

Independent Auditors' Report

Spain from Dow Chemical Company in 2017, in accordance with resolution of board of directors in 2017. The consideration was ₩458,900 million and the identifiable net assets including intangible assets were measured at ₩346,172 million and goodwill amounting to ₩112,728 million was recognized.

The Group completed the accounting for the business combinations by retrospectively adjusting the provisional amounts recognized at the acquisition date as the measurement period in accordance with KIFRS 1103 ended during the current period. This includes allocating consideration transferred to various identifiable assets and liabilities, and adjusting goodwill. Management used independent external experts to measure the fair value of identifiable assets and liabilities.

We have determined that the allocation of purchase price related to those business combinations is a key audit matter considering the significance of the assets and liabilities recognized in relation to the business combinations and significance of management's judgment and assumptions used in measuring the assets and liabilities.

The audit procedures we performed for this key audit matter included:

- obtaining an understanding of the business combination by reviewing the asset purchase agreement;
- obtaining an understanding of the methodology applied in allocating the purchase price across intangible assets and goodwill and in measuring identified assets, with support from our valuation experts;
- considering whether management had identified all potential intangible assets based on our understanding of the acquired business and significant contracts;
- assessing appropriateness of the key assumptions in the valuation models, including the discount rate used in measuring the identifiable assets by comparing to available external data;
- recalculating the valuation of identified intangible assets;
- comparing the forecasts used within the intangible asset valuation model to the management-approved budgets; and
- testing the disclosures in the financial statements and checked for compliance with K-IFRS 1103 Business Combinations.

Emphasis of Matter

As mentioned in Note 35, the Group acquired all of the Dow Chemical Company's EAA businesses and PVDC businesses and the related tangible and intangible assets. Some of the identifiable net assets acquired from the business combination were presented as provisional amounts by the end of the prior reporting period because the fair value assessment had not been completed. For the year ended December 31, 2018, new information on the pertinent facts and circumstances existing at the acquisition date was obtained and the provisional amount of the identifiable net assets recognized at the acquisition date was retrospectively adjusted.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with K-IFRSs, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Group is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance's responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

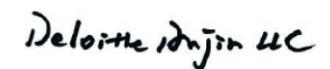
- Identify and assess the risks of material misstatement of the financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Group with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

The engagement partner on the audit resulting in this independent auditor's report is Eui Yeoul Song



March 5, 2019

This report is effective as of March 5, 2019, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.