

# 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
<b>Balance at January 1, 2010</b> <b>(Unaudited)</b>	₩	142,240	295,651	(40,066)	45,704	31,444	40,068	515,041
<b>Total comprehensive income for the year</b>								
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)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
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
<b>Balance at December 31, 2010</b> <b>(Unaudited)</b>	₩	142,240	79,049	(40,082)	71,839	572,463	67,621	893,130

**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
<b>Balance at January 1, 2011</b>	₩	142,240	79,049	(40,082)	71,839	572,463	67,621	893,130
<b>Total comprehensive income for the year</b>								
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)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
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)
<b>Balance at December 31, 2011</b>	₩	<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)*

	<b>2011</b>	<b>2010</b>
		<b>(Unaudited)</b>
<b>Cash flows from operation activities</b>		
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)
<b>Net cash provided by operating activities</b>	<b>669,513</b>	<b>445,036</b>
<b>Cash flows from investing activities</b>		
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)
<b>Net cash used in investing activities</b>	<b>(246,016)</b>	<b>(115,406)</b>
<b>Cash flows from financing activities</b>		
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
<b>Net cash from used in financing activities</b>	<b>(68,963)</b>	<b>(285,221)</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(205)</b>	<b>261</b>
<b>Net increase in cash and cash equivalents</b>	<b>354,329</b>	<b>44,670</b>
<b>Cash and cash equivalents at 1 January</b>	<b>150,761</b>	<b>106,091</b>
<b>Cash and cash equivalents at 31 December</b>	<b>₩ 505,090</b>	<b>150,761</b>