

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.

Independent Auditors’ Report

Based on a report originally issued in Korean

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those knowledgeable about Korean auditing standards and their application in practice.

As discussed in note 2 (4) to the separate financial statements, the Company adopted the amendment to K-IFRS No. 1001, ‘Presentation of Financial Statements’ for the year ended December 31, 2012. The amendment requires operating profit (loss), which is calculated by revenue less: 1) cost of goods sold, and 2) selling, general and administrative expenses, to be separately presented on the statements of income. The Company applied this change in accounting policies retrospectively, and accordingly restated the information of the statement of income for the year ended December 31, 2011.

KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 11, 2013

This report is effective as of March 11, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

As of December 31, 2012 and 2011

In millions of won	2012	2011
Assets		
Property, plant and equipment	₩ 1,556,331	1,473,147
Investment property	625	652
Intangible assets	19,066	26,085
Investments in subsidiaries and associates	377,206	377,206
Available-for-sale financial assets	349,287	361,810
Loans and other receivables	27,563	16,382
Other assets	4,012	1,711
Non-current assets	2,334,090	2,256,993
Inventories	445,929	491,585
Trade receivables	460,636	742,420
Loans and other receivables	42,289	27,694
Cash and cash equivalents	198,202	414,579
Other assets	7,978	8,632
Current assets	1,155,034	1,684,910
Total assets	₩ 3,489,124	3,941,903