


GLOBAL DREAM COMPANY

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When the vision of a company and its employees align, that's when something magical happens. It allows everyone to move toward a single goal and achieve the impossible. And that's exactly what we believe at LS Networks. We aim to deliver our customers, shareholders and employees greater value, by enhancing our core competencies and developing new growth engines under our vision of becoming a Global Dream Company. This is not just another slogan or tagline. It's a rallying cry in which our employees can aim toward. It's a dream that can be attained with the support of all of our employees.



DREAM IS THE ACTIVE WAY


The athletic walking shoes industry began outside of Korea. But it wasn't until LS Networks launched its PROSPECS W when the athletic walking shoe became the must-have active sportswear. After 30 years of successfully growing PROSPECS into a major international brand, we leveraged this expertise to develop products that make our consumer's lives healthier and happier. At LS Networks, we are leading the domestic and international markets through product innovation and the creation of new categories to elevate Korea as the home to one of the world's most powerful sports brand.

Jae-Jin Lee, Deputy General Manager _ Brand Business Group





DREAM IS ALL NEW GROUND



To be the company that we dream to be, it's important that we focus on where we're going, not where we've been. With the proliferation of technology, today's global markets have been combined into a single economic zone. To remain ahead of the competition and remain a market leader, we must continue to maintain sustainable growth. At LS Networks, we are creating new growth engines by aligning Russia, CIS, Eastern Europe, the Middle East and North Africa with our global trading business. Our sustainable dreams begin where our eyes lead us.

Chang-Hyun Yoon, Senior Manager _ Global Business Group

DREAM IS A SOUND OF PASSION

Our greatest competitive edge is our people who are filled with passion and dreams of doing more. We believe that these dreams can be harnessed to become the foundation of our company. Encouraged to communicate openly, think creatively and perform to the best of their ability, every employee strives to achieve the goal of becoming the Global Dream Company. At LS Networks, our dream of being a Global Dream Company will be realized when the company's vision naturally fuses into how we work.

Kyung-Joon Song, Manager _ HR Division

Eun-Young Kim, Manager _ Brand Business Group

Sang-Moon Kim, Manager _ HR Division





In 2014, LS Networks achieved consolidated sales of KRW 951 billion, a 23.3% increase year-on-year, while turning operating income and net income into a surplus over the previous year.

Dear valued Shareholders and Customers:

I appreciate your steadfast support and passion for LS Networks. And I hope that 2015 has been a prosperous year for everyone.

Last year was difficult for all of us. After the Sewol ferry disaster, the biggest national tragedy to date, the shock and grief had swept the entire country and our sense of security was shaken to its core. As the uncertainty for the future increased, general consumption and consumer investments sharply declined. In particular, consumers between the ages of 40-50 years old and couples with children, who are key to the domestic market, showed a distinctly depressed consumption trend, resulting in one of the most severe recessions in Korea's history.

Even under such unfavorable economic conditions, LS Networks implemented forward-looking and proactive sales strategies centered on its trading and sports brand businesses. As a result, we achieved consolidated sales of KRW 951 billion, a 23.3% increase year-on-year while turning operating income and net income into surplus over the previous year.

Despite the challenging environment, we were able to produce positive results due to the passion, encouragement and support of our shareholders and customers. Once again, I'm asking for unwavering support.

Nevertheless, 2015 poses another challenge yet again. The world's economic crisis is forecasted to continue as advanced countries undergo market uncertainty, while emerging countries show slowed growth trends along with low oil prices. The Korean economy is also expected to demonstrate weak growth due to the uncertainty of the world's economy and the fast-rising burden of household debt. From a mid- and long-term perspective, this challenging situation is forecasted to continue.

With a range of cultural activities offered across the company, our goal is to enhance the personal competence of every employee to power and grow the company’s passion for quality.

Under these circumstances, the only way to perpetuate meaningful growth and earn the customer’s trust is to ceaselessly innovate to enhance the company’s value. At LS Networks, we are now facing a very critical moment in the company’s history. When in the past it was a time for growth and expansion, now we must push ourselves to achieve substantial growth.

The following is our approach to realize our management goals in 2015:

First, we will establish a strong organization based on clear goals and positive performances.

To accomplish this, we will have to reinvigorate the entire organization with expertise and responsibility to survive and surpass even greater competition. When the goals of our employees and the company are aligned, there is nothing we can’t achieve. In 2015, we will be reborn as a stronger organization based on the will to innovate and the capability to communicate by thinking outside the box.

Second, we will enhance our competency through a culture focused on communication and creativity.

The key to the company’s competency lies in a culture that will elevate the expertise of every employee while boosting performance. This will strengthen the company’s constitution, thereby helping to achieve our short-term business goals and establish a platform to become a top-tier company. For such an initiative to take root, we must create an environment where every employee can communicate freely and work creatively. With a wide offering of cultural activities, we will enhance the personal competency of every employee to power and grow the company’s passion for quality.

Third, we will be proactive when it comes to the ever-changing landscape of our industry.

Today, we know that a company cannot survive if it doesn’t rethink its outdated approach of focusing on vertical relationships with vendors and embrace horizontal collaborations with them instead. Our primary customers are our authorized dealers and vendors. By putting ourselves in the shoes of our customers’, we will be able

At LS Networks, we will focus our capabilities on creating a better future as we proactively face the challenges of a fast-changing world.

to realize our vision of becoming a Global Dream Company that designs products and services that meet our customers’ ever-growing needs.

Lastly, we will become more aligned with our stakeholders based on a sound labor-management culture to benefit all parties.

LS Networks has a proud tradition of focusing on ethical and compliance management. We have established a sensible and productive labor-management culture in which all of our stakeholders can benefit from. In 2015, we will consolidate its foundation to set a good model of win-win management.

This year will be one of the most difficult years we have ever faced. This challenge, however, is an opportunity for those who are prepared. At LS Networks, we will focus our capabilities on creating a better future as we continue to maneuver through the ever-changing landscape of our industry and be more proactive to avoid becoming stagnant.

There is a saying that is quite appropriate for where we are today: “The way you think can change your life for the better.” I hope we can continue to deliver the positive results reflect the enthusiasm and positive thinking found here at LS Networks.. We are firmly grounded in our potential to grow even under today’s unfavorable conditions and have one clear vision: to become a Global Dream Company.

I look forward to your unwavering support and encouragement as we move forward toward that goal.

Thank you.



Seung-Dong Kim
President & CEO

A sound and transparent governance is the key to gaining the trust of constituents and establishing the proper foundation for future growth drivers. It is essential to ensure the prosperity of LS Networks and everything it sets out to achieve. Ever since our founding, the management philosophy of LS Networks has always been Board of Directors (BOD)-centric and responsible when it comes to management transparency as mentioned earlier.

As an independent and the highest decision-making body, the BOD endeavors to establish the company’s mid- to long-term management strategies and its risk management policies and programs to ensure of transparent management. The CEO oversees the performance of our management team, guided by the delegated rights responsible for management policies.

In 2014, the BOD hosted 11 meetings that deliberated 18 agenda items and resolved 18 issues. The attendance rate was 100%.



- a. Christopher Koo** | Chairman
- Chairman of LS (2013 – Present)
 - Chairman & CEO, LS Cable & System / LS Mtron (2010)
 - Chairman & CEO, LS Cable & System / LS-Nikko Copper / LS Mtron (2009)
 - Vice Chairman & CEO, LS Cable / LS-Nikko Copper / LS Mtron (2008)
 - Vice Chairman & CEO, LG Cable (currently LS Cable & System) (2004)
 - President & CEO & COO, LG Cable (2003)

- b. Ja-Yong Koo** | Chairman
- Chairman of BOD, LS Networks (2013 – Present)
 - Chairman & CEO, E1 (2013 – Present)
 - Chairman & CEO, E1 (2011)
 - Chairman & CEO, LS Networks (2010)
 - Vice Chairman & CEO, E1 (2009)
 - President, E1 (2005)



- c. Seung-Dong Kim** | President & CEO
- President & CEO, LS Networks (2012 – Present)
 - Senior Executive Vice President, LS Networks (2011)
 - Senior Managing Director and Head of Global Business Division, LS Networks (2010)
 - Senior Managing Director and Head of Global Trading Development TFT, LS Networks (2010)
 - Managing Director and Head of Import & Retail Division, LG International (2007)
 - Managing Director and Head of Moscow Branch, LG International (2006)
- d. Yong-Sun Kim** | Vice President & CFO
- Vice President of Financial Division, LS Networks (2014– Present)
 - Senior Managing Director and Head of Financial Team, LS Networks (2011)
 - Managing Director and Head of Management Planning Team, LS Networks (2009)

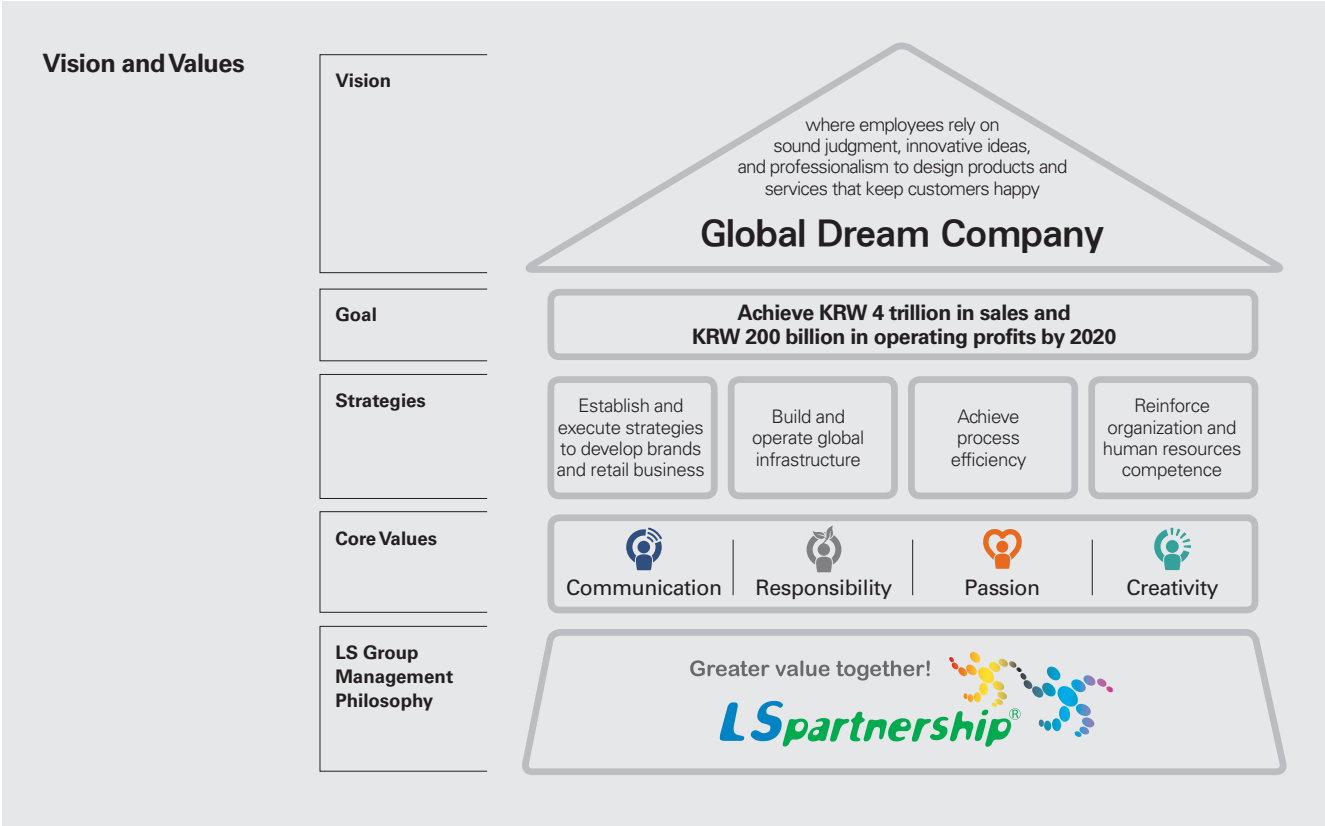


- e. Ho-Soo Oh** | Non-Executive Director
- Non-Executive Director, LS Networks (2010 – Present)
 - Chairman, Korea Securities Dealers’ Association (2001)
 - President & CEO, LG Investment & Securities (1998)
 - Senior Executive Vice President, Daewoo Securities (1996)
- f. Byong-Joo Kuem** | Non-Executive Director
- Non-Executive Director, LS Networks (2007 – Present)
 - President & CEO, Woosung I&C (2007)
 - President & CEO, LG International (2004)
 - Senior Managing Director, Fashion Business Unit, LG International (2000)

We are professionals in brand, retail and trading.

As the key consumer goods division of LS Group, LS Networks is a leader in the consumer brand and retail industries, and striving to expand its core capabilities to include a global trading business. With products that exceed customer expectations when it comes to function and design, LS Networks has secured its position in the sports and outdoor brand markets. We've also been able to establish a strong foothold with our growing global trading business in strategic regions, including Russia, Central Asia and CIS. Such efforts will lead us to our goal of becoming a sustainable company with the ability to generate future business drivers.

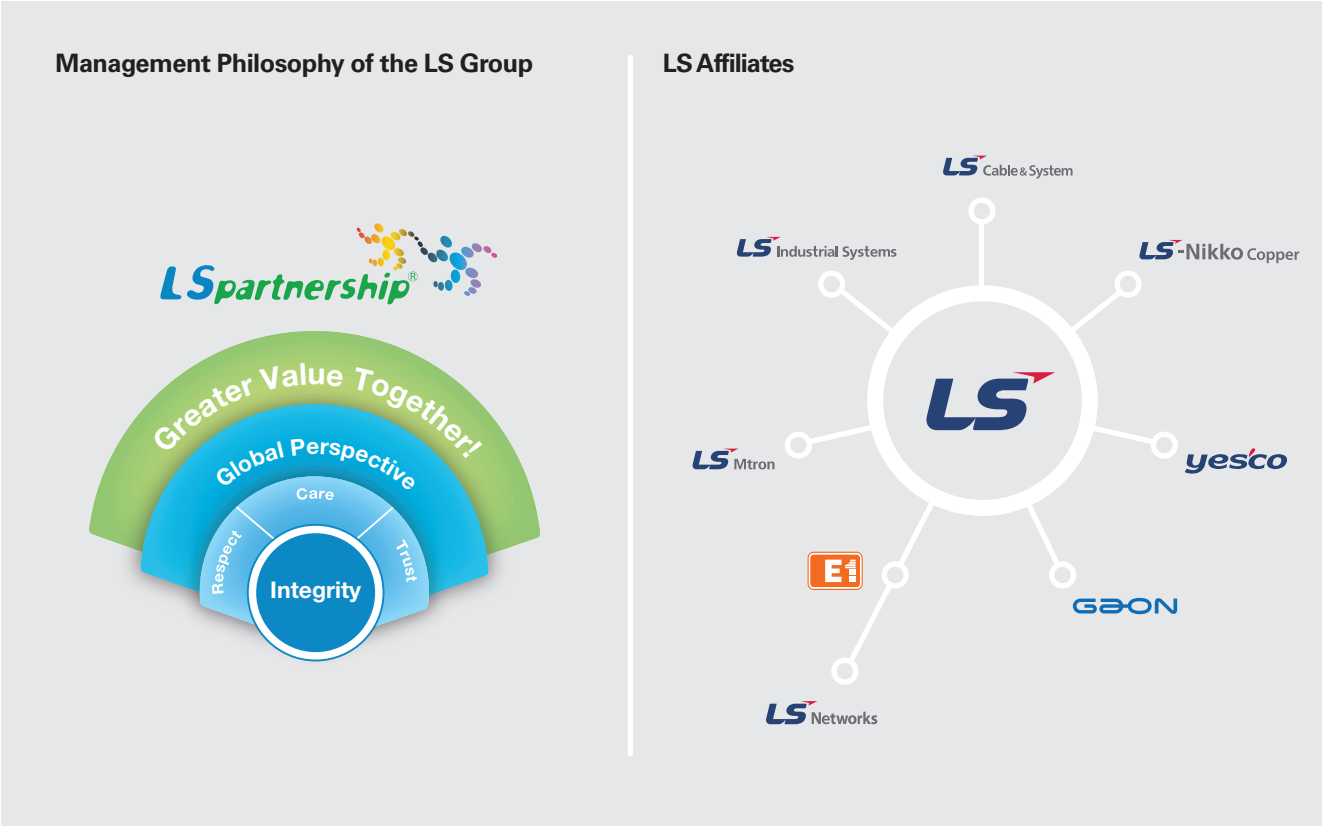
We have worked hard to establish our vision of becoming a Global Dream Company, with a goal of achieving KRW 4 trillion in sales and KRW 200 billion in operating profits by 2020. To reach our goal, we must focus our capabilities on four key initiatives: 1) establish and execute strategies to further develop brands and the retail business; 2) build and operate a global infrastructure; 3) attain operational efficiency; and 4) reinforce and support organizational capabilities and human capital.



We are growing as a leading, global company in electricity, electronics, and materials.

Led by LS Cable & System, LS Industrial Systems, LS-Nikko Copper, LS Mtron, Gaon Cable, E1, and YESCO, the LS Group is a leading Korean company in such areas as electricity, electronics, and materials. In 2007, the Group acquired Kukje Trading, formerly LS Networks, and shifted its focus from the business-to-business (B2B) sector to business-to-consumer (B2C).

Guided by LS Corporation, the holding company of the Group, we deploy responsible management to seek out future growth engines and new businesses through active investments in R&D. In particular, we are concentrating on developing eco-friendly industries such as new and renewable energy, smart grid, futuristic automobile parts and solutions. By implementing our business philosophy of LSpartnership®, which is based on respect, care and trust, we will continue to grow as a global corporate citizen committed to social responsibility.



1949~1980: Our Beginnings

- 1949 - Founded Kukje Chemicals
- 1962 - Exported basketball shoes for the first time in Korea
- 1969 - Began operations of the Sasang plant
- 1973 - Listed on KOSPI

1981~1997: Period of Growth

- 1981 - Developed original PROSPECS brand; exported 50 million pairs of footwear to Sears in the US
- 1982 - Sponsored athletes with footwear who were participated in the New Delhi Asian Games
- 1983 - Established the Sports Products R&D Center
- 1984 - Changed the company name to Kukje Trading
 - Developed 31 types of specialized sports footwear
 - Sponsored athletes with footwear who participated in the Los Angeles Olympic Games
- 1985 - Built and occupied the corporate offices in Yongsan
- 1986 - Became an official sponsor of the Asian Games
 - Signed a brand exports contract with Satec of France
 - Won the grand prize at the Korea Trademark Exhibition; completed applications for trademarks in more than 40 countries
- 1987 - Signed brand exports contract with MALSO of Italy
 - Established an exclusive dealership in Finland, Sweden, Norway and Iceland
 - Became an official sponsor of the Pakistani Hockey Federation
- 1988 - Became an official sponsor of the Seoul Olympics
- 1992 - Exceeded production of two million pairs of Grand Slam tennis footwear
- 1994 - Developed a special rubber (AI-5100) specifically for footwear soles; obtained ISO-9001 certification
- 1995 - Obtained the Good Design (GD) award for sports and hiking footwear
 - Acknowledged by the Ministry of Trade and Industry Named as a company that delivers world-class products
- 1997 - Established the PROSPECS Cup Professional Soccer Tournament

1998~2007: Restructuring

- 1998 - Voted #1 in the sports footwear category by a National Consumer Satisfaction Index (NCSI) survey
- 2000 - Filed for bankruptcy protection through 2007
- 2007 - Incorporated as an affiliate of the LS Group

2008~Present: A New Chapter

- 2008 - Changed the company name to LS Networks; launched the new BI for PROSPECS
 - Incorporated OD CAMP, a MONT-BELL-branded operator as a subsidiary
 - Restructured for the third time, included the spinoff of the ARTIS business
- 2009 - Launched the PROSPECS W sports shoe brand
 - Acquired FAST, a SKECHERS brand operator
 - Launched JACK WOLFSKIN, a leading European outdoor brand
 - Started its TOYOTA dealer business
- 2010 - Established a trading business
 - Started BICLO bicycle retail business
 - Completed the remodeling of the LS Yongsan Tower (November 2007~March 2010)
- 2011 - Launched WALK & TALK outdoor life multi-shops
 - Acquired Sports Motorcycle Korea
 - Established a subsidiary in China
 - Merged with OD CAMP, a subsidiary
 - Opened the first company-run MONT-BELL store in Beijing
 - Established branches in Moscow and Vladivostok
 - Acquired Heungup Corporation
 - Awarded with the Prime Minister Award at Korea’s Sports Industry Award
- 2012 - Resumed operation of the Heungup Department Store
 - Established its new vision and core values
 - Improved evaluation and remuneration programs (salary distributions based on evaluation results)
 - Exceeded KRW 600 billion in sales
 - Constructed an optical communications equipment plant in Kazakhstan (Alpha Networks, a joint venture with Kazakhtelecom)
 - Opened BICLO Academy
 - Awarded with the Knowledge Economy Minister’s Award at the Korea Brand Award
- 2013 - Devised its TOYOTA dealer business
- 2014 - Awarded the Minister Award from the Ministry of Government Administration and Home Affairs for BICLO Academy

Sports
Business

Outdoor
Business

Global
Business

Brand
Supporting

Finance &
Accounting

Corporate
Culture

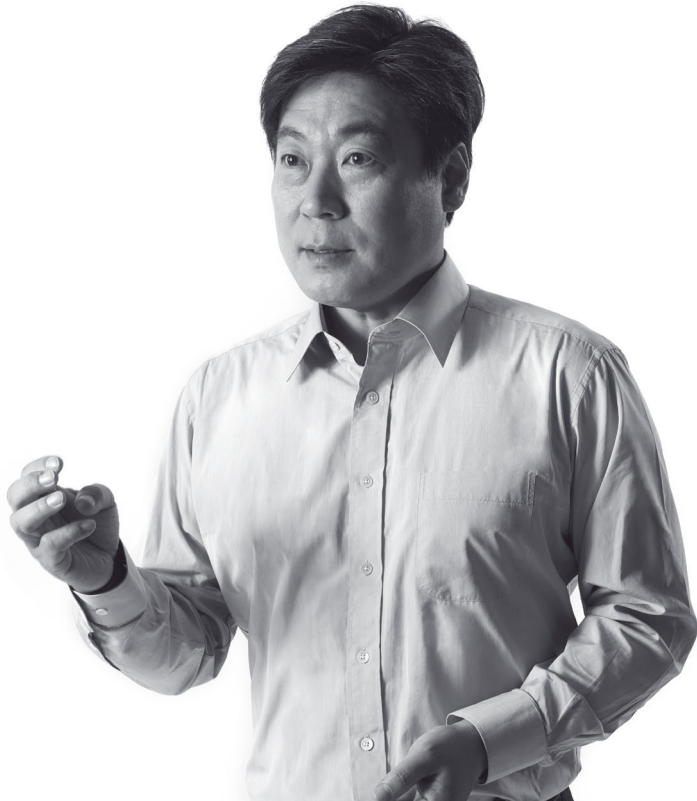
Business
Overview



Forging New Trails

We have a dream. A dream to sell value rather than products. A dream to become a company that creates new styles and always delivers new experiences. What's important to us is not what to sell but how to provide the value we dream of delivering through our products. In order to realize this, we're enhancing our products' competencies and consistently innovating based on our deep understanding of the customers and markets, thereby building a solid management system of our own.

Kyung-Bum Lee
Senior Executive Vice President
Brand Business Group



Constructing New Paradigms

We have a dream. A dream to become a global brand that is beloved on a global and local level. A dream to lead every market we serve with innovative products and strong core values. Backed by our brand power and expertise in differentiated technology that drove the walking phenomenon in Korea, plus the innovative spirit that helped us to redefine the market with the launch of the athletic walking shoe, we are realizing our dream.

Jin-Pyo Hong
Senior Vice President
Sports Business Division

Creating Balance and Harmony

We have a dream. A dream to create a working environment in which an employee's personal goals are also the goals of the company. A dream where our vision of becoming a Dream Global Company is made possible by making a true work-life balance culture a reality. Communication, responsibility, creativity and passion are our core principles which are shared amongst all of our employees. It will be these principles that carry us through the challenges of today's global economy.

Yeon-Jae Kim
Senior Vice President
HR Division





Achieving New Heights

We have a dream. A dream to find new value by exploring the invisible roads of trading. A dream to pave the way to undiscovered places and to create markets and products when there was none. At LS Networks, we have realized those dreams with our trading business. We targeted Russia and CIS as our strategic markets, as well as focused our capabilities and where we will establish our business portfolio for the future.

Jang-Ho Lee
Senior Vice President
Global Business Group



Building Long-Term Value

We have a dream. A dream to look forward with long-term insight. A dream to grow as an admirable company as we deliver value, along with more profit, through communications with stakeholders. At LS Networks, we implement transparent and sound financial management under long-term strategies and promote shared growth based on mutual trust and communication. This is how we fulfill our responsibility as a global corporate citizen.

Yong-Sun Kim
Vice President
Financial & Accounting Division

Delivering New Experiences

We have a dream. A dream to provide a new outdoor experience to our customers. A dream to create a more comfortable and relaxing environment, whether you're high up in the mountains, floating across a river or find yourself in the city. To make that dream a reality, we must apply more strict standards to our products to make them safer and more comfortable while providing richer experiences. This has been our philosophy and competitive advantage for our outdoor brands, including MONT-BELL and JACK WOLFSKIN.

Yeon-Soo Cha
Vice President
Outdoor Business Division



Thinking Ahead of You

We have a dream. A dream to become a brand that promises a better tomorrow and to leave a deep impression with our customers through industry-leading quality. At LS Networks, we enhance our brand power through innovation as we establish an integrated support system across brands and standardize our procurement systems, while streamlining the entire process. True innovation starts by asking "how" rather than "what." Our customer's trust is our future.

Jeong-Ho Choi
Vice President
Brand Supporting Division



Sports Business



PROSPECS

www.prospecs.com

In September 2009, PROSPECS became Korea's No. 1 athletic shoe brand by spearheading the country's fitness walking trend through the launch of PROSPECS W, a shoe designed specifically for walking. In 2012, it garnered an explosive response from teenagers and those in their 20s through a refreshed brand identity and a print advertising campaign featuring Yuna Kim, a world-famous figure skater. This led to the sale of more than three million pairs worldwide. It also spark a new urban trend of wearing athletic shoes with a suit and expanded the reach of walking as a recreational activity among a younger demographic.

As outdoor brands that utilize high-performance technology continue to penetrate the athletic shoe market, the line becomes more blurred between traditional sports and outdoor activities, thereby deepening the competition within the sporting goods market. PROSPECS is expected to regain the leadership position within the athletic footwear market backed by W POWER's authority and W SCIENCE's expertise. In particular, our W POWER Z SPRING and W POWER HEXA was awarded with the certification mark from the Korean Accreditation System, an industry first, which recognizes quality and reliability and guarantees the compliance of international standards, as well as underscoring the superior quality of W POWER products.



In 2015, PROSPECS is promoting W LITE's stylish, lightweight design to consumers through the "Life is LITE" advertising campaign. At the same time, we will enhance our brand affinity by consolidating our leadership position in the athletic footwear market with W POWER, while capitalizing on the new lifestyle trend by launching a differentiated product lineup. Looking forward, we will grow a globally recognized sports brand by enhancing the competitiveness of our brand and products.



SKECHERS
www.skecherskorea.co.kr

SKECHERS is the only brand in the world to boast a lineup that spans more than sixteen categories and offers more than 7,000 different styles, including functional sports shoes, lifestyle, street style, casual and kids. With outstanding quality and designs, it ranks second in sales in the U.S. market. SKECHERS satisfies the wide-ranging needs of the most demanding consumers and is available in more than a hundred countries around the world.

In May of 2009, LS Networks launched its SKECHERS total sports brand. In 2011, we launched Shape-ups Liv, which showcased a variety of different colors, along with an enhanced comfort level as it feels like wearing a pair of socks, which attributed to an explosive sales growth. Then in 2013, we added D'Lites EXTREME to our lineup, which was a huge success with teenagers and consumers in their 20s, and accumulated 580,000 pairs in sales for 2014. For the fall and winter seasons in 2014, we launched D'Lites EXTREME Golden Panda, which incorporated a cute panda motif and spark a style phenomenon in fashion footwear market. Soon after, we followed up with the Wild Panda line in February 2015, which continues to drive the success of the D'Lites Series.



Across 160 stores nationwide, SKECHERS will promote lifestyle and performance-based category products with differentiated technology and quality. We will also boost the marketing activity around our top-selling D'Lites Series, while rolling out the launch of successive models to improve customer satisfaction. In addition, we will elevate our brand share in the domestic walking and running footwear markets with our top-selling LIV and GOWalk brands, and GO Series by highlighting our innovative technology. In the sportswear market, which includes fitness, running and athletic footwear, we will become a global total sports brand by launching innovative products with a variety of styles and trend-setting designs.



Outdoor Business



MONT-BELL

www.montbell.co.kr

MONT-BELL is Japan's most popular outdoor brand, boasting innovative products based on independently developed, world-leading technologies. Launched in Korea by LS Networks in 2008, it is fast becoming a new powerhouse in the domestic outdoor sports market. Founded in 1975 by Isamu Tatsuno, the brand name means "beautiful mountain," a compound word of "mont" (mountain) and "bell" (beautiful) in French.

The ultra-light 7-denier wind breaker and Gore-Tex® jacket are MONT-BELL's flagship products symbolizing world's best technology and a heightened attention to detail in pursuit of lightweight functional products. The company is living up to its brand philosophy of "MONT-BELLism" through stringent field tests and ceaseless R&D in order to deliver the highest performance in the world's most extreme conditions. In 2013, we proved the quality of our technologies through our sponsorship of Kim Chang-ho, who climbed the fourteen tallest mountains in the Himalayas, without using oxygen in record-breaking time. This demonstrated that our ultra-lightweight technologies were the first choice even for professional mountaineers.

In 2014, MONT-BELL selected Jungjae Lee, a famous Korean actor, to be the face of the brand in a new advertising campaign. By aligning MONT-BELL with the trustful image of this critically acclaimed actor, the company enhanced



its brand value and launched a range of product lines, including the Alpine line with latest technology for professional climbers and lifestyle outdoor products related to trekking.

This year, MONT-BELL continues to grow and now has a network of more than 170 stores. Delivering the philosophy of "light & fast" in all of its products, MONT-BELL's line features state-of-the-art, highly functional clothing and equipment that keep its wearers warm and comfortable in any, and all, weather conditions.

mont-bell
Light & Fast

JACK WOLFSKIN

www.jack-wolfskin.co.kr



Founded in Germany in 1981, JACK WOLFSKIN is a leading outdoor apparel and equipment brand that possesses a dominant market position in Germany, the largest market in Europe. In 2008, LS Networks launched JACK WOLFSKIN in Korea. The brand features a broad range of products that enthusiasts can use for both everyday living and outdoor activities, such as climbing, trekking, hiking, camping, and urban sports.

Building on its core values of—Distance, Duration, Experience,



Democratic, The People—JACK WOLFSKIN encourages being one with nature, rather than disrupting it as evidenced by its slogan, “At Home in the Outdoors.”

Featuring original designs and sophisticated colors with a distinctively German flair, JACK WOLFSKIN’s products span all forms of outdoor activities in a wide range of weather conditions. This is especially the case as its product development and design philosophy focuses on the details and practical use. JACK WOLFSKIN’s products include such universally recognized and well-known weather protection materials as TEXAPORE, NANUK, and STORMLOCK. JACK WOLFSKIN was also recognized around the world for our originality and innovative technologies once again by launching TEXAPORE SOFTSHELL, a functional material that adds the elasticity of softshell materials to the vapor permeability and moisture resistance of TEXAPORE.

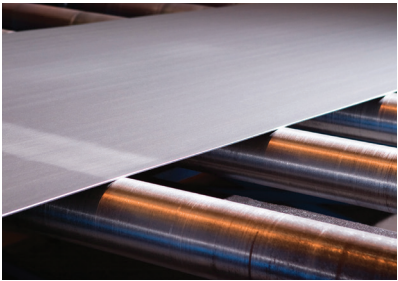
We were fully licensed to establish a solid foundation to grow the Korean outdoor market. Also, we launched a range of “family look” outdoor products through the expansion of the 2014 children’s outdoor line. Going forward, we will continue to position the JACK WOLFSKIN brand in the Korean outdoor market as a leading European outdoor brand that boasts both functionality and style. We will do this by developing licensed products, engaging in aggressive marketing, and adding to our retail network.



Global Business



By diversifying the company’s core competencies through the establishment of a global trading business, LS Networks is leading sustainable growth toward the future. While working on the company’s natural resources business in Southeast Asia, we will also expand as a locally specialized trading company targeting Russia and the CIS regions. These markets demonstrate a high potential for growth, rich with unlimited natural resources, as well as a social and civil infrastructure that’s supported by the government. At LS Networks, we’ve established offices in Moscow and Vladivostok and set up joint ventures in Russia and Kazakhstan to produce optical communications components. Leveraging our strategic footholds in the regions, we are expanding our businesses into bordering countries. And in an effort to stabilize our growing natural resources and raw materials businesses, we are also diversifying our trading portfolio consisting of coal, nonferrous metal, iron ore and other raw materials by establishing a joint venture in Indonesia.



Natural Resources · Raw Materials
LS Networks focused its attention on the trading of natural resources ever since the company started its trading business in 2010. The company also imports and acts as an intermediary in the trade of coal, nickel and other mineral resources. In 2014, we entered

the Indonesian market, a key coal exporter, through the acquisition of a local company. In the region, we not only import and export natural resources but also develop the production of natural resources. We also manage the intermediary trade of selling the world’s top steel company’s products to customers in Russia, the CIS and Japan. In addition, we import high-quality steel products from first-class steelmakers in China and Japan, and then supply them to customers in Korea, contributing to nation’s industry growth.

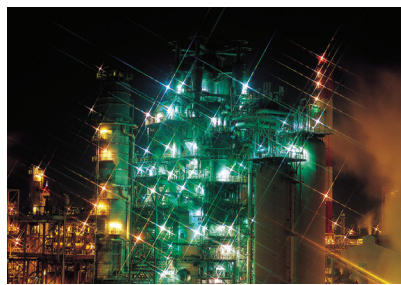


Machinery · Heavy Equipment
Since 2013, LS Networks has supplied reliable Korean-made construction machinery, which includes excavators, wheel loaders, concrete pump car and tractor to key strategy markets. We’ve also expanded our business to include the distribution of cranes and construction drills to anticipate the needs of our customers. In the shipping business, we are more than just an intermediary connecting the shipbuilder with a buyer. By providing a range of services, including customized financial services for both parties, risk management and off-take, we can deliver a total solution for our customers around the world.



Infrastructure

LS Networks is managing a range of infrastructure projects in Russia. In 2014, we completed the feasibility assessment and master plan service for the modernization project of the Yuzhno-Sakhalinsk Airport on the island of Sakhalin in Russia. Currently, we are preparing the next step in the management of the project after receiving favorable responses from our Korean partners and local client. In addition, we are managing the construction of a waste disposal facility from Khabarovsk Facilities Management Corporation, as well as a range of infrastructure projects from the Russian government and the local government in the Far East, including building an underground passage, hot water pipes and roads.



**Power • New and Renewable Energy
• New Business**

LS Networks is developing a power infrastructure business around the world in areas such as Russia and the CIS. Currently, we provide plant and plant equipment to the Middle East and African

markets. We are also focused on new business development, including the areas of new and renewable energy, to build the foundation for the company's mid- to long-term profitability. We began a power infrastructure business by exporting plant equipment to the Middle East and Southwest Asia, including UAE, Jordan, Pakistan and Russia. By collaborating with LS Group affiliates, including LS Industrial Systems and LS Cable & Systems, we have created synergy between all parties and have actively participated in a number of development projects in developing countries, funded by ODA (Official Development Assistance) and EDCF (Economic Development Cooperation Fund).

LS Networks has also imported wood pallets from Southeast Asia and distributed them to Korea Western Power, Korea Southern Power and Korea Midland Power, while exporting vehicles designed to be mobile hospitals to Myanmar. All of our efforts will ensure the establishment of new business development in support of the company's future growth engines, including new and renewable energy and the medical equipment businesses.

Our global trading business has been developed mainly based on Russia and the CIS region. Beginning with the trading of natural resources and raw materials, the global trading business is now expanding its reach to encompass power, new and renewable energy and new business. Starting with a mere KRW 17 billion in sales in 2011, it rocketed to KRW 340 billion in just three years, delivering outstanding performance. Looking forward, we will enhance our expertise as a locally specialized trading company and establish a successful trading business with a locally optimized business portfolio.



Brand Supporting



BICLO

Launched in 2010, BICLO is a multi-brand bicycle shop that sells bicycles, sportswear and equipment for brands from around the world. It offers Korean bicyclists with new standards in the nation’s bike culture by offering them variety through “one-stop” services. Its offerings include sales, repairs, maintenance, and bike riding programs.

In 2013, BICLO gradually shifted from a direct distribution system to one that supports manufacturing, importing, and retailing. As a result, we expanded our bicycle brand portfolio to include DAHON, BMC, BH, LOUIS GARNEAU and the sportswear brand PEARL IZUMI, as well as accessory brands CATLIKE, JETBLACK and CUBICLE. In 2014, we created a proprietary brand, MOUVE, which garnered attention from Korea’s high-end bicycle market, where global brands tend to dominate.

Production Management

In 2014, LS Networks made efforts to establish efficient operation management by integrating the sourcing of four brands—PROSPECS, SKETCHERS MONT-BELL and JACK WOLFSKIN—and by creating a production management standard. We secured quality and cost efficiencies by communicating with sourcing partners during the product planning stage. We also enhanced our operation efficiency by improving the production process and building a systematic supply chain

management process. Our on-time delivery rate is strictly managed as well. LS Networks will do its best to provide high quality products at reasonable prices by removing wasteful elements across product processes and developing effective solutions responsibly.

Customer Service

LS Networks pursues true customer value creation based on a deep understanding of and insight across customers, beyond normal customer satisfaction conditions. We pay great attention to our customers in order to deliver the products that they truly desire. The operation of a clothing and footwear repair room inside the Customer Service Center is one of our efforts to realize this goal. We also maintain the industry’s highest call-through rate and rate of repair completion within a predetermined period of time.

Finance & Accounting



Strategy

In order to realize the company's new vision, LS Networks is building and implementing its mid- and long-term management strategies, while focusing on creating new value centered on strategic missions. We are developing mid- and long-term policies based on financial planning and performance management. Through this, we are able to maintain a credit rating of the highest level. In addition, we provide financial information to our investors and stakeholders in a timely manner, elevating shareholder's value with proactive IR activities.

Finance

In 2014, LS Networks succeeded in issuing KRW 50 billion worth of corporate bonds to secure a long-term current fund. We also protected ourselves against foreign exchange currency rate risk by enacting management regulation. Moving forward in 2015, we will support marketing and sales by maintaining a strong credit rating, securing a line of credit and managing currency rate risk. We will also enhance our company's value by minimizing financial risk through the analysis of a fast-changing tax system.

Information Innovation

By building an effective business support system, LS Networks is able to provide an optimized ICT infrastructure. We are also maximizing our ERP

(Enterprise Resource Planning) system to garner higher performance. In 2014, we introduced an in-memory solution into our BW system to improve search speeds by up to 4.5 times. We also maintained a 100% system operation rate with a comprehensive range of education and support businesses, including ICT commission operation. In 2015, we will establish more efficient integrated business system as we rebuild our WMS system, while building an LS Group-driven e-Workplace at the same time.

Distribution Service

LS Networks promotes the increase of sales and profitability through a streamlined product supply process between the company and its stores. For improved operation, we merged the distribution centers scattered across Gimhae, Seongnam and Icheon to those in Gimhae and Seongnam, to improve efficiency and upgraded distribution service quality through automation, storage facilities and WMS.

Corporate Culture



Human Resource System

LS Networks endeavored to improve key human resource systems, including recruitment, evaluation, reward and education, to employ talented people who share our core values and instill our new vision value system. By educating team heads before they interview candidates, we were prepared to discover the best suited recruits. We also established a range of new employee rewards programs to better spread the new vision system.

In addition, we created a detailed model of behavior for our core values. Through this, we complemented existing systems of personal, performance and leadership evaluations. We also introduced NLP, a leadership enhancing program for different levels of employees to reinforce our corporate capabilities. Our workshops within team members and across other teams promote stronger communications among employees and writing work manuals help to enhance overall efficiency. With these concerted efforts, we are building a systematic foundation to enable the entire company to go forward toward a single goal.

Win-Win Management

Win-Win Management is a mutual belief shared between the company and its business partners to attain growth for both parties. We signed an agreement with Hana Bank in 2013 for the win-win support of retail stores. It was designed to resolve store owners' needs through the Customized Financial Support for Stores initiative, which included simplifying the loan procedure for store management and foundation

funds, offering a special rate and collecting bills via a virtual account system.

Ethical Management

An employee's acute awareness of ethics is essential for the growth of a company's sustainable management and competitiveness. In January 2014, LS Networks reinforced its ethical management by stating that the company should comply with the national and international law and our own regulations when conducting business. By doing so, we are committed to operating our company within the boundaries of the law and will contribute to enhancing the profit of our stakeholders, and fulfill our responsibilities and obligation to society.

Also we established an organization dedicated to providing compulsory education on compliance to employees. This organization has created a systematic tool for implementing compliance with ethical management, which is reflected in the employee evaluation. In addition, we made efforts to continue reasonable and productive relationships with our vendors, while creating synergies in doing business.

We at LS Networks pursue SOUND people who reflect our desire for delivering customer satisfaction through clear communication and by being responsible, passionate and creative.

- Strong Responsibility
- Open Communication
- Unlimited Passion
- New Way of Thinking
- Doing

Corporate culture

In January 2013, LS Networks established the Corporate Culture Team to encourage our employees to understand the company’s vision and core values and put them into practice every day. The team prepared mid- to long-term road maps for sharing and spreading the core values and provided a range of educational programs.

Followed by Dream Concert 2013 under the slogan of “Happy Trip, Looking for a Legendary SOUND,” Dream Concert 2014’s “Let’s Dream Together, and Sing Together” was a great opportunity for employees to participate in the educational programs and further understand the vision and core values and how they could be implemented on a daily basis. The Reading Management 1.0 program was designed to provide employees with books recommended by the CEO. The Tong Concert featured outside professionals from various fields. With large and small events throughout the year, we promote a healthy and happy corporate culture in order to break down any barriers between our employees and ensure that our vision and core values are alive in every corner of the company.

BICLO Academy

LS Networks is committed to corporate citizenship and is leveraging on our expertise to ensure every initiative is properly executed. BICLO Academy is our flagship program launched in 2012. As a non-profit educational institution, the academy provides two types of education: a professional course that educates those who want to open and operate a store, as well as how to repair the bikes; and a general course for those who want to learn bike riding

safety, basic bike maintenance and emergency repairs. This promotes a safe and enjoyable bike riding experience.

We are also spreading a safe and enjoyable bike riding culture to anywhere open to a customized bike riding educational experience, including corporations, kindergarten schools, schools and military camps. For three years since 2012, the academy has taught more than 1,600 students. Eleven education academy trainees successfully opened and ran bicycle stores after finishing the course and other ten trainees were recruited to bike-related jobs to further their career.

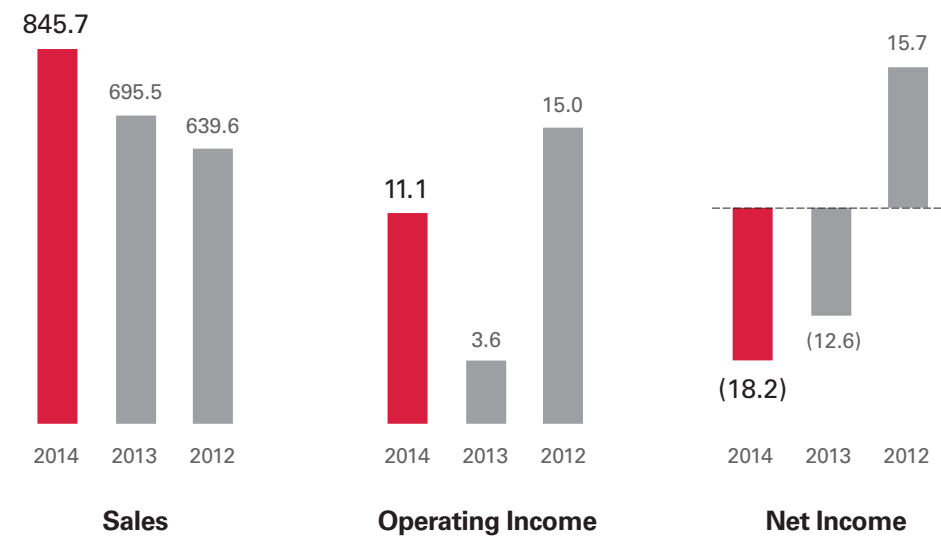
BOBODAM Magazine

Leveraging the expertise gained from our running sports outdoor brand, LS Networks published the first issue of *BOBODAM*—a quarterly magazine promoting an outdoor lifestyle—in 2011 summer. *BOBODAM* literally means “stories shared while walking together.” In each issue, we select an area or neighborhood in Korea and showcase its history and culture, while speaking with local people in those regions. Such an approach has made the magazine an archive for Korea’s liberal arts culture and history. We also deal with international trekking courses based on featured areas in Korea. This helps the readers to understand more about local cultures in Korea or abroad, and expand Korea’s outdoor lifestyle which is limited to mountain climbing and camping. *BOBODAM* is published four times a year and distributed for free to approximately 600 public libraries across the country and to subscribers.

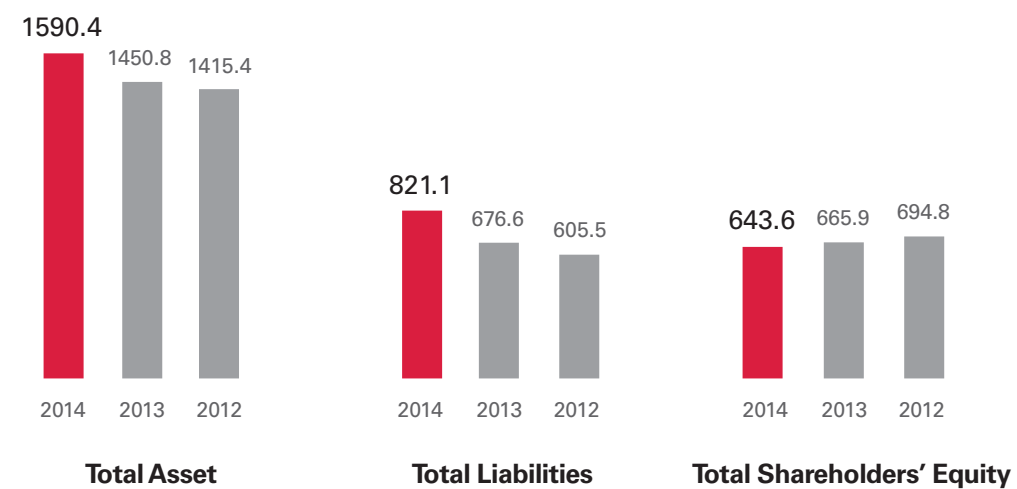


2014 Financial Highlights

1. Profit and Loss (Unit: KRW in billions)



2. Financial Position (Unit: KRW in billions)



Financial Review

Management’s Discussion & Analysis

This management discussion and analysis has been prepared in accordance with the Korean International Financial Reporting Standard (K-IFRS). It contains LS Networks’ forward-looking statements that relate to financial statements, operating results, future events and can be generally identified by phrases containing words such as “believes”, “expects”, “anticipates”, “foresees”, “forecasts”, “estimates” or other words or phrases of similar meaning. It also contains management plans and strategies.

Statements that are not based on objectively provable facts, such as both known and unknown risks, uncertainties, and other factors, may affect the actual results or performance of the company. LS Networks does not make any guarantees, either expressed or implied, as to the accuracy or completeness of the information contained in this section, and undue reliance should not be placed on it.

Forward-looking statements refer only to the conditions on the date they were made, and the company is under no obligation to update them in light of new information or future events. The term “the company”, when used without any other qualifying description, refers to LS Networks.

I. Introduction

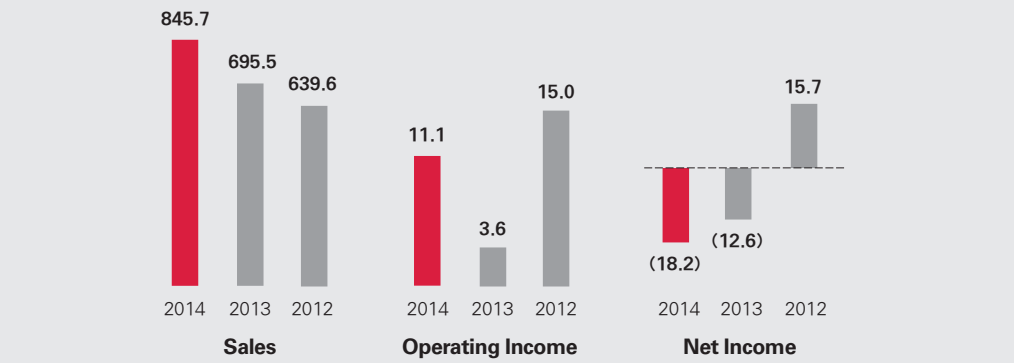
In 2014, the international economic climate was unfavorable due to the impact from neighboring countries, including Russia’s economic crisis, China’s growth slowdown and Japan’s continuing expansion of quantitative easing. Inside Korea, LS Networks suffered a decrease in domestic demand due to tragic events such as the Sewol ferry disaster and increasing household debt reduced consumption confidence. The company also encountered challenges in it business operations due to the performance delay of a subsidiary in Beijing, China, the starting point of our brand globalization dating back to 2011, and of the growing interest burden of non-operating income and loss through prior PEF investments. Even under such difficult conditions, the company achieved a meaningful growth in sales and operating income in 2014 by implementing a progressive and active sales strategy focused on its global trading and sports brand businesses.

II. Business Results

In key consumer brand businesses for 2014, LS Networks led the sports market in fitness walking, as the PROSPECS brand bolstered its W lineup identity and expanded its product line. MONT-BELL and JACK WOLFSKIN persevered through a strategy designed around celebrity endorsements and proprietary technology to combat a growth slowdown trend due to a more competitive outdoor market environment. The company’s global trading business demonstrated continued sales growth since its inception in 2011. In 2014, the division returned to being profitable as it exceeded its break-even point and also was consolidated as the company’s growth engine. As a result, the total sales in 2014 increased by 22% to KRW 845.7 billion, from KRW 695.5 billion in 2013. Operating income increased to KRW 11.1 billion, from KRW 3.6 billion, by more than three

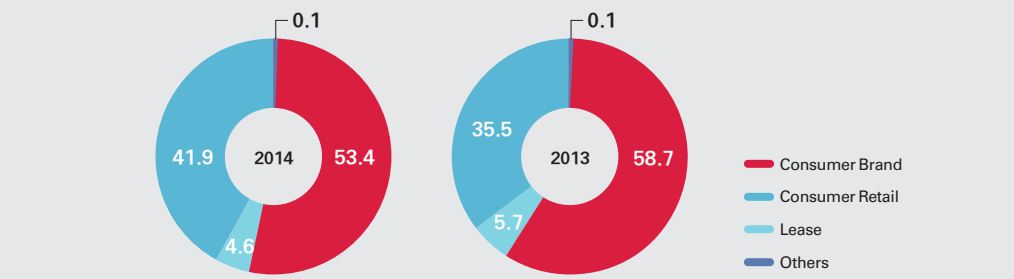
times over the previous year. Net income, however, decreased to KRW (18.2) billion from KRW (12.6) billion by 44%, due to the poor performance of the Beijing subsidiary.

Income Statements for the Past Three Years (Unit: KRW in billions)



In 2014, the company’s consumer brand business (including PROSPECS, SKECHERS, MONT-BELL and JACK WOLFSKIN) accounted for 53.4% of its total sales. The consumer retail business (including global trading business and BICLO) made up an additional 41.9%, while the lease business and others accounted for 4.6% and 0.1%, respectively. The proportion of the consumer retail business expanded by 6.4%, while those of the consumer brand and lease businesses decreased by 5.3% and 1.1%, respectively.

2013 Sales Breakdown (Unit: %)



1. Results by Business

In the consumer brand business, the company made efforts to achieve anticipated business results by enhancing its brand image with celebrity endorsements and diversifying its sales channels through the expansion of home shopping, pop-up stores and permanent shops, even under deeply depressed market conditions. Its sales increased by 10.7% year-on-year, to KRW 451.8 billion, while operating income decreased by 34% over the previous year to KRW 4.9 billion. This was primarily due to shrinking consumer sentiment for the sports brand market and the slowing growth of the outdoor market caused by the Sewol ferry disaster in April, 2014.

Management’s Discussion & Analysis

In the consumer retail business, the company maintained its focus on its global trading business, which recorded remarkable growth as it continued to penetrate markets by expanding its global footprint since 2011. The company further expanded its regional territories and business criteria to heavy equipment, ICT consulting, which were focused on natural resources, and raw materials trading. The company increased sales by 43.5% over the previous year to KRW 354.8 billion, and reduced its operating income deficit range by 91.2% to KRW (1.2) billion through the successful completion of a multi-brand business restructuring beginning in 2013, as well as by exceeding the break-even point of its global trading business.

In the lease business, the Korean property market remained depressed in spite of the central government’s pump-priming policies, while demand also continued to decrease. Also, the surplus of office buildings in Seoul created excessive competition, resulting in an unstable market condition. The company, however, generated stable earnings led by the LS Yongsan Tower and Asterium Yongsan. Both buildings provide the ultimate service to their occupants with prime locations and price competitiveness. The underground arcade at the LS Yong Tower fulfills the personal needs of the occupants, while contributing to the company’s revenue generation. The company decreased sales by (2.1 %) year-on-year to KRW 39.1 billion by purposely emptying offices to strategically reorganize rental clients at LS Yongsan Tower, while operating income fell by 8.9% to KRW 12.4 billion, reflecting an increase in management expenses due to the company’s ongoing investments.

Gross Profit (Unit: KRW in billions)				
	2014	2013	YoY Change	Change(%)
Sales	845.7	695.5	150.2	21.6%
Cost of goods and services sold	578.7	448.7	130.0	29.0%
Gross profit	267.0	246.8	20.2	8.2%
Gross margin	31.6%	35.5%	-	-
Selling and administrative expenses	255.9	243.2	12.7	5.2%
Operating income	11.1	3.6	7.5	207.2%
Operating margin	1.3%	0.5%	-	-

2. Net Income

Net income decreased by , while the ratio of net income to net sales fell by 3.7% points to (2.2%). This reflected a financial cost due to financial investment.

Net Income (Unit: KRW in billions)				
	2014	2013	YoY Change	Change(%)
Financial revenue	0.9	8.8	(7.9)	-89.5%
Financial costs	20.9	23.5	(2.6)	-11.1%
Income before income taxes	(21.0)	(15.3)	(5.7)	37.1%
Net income	(18.2)	(12.6)	(5.6)	44.3%
Net margin	-2.2%	-1.8%	-	-

III. Balance Sheets

1. Total Assets

The company’s total assets were worth KRW 1,412.6 billion at the end of 2014, up 9.1% from the previous year. This was led by increases in trade receivables and investment assets. There were no major changes in the collection period of trade receivables, while our inventories decreased. This has had a positive effect on our level of liquidity.

Total Assets (Unit: KRW in billions)				
	2014	2013	YoY Change	Change(%)
Current assets	410.0	274.4	135.6	49.4%
Cash and cash equivalents	19.0	10.3	8.7	84.5%
Trade receivables	160.5	83.2	77.3	92.9%
Other receivables	14.3	3.1	11.2	361.3%
Inventories	193.3	170.3	23.0	13.5%
Other current assets	22.9	7.5	15.4	205.5%
Non-current assets	1002.6	1020.8	(18.2)	-1.8%
Tangible assets	180.5	192.7	(12.2)	-6.3%
Investment assets	581.2	572.4	8.8	1.5%
Other intangible assets	240.9	255.7	(14.8)	-5.8%
Total Assets	1412.6	1295.2	117.4	9.1%

2. Total Liabilities and Shareholders’ Equity

Total liabilities increased by 22.2% over the year to reach KRW 769 billion at the end of 2014. This was attributed to a rise in borrowings due to usance increase by trading business expansion and new issue of KRW 50 billion worth corporate bond.

Our debt-to-equity ratio rose to 119.4% from 94.5% of the previous year, demonstrating the stability of our financial structure in the context of the agreed-upon limits established by the financial institutions that we borrow from. Financing through borrowings is believed to benefit a company’s shareholders, due to its leverage effects.

Management’s Discussion & Analysis

Total shareholders’ equity decreased by 3.3% to KRW 643.7 billion. This resulted from a decrease in other contributed capital due to the repurchase of treasury stock and a decrease in an earned surplus. A decrease in retained earnings reflect the net loss during the term of KRW 18.2 billion and the savings from dividends and earned surplus reserves. Despite the net loss during the term, the company plans to raise its shareholder value by paying dividends every year.

Total Liabilities (Unit: KRW in billions)				
	2014	2013	YoY Change	Change(%)
Current liabilities	506.4	137.8	368.6	267.5%
Trade payables	42.5	19.1	23.4	122.5%
Borrowings	378.0	86.6	291.4	336.5%
Other current liabilities	85.9	32.1	538	167.6%
Non-current liabilities	262.6	491.5	(228.9)	-46.6%
Other notes and accounts payable	78.6	71.9	6.7	9.3%
Borrowings	124.1	323.4	(199.3)	-61.6%
Other non-current liabilities	59.9	96.2	(36.3)	-37.7%
Total Liabilities	769.0	629.3	139.7	22.2%

Total Shareholders’ Equity (Unit: KRW in billions)				
	2014	2013	YoY Change	Change(%)
Shareholders’ equity				
Capital stock	394.1	394.1	-	0.0%
Other contributed capital	(21.1)	(18.1)	(3.0)	16.6%
Components of other capital	(0.7)	(0.6)	(0.1)	16.7%
Retained earnings	271.4	290.5	(19.1)	-6.6%
Total Shareholders’ Equity	643.7	665.9	(22.2)	-3.3%

IV. Cash Flow

Cash flow from the company’s operating activities resulted in a net outflow of KRW 54.2 billion. This was due to rises in our trade receivables and inventories. It was down by KRW 49.6 billion over the past year, and is expected to improve in 2015 if the turnover time of our inventories continues to shorten.

Cash outflow for investing activities was KRW 9.8 billion. This was caused by an increase in capital and financial costs toward the investment of the company’s subsidiary in Beijing, China. Cash flow rose by KRW 29.6 billion from the previous year.

Cash flow from financing activities resulted in an inflow of KRW 72.6 billion, mostly due to the bond issuance and an increase in debt. Our overall cash balance in 2014 had a net inflow of KRW 8.7 billion, meaning that our overall cash flow was satisfactory.

Cash Flow (Unit: KRW in billions)				
	2014	2013	YoY Change	Change(%)
Cash flow				
Net cash flow from operating activities	(54.2)	(4.6)	(49.6)	1078.5%
Net cash flow from investing activities	(9.8)	(39.4)	29.6	-75.2%
Net cash flow from financing activities	72.6	47.1	25.5	54.2%
Increase (Decrease) in cash balance	8.7	3.0	5.6	179.6%

V. Outlook for 2013

In 2014, LS Networks achieved a growth in sales over the year and improved operating income. Net income, however, recorded a deficit as in the previous year due to non-operating issues. The company was able to achieve a positive result due to a successful restructuring, which was implemented in 2013, and turned a deficit business into a profit. This reorganization enabled the company to lay the foundation for 2015 to be a more promising year.

In 2015, the company will focus on improving the profitability of under-performing businesses by upgrading management efficiency. With its global trading business, LS Networks plans to make that, plus the brand business, a priority, through the expansion of strategic businesses and business criteria. With respect to the non-operational part of the business, the company will maximize profitability through the efficient management of non-recurring costs.

Looking forward to 2015, the economic trend of industries in which LS Networks engages within is expected to be substantially limited. The Korean economy in 2015 is forecasted to continue its slow growth due to poor consumption sentiment and the cumulative effects of household debt, which will have a negative impact on the brand business. The economic status of foreign markets is also expected to be uncertain. Russia, where LS Networks has a established a strategic foothold with its global trading business, continues to struggle and will do so for the foreseeable future. Despite such an unfavorable market environment, LS Networks will realize its business goals as the company capitalizes on the synergies created across business divisions and implements flexible strategies to meet the ever-changing needs of the global markets throughout the year.

Independent Auditors’ Report

March 19, 2015

To the Shareholders and
the Board of Directors of
LS Networks Co., Ltd.:

We have audited the accompanying consolidated financial statements of LS Networks Co., Ltd. (the "Company") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statement of comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows, all expressed in Korean won, for the year ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an audit opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing ("KSAs"). Those standard s require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and its financial performance and its cash flows for the year ended December 31, 2014, in accordance with K-IFRS.

Others

The consolidated financial statements of the Company and its subsidiaries as of and for the year ended December 31, 2013, were audited by Ernst & Young Han Young in accordance with the former KSAs whose auditors' report dated March 11, 2014, expressed an unqualified opinion on those consolidated financial statements. In addition, the consolidated financial statements audited by the former auditor did not reflect the adjustments explained in note 2 (23), while those presented for a comparative purpose reflect such adjustments.

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This report is effective as of March 19, 2015, 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 consolidated financial statements and may result in modifications to the auditors’ report.

Consolidated Statements of
Financial Position

As Of December 31, 2014
December 31, 2013 and January 1, 2013

LS Networks Co., Ltd. and its subsidiaries		(Unit: KRW)	
	December 31, 2014	December 31, 2013	January 1, 2013
Assets			
Current Assets:			
Cash and cash equivalents	27,521,491,525	15,017,079,342	10,511,298,692
Trade accounts receivable	163,090,292,591	86,344,443,581	71,926,736,403
Other receivables	16,231,757,473	5,164,988,565	9,377,833,900
Other current financial assets	2,634,625,400	2,037,570,400	1,105,879,278
Derivative assets	882,943,871	211,999,386	310,286,119
Inventories	202,138,237,180	184,238,221,242	179,821,483,555
Other current assets	21,207,175,191	6,199,075,234	2,741,565,299
Income tax assets	5,328,800	13,222,397	5,310,870
	433,711,852,031	299,226,600,147	275,800,394,116
Non-Current Assets:			
Other receivables	23,696,086,147	24,159,804,307	21,986,277,435
Other non-current financial assets	21,781,793	41,114,933	8,029,113,353
Investment in associates	319,009,281,163	305,965,287,433	296,898,440,101
Investment in joint ventures	386,991,102	723,246,568	1,209,166,774
Property, plant and equipment	263,276,569,544	275,630,793,396	233,685,480,930
Investment properties	540,503,612,859	533,101,876,093	566,915,543,823
Intangible assets	8,557,962,639	9,094,805,107	9,379,886,292
Other non-current assets	778,651,228	2,730,186,204	1,447,763,780
Deferred tax assets	465,441,289	93,629,013	-
	1,156,696,377,764	1,151,540,743,054	1,139,551,672,488
Total Assets	1,590,408,229,795	1,450,767,343,201	1,415,352,066,604

As Of December 31, 2014
December 31, 2013 and January 1, 2013

		(Unit: KRW)	
	December 31, 2014	December 31, 2013	January 1, 2013
Liabilities and Shareholders' Equity			
Current Liabilities:			
Trade accounts payables	47,545,753,412	23,802,113,555	25,782,891,935
Other payables	45,660,569,170	22,235,116,683	18,968,118,614
Short-term borrowings	120,065,257,604	85,703,798,210	32,361,183,474
Current portion of long-term borrowings and debenture	262,728,415,662	2,545,100,679	230,563,767,292
Other current liabilities	7,165,738,427	8,875,978,212	8,903,433,932
Derivative liabilities	34,788,308,523	683,802,896	32,260,525,294
Income tax liabilities	1,923,511,855	2,993,672,654	1,173,158,197
	519,877,554,653	146,839,582,889	350,013,078,738
Non-Current Liabilities:			
Other payables	55,895,175,323	49,705,125,652	49,600,014,793
Long-term borrowings	95,234,064,474	298,303,444,745	46,292,566,635
Debentures	49,820,711,230	49,933,529,706	49,870,669,280
Other non-current liabilities	1,501,373,184	1,416,654,048	1,638,419,914
Derivative liabilities	344,114,013	30,863,097,451	794,153,994
Net defined benefit liability	6,206,729,585	4,758,837,496	3,353,911,297
Other provisions	726,529,193	229,977,046	-
Deferred tax liabilities	91,448,672,417	94,565,312,245	103,945,788,979
	301,177,369,419	529,775,978,389	255,495,524,892
Total Liabilities	821,054,924,072	676,615,561,278	605,508,603,630
Shareholders' Equity:			
Equity attributable to the owners of the Group:			
Issued capital	394,091,500,000	394,091,500,000	394,091,500,000
Other paid-in capital	(21,139,439,130)	(18,124,289,503)	(7,920,703,249)
Retained earnings	395,801,575,693	396,189,797,049	417,316,791,912
Other components of equity	599,669,160	1,994,774,377	6,355,874,311
	769,353,305,723	774,151,781,923	809,843,462,974
Non-controlling shares	-	-	-
Total Shareholders' Equity	769,353,305,723	774,151,781,923	809,843,462,974
Total Liabilities and Shareholders' Equity	1,590,408,229,795	1,450,767,343,201	1,415,352,066,604

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

LS Networks Co., Ltd. and its subsidiaries	(Unit: KRW)	
	2014	2013
Sales	951,010,673,083	771,011,941,784
Cost of Sales	(671,565,454,692)	(515,024,611,892)
Gross profit	279,445,218,391	255,987,329,892
Selling and administrative expenses	(276,894,230,306)	(261,035,659,827)
Operating Profit (Loss)	2,550,988,085	(5,048,329,935)
Other income	24,869,453,025	15,015,568,049
Other expenses	(19,976,029,871)	(16,880,675,994)
Financial income	1,109,391,762	8,958,861,461
Financial expenses	(21,661,632,981)	(24,166,728,568)
Gains on change in value of investments in associates	14,499,353,665	-
Loss on change in value of investments in associates	(176,553,011)	(527,497,475)
Income (Loss) Before IncomeTax Expense	1,214,970,674	(22,648,802,462)
IncomeTax Expense	(504,940,751)	3,426,623,103
Net Income (Loss)	710,029,923	(19,222,179,359)
Other Comprehensive Income (Loss):		
Item that is not subsequently reclassified to profit or loss:		
Remeasurement of the net defined benefit liability	(791,744,674)	(800,014,480)
	(791,744,674)	(800,014,480)
Items that are subsequently reclassified to profit or loss:		
Loss on valuation of available-for-sale financial assets	-	(4,221,868,937)
Gain (loss) on valuation of cash flow hedge derivatives	(80,446,016)	161,293,311
Loss on valuation of investment securities accounted for using the equity method	(1,262,865,286)	(518,263,042)
Gain (loss) on translation of foreign operations	(51,793,915)	217,738,734
	(1,395,105,217)	(4,361,099,934)
Total Comprehensive Income (Loss)	(1,476,819,968)	(24,383,293,773)

For the years ended December 31, 2014 and 2013

	(Unit: KRW)	
	2014	2013
Income (Loss) Attributable to:		
Owners of the Group	710,029,923	(19,222,179,359)
Non-controlling interests	-	-
Total Comprehensive Income (Loss) Attributable to:		
Owners of the Group	(1,476,819,968)	(24,383,293,773)
Non-controlling interests	-	-
Net Earnings (Loss) Per Share:		
Basic and diluted earnings per share	7	(257)

Consolidated Statements of
Changes In Shareholders' Equity

For the years ended December 31, 2014 and 2013

LS Networks Co., Ltd. and its subsidiaries

(Unit: KRW)

	Issued Capital	Other Paid-in Capital
January 1, 2013	394,091,500,000	(7,920,703,249)
Effects of Adjustments	-	-
Adjusted balance	394,091,500,000	(7,920,703,249)
Dividends paid	-	-
Comprehensive income:		
Net loss	-	-
Net change in fair value of AFS financial assets	-	-
Changes in valuation of equity-accounted investees	-	-
Gain on translation of foreign operations	-	-
Loss on valuation of derivatives	-	-
Remeasurement of defined benefit plans	-	-
	-	-
Transaction cost of issue of stock	-	(31,451,400)
Write-off of discount on stock issuance	-	279,249,849
Purchase of treasury stocks	-	(10,451,384,703)
December 31, 2013	394,091,500,000	(18,124,289,503)
January 1, 2014	394,091,500,000	(18,124,289,503)
Dividends Paid	-	-
Comprehensive income:		
Net income	-	-
Changes in valuation of equity-accounted investees	-	-
Loss on translation of foreign operations	-	-
Gain on valuation of derivatives	-	-
Remeasurement of defined benefit plans	-	-
	-	-
Purchase of treasury stocks	-	(3,015,149,627)
December 31, 2014	394,091,500,000	(21,139,439,130)

For the years ended December 31, 2014 and 2013

(Unit: KRW)

Retained Earnings	Other Components of Equity	Equity Attributable to the Owners of the Group	Non-Controlling Shares	Total
416,588,739,382	(1,552,379,170)	801,207,156,963	-	801,207,156,963
728,052,530	7,908,253,481	8,636,306,011	-	8,636,306,011
417,316,791,912	6,355,874,311	809,843,462,974	-	809,843,462,974
(825,551,175)	-	(825,551,175)	-	(825,551,175)
(19,222,179,359)	-	(19,222,179,359)	-	(19,222,179,359)
-	(4,221,868,937)	(4,221,868,937)	-	(4,221,868,937)
-	(518,263,042)	(518,263,042)	-	(518,263,042)
-	217,738,734	217,738,734	-	217,738,734
-	161,293,311	161,293,311	-	161,293,311
(800,014,480)	-	(800,014,480)	-	(800,014,480)
(20,022,193,839)	(4,361,099,934)	(24,383,293,773)	-	(24,383,293,773)
-	-	(31,451,400)	-	(31,451,400)
(279,249,849)	-	-	-	-
-	-	(10,451,384,703)	-	(10,451,384,703)
396,189,797,049	1,994,774,377	774,151,781,923	-	774,151,781,923
396,189,797,049	1,994,774,377	774,151,781,923	-	774,151,781,923
(306,506,605)	-	(306,506,605)	-	(306,506,605)
710,029,923	-	710,029,923	-	710,029,923
-	(1,262,865,286)	(1,262,865,286)	-	(1,262,865,286)
-	(51,793,915)	(51,793,915)	-	(51,793,915)
-	(80,446,016)	(80,446,016)	-	(80,446,016)
(791,744,674)	-	(791,744,674)	-	(791,744,674)
(81,714,751)	(1,395,105,217)	(1,476,819,968)	-	(1,476,819,968)
-	-	(3,015,149,627)	-	(3,015,149,627)
395,801,575,693	599,669,160	769,353,305,723	-	769,353,305,723

Consolidated Statements of
Cash Flows

For the years ended December 31, 2014 and 2013

LS Networks Co., Ltd. and its subsidiaries

(Unit: KRW)

	2014	2013
Cash Flows from Operating Activities:		
Net income	710,029,923	(19,222,179,359)
Addition of expenses not involving cash outflows:		
Income tax expense	504,940,751	(3,426,623,103)
Financial expense	21,661,632,981	24,166,728,568
Depreciation	15,966,772,969	16,313,302,009
Retirement benefits	3,950,697,296	3,692,014,185
Amortization of intangible assets	1,445,067,197	2,228,990,112
Bad debt expenses	373,308,307	385,492,596
Loss on foreign currency translation	3,182,457,231	791,930,749
Other bad debt expense	4,422,445	1,636,354,167
Loss on scrap inventories	922,196,084	1,606,838,894
Loss on disposal of investments in associates	-	570,074,782
Loss on disposal of property, plant and equipment	833,106,228	1,952,385,359
Loss on disposal of intangible assets	84,000,000	100,000,000
Impairment loss of intangible assets	247,191,850	2,000,000
Loss on valuation of derivatives	285,109,711	390,182,006
Loss on valuation of firm commitment	611,764,234	39,569,254
Loss on valuation using equity method	176,553,011	527,497,475
	50,249,220,295	50,976,737,053
Deduction of revenues not involving cash inflows:		
Interest income	1,109,391,762	8,958,861,461
Gain on exemption of debts	1,917,543,224	-
Gain on foreign currency translation	3,674,874,087	1,386,452,923
Reversal of impairment loss on intangible assets	2,000,000	-
Gain on disposal of property, plant and equipment	122,440,150	28,383,321
Gain on disposal of intangible	140,000,000	-
Gain on valuation of firm commitment	-	28,190,356
Gain on valuation of derivatives	882,943,871	183,809,030
Gain on valuation using equity method	14,499,353,665	-
	(22,348,546,759)	(10,585,697,091)
Movements in working capital:		
Trade accounts receivables	(75,226,594,298)	(14,076,819,186)
Other accounts receivables	(8,261,438,755)	1,169,000,549
Other financial assets	-	(934,851,122)
Inventories	(18,846,791,436)	(5,733,038,826)
Other current assets	(15,006,333,421)	(2,136,097,071)
Other non-current assets	568,590,002	441,070,990
Derivative assets (liabilities)	(217,751,874)	(407,987)
Trade accounts payables	23,754,935,614	(1,787,823,916)
Other accounts payables	25,842,225,993	(1,346,603,872)
Other current liabilities	(1,729,028,734)	2,964,226,158
Other non-current debts	581,271,283	1,157,847
Payment of severance indemnities	(341,903,828)	(189,075,585)
Plan assets	(3,190,586,720)	(3,000,000,000)

For the years ended December 31, 2014 and 2013

(Unit: KRW)

	2014	2013
Income tax paid	(4,439,838,993)	(2,556,107,307)
	(76,513,245,167)	(27,185,369,328)
Net Cash Used in Operating Activities	(47,902,541,708)	(6,016,508,725)
Cash Flows from Investing Activities:		
Cash inflows from investing activities:		
Disposal of other financial assets	2,248,755,760	8,100,735,393
Disposal of property, plant and equipment	970,725,644	504,278,546
Disposal of intangible assets	300,000,000	50,000,000
Decrease in other accounts payables	-	97,411,600
Decrease in other accounts receivable	142,185,200	85,125,000
Interest received	413,565,482	1,260,479,986
Dividends received	186,650	450,708,230
	4,075,418,736	10,548,738,755
Cash outflows for investing activities:		
Acquisition of other financial assets	2,825,970,760	477,580
Increase in other accounts receivable	1,166,196,800	904,040,000
Acquisition of property, plant and equipment	8,983,591,284	26,426,444,923
Acquisition of intangible assets	1,339,416,579	2,533,248,139
Derivatives assets (liabilities)	-	4,008,359,845
Acquisition of investments in associates	-	12,771,349,176
Acquisition of investments in joint ventures	-	41,585,466
	(14,315,175,423)	(46,685,505,129)
Net Cash Used in Investing Activities	(10,239,756,687)	(36,136,766,374)
Cash Flows from Financing Activities:		
Cash inflows from financing activities:		
Issuance of debentures	49,808,200,000	-
Proceeds from borrowings	754,494,322,812	599,303,844,566
	804,302,522,812	599,303,844,566
Cash outflows for financing activities:		
Redemption of borrowings	723,000,684,202	530,260,326,300
Increase in prepaid expenses	-	5,045,767,120
Purchase of treasury stock	3,015,149,627	10,451,384,703
Transaction costs of issue of stock	-	31,451,400
Payment of dividends	306,506,605	825,551,175
Payment of interest	7,278,557,807	6,225,771,407
	(733,600,898,241)	(552,840,252,105)
Net Cash Provided by Financing Activities	70,701,624,571	46,463,592,461
Exchange Differences on Translation of Foreign Operations	-	217,738,734
Net Increase in Cash and Cash Equivalents	12,559,326,176	4,528,056,096
Cash and Cash Equivalents as of January 1, 2015	15,017,079,342	10,511,298,692
Effect of Exchange Rate Changes on The Balance of Cash Held in Foreign Currencies	(54,913,993)	(22,275,446)
Cash and Cash Equivalents at Year-End	27,521,491,525	15,017,079,342

GLOBAL DREAM COMPANY

In 2014, LS Networks consolidated its businesses and identified opportunities for growth in the new markets. As we look forward in 2015, we will return greater value to our shareholders and customers by enhancing our brand and retail businesses, while establishing sustainable growth through diversified businesses in strategic global markets.

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