

2012 HYOSUNG Financial Statements

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Report of independent auditors

To the Board of Directors and Shareholders of Hyosung Corporation

We have audited the accompanying separate statements of financial position of Hyosung Corporation (the "Company") as of December 31, 2012 and 2011, the related separate statement of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 separate financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial statements, referred to above, present fairly, in all material respects, the financial position of Hyosung Corporation as of December 31, 2012 and 2011, and its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.



Seoul, Korea
March 14, 2013

This report is effective as of March 14, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hyosung corporation

Non-consolidated statements of financial position

December 31, 2012 and 2011
(In millions of Korean won)

	Dec 31, 2012	Dec 31, 2011
Assets		
Current assets		
Cash and cash equivalents	143,396	133,339
Trade and other receivables	1,322,291	1,745,738
Gross amount due from customers for contract work	28,407	54,555
Other financial assets	113,973	8,332
Other current assets	91,049	106,094
Inventories	855,246	1,093,396
Current tax asset	-	5,990
	2,554,362	3,147,444
Non-current assets		
Long-term trade and other receivables	202,685	176,061
Property, plant and equipment	3,179,544	2,959,265
Investment property	439,859	436,515
Intangible assets	32,852	28,117
Subsidiaries and investments in associates	1,709,649	1,699,633
Long-term other financial assets	165,812	60,056
Other non-current assets	31	31
	5,730,432	5,359,678
Total assets	8,284,794	8,507,122
Liabilities		
Current liabilities		
Trade and other payables	1,136,837	1,502,431
Gross amount due to customers for contract work	39,959	10,643
Borrowings	1,910,802	1,805,589
Other financial liabilities	3,906	20,677
Current tax liabilities	63,561	-
Other current liabilities	201,446	193,641
	3,356,511	3,532,981
Non-current liabilities		
Long-term trade and other payables	32,630	38,904
Long-term borrowings	1,472,647	1,693,502
Retirement benefit obligations	41,385	38,527
Deferred tax liabilities	303,478	311,966
Other non-current liabilities	21,054	10,467
	1,871,194	2,093,366
Total liabilities	5,227,705	5,626,347
Equity		
Capital stock	175,587	175,587
Capital surplus	130,826	130,826
Retained earnings	2,418,782	2,264,088
Other components of equity	331,894	310,274
	3,057,089	2,880,775
Total liabilities and equity	8,284,794	8,507,122

Hyosung corporation

Non-consolidated statements of income

Years Ended December 31, 2012 and 2011
(In millions of Korean won, except per share amounts)

	2012	2011
Revenue	9,284,878	9,283,305
Cost of sales	(8,376,956)	(8,255,816)
Gross profit	907,922	1,027,489
Selling and administrative expenses	(601,200)	(623,018)
Research and development expense	(121,272)	(119,413)
Operating profit	185,450	285,058
Other income	249,892	177,928
Other expenses	(56,694)	(69,963)
Other income/expenses, net	193,198	107,965
Finance income	182,192	200,985
Finance costs	(240,322)	(420,486)
Finance income/costs, net	(58,130)	(219,501)
Impairment losses of subsidiaries and investment in associates	(67,117)	(17,525)
Income before income tax	253,401	155,997
Income tax expense	(60,977)	(47,952)
Profit for the year	192,424	108,045
Basic earnings per share	5,784	3,248

Hyosung corporation

Non-consolidated Statements of Comprehensive Income

Years Ended December 31, 2012 and 2011
(In millions of Korean won)

	2012	2011
Profit for the year	192,424	108,045
Other comprehensive income		
Gain (Loss) on valuation of available-for-sale financial assets	19,255	(14,615)
Actuarial loss on post employment benefit obligations	(4,461)	(13,712)
Translation gain (loss) from overseas operations	2,364	(404)
Other comprehensive income (loss) for the year	17,158	(28,731)
Total comprehensive income for the year	209,582	79,314

Hyosung corporation

Non-consolidated Statements of Changes in Equity

Years Ended December 31, 2012 and 2011
(In millions of Korean won, except per share amounts)

	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total
Balance at January 1, 2011	175,587	130,826	2,211,341	325,293	2,843,047
Comprehensive income :					
Profit for the year	-	-	108,045	-	108,045
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	(14,615)	(14,615)
Actuarial loss on post employment benefit obligations	-	-	(13,712)	-	(13,712)
Translation gain (loss) from overseas operations	-	-	-	(404)	(404)
Transactions with equity holders of the Company :					
Dividends	-	-	(41,586)	-	(41,586)
Balance at December 31, 2011	175,587	130,826	2,264,088	310,274	2,880,775
Balance at January 1, 2012	175,587	130,826	2,264,088	310,274	2,880,775
Comprehensive income :					
Profit for the year	-	-	192,424	-	192,424
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	19,256	19,256
Actuarial loss on post employment benefit obligations	-	-	(4,461)	-	(4,461)
Translation of foreign currency financial statements	-	-	-	2,364	2,364
Transactions with equity holders of the Company :					
Dividends	-	-	(33,269)	-	(33,269)
Balance at December 31, 2012	175,587	130,826	2,418,782	331,894	3,057,089

Hyosung corporation

Non-consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011
(In millions of Korean won)

	2012	2011
Cash flows from operating activities		
Cash generated from operations	777,272	338,660
Income tax paid	(763)	(128,249)
Interest paid	(136,571)	(139,527)
Interest received	3,271	11,610
Dividends received	68,009	85,713
Net cash provided by operating activities	711,218	168,207
Cash flows from investing activities		
Decrease in short-term loan receivables	30,133	-
Proceeds from disposal of short-term financial Instruments	-	269
Proceeds from disposal of available-for-sale financial assets	25,081	62,529
Decrease in long-term loan receivables	373	417
Decrease in long-term deposits	43,701	20,643
Proceeds from disposal of property and equipment	23,670	9,475
Proceeds from disposal of investment property	5,200	-
Receipt of government subsidies	167	-
Proceeds from disposal of intangible assets	75	4,407
Proceeds from disposal of investments in subsidiaries and associates	-	10,796
Increase in short-term loans	(40,228)	(80,410)
Acquisition of short-term financial Instruments	(50,003)	(1)
Acquisition of available-for-sale financial assets	(524)	(262)
Increase in long-term loans	(8,922)	(6,236)
Increase in deposits received	(77,260)	(58,483)
Purchases of property, plant and equipment	(445,622)	(549,773)
Purchases of investment property	(5,773)	(2,370)
Purchases of intangible assets	(7,185)	(1,902)
Acquisition of investments in subsidiaries and associates	(77,133)	(291,501)
Decrease in leasehold deposits received	-	98
Net cash used in investing activities	(584,250)	(882,304)
Cash flows from financing activities		
Proceeds from issuance of debentures	203,413	428,882
Proceeds from short-term borrowings	4,294,096	3,642,747
Proceeds from long-term borrowings	262,251	587,554
Repayment of current portion of long-term borrowings	(383,506)	(515,188)
Repayment of short-term borrowings	(4,459,896)	(3,500,374)
Payment of cash dividends	(33,269)	(41,586)
Net cash provided by financing activities	(116,911)	602,035
Net decrease (increase) in cash and cash equivalents	10,057	(112,062)
Cash and cash equivalents		
Beginning of the year	133,339	245,401
End of the year	143,396	133,339

Report of independent auditors

To the Board of Directors and Shareholders of Hyosung Corporation

We have audited the accompanying consolidated statements of financial position of Hyosung Corporation and its subsidiaries (the "Group") as of December 31, 2012 and 2011, and the related consolidated statement of income, comprehensive income, changes in equity and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Hyosung Capital and certain other consolidated subsidiaries, whose financial statements represent 48% and 47% of the Group's consolidated total assets as of December 31, 2012 and 2011, respectively, and 33% and 41% of the Group's consolidated total sales for the respective years then ended. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for Hyosung Capital and certain other consolidated subsidiaries, is based solely on the reports of the other auditors.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements, referred to above, present fairly, in all material respects, the financial position of Hyosung Corporation and its subsidiaries as of December 31, 2012 and 2011, and their financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS").

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.



Seoul, Korea
March 14, 2013

This report is effective as of March 14, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hyosung corporation and subsidiaries

Consolidated statements of financial position

December 31, 2012 and 2011
(In millions of Korean won)

	Dec 31, 2012	Dec 31, 2011
Assets		
Current assets		
Cash and cash equivalents	434,293	526,593
Trade and other receivables	2,167,867	2,408,053
Gross amount due from customers for contract work	51,608	102,790
Other financial assets	136,297	24,731
Other current assets	186,038	204,128
Inventories	1,521,139	1,835,809
Current tax assets	13,232	14,501
	4,510,474	5,116,605
Non-current assets		
Long-term trade and other receivables	273,877	210,528
Property, plant and equipment	5,151,600	4,929,852
Investment property	571,228	386,851
Intangible assets	407,515	450,801
Investments in associates	266,431	258,986
Other financial business assets	2,257,253	2,090,060
Long-term other financial assets	242,308	116,673
Other non-current assets	25,773	28,692
Deferred tax assets	57,201	34,142
	9,253,186	8,506,585
Total assets	13,763,660	13,623,190
Liabilities		
Current liabilities		
Trade and other payables	1,452,474	1,864,572
Gross amount due to customers for contract work	48,999	28,670
Borrowings	4,700,640	4,056,796
Other financial liabilities	4,554	21,486
Other current liabilities	336,488	382,570
Current tax liabilities	77,983	18,404
	6,621,138	6,372,498
Non-current liabilities		
Long-term trade and other payables	382,131	345,360
Long-term borrowings	3,328,018	3,505,107
Retirement benefit obligations	56,778	52,863
Other long-term financial liabilities	739	886
Other non-current liabilities	25,187	12,242
Deferred tax liabilities	335,607	373,873
	4,128,460	4,290,331
Total liabilities	10,749,598	10,662,829
Equity attributable to owners of the Parent		
Capital stock	175,587	175,587
Capital surplus	130,826	130,826
Retained earnings	2,295,253	2,213,249
Other components of equity	326,691	349,180
	2,928,357	2,868,842
Non-controlling interest	85,705	91,519
Total equity	3,014,062	2,960,361
Total liabilities and equity	13,763,660	13,623,190

Hyosung Corporation and Subsidiaries

Consolidated Statements of Income

Years Ended December 31, 2012 and 2011
(In millions of Korean won, except per share amounts)

	2012	2011
Continuing operations		
Revenue	12,611,750	11,342,141
Cost of sales	(11,511,127)	(10,237,117)
Gross profit	1,100,623	1,105,024
Selling and administrative expenses	(780,406)	(696,023)
Research and development expense	(130,910)	(131,429)
Operating profit	189,307	277,572
Other income	253,059	119,720
Other expenses	(151,192)	(108,454)
Other income/expenses, net	101,867	11,266
Finance income	249,437	269,240
Finance costs	(405,880)	(616,209)
Finance income/costs, net	(156,443)	(346,969)
Share of profit of associates	16,691	48,189
Profit (Loss) before income tax	151,422	(9,942)
Income tax expense	(44,046)	(44,699)
Profit (Loss) for the year from continuing operations	107,376	(54,641)
Discontinued operations		
Loss for the year from discontinued operations	-	(39,154)
Profit (Loss) for the year	107,376	(93,795)
Profit (Loss) attributable to:		
Owners of the parent		
Profit (Loss) for the year from continuing operations	122,404	(46,807)
Profit for the year from discontinued operations	-	1,820
Profit (Loss) for the year attributable to owners of controlling company	122,404	(44,987)
Non-controlling interests		
Loss for the year from continuing operations	(15,028)	(7,835)
Loss for the year from discontinued operations	-	(40,973)
Loss for the year attributable to non-controlling interests	(15,028)	(48,808)
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year		
Basic earnings per share		
From continuing operations	3,679	(1,407)
From discontinued operations	-	55

Hyosung Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2012 and 2011
(In millions of Korean won)

	2012	2011
Profit (Loss) for the year	107,376	(93,795)
Other comprehensive income		
Actuarial loss on post employment benefit obligations	(5,025)	(14,721)
Share of actuarial gain (loss) on post employment benefit obligations of associates	(275)	358
Gain (loss) on valuation of available-for-sale financial assets	20,078	(22,867)
Gain (loss) on valuation of investments in associates	3,168	(2,915)
Gain (loss) on valuation of derivatives	143	175
Translation of foreign currency financial statements	(53,869)	26,733
Other comprehensive loss for the year, net of tax	(35,780)	(13,237)
Total comprehensive income (loss) for the year	71,596	(107,032)
Attributable to:		
Equity holders of the Parent Company	89,908	(59,446)
Non-controlling interest	(18,312)	(47,586)
Total comprehensive income (loss) for the year	71,596	(107,032)

Hyosung corporation and subsidiaries

Consolidated Statements of Changes in Equity

Years Ended December 31, 2012 and 2011
(In millions of Korean won)

	Capital Stock	Capital Surplus	Retained Earnings	Other Components of Equity	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2011	175,587	130,826	2,307,375	353,117	2,966,905	151,467	3,118,372
Comprehensive income :							
Net loss	-	-	(44,987)	-	(44,987)	(48,808)	(93,795)
Actuarial loss on post employment benefit obligations	-	-	(14,675)	-	(14,675)	(46)	(14,721)
Share of actuarial gain (loss) on post employment benefit obligations of associates	-	-	358	-	358	-	358
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	(22,391)	(22,391)	(477)	(22,868)
Gain (loss) on valuation of investments in associates	-	-	-	(2,914)	(2,914)	-	(2,914)
Gain (loss) on valuation of derivatives	-	-	-	175	175	-	175
Translation of foreign currency financial statements	-	-	-	24,988	24,988	1,745	26,733
Transactions with equity holders of the Company :							
Dividends	-	-	(41,586)	-	(41,586)	(815)	(42,401)
Changes in other additional capital	-	-	-	(230)	(230)	-	(230)
Changes in other capital adjustments	-	-	-	(679)	(679)	-	(679)
Others	-	-	6,764	-	6,764	58	6,822
Changes in share ratio of controlling company and others	-	-	-	(2,886)	(2,886)	23,492	20,606
Changes in scope of consolidation	-	-	-	-	-	(35,097)	(35,097)
Balance at December 31, 2011	175,587	130,826	2,213,249	349,180	2,868,842	91,519	2,960,361
Balance at January 1, 2012	175,587	130,826	2,213,249	349,180	2,868,842	91,519	2,960,361
Comprehensive income :							
Net income (loss)	-	-	122,404	-	122,404	(15,028)	107,376
Actuarial loss on post employment benefit obligations	-	-	(4,901)	-	(4,901)	(124)	(5,025)
Share of actuarial gain (loss) on post employment benefit obligations of associates	-	-	(275)	-	(275)	-	(275)
Gain (loss) on valuation of available-for-sale financial assets	-	-	-	19,910	19,910	168	20,078
Gain (loss) on valuation of investments in associates	-	-	-	3,170	3,170	(2)	3,168
Gain (loss) on valuation of derivatives	-	-	-	143	143	-	143
Translation of foreign currency financial statements	-	-	-	(50,543)	(50,543)	(3,325)	(53,868)
Transactions with equity holders of the Company :							
Dividends	-	-	(33,270)	-	(33,270)	(997)	(34,267)
Changes in other additional capital	-	-	-	5,331	5,331	-	5,331
Changes in other capital adjustments	-	-	-	(500)	(500)	(23)	(523)
Others	-	-	(1,955)	-	(1,955)	(675)	(2,630)
Changes in share ratio of controlling company and others	-	-	-	-	-	(3,124)	(3,124)
Changes in scope of consolidation	-	-	-	-	-	17,317	17,317
Balance at December 31, 2012	175,587	130,826	2,295,252	326,691	2,928,356	85,706	3,014,062

Hyosung corporation and subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011
(In millions of Korean won)

	2012	2011
Cash flows from operating activities		
Continuing operations		
Cash generated from operations	718,567	(223,705)
Income tax paid	(32,485)	(162,515)
Interest paid	(378,846)	(255,262)
Interest received	177,636	174,634
Dividends received	1,590	1,786
Discontinued operations	-	(64,224)
Net cash generated from operating activities	486,462	(529,286)
Cash flows from investing activities		
Continuing operations		
Proceeds from disposal of other receivables	33,088	377
Proceeds from disposal of other financial assets	79,733	155,616
Proceeds from disposal of long-term other receivables	55,693	28,978
Proceeds from disposal of long-term other financial assets	2,017	59
Proceeds from disposal of property, plant and equipment	43,798	23,474
Proceeds from disposal of investment properties	167	128
Proceeds from disposal of intangible assets	26,149	4,982
Proceeds from disposal of investments in associates	10,148	2,476
Proceeds from disposal of other non-current assets	17	-
Acquisition of other receivables	(42,995)	(92,236)
Acquisition of other financial assets	(105,140)	(91,861)
Acquisition of long-term other receivables	(129,930)	(79,912)
Acquisition of long-term other financial assets	(24,741)	(20,038)
Purchases of property, plant and equipment	(919,809)	(1,084,475)
Purchases of investment properties	(196,663)	(2,370)
Purchases of intangible assets	(26,994)	(54,398)
Acquisition of investments in associates	8,845	(133,487)
Acquisition of other non-current assets	(11,759)	(10,865)
Others	159,853	(4,750)
Discontinued operations	-	13,356
Net cash used in investing activities	(1,038,523)	(1,344,946)
Cash flows from financing activities		
Continuing operations		
Proceeds from short-term borrowings	5,974,829	5,311,246
Proceeds from long-term borrowings and issuance of debentures	1,092,929	2,030,882
Paid-in capital increases	2,715	9,083
Proceeds from disposal of investments in subsidiaries	-	10,796
Repayment of short-term borrowings	(5,948,212)	(5,198,335)
Repayment of long-term borrowings and debentures	(454,773)	(462,793)
Payment of cash dividends	(34,266)	(42,329)
Others	(173,772)	80,219
Discontinued operations	-	53,911
Net cash provided by financing activities	459,450	1,792,680
Effect of cash and cash equivalent from exchange rate fluctuation	311	(35)
Decrease cash from discontinued operations	-	(14,455)
Net decrease in cash and cash equivalents	(92,300)	(96,042)
Cash and cash equivalents		
Beginning of the year	526,593	622,635
End of the year	434,293	526,593

BOARD OF DIRECTORS

CORPORATE MANAGEMENT

Board of directors



S.R. Cho
Chairman of Hyosung Group



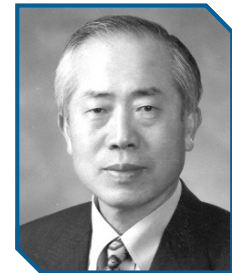
Sang-Woon Lee
Vice Chairman



Hyun-Joon Cho
President
President of Textile PG
President of Information & Communication PG
Chief Strategy Officer



Yoon-Taik Chung
President
Chief Financial Officer



Ki-Eun Bae
Outside Director
Chairman of Hwajin Industry
Former President of Tongyang Nylon Co.



Sang-Hee Kim
Outside Director
Attorneys-at-Law of Kim Sang Hee Law Office
Vice-Minister, the Ministry of Justice



Min-Koo Han
Outside Director
Professor of Electrical Engineering,
Seoul National University



Young-Won Ha
Outside Director
Professor of Business Administration,
Sogang University

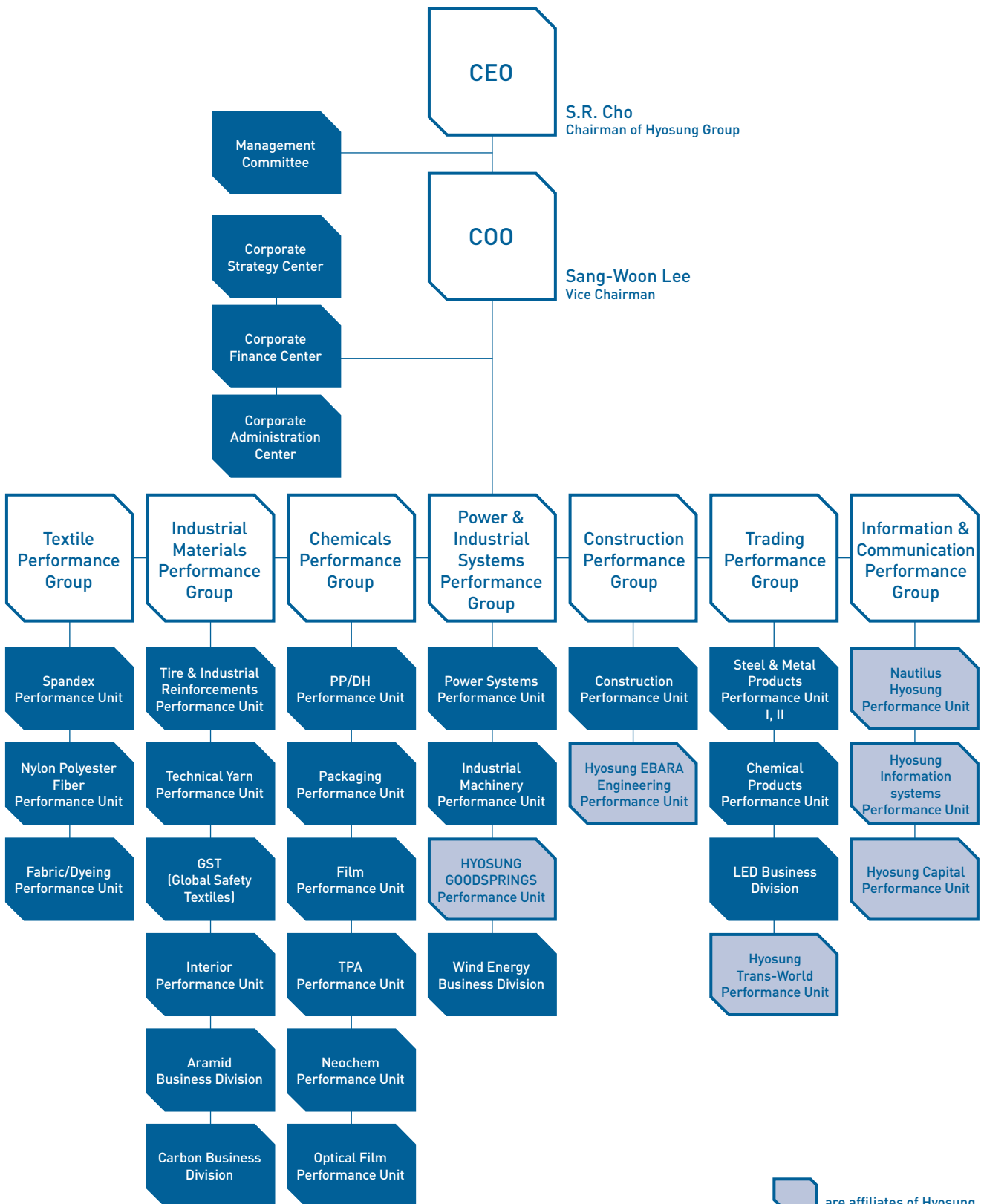


Byung-Doo Sohn
Outside Director
Chairman of Sookmyung Education Foundation



Byung-Ju Lee
Outside Director
Advisor of Bae, Kim & Lee LLC

Corporate management



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