

KUMHO PETROCHEMICAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2011 and 2010

(In millions of won)

		Capital	Capital surplus	Capital adjustment	Accumulated other compre- hensive income	Retained earnings	Non- controlling interests	Total Equity
Balance at January 1, 2010	₩	142,240	295,651	(40,066)	45,704	31,444	40,068	515,041
(Unaudited)								
Total comprehensive income for the year								
Profit for the year		-	-	-	-	316,021	29,948	345,969
Change in fair value of available-for-sale financial assets		-	-	-	25,731	-	497	26,228
Foreign currency translation differences for foreign operations		-	-	-	168	-	68	236
Effective portion of changes in fair value of cash flow hedges		-	-	-	184	-	-	184
Change in unrealized gain on valuation of equity method accounted investments		-	-	-	52	-	-	52
Change in retained earnings of equity method accounted investments		-	-	-	-	(417)	-	(417)
Defined benefit plan actuarial losses		-	-	-	-	(1,265)	(43)	(1,308)
Transactions with owners of the Company, recognized directly in equity								
Deficit recovery by additional paid-in capital		-	(62,173)	-	-	62,173	-	-
Deficit recovery by asset revaluation surplus		-	(161,393)	-	-	161,393	-	-
Deficit recovery by other capital surplus		-	(3,114)	-	-	3,114	-	-
Capital increase of non-controlling interests involved		-	-	-	-	-	525	525
Other capital adjustment(payment of transaction costs related to shares)		-	-	(16)	-	-	(2)	(18)
Additional acquisition of shares from subsidiaries		-	(3,106)	-	-	-	(3,440)	(6,546)
Issuance of convertible bond issue - consideration for conversion rights		-	13,184	-	-	-	-	13,184
Balance at December 31, 2010	₩	142,240	79,049	(40,082)	71,839	572,463	67,621	893,130
(Unaudited)								

KUMHO PETROCHEMICAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2011 and 2010

(In millions of won)

		Capital	Capital surplus	Capital adjustment	Accumulated other compre- hensive income	Retained earnings	Non- controlling interests	Total Equity
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
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
Change in unrealized gain on valuation of equity method accounted investments		-	-	-	801	-	202	1,003
Change in retained earnings of equity method accounted investments		-	-	-	-	(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	₩	<u>167,456</u>	<u>265,303</u>	<u>(40,234)</u>	<u>8,310</u>	<u>1,046,865</u>	<u>109,378</u>	<u>1,557,078</u>

KUMHO PETROCHEMICAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity, Continued

For the years ended December 31, 2011 and 2010

(In millions of won)

	2011	2010
		(Unaudited)
Cash flows from operation activities		
Cash generated from operation activities	₩ 861,329	588,048
Interest received	8,638	5,319
Interest paid	(124,533)	(132,352)
Dividends received	19,154	9,847
Income tax paid	(95,075)	(25,826)
Net cash provided by operating activities	<u>669,513</u>	<u>445,036</u>
Cash flows from investing activities		
Proceeds from sales of long-term financial instruments	-	2
Cash from sales of short-term loans	10,114	405
Cash from sales of long-term loans	551	837
Proceeds from sales of long-term deposits	1,129	220
Proceeds from sales of available-for-sale financial assets	51,928	2,633
Proceeds from sales of investments in associates	-	183,595
Proceeds from sales of property, plant and equipment	275	29
Proceeds from sales of intangible assets	368	5,718
Increase in sales of short-term financial instruments	(5,000)	-
Increase in sales of long-term financial instruments	-	(1,142)
Increase in short-term loans	(9)	(3,488)
Increase in long-term loans	(666)	(1,240)
Increase in long-term deposits	(2,231)	(1,438)
Acquisition of available-for-sale financial assets	(61)	(62,609)
Acquisition of investments in associates	(6,963)	(1,444)
Acquisition of property, plant and equipment	(291,083)	(230,306)
Acquisition of intangible assets	(4,368)	(7,178)
Net cash used in investing activities	<u>(246,016)</u>	<u>(115,406)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	1,833,786	1,891,387
Proceeds from long-term borrowings	255	211,131
Proceeds from issuance of bonds	99,568	532,947
Repayments of short-term borrowings	(1,731,712)	(2,033,230)
Repayments of long-term borrowings	(5,850)	(8,589)
Repayments of bonds	(36,129)	(174,820)
Repayments of current portion of long-term borrowings	(211,249)	(704,591)
Dividends paid	(23,006)	-
Capital increase of non-controlling interests involved	5,196	525
Payment of transaction costs related to issuance of shares	178	19
Net cash from used in financing activities	<u>(68,963)</u>	<u>(285,221)</u>
Effect of exchange rate fluctuations on cash held	<u>(205)</u>	<u>261</u>
Net increase in cash and cash equivalents	<u>354,329</u>	<u>44,670</u>
Cash and cash equivalents at 1 January	<u>150,761</u>	<u>106,091</u>
Cash and cash equivalents at 31 December	<u>₩ 505,090</u>	<u>150,761</u>