th>
<th>Vehicles</th>
<th>Tools</th>
<th>Equipment</th>
<th>Others</th>
<th>Construction in-progress</th>
<th>Machinery in-transit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>604,869</td>
<td>1,473,258</td>
<td>361,866</td>
<td>2,777,041</td>
<td>12,844</td>
<td>202,042</td>
<td>67,120</td>
<td>115,292</td>
<td>1,455,847</td>
<td>305,756</td>
<td>7,375,955</td>
</tr>
<tr>
<td>604,869</td>
<td>1,765,429</td>
<td>663,607</td>
<td>7,540,031</td>
<td>41,219</td>
<td>473,328</td>
<td>200,374</td>
<td>186,155</td>
<td>1,490,643</td>
<td>305,756</td>
<td>13,271,221</td>
</tr>
<tr>
<td>- (292,165)</td>
<td>(301,524)</td>
<td>(4,753,396)</td>
<td>(28,375)</td>
<td>(267,254)</td>
<td>(133,153)</td>
<td>(70,863)</td>
<td>-</td>
<td>-</td>
<td>(5,846,730)</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(6)</td>
<td>(7)</td>
<td>(9,594)</td>
<td>-</td>
<td>(4,032)</td>
<td>(101)</td>
<td>-</td>
<td>(34,796)</td>
<td>-</td>
<td>(48,536)</td>
</tr>
<tr>
<td>107,541</td>
<td>234,527</td>
<td>161,191</td>
<td>1,412,172</td>
<td>2,211</td>
<td>113,595</td>
<td>48,532</td>
<td>20,619</td>
<td>1,603,381</td>
<td>281,623</td>
<td>3,983,392</td>
</tr>
<tr>
<td>(26)</td>
<td>(429)</td>
<td>(217)</td>
<td>(5,255)</td>
<td>(1,377)</td>
<td>(1,489)</td>
<td>(622)</td>
<td>(250)</td>
<td>(1,702,982)</td>
<td>(367,134)</td>
<td>(2,079,781)</td>
</tr>
<tr>
<td>(146)</td>
<td>(13,965)</td>
<td>(4,003)</td>
<td>(36,250)</td>
<td>(54)</td>
<td>(1,581)</td>
<td>(957)</td>
<td>-</td>
<td>(16,076)</td>
<td>-</td>
<td>(73,032)</td>
</tr>
<tr>
<td>-</td>
<td>(45,892)</td>
<td>(30,984)</td>
<td>(643,301)</td>
<td>(3,375)</td>
<td>(62,795)</td>
<td>(22,540)</td>
<td>(47,367)</td>
<td>-</td>
<td>(856,254)</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>(5)</td>
<td>(298)</td>
<td>(9,069)</td>
<td>-</td>
<td>(4,032)</td>
<td>(110)</td>
<td>-</td>
<td>(34,796)</td>
<td>-</td>
<td>(48,310)</td>
</tr>
</tbody>
</table>

During the year ended December 31, 2013, the Company capitalized W27,528 million of borrowing costs (2012: W30,265 million) to property, plant and equipment.

The details of property, plant and equipment that have been pledged as collaterals for certain bank loan as of December 31, 2013, are as follows:

#### (in millions of Korean won)

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Collateral value</th>
<th>Related account</th>
<th>Related amount</th>
<th>Mortgagee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Building</td>
<td>3,294</td>
<td>3,844</td>
<td>Borrowings</td>
<td>1,620</td>
</tr>
<tr>
<td></td>
<td>9,539</td>
<td>4,943</td>
<td>(Note 16)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,294</td>
<td>3,844</td>
<td>Borrowings</td>
<td>1,669</td>
</tr>
<tr>
<td></td>
<td>9,813</td>
<td>4,943</td>
<td>(Note 16)</td>
<td></td>
</tr>
</tbody>
</table>
Depreciation of property, plant and equipment was classified as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>960,753</td>
<td>799,532</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>60,465</td>
<td>54,980</td>
</tr>
<tr>
<td>Others¹</td>
<td>183</td>
<td>1,742</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,021,401</strong></td>
<td><strong>856,254</strong></td>
</tr>
</tbody>
</table>

¹ Amounts capitalized to development costs are included.

The Company reviews annually whether there is any indication that an asset may be impaired.

The US battery division for vehicles, managed as a separate cash-generating unit (hereafter ‘CGU’) in battery business segments, has been tested for impairment due to delayed factory operations resulting from unexpected late orders from customers. The recoverable amount of the CGU is calculated on a basis of the value in use and mainly relate to machinery and equipment used in manufacturing.

The separator division, managed as a separate cash-generating unit (hereafter ‘CGU’) in Information & Electronic Materials segments, has been tested for impairment because the sales volume was lower than expected. The recoverable amount of the CGU is calculated on a basis of the value in use and mainly relate to machinery and equipment used in manufacturing.

During the year, the amount of impairment loss recognized as other non-operating expenses and key assumptions used for calculation of value in use are as follows:

|                                | US battery division for vehicles | Separator division |
|                                | 2013      | 2012      |
| Impaired amount                | 25,878    | 46,363    |
| Property, plant and equipment  | 140       | 3,091     |

Key assumptions

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax discount rate</td>
<td>13.8%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Growth rate for subsequent years after five years</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
14. Intangible assets

Changes in the carrying amount of intangible assets for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>December 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development costs</td>
<td>Industrial property rights</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>42,410</td>
</tr>
<tr>
<td>Acquisitions/ Transfer</td>
<td>23,159</td>
</tr>
<tr>
<td>Disposals/ Transfer</td>
<td>(9,022)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(33)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(11,035)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(248)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>45,231</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development costs</td>
<td>Industrial property rights</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>34,018</td>
</tr>
<tr>
<td>Acquisitions/ Transfer</td>
<td>24,445</td>
</tr>
<tr>
<td>Disposals/ Transfer</td>
<td>(6,825)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(70)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(9,158)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>42,410</td>
</tr>
</tbody>
</table>

Amortization of intangible assets was classified as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>7,939</td>
<td>6,221</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>16,076</td>
<td>12,805</td>
</tr>
<tr>
<td>Total</td>
<td>24,015</td>
<td>19,026</td>
</tr>
</tbody>
</table>
Impairment tests for goodwill

Goodwill is allocated to the Company’s cash-generating units (CGUs) identified according to operating segment. The carrying amounts of allocated goodwill by CGUs are as follows:

*(in millions of Korean won)*

<table>
<thead>
<tr>
<th>CGUs</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill arising on the acquisition of LG Petrochemical Co., Ltd.</td>
<td></td>
</tr>
<tr>
<td>NCC</td>
<td>2,468</td>
</tr>
<tr>
<td>ABS</td>
<td>927</td>
</tr>
<tr>
<td>PO</td>
<td>900</td>
</tr>
<tr>
<td>PVC</td>
<td>755</td>
</tr>
<tr>
<td>Acrylic</td>
<td>682</td>
</tr>
<tr>
<td>Plasticizer</td>
<td>587</td>
</tr>
<tr>
<td>BPA</td>
<td>518</td>
</tr>
<tr>
<td>Others</td>
<td>1,356</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,193</strong></td>
</tr>
</tbody>
</table>

Goodwill arising on the acquisition of SAP business

| Acrylic                                   | 25,222          |

**Total**

| **Total**                                 | **33,415**      |

The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are estimated using 0% of expected growth rate.

Management determined pre-tax cash flow based on past performance and its expectations of market development. The discount rate used is pre-tax and reflect specific risks relating to the relevant operating segments. Discount rate used for value-in-use calculations for the current year is 11.7%. The recoverable amounts based on value-in-use calculations exceeded carrying amounts and accordingly, no impairments were recognized for the year ended December 31, 2013.
15. Other current and non-current assets

Details of other current and non-current assets are as follows:


Current
Prepayments to suppliers       24,970       48,552
Prepaid expenses               23,619       21,353
Prepaid value added tax        92,310       69,449
Others                        63,960       51,424
Total                        204,859      190,778

Non-current
Long-term prepaid expenses     36,133       40,997
Other investment assets        98          25
Total                       36,231       41,022

16. Borrowings

The carrying amount of borrowings are as follows:


Current
Short-term borrowings         1,719,658      1,666,662
Current maturities of bank loans 284,392       82,959
Current maturities of debentures 199,724         -
Current maturities of finance lease liabilities 3,074       2,160
Total                       2,206,848      1,751,781

Non-current
Bank loans                   404,654       594,018
Debentures                  398,980       598,034
Finance lease liabilities   -          3,074
Total                        803,634      1,195,126

Total                      3,010,482      2,946,907

Details of current borrowings are as follows:

(in millions of Korean won)  Bank  Latest maturity date  Annual interest rate (%) at December 31, 2013  Carrying Amount

Notes discounted1  Woori Bank, others  2014.06.27  3Libor+1.00, various  934,724  994,295
Bank loans  Hangseng Bank, others  2014.12.22  Libor+0.50~2.50, various  784,934  672,367
Total  1,719,658  1,666,662

1 As of December 31, 2013, trade receivables transferred to financial institutions but not
Details of non-current borrowings are as follows:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Annual interest rate (%)</th>
<th>Latest maturity date</th>
<th>Total amount</th>
<th>Current maturities</th>
<th>Long-term debts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Won currency borrowings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kookmin Bank</td>
<td>2.70</td>
<td>2018.07.14</td>
<td>786</td>
<td>75</td>
<td>711</td>
</tr>
<tr>
<td>Korea Development Bank</td>
<td>3.53</td>
<td>2015.07.19</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Foreign currency borrowings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shanghai Pudong Development Bank</td>
<td>5.76</td>
<td>2015.09.15</td>
<td>1,742</td>
<td>-</td>
<td>1,742</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>3Libor + 0.85</td>
<td>2014.07.29</td>
<td>21,106</td>
<td>21,106</td>
<td>-</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>3Libor + 2.20</td>
<td>2015.12.14</td>
<td>19,105</td>
<td>4,246</td>
<td>14,859</td>
</tr>
<tr>
<td>Standard Chartered Bank</td>
<td>3Libor + 2.20</td>
<td>2016.09.25</td>
<td>10,614</td>
<td>1,061</td>
<td>9,553</td>
</tr>
<tr>
<td>Agricultural Bank of China</td>
<td>5.90</td>
<td>2015.10.15</td>
<td>9,574</td>
<td>-</td>
<td>9,574</td>
</tr>
<tr>
<td>China Merchants Bank</td>
<td>5.76</td>
<td>2015.06.17</td>
<td>2,611</td>
<td>-</td>
<td>2,611</td>
</tr>
<tr>
<td>ANZ Bank</td>
<td>3Libor + 2.10</td>
<td>2014.07.07</td>
<td>15,921</td>
<td>15,921</td>
<td>-</td>
</tr>
<tr>
<td>Bank of America</td>
<td>2.00</td>
<td>2014.07.03</td>
<td>21,228</td>
<td>21,228</td>
<td>-</td>
</tr>
<tr>
<td>Bank of America</td>
<td>2.00</td>
<td>2014.08.08</td>
<td>6,023</td>
<td>6,023</td>
<td>-</td>
</tr>
<tr>
<td>Bank of America</td>
<td>6Libor + 1.50</td>
<td>2014.10.24</td>
<td>31,842</td>
<td>31,842</td>
<td>-</td>
</tr>
<tr>
<td>Bank of America</td>
<td>3Libor + 1.68</td>
<td>2014.08.29</td>
<td>42,457</td>
<td>42,457</td>
<td>-</td>
</tr>
<tr>
<td>BTMU</td>
<td>3Libor + 1.54</td>
<td>2015.07.20</td>
<td>52,765</td>
<td>-</td>
<td>52,765</td>
</tr>
<tr>
<td>BTMU</td>
<td>3Libor + 2.00</td>
<td>2016.05.13</td>
<td>18,044</td>
<td>6,368</td>
<td>11,676</td>
</tr>
<tr>
<td>HSBC</td>
<td>3Libor + 0.75</td>
<td>2014.09.19</td>
<td>42,456</td>
<td>42,456</td>
<td>-</td>
</tr>
<tr>
<td>HSBC</td>
<td>3Libor + 2.25</td>
<td>2015.05.25</td>
<td>21,228</td>
<td>-</td>
<td>21,228</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>3Libor + 1.75</td>
<td>2014.07.17</td>
<td>21,222</td>
<td>21,222</td>
<td>-</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>3Libor + 1.30</td>
<td>2016.11.16</td>
<td>26,383</td>
<td>-</td>
<td>26,383</td>
</tr>
<tr>
<td>Mizuho Banking Corporation</td>
<td>3Libor + 0.65</td>
<td>2014.05.31</td>
<td>63,318</td>
<td>63,318</td>
<td>-</td>
</tr>
<tr>
<td>Nordea Bank</td>
<td>1Wibor + 1.00</td>
<td>2014.06.30</td>
<td>7,022</td>
<td>7,022</td>
<td>-</td>
</tr>
<tr>
<td>Nova Scotia Bank</td>
<td>3Libor + 1.54</td>
<td>2015.07.20</td>
<td>52,765</td>
<td>-</td>
<td>52,765</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>689,046</td>
<td>284,392</td>
<td>404,654</td>
</tr>
</tbody>
</table>
## Bank Borrowings

### Won currency borrowings

- **Kookmin Bank**
  - Annual interest rate: 3.00%
  - Latest maturity date: 2018.07.14
  - Total amount: 819
  - Current maturities: 122
  - Long-term debts: 697

- **Kookmin Bank**
  - Annual interest rate: 3.00%
  - Latest maturity date: 2020.03.21
  - Total amount: 850
  - Current maturities: 90
  - Long-term debts: 760

- **Korea Development Bank**
  - Annual interest rate: 3.53%
  - Latest maturity date: 2015.07.19
  - Total amount: 200,000
  - Current maturities: -
  - Long-term debts: 200,000

- **BTMU**
  - Annual interest rate: 3CD + 0.60%
  - Latest maturity date: 2013.09.05
  - Total amount: 7,500
  - Current maturities: 7,500
  - Long-term debts: -

### Foreign currency borrowings

- **Shanghai Pudong Development Bank**
  - Annual interest rate: 5.76%
  - Latest maturity date: 2015.09.15
  - Total amount: 3,008
  - Current maturities: -
  - Long-term debts: 3,008

- **Sumitomo Mitsui Banking Corporation**
  - Annual interest rate: 3Libor + 0.60%
  - Latest maturity date: 2013.09.05
  - Total amount: 4,820
  - Current maturities: 4,820
  - Long-term debts: -

- **Standard Chartered Bank**
  - Annual interest rate: 4.50%
  - Latest maturity date: 2013.06.10
  - Total amount: 21,607
  - Current maturities: 21,607
  - Long-term debts: -

- **ANZ Bank**
  - Annual interest rate: 3Libor + 2.10%
  - Latest maturity date: 2013.07.07
  - Total amount: 16,205
  - Current maturities: 8,102
  - Long-term debts: 8,103

- **ANZ Bank**
  - Annual interest rate: 3Libor + 2.80%
  - Latest maturity date: 2013.04.12
  - Total amount: 4,822
  - Current maturities: 4,822
  - Long-term debts: -

- **Bank of America**
  - Annual interest rate: 6Libor + 1.50%
  - Latest maturity date: 2014.10.24
  - Total amount: 32,411
  - Current maturities: 32,411
  - Long-term debts: -

- **BTMU**
  - Annual interest rate: 6Libor + 2.60%
  - Latest maturity date: 2013.04.26
  - Total amount: 43,214
  - Current maturities: 43,214
  - Long-term debts: -

- **HSBC**
  - Annual interest rate: 3Libor + 0.60%
  - Latest maturity date: 2013.09.05
  - Total amount: 2,410
  - Current maturities: 2,410
  - Long-term debts: -

- **Nordea Bank**
  - Annual interest rate: 1Wibor + 1.00%
  - Latest maturity date: 2014.06.30
  - Total amount: 6,964
  - Current maturities: 6,964
  - Long-term debts: -

- **Nova Scotia Bank**
  - Annual interest rate: 3Libor + 1.54%
  - Latest maturity date: 2015.07.20
  - Total amount: 53,555
  - Current maturities: 53,555
  - Long-term debts: -

### Less: discount on borrowings

- Total: 676,977
- Current maturities: 82,959
- Long-term debts: 594,018

Certain property, plant and equipment have been pledged as collaterals for the above non-current borrowings (Note 13).
Details of debentures are as follows:

*(in millions of Korean won)*

<table>
<thead>
<tr>
<th>Financial institution</th>
<th>Annual interest rate (%)</th>
<th>Latest maturity date</th>
<th>Total amount</th>
<th>Current maturities</th>
<th>Long-term debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Won currency debentures</td>
<td>3.83</td>
<td>2014.12.05</td>
<td>200,000</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>Woori Security</td>
<td>4.03</td>
<td>2016.12.05</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Woori Security</td>
<td>3.96</td>
<td>2015.03.29</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Woori Security</td>
<td>4.11</td>
<td>2017.03.29</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Less: discount on debentures</td>
<td>(1,296)</td>
<td>(276)</td>
<td>(1,020)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>598,704</td>
<td>199,724</td>
<td>398,980</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*(in millions of Korean won)*

<table>
<thead>
<tr>
<th>Financial institution</th>
<th>Annual interest rate (%)</th>
<th>Latest maturity date</th>
<th>Total amount</th>
<th>Current maturities</th>
<th>Long-term debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Won currency debentures</td>
<td>3.83</td>
<td>2014.12.05</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Woori Security</td>
<td>4.03</td>
<td>2016.12.05</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Woori Security</td>
<td>3.96</td>
<td>2015.03.29</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td>Woori Security</td>
<td>4.11</td>
<td>2017.03.29</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Less: discount on debentures</td>
<td>(1,966)</td>
<td>-</td>
<td>(1,966)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>598,034</td>
<td>-</td>
<td>598,034</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Details of finance lease liabilities are as follows:

*(in millions of Korean won)*

<table>
<thead>
<tr>
<th>Bank</th>
<th>Annual interest rate (%)</th>
<th>Latest maturity date</th>
<th>Total amount</th>
<th>Current maturities</th>
<th>Long-term debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyundai Oil Bank</td>
<td>9.00</td>
<td>2014.10.29</td>
<td>3,074</td>
<td>3,074</td>
<td>-</td>
</tr>
</tbody>
</table>

*(in millions of Korean won)*

<table>
<thead>
<tr>
<th>Bank</th>
<th>Annual interest rate (%)</th>
<th>Latest maturity date</th>
<th>Total amount</th>
<th>Current maturities</th>
<th>Long-term debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hyundai Oil Bank</td>
<td>9.00</td>
<td>2014.10.29</td>
<td>5,234</td>
<td>2,160</td>
<td>3,074</td>
</tr>
</tbody>
</table>

The finance lease liabilities are liabilities associated with sales and leaseback arrangements of property, plant and equipment of the MTBE factory.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.
Carrying amounts and fair values of non-current borrowings are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th></th>
<th>December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying amount</td>
<td>Fair value¹</td>
<td>Carrying amount</td>
<td>Fair value¹</td>
</tr>
<tr>
<td>Bank loans</td>
<td>404,654</td>
<td>401,029</td>
<td>594,018</td>
<td>590,654</td>
</tr>
<tr>
<td>Debentures</td>
<td>398,980</td>
<td>392,854</td>
<td>598,034</td>
<td>616,213</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>-</td>
<td>-</td>
<td>3,074</td>
<td>3,031</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>803,634</strong></td>
<td><strong>793,883</strong></td>
<td><strong>1,195,126</strong></td>
<td><strong>1,209,898</strong></td>
</tr>
</tbody>
</table>

¹ Fair values are based on cash flows discounted using Korean won currency note yield in the same credit grade with the Company (AA+), and borrowing rate quoted by People’s Bank of China and others.

The present value of finance lease liabilities is as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th></th>
<th>December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum lease payments</td>
<td>Future finance costs</td>
<td>Present value</td>
<td>Minimum lease payments</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>3,195</td>
<td>121</td>
<td>3,074</td>
<td>2,481</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,195</td>
</tr>
</tbody>
</table>

17. Provisions

Changes in the carrying amount of provisions for the years ended December 31, 2013, and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th></th>
<th>December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales returns¹</td>
<td>Warranty ²</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning balance</strong></td>
<td>1,623</td>
<td>11,583</td>
<td>13,206</td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>24,219</td>
<td>7,053</td>
<td>31,272</td>
<td></td>
</tr>
<tr>
<td>Used amount</td>
<td>(24,310)</td>
<td>(642)</td>
<td>(24,952)</td>
<td></td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>1,532</td>
<td>17,994</td>
<td>19,526</td>
<td></td>
</tr>
<tr>
<td>Less : current portion</td>
<td>(1,532)</td>
<td>(513)</td>
<td>(2,045)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>17,481</td>
<td>17,481</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2012</th>
<th></th>
<th>December 31, 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales returns¹</td>
<td>Warranty ²</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td><strong>Beginning balance</strong></td>
<td>2,800</td>
<td>6,743</td>
<td>9,543</td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>6,648</td>
<td>9,394</td>
<td>16,042</td>
<td></td>
</tr>
<tr>
<td>Used amount</td>
<td>(7,825)</td>
<td>(509)</td>
<td>(8,334)</td>
<td></td>
</tr>
<tr>
<td>Reversals</td>
<td>-</td>
<td>(4,045)</td>
<td>(4,045)</td>
<td></td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>1,623</td>
<td>11,583</td>
<td>13,206</td>
<td></td>
</tr>
<tr>
<td>Less : current portion</td>
<td>(1,623)</td>
<td>(320)</td>
<td>(1,943)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>11,263</td>
<td>11,263</td>
<td></td>
</tr>
</tbody>
</table>
1 Sales return provisions have been accrued for the estimated sales return determined based on historical experience.
2 Warranty provisions have been accrued for the estimated warranty service costs to be incurred based on the terms of warranty and historical experience. Further, the Company purchased insurance policies to meet such obligations.

18. Net Defined benefit liability

The amounts recognized in the statements of financial position are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of obligations$^1$</td>
<td>438,122</td>
<td>367,567</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(386,211)</td>
<td>(261,666)</td>
</tr>
<tr>
<td>Liability in the statement of financial position</td>
<td>51,911</td>
<td>105,901</td>
</tr>
</tbody>
</table>

$^1$ The present value of retirement benefit obligations is net of existing contributions to the National Pension Plan of W883 million as of December 31, 2013 (2012: W945 million).

The amounts recognized in the statements of income for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost$^1$</td>
<td>75,037</td>
<td>51,746</td>
</tr>
<tr>
<td>Interest cost</td>
<td>13,307</td>
<td>12,093</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(9,441)</td>
<td>(7,475)</td>
</tr>
<tr>
<td>Total, included in employee benefit expenses</td>
<td>78,903</td>
<td>56,364</td>
</tr>
</tbody>
</table>

$^1$ The above amounts excluded W535 million (2012: W1,224 million) of expenses capitalized to construction in progress and development costs.

Severance costs recognized for defined contribution plan for the year ended December 31, 2013, amounted to W1,263 million (2012: W951 million).

The amounts recognized in the statement of income for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>55,643</td>
<td>38,603</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>24,523</td>
<td>18,712</td>
</tr>
<tr>
<td>Total</td>
<td>80,166</td>
<td>57,315</td>
</tr>
</tbody>
</table>
Changes in the present value of defined benefit obligations for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>367,567</td>
<td>253,396</td>
</tr>
<tr>
<td>Transfer in</td>
<td>(679)</td>
<td>2,019</td>
</tr>
<tr>
<td>Current service cost</td>
<td>75,572</td>
<td>52,970</td>
</tr>
<tr>
<td>Interest expense</td>
<td>13,307</td>
<td>12,093</td>
</tr>
<tr>
<td>Remeasurements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in demographic assumptions</td>
<td>(3,562)</td>
<td>13,616</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in financial assumptions</td>
<td>(16,595)</td>
<td>2,071</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from experience adjustments</td>
<td>22,588</td>
<td>46,370</td>
</tr>
<tr>
<td>Others</td>
<td>21</td>
<td>247</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(92)</td>
<td>335</td>
</tr>
<tr>
<td>Payments from plans</td>
<td>(20,005)</td>
<td>(15,550)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>438,122</td>
<td>367,567</td>
</tr>
</tbody>
</table>

Changes in the fair value of plan assets for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>261,666</td>
<td>192,619</td>
</tr>
<tr>
<td>Transfer in</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>9,441</td>
<td>7,475</td>
</tr>
<tr>
<td>Remeasurements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets (excluding amounts included in interest income)</td>
<td>(1,138)</td>
<td>67</td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers</td>
<td>130,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Payments from plans</td>
<td>(13,176)</td>
<td>(8,495)</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>(608)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>386,211</td>
<td>261,666</td>
</tr>
</tbody>
</table>

The actual return on plan assets for the year ended December 31, 2013, was ₩8,303 million (2012: ₩7,542 million).

The principal actuarial assumptions used are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>4.1%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Future salary increase</td>
<td>5.1%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>
The sensitivity analysis for changes in key actuarial assumptions is as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>Increase by 1%</th>
<th>Decrease by 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase(decrease) in defined benefit obligations</td>
<td>(40,704)</td>
<td>48,045</td>
</tr>
<tr>
<td>Future salary increase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase(decrease) in defined benefit obligations</td>
<td>47,118</td>
<td>(40,743)</td>
</tr>
</tbody>
</table>

A decrease in corporate bond yields may lead most significantly to an increase in defined benefit liabilities.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets consist of:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance contracts with guaranteed yield</td>
<td>386,211</td>
<td>261,666</td>
</tr>
</tbody>
</table>

19. Other current liabilities

Other current liabilities consist of:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances from customers</td>
<td>24,844</td>
<td>37,457</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>1,071</td>
<td>1,115</td>
</tr>
<tr>
<td>Withholding</td>
<td>41,383</td>
<td>44,968</td>
</tr>
<tr>
<td>Unearned revenues</td>
<td>19,528</td>
<td>12,248</td>
</tr>
<tr>
<td>Others</td>
<td>60,900</td>
<td>56,819</td>
</tr>
<tr>
<td>Total</td>
<td>147,726</td>
<td>152,607</td>
</tr>
</tbody>
</table>
20. Commitments and contingencies

(1) The Parent Company and the newly established company, LG Hausys Ltd., are jointly liable for the obligations outstanding as of April 1, 2009, the spin-off date.

(2) As of December 31, 2013 and 2012, the Parent Company has been provided with guarantees from the Seoul Guarantee Insurance for the execution of supply contracts.

(3) As of December 31, 2013, the Parent Company has provided one blank promissory note to the Korea National Oil Corporation as collateral in relation to petroleum import surcharges.

(4) As of December 31, 2013, the Parent Company and certain overseas subsidiaries have various specific line of credit agreements with several financial institutions, as follows: The Company also entered into credit line agreements with other financial institutions relating to trade finance and import/export amounting to ₩220,000 million and US$ 525 million.

(5) As of December 31, 2013, the Parent Company has B2B purchase arrangements with several financial institutions amount to ₩300,000 million.

(6) As of December 31, 2013, the Parent Company and certain overseas subsidiaries have been named as a plaintiff in six and 31 legal actions involving ₩1,161 million and ₩2,675 million in claims, respectively, and as a defendant in seven and two legal actions with ₩2,439 million and ₩148 million in claims, respectively. The ultimate outcome of these cases cannot be determined at the reporting date.

(7) As of December 31, 2013, the consumers in U.S and Canada have filed a class actions against the Parent Company and certain overseas subsidiaries in relation to price fixing of small secondary batteries. However, the ultimate outcome of these cases cannot be determined at the reporting date.

(8) As of December 31, 2013, the Parent Company has technology license agreements with STYRON EUROPE GmbH and other companies for the production of Polycarbonate products. Further, the Company has entered into manufacture and production technical contracts with Exxon Mobile and others.

(9) The Parent Company has entered into a license agreement with LG Corp. to use trademarks on the products that the Company manufactures and sells, and on the services the Company provides in relation to its business.

(10) As of December 31, 2013, the Parent Company has a long-term purchase contract for certain raw materials and the supplier has made US$ 126 million and US$ 60 million of credit

---

### Classification

<table>
<thead>
<tr>
<th>Classification</th>
<th>The Company</th>
<th>Certain Overseas Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KRW</td>
<td>USD</td>
</tr>
<tr>
<td>Limit of bank overdraft</td>
<td>64,000</td>
<td>50</td>
</tr>
<tr>
<td>Limit of the letter of credit</td>
<td>64,000</td>
<td>207</td>
</tr>
<tr>
<td>Limit of discount of notes from export</td>
<td>-</td>
<td>1,459</td>
</tr>
<tr>
<td>Limit of guaranteed payments in other foreign currency</td>
<td>-</td>
<td>85</td>
</tr>
<tr>
<td>Limit of loan arrangements</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
guarantee contract with financial institutions. Further, as of December 31, 2013, the Parent Company has a contract of US$ 10 million guarantees with financial institutions in regard to a delivery commitment for certain products and the Company has a contract of US$ 90 million guarantees with financial institutions for advances received from customers.

(11) As of December 31, 2013, the Parent Company has guaranteed the repayment of various obligations of its subsidiaries and associates. The outstanding balance of such guarantees as of December 31, 2013, amounts to US$ 215 million, EUR 3 million and PLN 52 million (total equivalent to ₩250,066 million) (2012: US$ 235 million, EUR 3 million and PLN 52 million, total equivalent to ₩274,898 million). Details of guarantees provided as of December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>Guarantor</th>
<th>Guarantee beneficiary</th>
<th>Guarantee period</th>
<th>Financial institution</th>
<th>Amount of guarantee (in millions of Korean won)</th>
<th>Outstanding loan amount (in millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Parent Company LG Chem (Nanjing) Information &amp; Electronics Materials Co., Ltd.</td>
<td>2011.08.29 ~ 2015.06.17 HSBC</td>
<td></td>
<td></td>
<td>63,684</td>
<td>63,684</td>
</tr>
<tr>
<td></td>
<td>2011.10.24 ~ 2014.10.31 Bank of America</td>
<td></td>
<td></td>
<td>31,842</td>
<td>31,842</td>
</tr>
<tr>
<td></td>
<td>2009.08.26 ~ 2014.06.30 Nordea Bank</td>
<td></td>
<td></td>
<td>18,258</td>
<td>8,206</td>
</tr>
<tr>
<td></td>
<td>2013.01.02 ~ 2014.01.02 Shinhan Bank</td>
<td></td>
<td></td>
<td>4,369</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010.11.19 ~ 2013.11.18 Bank of America</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2011.04.07 ~ 2014.05.31 Mizuho Bank</td>
<td></td>
<td></td>
<td>63,318</td>
<td>63,318</td>
</tr>
<tr>
<td></td>
<td>2011.04.07 ~ 2014.04.07 Sumitomo Mitsui bank</td>
<td></td>
<td></td>
<td>21,106</td>
<td>21,106</td>
</tr>
<tr>
<td></td>
<td>2013.06.29 ~ 2016.11.16 JP Morgan</td>
<td></td>
<td></td>
<td>47,489</td>
<td>47,489</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>250,066</td>
<td>235,645</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guarantor</th>
<th>Guarantee beneficiary</th>
<th>Guarantee period</th>
<th>Financial institution</th>
<th>Amount of guarantee (in millions of Korean won)</th>
<th>Outstanding loan amount (in millions of Korean won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Parent Company LG Chem (Nanjing) Information &amp; Electronics Materials Co., Ltd.</td>
<td>2011.08.29 ~ 2015.06.17 HSBC</td>
<td></td>
<td></td>
<td>64,821</td>
<td>64,821</td>
</tr>
<tr>
<td></td>
<td>2011.10.24 ~ 2014.10.31 Bank of America</td>
<td></td>
<td></td>
<td>32,411</td>
<td>32,411</td>
</tr>
<tr>
<td></td>
<td>2009.08.26 ~ 2014.06.30 Nordea Bank</td>
<td></td>
<td></td>
<td>18,107</td>
<td>9,325</td>
</tr>
<tr>
<td></td>
<td>2013.01.02 ~ 2014.01.02 Shinhan Bank</td>
<td></td>
<td></td>
<td>4,249</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010.11.19 ~ 2013.11.18 Bank of America</td>
<td></td>
<td></td>
<td>21,422</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2014.05.31 Mizuho Bank</td>
<td></td>
<td></td>
<td>64,266</td>
<td>64,266</td>
</tr>
<tr>
<td></td>
<td>2011.04.07 ~ 2014.04.07 Sumitomo Mitsui bank</td>
<td></td>
<td></td>
<td>42,844</td>
<td>28,920</td>
</tr>
<tr>
<td></td>
<td>2013.06.29 ~ 2016.11.16 JP Morgan</td>
<td></td>
<td></td>
<td>274,898</td>
<td>226,521</td>
</tr>
</tbody>
</table>

(12) Capital expenditure contracted for as of the reporting date but not yet incurred is as follows:

<table>
<thead>
<tr>
<th>Property, plant and equipment</th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>317,086</td>
<td>368,347</td>
</tr>
</tbody>
</table>
21. Equity

Changes in share capital and share premium are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>Ordinary shares</th>
<th>Preferred shares</th>
<th>Share premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Amount</td>
<td>Number of shares</td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>66,271,100</td>
<td>331,356</td>
<td>7,628,921</td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>66,271,100</td>
<td>331,356</td>
<td>7,628,921</td>
</tr>
<tr>
<td>December 31, 2013</td>
<td>66,271,100</td>
<td>331,356</td>
<td>7,628,921</td>
</tr>
</tbody>
</table>

Changes in treasury shares are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>Ordinary shares</th>
<th>Preferred shares</th>
<th>Carrying amount</th>
<th>Gain on sale of treasury shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2012</td>
<td>359,784</td>
<td>5,519</td>
<td>15,484</td>
<td>13,855</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>359,790</td>
<td>5,519</td>
<td>15,484</td>
<td>13,855</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>December 31, 2013</td>
<td>359,792</td>
<td>5,519</td>
<td>15,484</td>
<td>13,855</td>
</tr>
</tbody>
</table>

The Company intends to sell its treasury shares in the near future.

22. Retained earnings

Details of retained earnings are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal reserve (^1)</td>
<td>275,601</td>
<td>260,113</td>
</tr>
<tr>
<td>Discretionary reserve (^2)</td>
<td>8,200,700</td>
<td>7,107,800</td>
</tr>
<tr>
<td>Retained earnings before appropriation</td>
<td>1,696,331</td>
<td>1,836,790</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,172,632</strong></td>
<td><strong>9,204,703</strong></td>
</tr>
</tbody>
</table>

\(^1\) The Commercial Code of the Republic of Korea 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, but may be transferred to common stock or used to reduce accumulated deficit, if any.

\(^2\) Pursuant to the Special Tax Treatment Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve may be distributed as dividends after reversal.
23. Other components of equity

Details of other components of equity are as follows:

| Treasury shares (Note 21) | (15,484) | (15,484) |
| Capital transactions within the Company | (215) | (215) |
| **Total** | **(15,699)** | **(15,699)** |

¹ Included gain/(loss) from transactions with non-controlling interests and other reserves of subsidiaries net of deferred taxes.

24. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>319,119</td>
<td>264,145</td>
</tr>
<tr>
<td>Pension costs (Note 18)</td>
<td>24,523</td>
<td>18,712</td>
</tr>
<tr>
<td>Welfare expense</td>
<td>75,903</td>
<td>68,832</td>
</tr>
<tr>
<td>Travel expense</td>
<td>35,526</td>
<td>29,641</td>
</tr>
<tr>
<td>Water &amp; utilities</td>
<td>24,329</td>
<td>20,693</td>
</tr>
<tr>
<td>Packaging expense</td>
<td>6,704</td>
<td>4,783</td>
</tr>
<tr>
<td>Rental expense</td>
<td>92,924</td>
<td>91,932</td>
</tr>
<tr>
<td>Commission expense</td>
<td>215,038</td>
<td>186,763</td>
</tr>
<tr>
<td>Depreciation (Note 13)</td>
<td>60,465</td>
<td>54,980</td>
</tr>
<tr>
<td>Advertising expense</td>
<td>16,175</td>
<td>20,330</td>
</tr>
<tr>
<td>Freight expense</td>
<td>411,191</td>
<td>374,598</td>
</tr>
<tr>
<td>Training expense</td>
<td>12,607</td>
<td>12,250</td>
</tr>
<tr>
<td>Amortization (Note 14)</td>
<td>16,076</td>
<td>12,805</td>
</tr>
<tr>
<td>Sample expense</td>
<td>12,925</td>
<td>13,321</td>
</tr>
<tr>
<td>Others</td>
<td>242,390</td>
<td>223,835</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,565,895</strong></td>
<td><strong>1,397,620</strong></td>
</tr>
</tbody>
</table>
25. Expenses by nature

Expenses that are recorded by function as cost of sales and selling, general and administrative expenses in the statements of income for the years ended December 31, 2013 and 2012, consist of:

\[
\begin{array}{lcc}
\text{Expenses} & \text{2013} & \text{2012} \\
\hline
\text{Changes in inventories} & (58,221) & 60,472 \\
\text{Raw materials and consumables used} & 15,554,983 & 15,806,300 \\
\text{Purchase of merchandise} & 948,937 & 821,842 \\
\text{Employee benefit expense (Note 26)} & 1,180,419 & 984,353 \\
\text{Advertising expense} & 17,367 & 21,551 \\
\text{Transportation expense} & 440,400 & 401,676 \\
\text{Service fees} & 338,263 & 286,012 \\
\text{Depreciation, amortization and impairment} & 1,045,233 & 873,538 \\
\text{Operating lease payments} & 50,585 & 46,495 \\
\text{Other expenses} & 1,882,602 & 2,050,457 \\
\text{Total} & 21,400,568 & 21,352,696 \\
\end{array}
\]

26. Employee benefit expense

\[
\begin{array}{lcc}
\text{Expenses} & \text{2013} & \text{2012} \\
\hline
\text{Wages and salaries} & 997,032 & 838,078 \\
\text{Pension costs – Defined benefit plan (Note 18)} & 78,903 & 56,364 \\
\text{Pension costs – Defined contribution plan (Note 18)} & 1,263 & 951 \\
\text{Others} & 103,221 & 88,960 \\
\text{Total} & 1,180,419 & 984,353 \\
\end{array}
\]
27. Finance income and expense

Details of finance income and expense for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>35,733</td>
<td>30,099</td>
</tr>
<tr>
<td>Dividend income</td>
<td>190</td>
<td>157</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>140,369</td>
<td>41,268</td>
</tr>
<tr>
<td>Gain on foreign currency translation</td>
<td>23,539</td>
<td>15,828</td>
</tr>
<tr>
<td>Gain on settlement of trading derivatives</td>
<td>3,589</td>
<td>10,286</td>
</tr>
<tr>
<td>Gain on valuation of trading derivatives</td>
<td>-</td>
<td>2,352</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>203,420</td>
<td>99,990</td>
</tr>
<tr>
<td><strong>Financial expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>65,239</td>
<td>72,992</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>160,833</td>
<td>66,757</td>
</tr>
<tr>
<td>Loss on foreign exchange translations</td>
<td>5,052</td>
<td>9,021</td>
</tr>
<tr>
<td>Loss on settlement of trading derivatives</td>
<td>5,430</td>
<td>5,168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>236,554</td>
<td>153,938</td>
</tr>
</tbody>
</table>

1 Details of interest income are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits</td>
<td>35,062</td>
<td>29,187</td>
</tr>
<tr>
<td>Other loans and receivables</td>
<td>671</td>
<td>912</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>35,733</td>
<td>30,099</td>
</tr>
</tbody>
</table>

2 Details of interest expense are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank overdraft and borrowings</td>
<td>52,278</td>
<td>61,593</td>
</tr>
<tr>
<td>Interest on finance lease liabilities</td>
<td>320</td>
<td>502</td>
</tr>
<tr>
<td>Interest on debentures</td>
<td>24,541</td>
<td>23,876</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>15,628</td>
<td>17,286</td>
</tr>
<tr>
<td>Capitalized interest for qualifying assets</td>
<td>(27,528)</td>
<td>(30,265)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>65,239</td>
<td>72,992</td>
</tr>
</tbody>
</table>
28. Other non-operating income

Details of other non-operating income for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange gain</td>
<td>323,659</td>
<td>301,291</td>
</tr>
<tr>
<td>Gain on foreign currency translation</td>
<td>17,363</td>
<td>33,551</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>1,275</td>
<td>4,967</td>
</tr>
<tr>
<td>Gain on disposal of intangible assets</td>
<td>21</td>
<td>64</td>
</tr>
<tr>
<td>Others</td>
<td>20,033</td>
<td>31,980</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>362,351</strong></td>
<td><strong>371,853</strong></td>
</tr>
</tbody>
</table>

29. Other non-operating expenses

Detail of other non-operating expense for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange loss</td>
<td>317,906</td>
<td>290,694</td>
</tr>
<tr>
<td>Loss on foreign currency translation</td>
<td>17,802</td>
<td>30,639</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>21,011</td>
<td>5,514</td>
</tr>
<tr>
<td>Loss on disposal of intangible assets</td>
<td>6,146</td>
<td>1,046</td>
</tr>
<tr>
<td>Impairment loss on property, plant and equipment</td>
<td>73,692</td>
<td>2,102</td>
</tr>
<tr>
<td>Impairment loss on intangible assets</td>
<td>3,231</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>21,400</td>
<td>24,326</td>
</tr>
<tr>
<td>Others</td>
<td>15,165</td>
<td>5,829</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>476,353</strong></td>
<td><strong>360,150</strong></td>
</tr>
</tbody>
</table>

30. Income and Defined Taxes

Details of income tax expense are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax on profit for the year</td>
<td>331,274</td>
<td>320,315</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>(5,493)</td>
<td>(25,026)</td>
</tr>
<tr>
<td>Deferred tax - movement in temporary differences</td>
<td>21,187</td>
<td>70,000</td>
</tr>
<tr>
<td>Deferred tax – tax credit carryforwards</td>
<td>(17,153)</td>
<td>(6,197)</td>
</tr>
<tr>
<td></td>
<td><strong>329,815</strong></td>
<td><strong>359,091</strong></td>
</tr>
<tr>
<td>Current tax charged directly to equity</td>
<td>868</td>
<td>15,062</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td><strong>330,683</strong></td>
<td><strong>374,153</strong></td>
</tr>
</tbody>
</table>
The income taxes charged directly to other comprehensive income during the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Current tax</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurements on net defined benefit liabilities</td>
<td>868</td>
<td>15,062</td>
</tr>
</tbody>
</table>

 Deferred tax

| Cash flow hedges | (37) | (128) |
| Currency translation differences | 467  | 285  |
| Others | 99   | 42   |
| **Total** | **529** | **199** |

The movements in deferred tax assets (liabilities) for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Beginning balance</th>
<th>Profit (loss) for the year</th>
<th>Other comprehensive income</th>
<th>Exchange differences</th>
<th>Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined benefit liability</td>
<td>72,831</td>
<td>16,410</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(62,626)</td>
<td>(29,695)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reserve for research and human resources development</td>
<td>(181,500)</td>
<td>(53,240)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>2,820</td>
<td>1,311</td>
<td>-</td>
<td>(340)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>71,437</td>
<td>27,813</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>Investments in subsidiaries, associates and joint ventures</td>
<td>(5,729)</td>
<td>(1,778)</td>
<td>-</td>
<td>(72)</td>
</tr>
<tr>
<td>Accrued income</td>
<td>(1,740)</td>
<td>617</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>2,224</td>
<td>13,749</td>
<td>-</td>
<td>1,011</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(102,283)</strong></td>
<td><strong>(24,813)</strong></td>
<td>-</td>
<td><strong>799</strong></td>
</tr>
</tbody>
</table>

Deferred tax charged directly to equity

<table>
<thead>
<tr>
<th>2013</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(21)</td>
<td>- 529</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>6,197</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>3,206</td>
</tr>
<tr>
<td>Deferred income tax assets (liabilities)</td>
<td>(92,901)</td>
</tr>
</tbody>
</table>
### LG Chem, Ltd. and Subsidiaries
#### Notes to the Consolidated Financial Statements
#### December 31, 2013 and 2012

#### (in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Increase (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td><strong>Beginning balance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined benefit liability</td>
<td>46,139</td>
<td>26,692</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(46,139)</td>
<td>(16,487)</td>
</tr>
<tr>
<td>Reserve for research and human resources development</td>
<td>(94,380)</td>
<td>(87,120)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>3,742</td>
<td>(871)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>56,999</td>
<td>15,443</td>
</tr>
<tr>
<td>Investments in subsidiaries, associates and joint ventures ¹</td>
<td>(14,974)</td>
<td>9,245</td>
</tr>
<tr>
<td>Accrued income</td>
<td>(447)</td>
<td>(1,293)</td>
</tr>
<tr>
<td>Others</td>
<td>20,174</td>
<td>(18,106)</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>(28,886)</td>
<td>(72,497)</td>
</tr>
<tr>
<td>Deferred tax charged directly to equity</td>
<td>(30)</td>
<td>-</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>-</td>
<td>6,197</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>803</td>
<td>2,497</td>
</tr>
<tr>
<td>Deferred income tax assets (liabilities)</td>
<td>(28,113)</td>
<td>(63,803)</td>
</tr>
</tbody>
</table>

¹ Deferred tax liabilities of ₩975 million (2012: ₩3,136 million) for the accumulated temporary differences of ₩139,121 million (2012: ₩147,916 million) relating to unremitted earnings of certain subsidiaries have not been recognized as such amounts are reinvested permanently.

The reconciliation between income tax expense and accounting profit is as follows:

#### (in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>1,601,296</td>
<td>1,880,498</td>
</tr>
<tr>
<td>Tax calculated based on applicable tax rate ¹</td>
<td>377,594</td>
<td>453,143</td>
</tr>
<tr>
<td><strong>Tax adjustments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(1,383)</td>
<td>(8)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>24,783</td>
<td>10,255</td>
</tr>
<tr>
<td>Unrecognized deferred income tax for temporary differences in the current year</td>
<td>7,354</td>
<td>(117)</td>
</tr>
<tr>
<td>Tax credit</td>
<td>(77,472)</td>
<td>(93,209)</td>
</tr>
<tr>
<td>Effect from change of tax rate</td>
<td>-</td>
<td>467</td>
</tr>
<tr>
<td>Others</td>
<td>(193)</td>
<td>3,622</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>330,683</td>
<td>374,153</td>
</tr>
<tr>
<td>Effective tax rate(income tax expense/ profit before income tax)</td>
<td>20.65%</td>
<td>19.90%</td>
</tr>
</tbody>
</table>

¹ The weighted average applicable tax rate on profit before income tax for the year ended December 31, 2013, is 23.58% (2012: 24.09%).

Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company’s ability to generate taxable income within the period during which the temporary differences reverse, the outlook of the economic environment, and the overall future industry outlook. Management periodically considers these factors in reaching its conclusion. The
Company did not recognize deferred income tax assets of ₩29,228 million (2012: ₩21,138 million) for the tax loss carryforwards of ₩95,921 million (2012: ₩69,730 million).

31. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Parent Company by the weighted average number of shares in issue excluding shares purchased by the Parent Company and held as treasury shares. As of the reporting date, the Parent Company has no potential ordinary shares. Preferred shares have a right to participate in the profits of the Parent Company. These participation rights have been considered in presenting the EPS for ordinary shares and preferred shares.

Basic earnings per share attributable to the owners of the Parent Company for the years ended December 31, 2013 and 2012, is computed as follows:

\[(in\,\text{millions\,of\,Korean\,won,\,except\,per\,share})\]

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to ordinary shares(^1)</td>
<td>1,134,381</td>
<td>1,339,211</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares outstanding(^2)</td>
<td>65,911,310</td>
<td>65,911,316</td>
</tr>
<tr>
<td>Basic earnings per ordinary share ((in,won))</td>
<td>17,211</td>
<td>20,318</td>
</tr>
</tbody>
</table>

\[(in\,\text{millions\,of\,Korean\,won})\]

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to preferred shares(^1)</td>
<td>131,587</td>
<td>155,276</td>
</tr>
<tr>
<td>Weighted average number of preferred shares outstanding(^2)</td>
<td>7,623,402</td>
<td>7,623,402</td>
</tr>
<tr>
<td>Basic earnings per preferred share ((in,won))</td>
<td>17,261</td>
<td>20,368</td>
</tr>
</tbody>
</table>

\(^1\) Profit attributable to ordinary and preferred shares are as follows:

\[(in\,\text{millions\,of\,Korean\,won})\]

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year attributable to owners of the Parent Company</td>
<td>1,265,968</td>
<td>1,494,487</td>
</tr>
<tr>
<td>Ordinary shares dividends ((A))</td>
<td>263,645</td>
<td>263,645</td>
</tr>
<tr>
<td>Preferred shares dividends ((B))</td>
<td>30,875</td>
<td>30,875</td>
</tr>
<tr>
<td>Undistributed earnings for the year</td>
<td>971,448</td>
<td>1,199,967</td>
</tr>
<tr>
<td>Undistributed earnings available for ordinary shares ((C))</td>
<td>870,736</td>
<td>1,075,566</td>
</tr>
<tr>
<td>Undistributed earnings available for preferred shares ((D))</td>
<td>100,712</td>
<td>124,401</td>
</tr>
<tr>
<td>Profit for the year attributable to ordinary shares ((A+C))</td>
<td>1,134,381</td>
<td>1,339,211</td>
</tr>
<tr>
<td>Profit for the year attributable to preferred shares ((B+D))</td>
<td>131,587</td>
<td>155,276</td>
</tr>
</tbody>
</table>

\(^2\) Weighted average numbers of shares are calculated as follows:

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td>2013</td>
<td>Number of shares</td>
<td>Number of days</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>2013. 1. 1 ~ 2013.12.31</td>
<td>65,911,310</td>
<td>365</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>2013.12.31 ~ 2013.12.31</td>
<td>(2)</td>
<td>365</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Weighted average number of ordinary shares outstanding: 24,057,628,148 / 365 = 65,911,310 shares
**Preferred shares**

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of shares</th>
<th>Number of days</th>
<th>Number of shares x days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning 2013.1.1 ~ 2013.12.31</td>
<td>7,623,402</td>
<td>365</td>
<td>2,782,541,730</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>2,782,541,730</strong></td>
</tr>
</tbody>
</table>

Weighted average number of preferred shares outstanding: 2,782,541,730 / 365 = 7,623,402 shares

**Ordinary shares**

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of shares</th>
<th>Number of days</th>
<th>Number of shares x days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning 2012.1.1 ~ 2012.12.31</td>
<td>65,911,316</td>
<td>366</td>
<td>24,123,541,656</td>
</tr>
<tr>
<td>Purchase of treasury shares 2012.12.31 ~ 2012.12.31</td>
<td>(6)</td>
<td>1</td>
<td>(6)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td><strong>24,123,541,650</strong></td>
</tr>
</tbody>
</table>

Weighted average number of ordinary shares outstanding: 24,123,541,650 / 366 = 65,911,316 shares

**Preferred shares**

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of shares</th>
<th>Number of days</th>
<th>Number of shares x days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td><strong>2,790,165,132</strong></td>
</tr>
</tbody>
</table>

Weighted average number of preferred shares outstanding: 2,790,165,132 / 366 = 7,623,402 shares

There were no dilutive potential outstanding ordinary shares at the reporting date. Accordingly, diluted earnings per share for profit attributable to owners of the Parent Company is identical to basic earnings per share.

**32. Dividends**

Details of dividends are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares entitled to dividends: shares issued and outstanding (par value per share: ₩5,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>65,911,308</td>
<td>65,911,310</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>7,623,402</td>
<td>7,623,402</td>
</tr>
<tr>
<td>Dividend per share (in won)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares: cash</td>
<td>4,000 (80%)</td>
<td>4,000 (80%)</td>
</tr>
<tr>
<td>Preferred shares: cash</td>
<td>4,050 (81%)</td>
<td>4,050 (81%)</td>
</tr>
<tr>
<td>Cash dividends to distribute (in millions of Korean won)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>263,645</td>
<td>263,645</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>30,875</td>
<td>30,875</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>294,520</strong></th>
<th><strong>294,520</strong></th>
</tr>
</thead>
</table>
Dividend payout ratios for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends (A)</td>
<td>294,520</td>
<td>294,520</td>
</tr>
<tr>
<td>Profit for the year attributable to owners of the Parent Company (B)</td>
<td>1,265,968</td>
<td>1,494,487</td>
</tr>
<tr>
<td>Dividend payout ratio (A/B)</td>
<td><strong>23.26%</strong></td>
<td><strong>19.71%</strong></td>
</tr>
</tbody>
</table>

Dividend yield ratios for the years ended December 31, 2013 and 2012, are as follows:

(in Korean won)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend per share (A)</td>
<td>4,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Market value at the end of year (B)</td>
<td>293,875</td>
<td>153,875</td>
</tr>
<tr>
<td>Dividend yield ratio (A/B)</td>
<td><strong>1.36%</strong></td>
<td><strong>2.63%</strong></td>
</tr>
</tbody>
</table>

1 Average price in the stock market during the week preceding the two business days before the record date of the shareholders' list for the general meeting of shareholders related to above dividends.

33. Related party transactions

As of December 31, 2013 and 2012, LG Group is an entity exercising significant influence over the Company which owns 33.53% of the Company’s ordinary shares.

Details of associates and other related parties that have sales and other transactions with the Company or have receivables and payables balances as of December 31, 2013 and 2012, are as follows and details of investments in subsidiaries, associates and joint ventures are described in Note 1.3.

<table>
<thead>
<tr>
<th>Related parties</th>
<th>Related parties’ subsidiaries (Domestic)</th>
<th>Related parties’ subsidiaries (foreign)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERVEONE</td>
<td>LG-TOYO Engineering Co., Ltd.</td>
<td>Serveone(Nanjing) Co., LTD. and others</td>
<td>Subsidiary of LG Corp</td>
</tr>
<tr>
<td>LG CNS Co., Ltd.</td>
<td>LG N-Sys Inc., BNE PARTNERS Inc., LG CNS China Inc. and others</td>
<td></td>
<td>Subsidiary of LG Corp</td>
</tr>
<tr>
<td>LG Siltron Incorporated</td>
<td>-</td>
<td>-</td>
<td>Subsidiary of LG Corp</td>
</tr>
<tr>
<td>LG Management Development Institute</td>
<td>-</td>
<td>-</td>
<td>Subsidiary of LG Corp</td>
</tr>
<tr>
<td>LG SPORTS Ltd.</td>
<td>-</td>
<td>-</td>
<td>Subsidiary of LG Corp</td>
</tr>
<tr>
<td>LG MMA Corporation</td>
<td>-</td>
<td>-</td>
<td>Subsidiary of LG Corp</td>
</tr>
</tbody>
</table>

1 As of December 31, 2012, V-ENS Co., Ltd. was a subsidiary of LG CNS Co., Ltd. However, as of December 31, 2013, V-ENS Co., Ltd. was excluded from the scope of other related parties as it merged with LG Electronics Inc. during 2013.
Sales and purchases with related parties for the years ended December 31, 2013 and 2012, are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Entities with significant influence over the Company¹</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and others</td>
<td>Purchase of raw material/merchandise</td>
<td>Acquisition of property, plant and equipment</td>
</tr>
<tr>
<td>LS Corp.</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEETEC Co., Ltd.</td>
<td>59,413</td>
<td>171,866</td>
</tr>
<tr>
<td>TECWIN Co., Ltd.</td>
<td>-</td>
<td>5,752</td>
</tr>
<tr>
<td>HL Greenpower Co., Ltd.</td>
<td>74,893</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>Other related parties²</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LG MMA Corporation</td>
<td>133,685</td>
<td>143,892</td>
</tr>
<tr>
<td>SERVEONE and its subsidiaries</td>
<td>19,791</td>
<td>399,921</td>
</tr>
<tr>
<td>LG CNS Co., Ltd. and its subsidiaries</td>
<td>3,840</td>
<td>8,465</td>
</tr>
<tr>
<td>Others</td>
<td>376</td>
<td>-</td>
</tr>
<tr>
<td>Key management</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>292,061</td>
<td>729,896</td>
</tr>
</tbody>
</table>

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Entities with significant influence over the Company¹</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and others</td>
<td>Purchase of raw material/merchandise</td>
<td>Acquisition of property, plant and equipment</td>
</tr>
<tr>
<td>LS Corp.</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEETEC Co., Ltd.</td>
<td>36,955</td>
<td>94,373</td>
</tr>
<tr>
<td>TECWIN Co., Ltd.</td>
<td>-</td>
<td>314</td>
</tr>
<tr>
<td>HL Greenpower Co., Ltd.</td>
<td>78,437</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>29</td>
<td>-</td>
</tr>
<tr>
<td>Other related parties²</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LG MMA Corporation</td>
<td>146,876</td>
<td>152,014</td>
</tr>
<tr>
<td>SERVEONE and its subsidiaries</td>
<td>23,456</td>
<td>381,649</td>
</tr>
<tr>
<td>LG CNS Co., Ltd. and its subsidiaries</td>
<td>6,653</td>
<td>5,420</td>
</tr>
<tr>
<td>Others</td>
<td>411</td>
<td>-</td>
</tr>
<tr>
<td>Key management</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>292,829</td>
<td>633,770</td>
</tr>
</tbody>
</table>
Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivable and others</td>
<td>Payable and others</td>
<td>Receivable and others</td>
</tr>
<tr>
<td>Entities with significant influence over the Company¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LG Corp.</td>
<td>6,935</td>
<td>64</td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEETEC Co., Ltd.</td>
<td>-</td>
<td>21,135</td>
</tr>
<tr>
<td>TECWIN Co., Ltd.</td>
<td>-</td>
<td>1,719</td>
</tr>
<tr>
<td>HL Greenpower Co., Ltd.</td>
<td>11,440</td>
<td>89</td>
</tr>
<tr>
<td>Others</td>
<td>22</td>
<td>56</td>
</tr>
<tr>
<td>Other related parties²</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LG MMA Corporation</td>
<td>15,292</td>
<td>12,724</td>
</tr>
<tr>
<td>SERVEONE and its subsidiaries</td>
<td>28,252</td>
<td>174,615</td>
</tr>
<tr>
<td>LG CNS Co., Ltd. and its subsidiaries</td>
<td>2,755</td>
<td>29,550</td>
</tr>
<tr>
<td>Others</td>
<td>3,775</td>
<td>674</td>
</tr>
<tr>
<td>Key management</td>
<td>-</td>
<td>45,447</td>
</tr>
<tr>
<td>Total</td>
<td>68,471</td>
<td>286,073</td>
</tr>
</tbody>
</table>

Fund transactions with related parties for the years ended December 31, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>Equity contributions in cash</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Associates and joint ventures</td>
<td></td>
</tr>
<tr>
<td>KLPE Limited Liability Partnership</td>
<td>18,680</td>
</tr>
<tr>
<td>LG Chem BRASIL INTERMEDICAO DE NEGOCIOS DO SETOR QUIMICO LTDA.</td>
<td>321</td>
</tr>
<tr>
<td>LG Fuel Cell Systems Inc.</td>
<td>6,419</td>
</tr>
<tr>
<td>Total</td>
<td>25,420</td>
</tr>
</tbody>
</table>

Compensation for key management of the Company for the years ended December 31, 2013 and 2012, consists of:

<table>
<thead>
<tr>
<th>(in millions of Korean won)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>38,703</td>
<td>36,909</td>
</tr>
<tr>
<td>Pension costs</td>
<td>2,188</td>
<td>1,352</td>
</tr>
<tr>
<td>Total</td>
<td>40,891</td>
<td>38,261</td>
</tr>
</tbody>
</table>

Key management includes directors and audit committee members having duties and responsibilities over planning, operations and controlling of the Company’s business activities.

There are no provisions held against receivables from related parties and thus, no bad debt expenses have been recognized in current and prior period.

Details of the guarantees provided by the Company for related parties at the reporting date are disclosed in Note 20.
34. Cash generated from operations

Reconciliation between operating profit and net cash inflow (outflow) from operating activities for the years ended December 31, 2013 and 2012, is as follows:

\[(in\ \text{millions\ of\ Korean\ won})\]

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>1,601,296</td>
<td>1,880,498</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,021,218</td>
<td>854,512</td>
</tr>
<tr>
<td>Amortization</td>
<td>24,015</td>
<td>19,026</td>
</tr>
<tr>
<td>Pension costs</td>
<td>78,903</td>
<td>56,364</td>
</tr>
<tr>
<td>Finance income</td>
<td>(80,242)</td>
<td>(93,306)</td>
</tr>
<tr>
<td>Financial expense</td>
<td>94,337</td>
<td>116,294</td>
</tr>
<tr>
<td>Foreign exchange differences</td>
<td>(22,841)</td>
<td>(60,963)</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(1,275)</td>
<td>(4,967)</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>21,011</td>
<td>5,514</td>
</tr>
<tr>
<td>Impairment loss on property, plant and equipment</td>
<td>73,692</td>
<td>2,102</td>
</tr>
<tr>
<td>Gain on disposal of intangible assets</td>
<td>(21)</td>
<td>(64)</td>
</tr>
<tr>
<td>Loss on disposal of intangible assets</td>
<td>6,146</td>
<td>1,046</td>
</tr>
<tr>
<td>Impairment loss on intangible assets</td>
<td>3,231</td>
<td>-</td>
</tr>
<tr>
<td>Other expenses</td>
<td>29,139</td>
<td>13,497</td>
</tr>
<tr>
<td>Inventories</td>
<td>47,103</td>
<td>(220,875)</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>(113,873)</td>
<td>(119,851)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>5,175</td>
<td>(21,244)</td>
</tr>
<tr>
<td>Settlement of derivatives</td>
<td>511</td>
<td>5,118</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(245,246)</td>
<td>92,830</td>
</tr>
<tr>
<td>Other payables</td>
<td>165,154</td>
<td>(161,401)</td>
</tr>
<tr>
<td>Defined benefit liability</td>
<td>(137,626)</td>
<td>(75,035)</td>
</tr>
<tr>
<td>Other cash flows from operations</td>
<td>(8,064)</td>
<td>(18,736)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td><strong>2,561,743</strong></td>
<td><strong>2,270,359</strong></td>
</tr>
</tbody>
</table>

The principal non-cash transactions for the years ended December 31, 2013 and 2012, are as follows:

\[(in\ \text{millions\ of\ Korean\ won})\]

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer of construction-in-progress</td>
<td>1,881,596</td>
<td>1,702,867</td>
</tr>
<tr>
<td>Transfer of machinery-in-transit</td>
<td>206,713</td>
<td>367,134</td>
</tr>
<tr>
<td>Reclassification of long-term borrowings into current maturities</td>
<td>487,190</td>
<td>136,910</td>
</tr>
<tr>
<td>Gain on valuation of derivatives recognized as other comprehensive income</td>
<td>154</td>
<td>527</td>
</tr>
</tbody>
</table>
### 35. Segment information

(1) General information about the Company’s reportable segments is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Products or services</th>
<th>Major customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information &amp; Electronic Materials</td>
<td>Polarizers, 3D FPR and others</td>
<td>LG Display Co., BOE, AUO, and others</td>
</tr>
<tr>
<td>Batteries</td>
<td>Portable batteries, batteries for vehicles, Electricity storage batteries and others</td>
<td>Hewlett-Packard Co., General Motors Corp., and others</td>
</tr>
<tr>
<td>Common and others</td>
<td>General management, sales and R&amp;D</td>
<td></td>
</tr>
</tbody>
</table>

(2) The segment information on revenue and profit and loss for the years ended December 31, 2013 and 2012, is as follows:

**2013 (in millions of Korean won)**

<table>
<thead>
<tr>
<th></th>
<th>Petro - Chemicals</th>
<th>Information &amp; Electronic Materials</th>
<th>Batteries</th>
<th>Common and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment revenue</td>
<td>17,614,118</td>
<td>3,165,692</td>
<td>2,582,624</td>
<td>3,269</td>
<td>23,365,703</td>
</tr>
<tr>
<td>Inter-segment revenue¹</td>
<td>68,913</td>
<td>140,917</td>
<td>8,992</td>
<td>3,269</td>
<td>222,091</td>
</tr>
<tr>
<td>Revenue from external customers²</td>
<td>17,545,205</td>
<td>3,024,775</td>
<td>2,573,632</td>
<td>-</td>
<td>23,143,612</td>
</tr>
<tr>
<td>Operating profit (loss)³</td>
<td>1,332,021</td>
<td>378,938</td>
<td>32,297</td>
<td>(212)</td>
<td>1,743,044</td>
</tr>
</tbody>
</table>

**2012 (in millions of Korean won)**

<table>
<thead>
<tr>
<th></th>
<th>Petro - Chemicals</th>
<th>Information &amp; Electronic Materials</th>
<th>Batteries</th>
<th>Common and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total segment revenue</td>
<td>17,579,443</td>
<td>3,451,499</td>
<td>2,478,926</td>
<td>24,033</td>
<td>23,533,901</td>
</tr>
<tr>
<td>Inter-segment revenue¹</td>
<td>65,160</td>
<td>180,782</td>
<td>907</td>
<td>24,033</td>
<td>270,882</td>
</tr>
<tr>
<td>Revenue from external customers²</td>
<td>17,514,283</td>
<td>3,270,717</td>
<td>2,478,019</td>
<td>-</td>
<td>23,263,019</td>
</tr>
<tr>
<td>Operating profit (loss)³</td>
<td>1,436,172</td>
<td>435,645</td>
<td>38,783</td>
<td>(277)</td>
<td>1,910,323</td>
</tr>
</tbody>
</table>

¹ Sales between segments are carried out at arm’s length.
² Revenue from external customers consists of sales of goods. Interest income and dividend income are included in finance income.
³ Management assesses the performance of the operating segments based on a measure of operating profit of segment.
⁴ Common and other segments include operating segments not qualifying as a reportable segment, supporting divisions as well as R&D divisions.
(3) The segment information on assets and liabilities as of December 31, 2013 and 2012, is as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Segment</th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petro - Chemicals</td>
<td>8,812,651</td>
<td>8,569,342</td>
</tr>
<tr>
<td>Information &amp; Electronic Materials</td>
<td>2,953,818</td>
<td>2,790,309</td>
</tr>
<tr>
<td>Batteries</td>
<td>3,111,555</td>
<td>3,082,677</td>
</tr>
<tr>
<td>Common and others</td>
<td>2,568,440</td>
<td>2,138,825</td>
</tr>
<tr>
<td>Total</td>
<td>17,446,464</td>
<td>16,581,153</td>
</tr>
</tbody>
</table>

Investments in associates and joint ventures

<table>
<thead>
<tr>
<th>Segment</th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petro - Chemicals</td>
<td>346,728</td>
<td>323,832</td>
</tr>
<tr>
<td>Information &amp; Electronic Materials</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Batteries</td>
<td>16,746</td>
<td>15,557</td>
</tr>
<tr>
<td>Common and others</td>
<td>84,393</td>
<td>65,678</td>
</tr>
<tr>
<td>Total</td>
<td>447,867</td>
<td>405,068</td>
</tr>
</tbody>
</table>

Total liabilities for the segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>December 31, 2013</th>
<th>December 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petro - Chemicals</td>
<td>2,542,105</td>
<td>2,678,198</td>
</tr>
<tr>
<td>Information &amp; Electronic Materials</td>
<td>574,215</td>
<td>597,202</td>
</tr>
<tr>
<td>Batteries</td>
<td>1,304,868</td>
<td>1,102,513</td>
</tr>
<tr>
<td>Common and others</td>
<td>1,299,614</td>
<td>1,437,885</td>
</tr>
<tr>
<td>Total</td>
<td>5,720,802</td>
<td>5,815,798</td>
</tr>
</tbody>
</table>

Assets and liabilities are measured in a manner consistent with those in the financial statements and allocated on the basis of segment operation.

(4) The external sales by geographical segments from continuing operations are as follows:

(in millions of Korean won)

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea</td>
<td>9,900,642</td>
<td>10,067,791</td>
</tr>
<tr>
<td>China</td>
<td>10,189,292</td>
<td>9,802,912</td>
</tr>
<tr>
<td>South East Asia</td>
<td>1,359,226</td>
<td>1,694,865</td>
</tr>
<tr>
<td>America</td>
<td>1,734,935</td>
<td>1,752,895</td>
</tr>
<tr>
<td>Western Europe</td>
<td>1,231,345</td>
<td>879,755</td>
</tr>
<tr>
<td>Others</td>
<td>3,048,229</td>
<td>3,015,968</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(4,320,057)</td>
<td>(3,951,167)</td>
</tr>
<tr>
<td>Total</td>
<td>23,143,612</td>
<td>23,263,019</td>
</tr>
</tbody>
</table>

Domestic sales include the exports made through local letters of credit.

(5) There is no external customer attributing to more than 10% of total revenue for the years ended December 31, 2013 and 2012.

36. Approval of financial statements

The issuance of the December 31, 2013 consolidated financial statements of the Company was approved by the Board of Directors on January 27, 2014, which is subject to change with approval of shareholders at the annual shareholders’ meeting.