

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

(IN MILLIONS OF WON)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	₩ 471,418	₩ (614,839)
Adjustments for:		
Depreciation	98,169	88,736
Accrual for retirement and severance benefits	7,871	10,946
Bad debt expense	599	1,690
Sales warranty expense	47	-
Amortization	10,546	13,052
Interest cost	12,141	2,055
Other bad debt expense	1,085	10,267
Gain on foreign currency translation	(727)	(9,328)
Loss on disposal of accounts receivable - trade	340	-
Loss on disposal of tangible assets	296	1,339
Loss on impairment of tangible assets	9,286	-
Loss on impairment of intangible assets	2,470	3,807
Gain (loss) on valuation of equity method accounted investments	(144,982)	733,521
Gain on disposal of available-for-sale securities	(76,438)	-
Loss on impairment of available-for-sale securities	1,500	-
Loss on valuation of derivatives	917	8,920
Loss (gain) on disposal of other non-current assets	(12,677)	24
Loss on impairment of other non-current assets	-	235
Loss (gain) on disposal of equity method accounted investments	(135,767)	3,375
Loss on impairment of equity method accounted investments	-	93,687
Reversal of allowance for doubtful accounts	(3,423)	-
Miscellaneous income	(884)	(471)
	₩ 241,787	₩ 347,016

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

(IN MILLIONS OF WON)	2010	2009
Changes in assets and liabilities:		
Accounts and notes receivable - trade	₩ (70,454)	₩ 35,324
Accounts and notes receivable - other	(18,765)	5,078
Other current assets	5,923	(5,888)
Current derivative instruments assets	15,696	29,306
Current deferred tax assets	19,653	(5,931)
Inventories	(49,282)	48,009
Other non-current assets	1,006	(2,464)
Deferred tax assets	43,214	(106,747)
Accounts and notes payable - trade	995	49,476
Accounts and notes payable - other	16,470	31,515
Other current liabilities	63,044	(26,246)
Current portion of long-term accounts and notes payable - other	(1,348)	(1,217)
Long-term deposit received	-	16
Current derivative instruments	(1,522)	(10,696)
Accrual for retirement and severance benefits, net	(14,742)	1,303
Payment of retirement and severance benefits	(11,864)	(16,349)
Transfer to reserve for retirement and severance benefits	515	12
Long-term accounts and notes payable - other	6,658	652
Deferred tax liabilities	-	(110,454)
Dividends received from associates	6,194	16,420
NET CASH PROVIDED BY OPERATING ACTIVITIES	₩ 253,178	₩ 278,135

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

(IN MILLIONS OF WON)	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of short-term loans	₩ 405	₩ 547
Decrease in financial instruments	4,104	-
Decrease in long-term financial instruments	-	55
Disposal of equity method accounted investments	187,975	1,641
Disposal of property, plant and equipment	10	456
Redemption of long-term loans	461	218
Increase in short-term financial instruments	(1,472)	(2,633)
Increase in short-term loans	(257)	(25,762)
Increase in long-term financial instruments	(3)	-
Acquisition of equity method accounted investments	(2,975)	(169,276)
Acquisition of property, plant and equipment	(174,874)	(264,147)
Acquisition of intangible assets	(3,151)	(4,550)
Increase in long-term loans	(195)	(115)
Acquisition of available-for-sale securities	(61,848)	(1,560)
Increase of other non-current assets	(983)	(784)
NET CASH USED IN INVESTING ACTIVITIES	₩ (52,803)	₩ (465,910)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

(IN MILLIONS OF WON)	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	₩ 1,316,902	₩ 1,464,929
Proceeds from issuance of short-term debentures	123,104	139,734
Proceeds from issuance of debentures	440,069	50,000
Proceeds from long-term borrowings	199,867	116,389
Increase in other current liabilities	-	1
Repayment of short-term borrowings	(1,432,123)	(1,002,570)
Repayment of short-term debentures	(202,046)	-
Repayment of current portion of other non-current liabilities	-	(498,267)
Repayment of current portion of long-term borrowings	(308,951)	-
Repayment of current portion of debentures	(307,626)	-
Dividends paid	-	(17,293)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(170,804)	252,923
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,571	65,148
Cash and cash equivalents at beginning of year	77,237	12,089
CASH AND CASH EQUIVALENTS AT END OF YEAR	₩ 106,808	₩ 77,237

KPMG Samjong Accounting Corp. expressed an unqualified audit opinion together with following two emphasizing paragraphs as to the consolidated financial statements of Kumho Petrochemical Co., Ltd. for the year ended December 31, 2010 in its audit report dated on March 30, 2011.

(1) Business Restructuring Plan

Kumho Asiana Group, including the Company, announced a Business Restructuring Plan that (i) the Company and Asiana Airlines will be required to make voluntary efforts to improve their financial health, and (ii) Kumho Industrial and Kumho Tire will plan the workout for debt rescheduling and corporate restructuring led by their creditor banks. In relation to this plan, on June 8, 2010, the Company entered into a contract with its creditor banks and has been executing the plan such as making efforts to reduce expenses.

(2) Change of consolidated subsidiaries

Kumho Tire and its subsidiaries have been excluded from consolidated subsidiaries, due to the work-out plan for debt rescheduling and corporate restructuring led by its creditor banks. The prior period's statement of operations, presented comparatively, is reclassified to show the discontinued operations separately from continuing operations.