

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

In millions of won	2012	2011
Profit for the year	₩ 126,109	543,769
Net change in fair value of available-for-sale financial assets	44,828	-71,660
Foreign currency translation differences for foreign operations	-4,325	3,968
Effective portion of changes in fair value of cash flow hedges	-	1,855
Net change in unrealized gain on valuation of investments in associates	-1,545	1,003
Net change in retained earnings of investments in associates	-476	-742
Defined benefit plan actuarial losses	-7,368	-7,726
Other comprehensive income (loss) for the year, net of income tax	31,114	-73,302
Total comprehensive income for the year	₩ 157,223	470,467
Total comprehensive income attributable to:		
Owners of the Company	155,910	433,880
Non-controlling interests	1,313	36,587
Total comprehensive income for the year	₩ 157,223	470,467

Consolidated Statements of Changes in Equity

For the year ended December 31, 2011

In millions of won	Capital	Capital	Capital	Accumulated other	Retained	Non	Total
		surplus	Adjustment	comprehensive	earnings	controlling	Equity
				income		interests	
Balance at January 1, 2011	₩ 142,240	79,049	-40,082	71,839	572,463	67,621	893,130
Total comprehensive income for the year							
Profit for the year	-	-	-	-	505,629	38,140	543,769
Net change in fair value of available for-sale financial assets	-	-	-	-69,726	-	-1,934	-71,660
Foreign currency translation differences for foreign operations	-	-	-	3,541	-	427	3,968
Effective portion of changes in fair value of cash flow hedges	-	-	-	1,855	-	-	1,855
Net change in unrealized gain on valuation of investments in associates	-	-	-	801	-	202	1,003
Net change in retained earnings of investments in associates	-	-	-	-	-742	-	-742
Defined benefit plan actuarial losses	-	-	-	-	-7,478	-248	-7,726
Transactions with owners of the Company, recognized directly in equity							
Conversion of convertible bond	25,216	186,254	-	-	-	-	211,470
Capital increase of non-controlling interests involved	-	-	-	-	-	5,196	5,196
Other capital adjustment (payment of transaction costs related to shares)	-	-	-152	-	-	-26	-178
Dividends	-	-	-	-	-23,007	-	-23,007
Balance at December 31, 2011	₩ 167,456	265,303	-40,234	8,310	1,046,865	109,378	1,557,078

Consolidated Statements of Changes in Equity

For the year ended December 31, 2012

In millions of won	Capital	Capital surplus	Capital Adjustment	Accumulated other comprehensive income	Retained earnings	Non controlling interests	Total Equity
Balance at January 1, 2012	₩ 167,456	265,303	-40,234	8,310	1,046,865	109,378	1,557,078
Total comprehensive income for the year							
Profit for the year	-	-	-	-	129,564	-3,455	126,109
Net change in fair value of available for-sale financial assets	-	-	-	38,855	-	5,974	44,828
Foreign currency translation differences for foreign operations	-	-	-	-3,906	-	-420	-4,326
Net change in unrealized gain on valuation of investments in associates	-	-	-	-1,344	-	-201	-1,545
Net change in retained earnings of investments in associates	-	-	-	-	-476	-	-476
Defined benefit plan actuarial losses	-	-	-	-	-6,783	-585	-7,368
Transactions with owners of the Company, recognized directly in equity							
Dividends	-	-	-	-	-55,948	-	-55,948
Balance at December 31, 2012	₩ 167,456	265,303	-40,234	41,916	1,113,221	110,690	1,658,352

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

In millions of won	2012	2011
Cash flows from operation activities		
Cash generated from operation activities	₩ 341,717	860,227
Interest received	11,335	8,638
Interest paid	-107,455	-124,533
Dividends received	25,757	19,154
Income tax paid	-25,874	-95,075
Net cash provided by operating activities	245,481	668,411
Cash flows from investing activities		
Cash from sales of short-term loans	-	10,113
Proceeds from sales of short-term financial instruments	22,000	-
Proceeds from sales of long-term financial instruments	1,177	-
Proceeds from sales of available-for-sale financial assets	4,966	51,928
Cash from sales of long-term loans	432	551
Proceeds from sales of property, plant and equipment	449	275
Proceeds from sales of intangible assets	1,485	368
Increase in short-term loans	-210	-9
Increase in sales of short-term financial instruments	-21,571	-5,000
Increase in sales of long-term financial instruments	-3	-
Acquisition of available-for-sale financial assets	-1,675	-61
Acquisition of investments in associates	-7,117	-6,963
Acquisition of property, plant and equipment	-368,760	-291,083
Acquisition of intangible assets	-4,296	-4,368
Increase in long-term loans	-635	-666
Increase in other assets	-17	-
Net cash used in investing activities	-373,775	-244,914

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

In millions of won	2012	2011
Cash flows from financing activities		
Proceeds from short-term borrowings	2,439,634	1,833,786
Proceeds from issuance of bonds	458,308	99,568
Proceeds from long-term borrowings	472,485	255
Repayments of short-term borrowings	-2,955,485	-1,731,712
Repayments of current portion of long-term borrowings	-447,279	-211,249
Repayments of bonds	-43,594	-36,129
Repayments of long-term borrowings	-	-5,850
Dividends paid	-55,947	-23,006
Capital increase of non-controlling interests involved	-	5,196
Payment of transaction costs related to issuance of shares	-	178
Net cash from used in financing activities	-131,877	-68,963
Effect of exchange rate fluctuations on cash held	1,322	-205
Net increase in cash and cash equivalents	-258,849	354,329
Cash and cash equivalents at 1 January	505,090	150,761
Cash and cash equivalents at 31 December	₩ 246,241	505,090

Independent Auditors’ Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Kumho Petrochemical Co., Ltd.:

We have audited the accompanying separate statement of financial position of Kumho Petrochemical Co., Ltd (the “Company”) as of December 31, 2012 and 2011 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these separate financial statements based on our audit.

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 separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.