

# KUMHO PETROCHEMICAL CO., LTD. AND SUBSIDIARIES

## Independent Auditors' Report

Based on a report originally issued in Korean

### The Board of Directors and Stockholders Kumho Petrochemical Co., Ltd.

#### Audited financial statements

We have audited the accompanying consolidated financial statements of Kumho Petrochemical Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of at December 31, 2016, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards("K-IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

#### Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2015, presented for comparative purposes, were audited by BDO Daejoo LLC whose report dated February 25, 2016, expressed an unqualified opinion on those consolidated financial statements

Seoul, Korea  
March 6, 2017

This report is effective as of March 6, 2017, 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 the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

#### Letter of Confirmation

To whom it may concern

We have audited the accompanying consolidated financial statements of Kumho Petrochemical Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2016, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We expressed an unqualified opinion on those consolidated financial statements dated March 6, 2017 in accordance with Korean International Financial Reporting Standards.

We confirm those accompanying consolidated financial statements of the Group, translated into English, accord with the consolidated financial statements of the Group originally issued in Korean.

Please note that the accompanying consolidated financial statements do not include notes to the consolidated financial statements which are an integral part of consolidated financial statements.

*Nexia Samduk*  
March 6, 2017