
Corporate Report
2012

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Organization Chart

Cheil Industries is a strong company and committed to the pursuit of change and innovation. Despite the uncertainties seen throughout 2012, we continued to respond to every challenge with speed, agility and creativity.

successful

Cheil Industries saw significant achievements in 2012, even in the face of the on-going global financial crisis. Our sales reached a record KRW 6,010 billion, and operating income increased 44.6% year-on-year to KRW 321.7 billion. We overcame economic difficulties by adhering to our goal of becoming 'a strong company that will achieve maximum efficiency and the best results', **creating one more success story.**

6,010/44.6/1





colorful

R&D defines the future of a company and builds the foundations for sustained growth. It is also what enables us to create high value-added products, the major strength of Cheil Industries. We have continually improved our R&D, and our investment in R&D for 2012 was KRW 161.1 billion, a 12% increase over the previous year. Our R&D expertise is pushing us towards becoming a leading global company, **adding color to everyday life.**

161.1/12.0/1





hopeful

We put people at the center of our innovation. Cheil Industries engages in a wide range of social contribution activities, and we are very proud to have invested KRW 3,138 million into these activities in 2012. In addition, 4,898 people of Cheil Industries, 71.6% of the entire staff, contributed a total of 44,897.5 man-hours to helping others. We will continue to work together with those in need to share our commitment to sustainability, **designing a better tomorrow full of hope.**

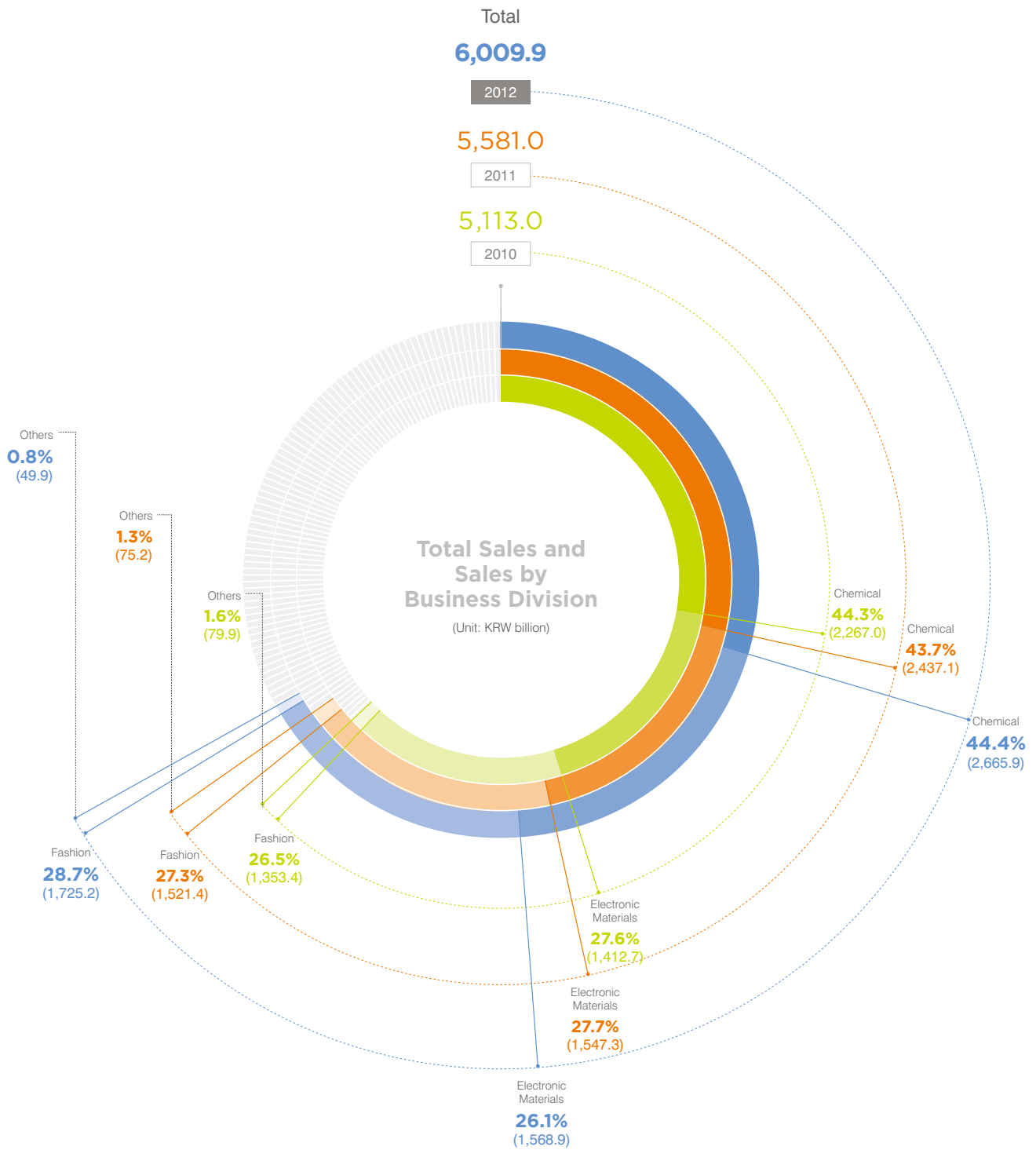
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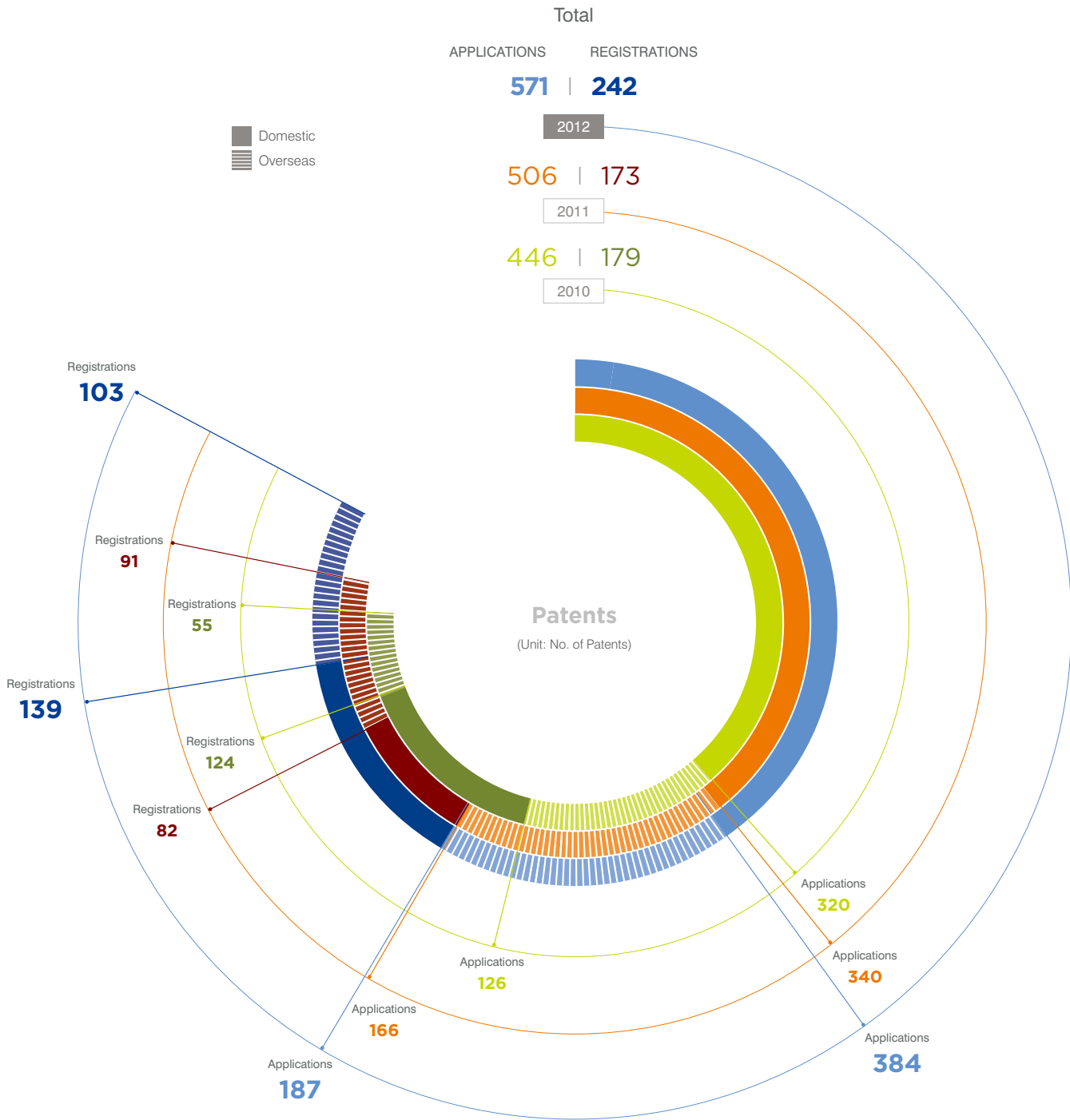
success _____



full growth



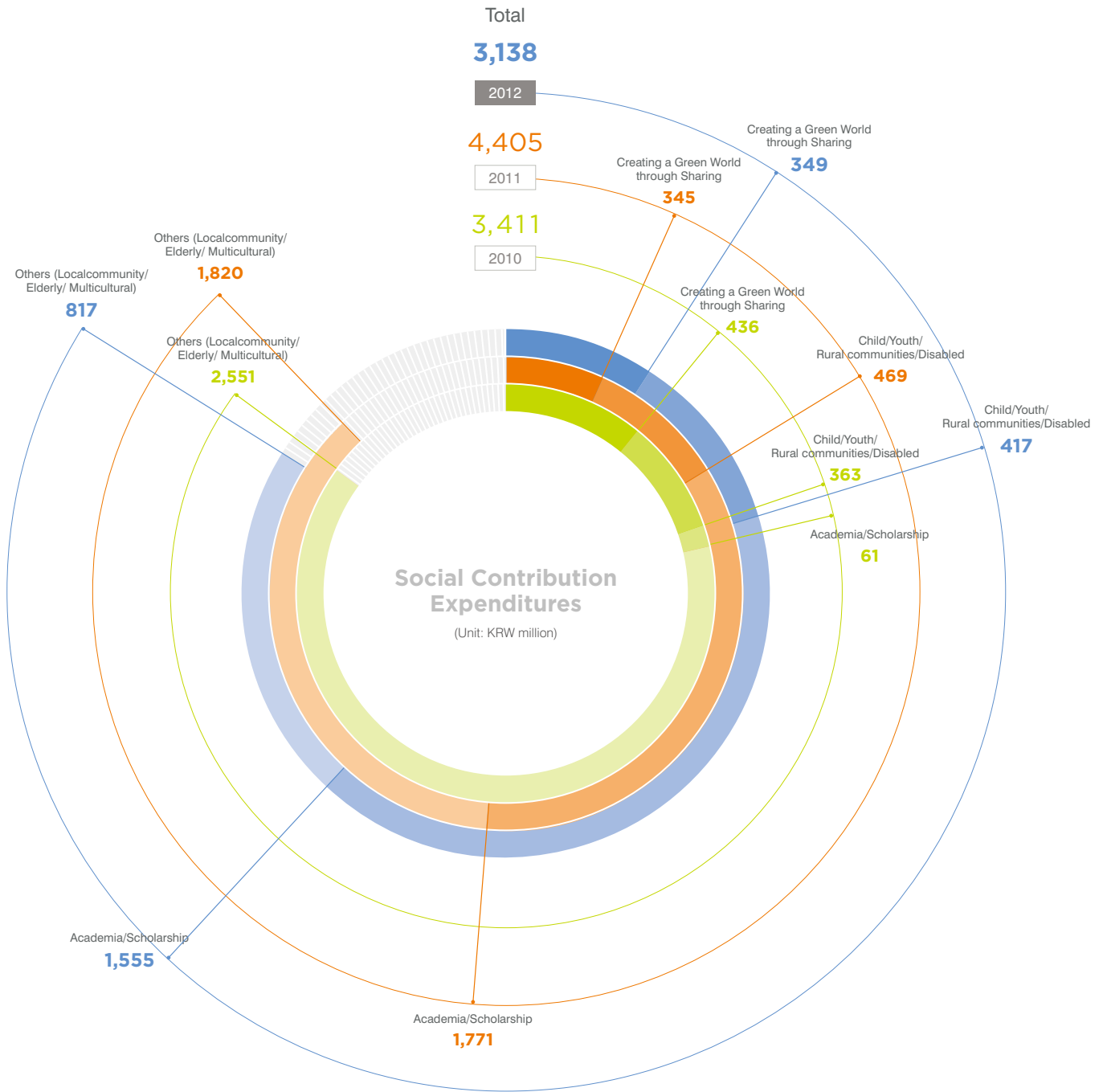
color



full innovation



hope



full tomorrow

This Corporate Report is a record of what Cheil Industries has done over the past year as we strived to be 'a strong company that will achieve maximum efficiency and the best results.'

In the following pages, we report on our year in more detail, sharing with you our efforts for stronger growth, smarter innovation and a better tomorrow.

stronger growth





smarter innovation

better tomorrow



Our 2012 performance shows that Cheil Industries
is a strong company, and getting stronger. We will
continue our commitment to change and innovation,
and will deliver exceptional, long-term, sustainable value
for all our stakeholders.

Our platform for growth is strong.
And it is IN FULL SWING.

news highlights

JAN 10

Creating a Fund for Mutual Growth

January 10, 2012

Cheil Industries is committed to joint growth with and active support for small- and mid-sized partner companies. We therefore signed an agreement to operate a joint growth and mutual benefit fund with Hana Bank which will create a mutual benefit fund of approximately KRW 50 billion; Cheil Industries contributed KRW 30 billion, and Hana Bank offered KRW 20 billion as a line of credit. The fund will be used to reduce interest payments for small- and mid-sized partner companies, with interest reductions of 1.8%p. We are also adopting several other programs for joint growth and implementing them continually, going beyond one-time programs.



Launch of '8seconds', a Global SPA Brand

February 21, 2012

After a thorough preparation period of approximately three years, Cheil Industries successfully launched '8seconds', a global SPA brand. '8seconds' consists of five lines, including men's wear, women's wear, denim, lounge wear, and accessories. Its brand concept is for an 'SPA plus concept store' which will mainly target customers in their 20s and 30s. '8seconds' will enable the company both to take on overseas SPA brands in the domestic market and to enter the global SPA market, including China, beginning in 2015.

APR 19

Showcasing High Value-Added Synthetic Resins in China

April 19, 2012

Cheil Industries took part in ChinaPlas, an international plastic and rubber industry exhibition in Shanghai, from April 18 to 21. Along with K-Fair in Germany and NPE in the USA, ChinaPlas is one of the world's leading plastic exhibitions. We showcased high value-added synthetic resins that are used as key materials in automobiles, LEDs, and mobile devices, as well as our customized solutions. With the slogan of 'Providing Innovative Way for Tomorrow', our exhibition booth had three major themes – automobile, eco-friendliness, and innovation – and publicized our eco-friendly, high value-added products.



Celebrating the 58th Anniversary of Cheil Industries

September 14, 2012

On the occasion of the 58th anniversary of the founding of Cheil Industries, a ceremony was held at the Uiwang R&D Center. CEO Jong-woo Park emphasized that Cheil Industries should gain a solid competitive edge to overcome uncertainties and the low growth in the global business environment by developing into a 'young, smart company.' Anniversary celebrations also included volunteer activities of the management and a music video entitled 'Ilmo Style', a parody of 'Gangnam Style', created by new employees. This reflected the company's creative, open and mutually beneficial organizational culture.

JUL 10

Second Polycarbonate Plant Completed

July 10, 2012

To strengthen our engineering plastics business, Cheil Industries invested KRW 160 billion over 15 months and used eco-friendly construction technology, to complete our second polycarbonate plant. In 2008, we completed the construction of our first polycarbonate plant, with a capacity of 80,000 tons. Polycarbonate production capacity is now 160,000 tons, and this expansion has improved our economies of scale to increase profitability through better cost competitiveness. We will continue to lead the high value-added engineering plastics market by leveraging our specialized technologies.



OCT 17

Introducing High Value-Added Materials for Automobiles in Europe

October 17, 2012

Cheil Industries took part in FAKUMA 2012, an international plastic industry exhibition, in Friedrichshafen, Germany, from October 16 to 20 with the goal to expand our presence in the European market. We introduced our high value-added synthetic resins and customized solutions, and focused on expanding our European market share by increasing sales to global automobile companies in Europe. Our target is USD 700 million of sales in Europe by 2015 by creating a full line-up of high value-added materials for automobiles, and by establishing fully localized production and sales systems.

financial highlights

	2012	2011	2010
Summarized Statement of Financial Position (Unit: KRW billion)			
Total assets	5,418.5	4,930.8	4,038.8
Current assets	1,836.9	1,434.7	1,234.1
Non-current assets	3,581.6	3,496.1	2,804.7
Total liabilities	2,161.1	1,714.0	1,272.3
Current liabilities	1,003.7	864.0	874.3
Non-current liabilities	1,157.4	850.0	398.0
Total shareholders' equity	3,257.4	3,216.7	2,766.5
Summarized Statement of Income (Unit: KRW billion)			
Sales	6,009.9	5,581.0	5,113.0
Gross profit	1,855.1	1,583.9	1,538.0
Selling and other expenses	1,533.4	1,361.4	1,194.7
Operating income	321.7	222.5	343.2
Non-operating income (loss)	(28.7)	53.2	1.9
Income before income tax	293.0	275.7	345.2
Net income	208.8	259.1	278.7
EPS (KRW)	4,124	5,274	5,811
Summarized Statement of Cash Flow (Unit: KRW billion)			
Cash flows from operating activities	112.2	194.6	425.6
Cash flows from investing activities	(478.8)	(333.0)	(256.0)
Cash flows from financing activities	385.0	201.8	(228.6)
Net increase (decrease) in cash and cash equivalents	18.4	63.4	(59.0)
Cash and cash equivalents, beginning of year	96.4	334.	92.3
Effect of exchange rate changes on cash and cash equivalents	(1.4)	(0.4)	-
Cash and cash equivalents, end of year	113.5	96.4	33.4
Financial Soundness Indicators (Unit: %)			
Current ratio	183	166	141
Debt-to-equity ratio	66	53	46
Equity-to-asset ratio	60	65	68
Profitability Indicators (Unit: %)			
Operating profit margin	5.4	4.0	6.7
ROA	3.9	5.3	6.8
ROE	6.4	8.1	9.9
Growth Indicators (Unit: %)			
Growth rate of total assets	10	22	29*
Growth rate of total shareholders' equity	1	16	41*

* Growth rate from the beginning of the year (Jan. 1, 2010)

Total assets

(Unit: KRW billion)

5,418.5



Sales

(Unit: KRW billion)

6,009.9



Operating income

(Unit: KRW billion)

321.7



Net income

(Unit: KRW billion)

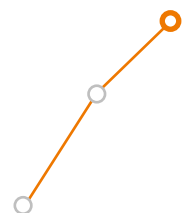
208.8



Current ratio

(Unit: %)

183



Equity-to-asset ratio

(Unit: %)

60



ROA

(Unit: %)

3.9



ROE

(Unit: %)

6.4



141 166 183

2010 2011 2012

68 65 60

2010 2011 2012

6.8 5.3 3.9

2010 2011 2012

9.9 8.1 6.4

2010 2011 2012

* All financial information in this Report is based on a Korean International Financial Reporting Standards (K-IFRS) consolidated basis, which has become mandatory for listed companies in 2011. The company's consolidated financial statements are now its main financial statements.

stronger growth in full swing



Ever since our founding in 1954 as the original parent company of Samsung Group, we have prospered based on a commitment to making life better through the best in products and services. Despite the on-going uncertainties seen across the globe in 2012, we were able to show how we can turn obstacles into opportunities, and have thus positioned Cheil Industries so that we can take major strides towards becoming a global top-tier company.

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CEO message

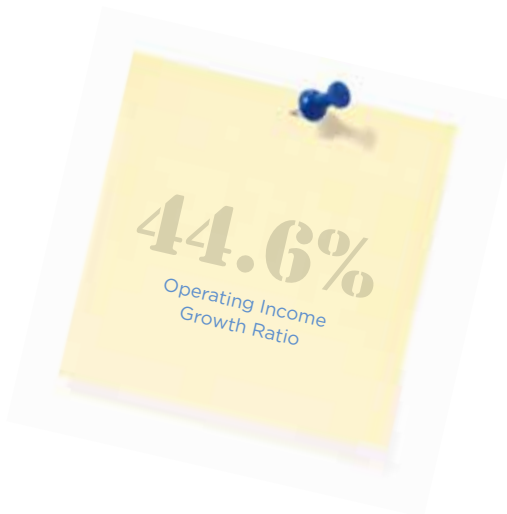
We will realize our dream of becoming a global materials company through **an entirely different kind of growth.**



Unfavorable business conditions continued throughout 2012, with the spread of the European financial crisis, delay in the recovery of advanced economies, including US, and worsening Korean export performance caused by the stronger Korean Won in the second half of the year.

Despite these challenging conditions, Cheil Industries was able to move towards its goal of becoming 'a strong company that will achieve maximum efficiency and the best results.' As a result, our sales reached an unprecedented high of KRW 6.1 trillion, and our operating income rose 44.6% year-on-year to reach KRW 321.7 billion.

The trend towards low growth is expected to continue in the global economy in 2013, and there are no strong signs of a recovery in the Korean economy, either. In particular, the negative effects of foreign exchange policies, including the implementation of quantitative easing in Japan, will result in decreased competitiveness from export companies in Korea.





Nevertheless, we believe that crises and uncertainty can also serve as opportunities to change a company's fundamentals, and being able to seize those opportunities depends on a company's competitiveness. Cheil Industries is at a crossroads of sustainable growth, so that we need to adapt to change and take on challenges boldly to achieve our ultimate goal of becoming a global top-tier company. To improve our fundamentals through change and challenge, we must compete in the global market by making our management speed faster than anyone else's, and by creating distinctive, high value-added products.

I am therefore pleased to announce that our goal for 2013 will be 'Cheil Industries, a global top-tier company that is centered on speed and high added value.' Everyone at Cheil Industries will put into place the following initiatives in order to achieve this goal.

First, we will improve speed of reaction and operations at a company level. The importance of speed in the cutting-edge materials business cannot be overemphasized. We need to develop and supply products that customers want in a timely manner, and remain ahead of our competitors at all times. We will therefore build a world-class company through the full, early utilization of management systems like SCM and ERP, which are being built up at a corporate level. We will also strengthen our flexible and creative organizational culture.

Second, we will solidify a high value-added business structure. We will continue to focus on specific business areas, as we have done since last year, to fully establish a high value-added business structure. This will ensure economies of scale and better profitability, which will be the foundation for our sustained growth.

Third, we will improve our global business competencies. Each business division will build a global production network, and the launch of SCM will ensure we respond efficiently to fierce competition. Throughout the company, in R&D, production, design, and marketing, we will become more global, and make sure we foster expert personnel that will move the company toward true globality.

Our cutting-edge materials business has great potential for growth. Korea is a world leader in electronic goods and semiconductors, and the cutting-edge materials business needed for these will be a key industry in Korea. Cheil Industries will lead the change and development of this industry, and will be the first to take full advantage of the opportunities that arise.

The business environment will not be easy in 2013, but we will do our best to show our appreciation for your unwavering interest and support by achieving the best results possible. I promise you that everyone at Cheil Industries will work on the innovation that will bring about our 'growth of a different dimension'.

Thank you.

朴 鍾 佑

May 2013

CEO and President of Cheil Industries
(Chemical & Electronic Materials Divisions)

Park Jong-woo

CEO message

In partnership with our stakeholders, we will shape a sustainable future through **more robust growth**.



Dear stakeholders,

My name is Yoon Ju Hwa, newly appointed as the CEO of Cheil Industries' Fashion Division in 2013. Let me begin by sincerely thanking all stakeholders for the unwavering support you have given to Cheil Industries' efforts to achieve growth and take on every challenge. I am honored to present Fashion Division's performance, and I look forward to an exciting future in partnership with you.

2012, a Year of Change and Innovation

Cheil Industries is both the tradition and the future of Samsung Group. After its founding in 1954, Cheil Industries expanded from its beginnings in textiles to take on fashion, chemicals, and electronic materials businesses, and continues to embrace change and innovation. Fashion Division achieved year-on-year sales growth of 9% in 2012, thanks to stable growth in existing brands and the timely launch of new brands. In particular, we successfully launched '8seconds' and 'Bean Pole Outdoor' to compete against global SPA and outdoor brands. This has helped to build a foundation for the future of our fashion business, and contributed to the growth of the company as a whole.



2013, a Year of More Robust Growth

2013 will see an uncertain business environment and weak global growth, and there will be fiercer competition among global fashion companies. This will present great challenges to us, but by taking on these challenges and making bold choices for sustained growth, Cheil Industries' fashion business will achieve greater growth.

Our goal for 2013 in Fashion Division is to be 'a global fashion company with advanced systems'. Communication will be the most important tool in achieving this goal, and we will build a horizontal organizational culture where discussion of issues and togetherness will help us to find solutions to every problem. We will build strong management systems to ensure the seamless flow and control of all company resources in a single framework in order to respond to the constant changes of the fast-moving fashion business. This will enable us to achieve more robust growth to create a more open, profitable and global company.

The fashion business is a value-oriented business, with considerable potential for growth. The Hallyu (Korean wave) phenomenon is going beyond Asia and spreading across the world, taking the Korean brand with it – and our fashion business can benefit from these new opportunities in global markets. We will therefore pursue the strong and consistent growth that will make our brands world leaders, and turn Cheil Industries into a global fashion company.

Changes for a Better Tomorrow

In addition to continued growth, we are also committed to fulfilling our corporate social responsibilities. We will move away from one-time volunteer activities and donations, and will instead look to find fundamental solutions to social and environmental problems. Everyone at Cheil Industries will work within a framework of strict compliance to the highest management standards, and we will establish a creative, respectful corporate culture to enhance our sustainability.

Cheil Industries will aim for growth that exceeds the expectations and demands of stakeholders based on a creative and open organizational culture, and we will share our success with wider society. I ask for your continuing encouragement and support as Cheil Industries commits itself to more robust growth.

Thank you.



Ju Hwa Yoon

May 2013

CEO and President of Cheil Industries
(Fashion Division)

Yoon Ju-hwa

board of directors

Standing Directors



Park Jong-woo

President & CEO

Currently President and CEO of Cheil Industries
(Chemical & Electronic Materials Divisions)

- 2011 President and CEO of Cheil Industries
- 2009 CEO of Samsung Electro-Mechanics
- 2006 President and Head of Printing Division at Samsung Electronics Digital Media
- 2002 Executive Vice President and Head of Printing Division at Samsung Electronics Digital Media
- 1996 Executive Director of TD2 Team of Semiconductor Division at Samsung Electronics



Yoon Ju-hwa

President & CEO

Currently President and CEO of Cheil Industries
(Fashion Division)

- 2011 President and CFO of Management Support Division and Digital Media & Communications Management Division at Samsung Electronics
- 2010 President and CFO of Management Support Division at Samsung Electronics
- 2009 President and Head of Corporate Auditing Team at Samsung Electronics
- 2004 Vice President of Management Support Team at Samsung Electronics
- 1998 Executive Director of Finance Team, Management Support Group at Samsung Electronics

We promise responsible and transparent management by experts whose abilities and integrity will lead us to sustainable growth.



Lee Seung-ku

Executive Vice President

Currently Executive Vice President of Management Support Division at Cheil Industries

- 2011 Executive Director of Management Support Division at Cheil Industries
- 2010 Executive Vice President and Head of Samsung Electronics' SSL (LCD)
- 2008 Executive Vice President and Head of Business Operation Team at Samsung Electronics' China Headquarters
- 2005 Vice President in charge of Business Operation Team at Samsung Electronics' China Headquarters
- 2001 Vice President in charge of Business Support Team in Digital Printing Business Unit at Samsung Electronics

Non-standing Directors

**Hong Seok-joo**

Outside Director

 Currently CEO and Managing Partner of Locus Capital Partners

2010 Outside Director of Cheil Industries
 2006 President and CEO of Korea Investment Corporation
 2004 President and CEO of Korea Securities Finance Corporation
 2002 President and CEO of Cho Hung Bank

**Kim Sung-jin**

Outside Director

 Currently Lawyer at Bae, Kim & Lee LLC

2009 Outside Director of Cheil Industries
 1995 Authorized to practice law in New York, USA
 1983 Passed the 25th Korean bar exam

**Kim Nan-do**

Outside Director

 Currently Professor of the College of Human Ecology at Seoul National University

2012 Outside Director of Cheil Industries
 2007 Standing Director of Korean Society of Consumer Studies
 2004 Director of the Hoam Faculty House at Seoul National University
 1997 Visiting Researcher at the Electronics and Telecommunications Research Institute

**Kim Jai-hie**

Outside Director

 Currently Professor of Yonsei University

2013 Outside Director of Cheil Industries
 2006 President of Korea Internet Security Agency
 2002 Director of Biometrics Engineering Research Center
 2008 President of The Institute of Electronics Engineers of Korea
 2007 President of Korea Biometrics Association

corporate governance

We will improve management efficiency and grow into a global top-tier company through the best in corporate governance.

Cheil Industries' decision-making and supervision systems are aimed at ensuring corporate transparency and fully responsible management. This will help us to protect stakeholder rights and promote the sound growth of our markets, thereby enhancing corporate value.

Pursuant to Article 382 of the Commercial Act and Article 22 of our Articles of Association, BOD members are recommended by the BOD and the Outside Director Candidate Recommendation Committee, and are appointed at a general shareholders' meeting. As of 2013, the Board consists of seven members – three standing directors and four outside directors. All the directors have outstanding professional knowledge, considerable practical experience, and a strong public reputation. They are experts in the fields of management, law, finance, and consumer business.

There were nine BOD meetings in 2012, during which 31 agenda items were proposed and handled. There were 10 Management Committee meetings.

Board Committees and Independent Auditors

Management Committee Membership consists of three standing directors. The Committee makes resolutions on management and financial agenda items assigned by the BOD, aiming to ensure more timely and efficient decision-making on pending management agendas.

Outside Director Candidate Recommendation Committee Membership consists of two standing and three outside directors. This Committee is responsible for recommending candidates to serve as outside directors.

Audit Committee Membership consists of the four outside directors. The Committee has the authority to audit the company's accounting records and management affairs, request information from directors, and monitor the financial status of the company.

Independent Auditors Deloitte Anjin LLC. (Appointed: March 2, 2010; Contract period: 3 years)

2012 BOD Activities

No.	Date	Agenda	Result	Outside Directors in Attendance
1	Jan. 24, 2012	<ol style="list-style-type: none"> 1. Approval of 2011 financial statements and business report 2. Approval of management plans for 2012 3. Investments for advancement of ERP 4. Establishment of a site for construction of an electronic materials research complex 	Approved	3/3
2	Feb. 21, 2012	<ol style="list-style-type: none"> 1. Call for the 58th shareholders' meeting 2. Establishment of a Gimpo Logistics Center for Fashion Division 3. Approval of ceiling on transaction amounts with major shareholders 4. New investments in coated separators for secondary cells 5. Establishment of an overseas subsidiary 	Approved	3/3
3	Mar. 16, 2012	<ol style="list-style-type: none"> 1. Appointment of CEO 2. Decision on directorships, work roles, and BOD chairperson proxy sequence 3. Entrusting the provision of director remuneration 4. Amendment to subsidiary management and operation regulations 5. Appointment of Management Committee members 6. Appointment of Outside Director Candidate Recommendation Committee members 7. Appointment of Compliance Program manager 8. Appointment of a compliance officer 9. Leasing of Susong Building for Fashion Division 	Approved	4/4

No.	Date	Agenda	Result	Outside Directors in Attendance
4	Apr. 27, 2012	<ol style="list-style-type: none"> 1. Approval of 1Q 2012 financial statements 2. Investments in electronic materials research complex 3. Approval of product and service transactions with same-person subsidiaries 	Approved	3/4
5	Jun. 01, 2012	Review of whether to sell shares in Samsung Everland	Approved	4/4
6	Jun. 14, 2012	Approval of product and service transactions with same-person subsidiaries	Approved	4/4
7	Jul. 27, 2012	<ol style="list-style-type: none"> 1. Approval of 1H 2012 financial statements 2. Issuance of 142nd non-guaranteed bonds 3. Purchasing of corporate-wide package insurance policy for 2012 4. Enactment of compliance control standards 	Approved	3/4
8	Oct. 26, 2012	Approval of 3Q 2012 financial statements	Approved	3/4
9	Dec. 07, 2012	<ol style="list-style-type: none"> 1. Approval of large-scale internal trading 2. Enactment of executive management regulations 3. Approval of product and service transactions with same-person subsidiaries 	Approved	4/4

stakeholder value

Maximizing stakeholder value is our highest priority, and can best be achieved through open and accountable communication.



Cheil Industries strives to grow alongside all of our stakeholders – shareholders, investors, management, employees, business partners, customers, and local communities – by sharing our vision for the future and generating value from mutual benefit. We therefore seek to engage in open and efficient communications with stakeholders through diverse channels.

Communication Channels for Stakeholders

Shareholders

Earnings releases; Analyst Days; Site visits; Participation in domestic and international conferences and NDRs; Regular shareholders' meetings; Regular BOD meetings; Strategy and vision-sharing meetings; Disclosure of material information regarding business management; IR website; Publication of business reports, etc.

Business Partners

Compliance with four major guidelines when signing a contract and use of a standard contract for subcontracting; Launch of a compliance system; Win-win portal system; Regular meetings with business partners; Ombudsman system for business partner grievance counseling; Creation of a win-win cooperation fund; Cash payment; Financial support for outstanding business partners to purchase facilities; Expansion of job training for business partners; Improvements in business partner-related events; Expansion of joint overseas businesses; Free support for business partners in relation to patents or free leases, etc.

Employees

CEO letter and video message; Quarterly labor-management gatherings and council meetings; Labor-management council workshops; Sharing of business reports; Ombudsman's office; Special lectures for employees; Employee Family Invitation Day; Employee satisfaction surveys; Support for club activities, etc.

Customers

Consumer grievance resolution and feedback program; Customer support office; Product satisfaction surveys; Corporate image surveys; Customer participation in the product development process; Company and product websites; Sex education programs for youths and women; Various seminars and symposia; On-line communication, etc.

Local Communities

Policies and processes to respond to community demands; Cooperation with civic groups; Social contribution activities; Social volunteering by employees' families; Sisterhood ties with the local community; Seminars and symposia; Issue monitoring, etc.

shareholder relations

We are committed to enhancing shareholder value by building a stronger, sustainable, and reliable business.



Cheil Industries always strives to fulfill its responsibilities toward investors and to maximize shareholder value through transparent and accountable management. We therefore listen to shareholder and investor opinions through various channels, and are proactive in our investor relations (IR) activities, continually providing objective and impartial information.

2012 Performance

IR Conferences and Roadshows

We value close communications with investors. We participate in IR conferences in Korea and overseas, including USA, Europe, Southeast Asia, and Japan. We also conduct regional non-deal roadshows (NDR) to visit domestic and overseas investors, providing them with updated management information. There were 16 IR conferences and NDRs at home and abroad in 2012.

Briefings on Quarterly Earnings

Cheil Industries holds quarterly briefings on its performance to provide transparent and impartial information on important issues and management performance. All relevant materials are posted on the company's website, and the briefings take place through online conference calls so that all investors can access the information easily, wherever they may be, and in whatever time zone. The heads of IR and each business division take part in the briefings to make sure that all investor concerns are fully dealt with, thereby contributing to the smooth flow of information to investors.

Internal and External Communications

We actively welcome visits by domestic and overseas analysts and investors. By holding more than 300 meetings as part of company visits each year, we provide investors with quick and accurate information on the company's major issues, changes, and business prospects. We publish a Corporate Report every year in Korean and English, and distribute the report in both printed form and online; this report is used as a channel of communication with all stakeholders, including shareholders and customers. As part of our internal communications, we regularly report to the management on major issues raised by investors. We distribute the IR Monthly Report to management and all relevant divisions so that we can share important market information, such as stock prices and industry and competitor trends.

Awards

Cheil Industries' Corporate Report has earned recognition at home and abroad, including major annual report and sustainability report competitions. We won ARC awards for four consecutive years, beginning in 2009, including the Grand Awards in 2010 and 2011. In particular, the 2011 Corporate Report saw the outstanding achievement of receiving Gold Awards in three categories, Silver Awards in two categories, and a Bronze Award in one category. At the LACP Awards, another global annual report and sustainability report competition, our Corporate Report won a gold prize in both the chemicals and materials categories. We were also selected as one of Asia Pacific Region's Top 50 and Korea's Top 25.

Disclosure

As a corporate body that settles accounts in December, Cheil Industries submits an annual business report based on data current as of December 31, a half-term report based on data current as of June 30, and quarterly reports based on data current to March 31 and September 30 in accordance with Articles 186-2 and 186-3 of the Securities Trading Act. All the foregoing reports are disclosed in accordance with the regulations of the Financial Supervisory Service with respect to the issuance of securities and public notices on securities, and Korea Stock Exchange regulations on securities market notices. The company has made voluntary disclosures of important management issues since the implementation of Fair Disclosure in 2002.

Results of Corporate Governance Evaluation

Cheil Industries enhances corporate value and creates exemplary and transparent management by always looking to improve its corporate governance. Our governance rating was upgraded from Moderate to Good in 2007, and remained at that level for four straight years through 2010. This rating was provided pursuant to the Korea Corporate Governance Stock Price Index (KOGI), which presents corporate governance data in stock investment indices and is calculated jointly by the Korea Corporate Governance Service and the Korea Stock Exchange. In 2011, a new evaluation method called ESG (Environment, Social, Governance) was adopted, which comprehensively assesses corporate governance and social and environmental achievements. Cheil Industries was awarded an A grade in both 2011 and 2012.

Dividends

The business environment is expected to be difficult in 2013 owing to low growth trends in the global economy and the strong Korean Won. We also plan to increase investments to develop drivers for future growth. This meant we were under pressure to reduce dividends in order to minimize any increases in borrowings and to affirm our sound financial structure. We did, however, provide a dividend of KRW 750 per share, as we have done for the last six years, to enhance shareholder value.

	2012	2011	2010
Standard Stock Price (KRW)	94,375	101,300	104,800
Net Income (KRW billion)	240.9	241.1	240.4
Dividend (KRW)	750	750	750
Par Dividend Rate (%)	15.8	15.7	15.0

Future Plan

Cheil Industries has achieved steady growth by always responding to the business environment and market trends, expanding from its beginnings in the fabric business to build strong positions in fashion, and then in chemicals and the electronic materials businesses. We will continue to achieve continued growth by actively investing in drivers of future growth while simultaneously curtailing costs. The company's profit-centered growth will thus translate into an increase in stock price, leading to enhance the value for shareholders. By doing so, we will continue to seek ways to maximize shareholder value.

smarter innovation



in full swing

Cheil Industries is committed to change and innovation as driving forces of our future growth. Through this commitment, we have continued to innovate, moving from our original fabric business into fashion, chemicals, and then electronic materials business, creating better and more sustainable value for all our stakeholders. We will continue to seek smarter innovation to stay ahead of our competitors, so that we can generate more value and open a new chapter of sustained growth.

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business overview

We will achieve continued growth and make customers' lives better through creativity, innovation and better design.

Cheil Industries was founded in 1954, as the original parent company of Samsung Group. Since then, we have successfully expanded from textiles into fashion, chemicals, and electronic materials, creating new value to lead the markets.

We began in fabric production, manufacturing woolen textiles which had previously been mostly imported into Korea. We moved into the fashion industry in the 1970s, and became Korea's leading fashion company. In the 1980s, growth in traditional industries like clothing and textiles had reached its limit, so Cheil Industries needed long-term structural reform; we therefore began our chemicals business by developing synthetic plastic resins such as ABS and PS. In the 1990s, the vast potential of the IT industry, including semiconductors and displays, was obvious, so we set up our electronic materials business as a new growth driver, and began to produce various materials for cutting-edge IT devices after thorough preparation.

Now, in 2012, Cheil Industries is achieving growth across a diversified business portfolio that includes chemicals, electronic materials and fashion. We are also looking to develop new businesses for mid- to long-term growth, so that we can grow into a global top-tier company.

Strategic Direction

Chemical Division

Chemical Division, the company's biggest, completed its second polycarbonate (PC) plant in 2012, helping the division to create a high value-added product structure. Efforts were also made to increase the efficiency of the ABS process and to expand overseas production capacity in order to reduce costs. In 2013, we plan to support our continued growth by accelerating our new businesses, such as Super EP (Engineering Plastics) and membrane businesses.

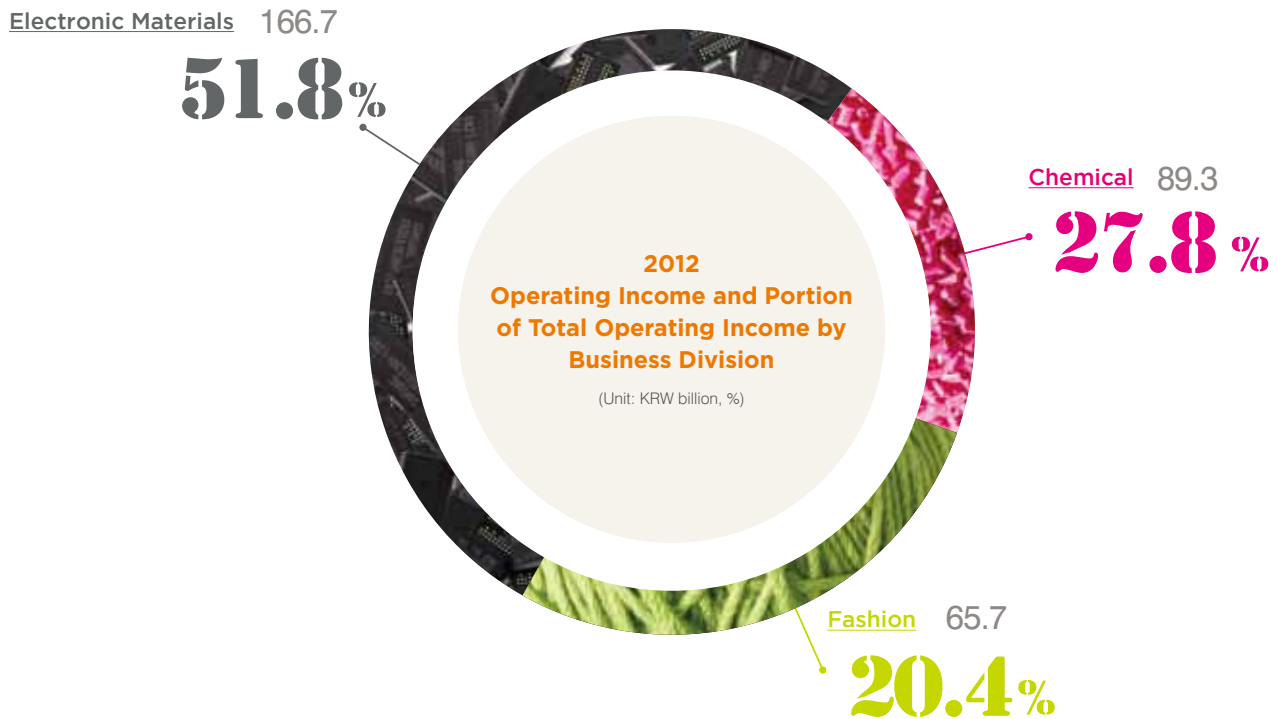
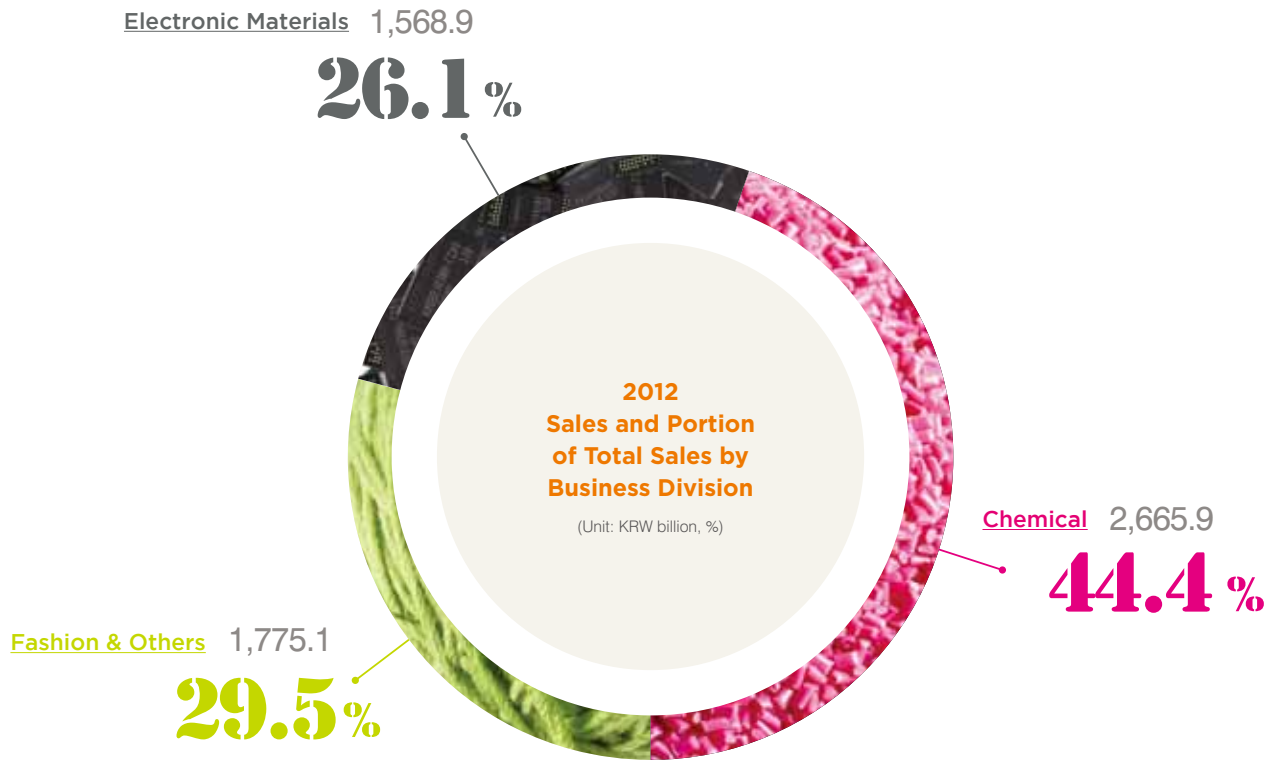
Electronic Materials Division

Electronic materials business, a growth driver of the company, accounted for just 8.3% of total revenues in 2005, but by 2009, revenues had exceeded KRW 1 trillion, and they rose to 30% of total revenues in 2012. Electronic materials business accounted for approximately 52% of the company's operating profit in both 2011 and 2012, which makes it a key business for the company. To ensure continued rapid growth, we will reorganize the product portfolio to focus on mid- to long-term global leadership. This will include actively responding to the emergence of new IT devices, such as OLEDs and solar cells, and making sure that we always collaborate as closely as possible with our customers.

Fashion

Our Fashion Division has defined Korea's fashion industry. We have developed the nation's leading brands, such as Bean Pole and Galaxy, in areas ranging from men's, women's, and casual wear to children's wear and golf clothing. This has made Cheil Industries the leading Korean fashion company. To solidify our leading position, we recently launched SPA, outdoor wear, and multi-shops. We also plan to enter the global market, with a focus on China, thereby enhancing the stature of Korea's fashion industry in the global market.





chemicals

WE CREATE FOR LIFE





Cheil Industries fully advanced into the plastic materials business with the establishment of Chemical Division and the construction of Chemical R&D Center in 1988. Taking the lead in the industry, Cheil Industries has grown into a global chemical company. We completed the construction of an ABS and PS plant in Yeosu in 1989, followed by the expansion of our business area to include artificial marble, a construction material, in 1992. We further strengthened our business foundation by entering the market of EP (Engineering Plastics), which is a high value-added synthetic resin.

Cheil Industries has expanded and diversified its product portfolio to secure world-leading competitiveness. In 2008, we completed our first polycarbonate (PC) plant at our Yeosu site, which is our main production base, and strengthened the high value-added EP business by building a second PC plant in 2012. This is turning us from a general purpose producer into a company that specializes in cutting-edge plastic materials. We are also actively building new businesses, such as automotive materials and membrane, which will help to diversify us away from a concentration on external materials for electronic products, and will ensure greater long-term competitiveness. Chemical Division will continue to offer better, higher-quality products to customers, and be a partner for a more enriched life.

“Cheil Industries’ wide range of chemical products enhances quality of life. Cheil Industries is a partner that understands the value of my life, and enables me to live a better life.”



KEY PRODUCTS

Resins for TVs

Cheil Industries has the highest market share in the world for TV resins through its standard-setting high-gloss, scratch-resistant, flame-retardant ABS and PC resins. Our cutting-edge products enable the manufacture of durable and high-quality televisions with aesthetically beautiful exteriors.

Resins for Monitors

Cheil Industries developed the world's first non-halogen flame-retardant ABS resin, and now leads the world market for monitor resins, including our flame-retardant PC/ABS and scratch-resistant resins.



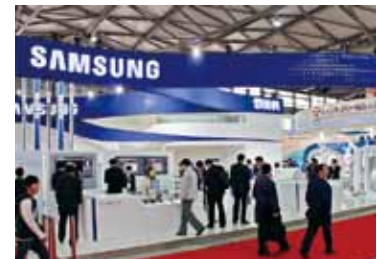
2012

Performance

A recovery in demand had been expected in 2012 when compared to the previous year which had been affected by the economic slowdown, and also because there was some easing of China's tight money policy. These expectations, however, were dashed by the continuing European financial crisis and the sluggish US economy. Notwithstanding this difficult business environment, we boosted our product competitiveness and our global business, and continued to build a high value-added business structure. This resulted in solid growth, with an approximate 9% year-on-year rise in revenues and a 71% year-on-year increase in operating profit.

Future Plan

Business is likely to remain difficult in 2013 owing to low growth across the global economy and the strong Korean Won. Despite these uncertainties, Chemical Division plans to strengthen its profit base through the early stabilization of production from the second PC line, and the expediting of sales of synthetic resins for automobiles. We will improve our manufacturing competitiveness by increasing the efficiency of our processes and expanding overseas production capacity.



Resins for OA

Our exclusive technologies for flame-retardant ABS, HIPS and PC/ABS have made our products the most sought-after materials for the exteriors of OA devices. We have made further improvements to the physical properties of our resins by adding glass fibers that make the finished products more suitable for both home and office.

Resins for Automobiles

Our range of resins for use in the interior and exterior of automobiles is one of the most competitive in the world. We are market leaders in products such as heat-resistant ABS, super heat-resistant ASA and ABS for plating.

Resins for Refrigerators

Sheet ABS resin is a core component in the interior of refrigerators. It possesses excellent mechanical properties, sheet safety and vacuum sealing capabilities, enabling manufacturers to carry out sophisticated sheet metal forming operations using just a thin sheet. ABS's high chemical resistance helps to expand its range of applications, and has lifted Cheil Industries to the top in terms of market share in sheet ABS for refrigerators worldwide.

Resins for Mobile Phones

Our mobile phone resins have excellent shock absorption and high workability, making them suitable for small electronic devices. We have the highest market share in Korea and the second-highest market share in the world for mobile phone resins. We will lead the next-generation mobile phone resins market by developing eco-friendly resins from sustainable sources such as corn starch.

Resins for Laptops

Our exclusive flame-retardant technology was applied to the development of non-halogen flame-retardant PC/ABS and scratch-resistant resins. These resins have high processability, excellent mechanical properties during post-processing and a fine external appearance, making them ideal for mobile devices such as laptops.

Staron, the Artificial Marble Brand

Staron is a cutting-edge construction material developed by our exclusive technology, and is widely used both for home and office interiors. Staron has received many international quality and safety certifications, including ISO 9002, an international quality specification, and ISO 14000, an international environmental management specification. In addition, our prowess in safety and the environment were reaffirmed by our acquiring certification for NSF51 Food Zone use compliance.

Cheil Industries has maintained its No. 1 position in global market share for key chemical products, such as resins for TVs, monitors and refrigerators.

No.



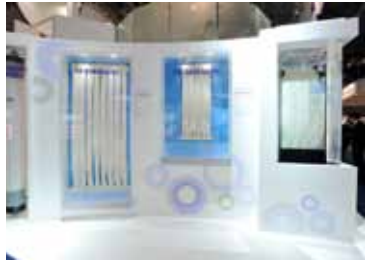
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Resins for Monitors

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Resins for Automobiles

Cheil Industries is leveraging its market-leading technology to develop a wide variety of high-performance and high value-added chemical materials for automobiles. We also offer the best in customized product solutions.



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INTERIOR

Super Low Gloss ABS, Low Gloss PC/ABS,
High Flow PC/ABS, High Stiffness PC/ABS/GF

EXTERIOR

Metal Plating Material,
Weather-Resistant ASA,
High Modulus PC/PET,
High Flow and High Impact PC/PBT

LIGHTING

High Heat Resistant PBT/PET,
Special High Heat Resistant ABS

STRUCTURE

Conductive and High Heat Resistant PA/PPE/
CNT, Dimensional Stability PBT/ASA/GF,
Low Temperature Impact PC/PBT

UTH

PPS, MPPE, LFRTP

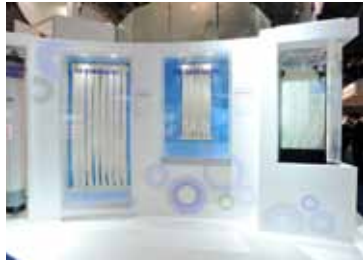
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INFINO[®] PC & PC Alloy

INFINO[®] is a PC product that we manufacture using eco-friendly methods. It is applied extensively to the external materials of electronic goods, automotive materials and construction materials, mainly because of its high impact and heat resistance, and its outstanding transparency.



Resins for OA

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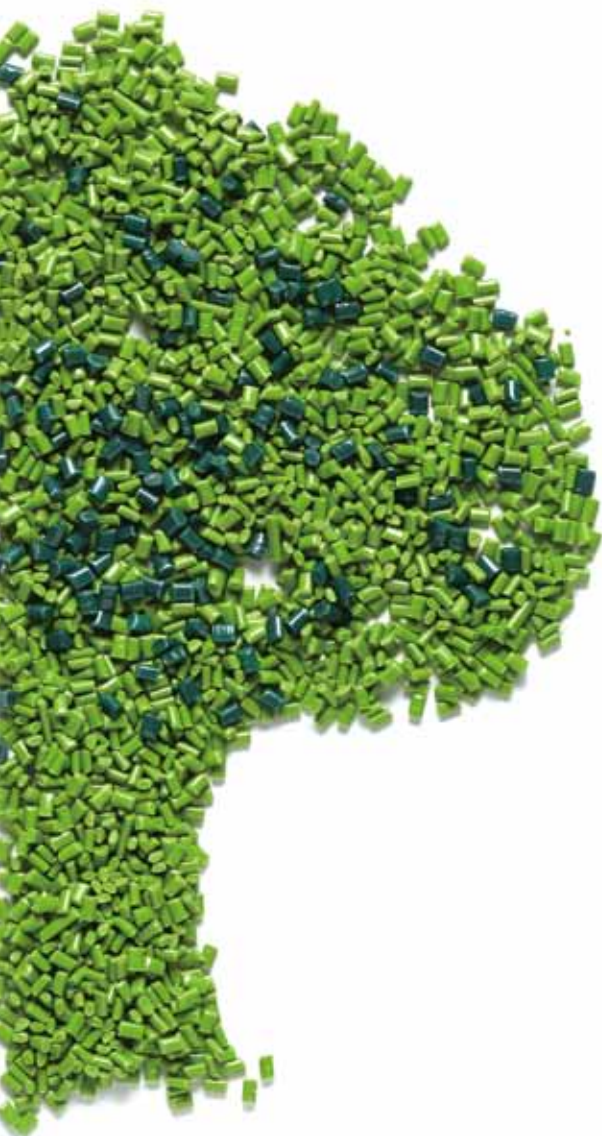
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FEATURES

High impact and notched impact strength

High heat resistance

Transparency and high purity

Good electrical insulation properties

UV stability

Energy saving

Good processability

Durability: Excellent weatherability

Dimensional stability

Good chemical resistance, good paintability, low moisture absorption

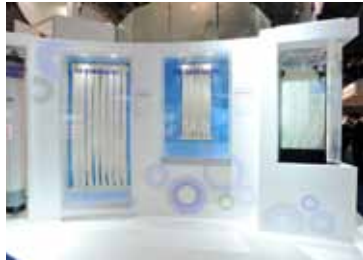
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Sales

(Unit: KRW billion)



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Operating Income

(Unit: KRW billion)

89.3



Sales Contribution

(Unit: %)

44.4



electronic materials

WE INNOVATE FOR LIFE





Cheil Industries' electronic materials business began in 1994 with the development of EMC, which protects semiconductor circuits, and grew with the launch of mass production of EMS and CR for LCDs following the construction of an IT materials production complex in Gumi in 2002. Electronic Materials Division uses the highest levels of R&D and investment to research and develop distinctive products to be used in the manufacture of semiconductors and TFT-LCDs, and, as a result, the electronic materials business is now vital to Cheil Industries. The Division also develops and supplies key materials for various cutting-edge IT products in a timely manner. Cheil Industries' innovative technologies and top quality products are widely recognized in the global market, and this in turn is enhancing Korea's reputation in digital technology.

Electronic materials business is a major part of the company's future growth. As well as existing markets, such as semiconductors and TFT-LCDs, Cheil Industries strives for leadership in key markets of the future such as OLED materials, which the company already focuses on and has high expectations for, and secondary cells.

“It's amazing to learn that materials made by Cheil Industries are key in the manufacture of smartphones, TVs and semiconductors. The new convenient digital world we live in is enabled by Cheil Industries.”



KEY PRODUCTS

SOH (Spin-on Hardmask)

SOH is technically and economically efficient hardmask for use with patterned photoresists in the nano-patterning processes used in semiconductor manufacturing.

SOD (Spin-on Dielectrics)

SOD is an insulating material used to reduce interconnecting capacitance between the transistors of a semiconductor device.

EMC (Epoxy Molding Compound)

EMC, the most widely used packaging material in this sector, is used to protect semiconductor devices from factors in the external environment such as moisture, heat, shock and electric charge.



2012 Performance

There was sluggish demand in the downstream part of the industry in 2012, owing to the spread of the European financial crisis and a delay in the recovery of advanced economies, resulting in continued difficulties in the business environment. Electronic Materials Division focused on strengthening internal stability by improving profitability, rather than on external growth, and on developing mid- to long-term global competitiveness by reorganizing its product portfolio. To maximize profitability, we analyzed in detail the market size, growth potential, profitability, and other factors to reduce or withdraw entirely from the production of low value-added products, with the focus on display materials. These efforts to expand market dominance of highly profitable products resulted in a substantial year-on-year increase of approximately 63% in operating profit.



Future Plan

In 2013, Cheil Industries will further expedite the establishment of a basis to advance into a global leader specializing in electronic materials. To this end, we will reorganize our business portfolio to select and concentrate on specific areas, thus fostering world-leading products and technology. We will improve the competitiveness of polarizers, which account for the highest percentage of revenues in our electronic materials business. In line with this, we will move quickly towards a high value-added product structure, enhance our manufacturing competitiveness through the improvement of production process, and pioneer overseas markets to expand revenues. We will also actively collaborate with customers for OLED materials to facilitate the early and full launch of our OLED business, and will build an infrastructure that will support our mid- to long-term competitiveness.

Polarizers

Polarizers adjust the direction of light generated by an LCD light source. This film serves as the basis for the fundamentals of LCD operation.

CR (Color Resist)

Color resist is used to manufacture color filters, which is one of the core components in LCDs. It consists of red, green, blue, black, and transparent materials.

ACF (Anisotropic Conductive Film)

ACF is an adhesive film that is essential in connecting flat panel display circuits. It provides electric anisotropy with electrical conductivity in the direction of the thickness of the film, and electrical insulation in all other directions.

MAS (Multi Angle Sheet)

MAS provides more and brighter light for LCDs. It also provides various additional functions for conventional prism films, resulting in great improvements in performance such as a wider viewing angle and the elimination of the upper protective film.

OLED Materials

These materials are used in OLED displays. They include organic materials such as the PDL (Pixel Defining Layer), ETL (Electron Transfer Layer), HTL (Hole Transfer Layer), and GPHL (Green Phosphorous Host Layer), as well as TFE (Thin Film Encapsulation).

Cheil Industries is developing its display materials, including polarizers, CR, and ACF, and semiconductor materials, such as SOH and EMC, into No. 1 products in the world.

No.



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Key Growth Drivers

Key Materials of Smart IT

By developing key materials needed for semiconductor patterning and packaging, materials needed for displays such as LCDs and PDPs, and other smart IT materials, Cheil Industries is emerging as a global electronic materials company.



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**SEMICONDUCTOR MATERIALS**

SOH | SOD | EMC

Cheil Industries produces SOHs and SODs which are patterning materials used to form semiconductor circuits on wafers, and EMCs which protect semiconductor circuits from the external environment.

DISPLAY MATERIALS

Polarizer | CR | ACF | MAS

These materials are used in the LCD manufacturing process. Polarizers control the direction of LCD lighting, and CRs produce color filters.

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Future Growth Drivers

Displays of the Future

Our key materials are used to create futuristic displays, ranging from LCDs that offer higher resolution levels even as they get slimmer, flexible displays that can be bent or folded, to next-generation OLEDs.



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**ADVANTAGES OF OLED**

Slimmer display

More natural colors

An eco-friendly display with outstanding power-saving

Display does not change whatever the viewing angle

Quick response and highest-quality resolution that remains unaffected by ambient temperature

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Operating Income

(Unit: KRW billion)

166.7**Sales Contribution**

(Unit: %)

26.1

fashion

WE DESIGN FOR LIFE





Fashion Division takes great pride in its long history and professional expertise. It has earned recognition in men's and casual clothing through brands such as Galaxy and Bean Pole, and has also expanded its business to include women's wear, children's wear, accessories, SPA, and outdoor wear, helping to strengthen our reputation as a total fashion company. In addition, by implementing projects like the Samsung Fashion & Design Fund (SFDF) that sponsor rising designers, we are helping Korean brands to enter overseas markets. We also foster design labels that are aiming at becoming world leaders, such as hexa by KUHO and JUUN. J.

“ I am delighted that Cheil Industries' fashion products are available in China, as they represent a new type of hallyu for me. They embody Korea's beauty and new culture. ”





KEY PRODUCTS

Bean Pole

Bean Pole is a family brand that includes Bean Pole Men's, Ladies, Golf, Jeans, Kids, Accessory, and Bean Pole Outdoor. Taken as a single brand, Bean Pole has the strongest brand power in Korea.

Galaxy

Galaxy has led the Korean men's wear market since 1982. By expanding to include business casual wear through Galaxy Lifestyle, Galaxy has built its prestige as a total brand for men.

Rogatis

Rogatis was launched in 1980. Over the years, it has steadily expanded to include its blue label, which is a classic suit line, and green label, a high-end casual line for men.

2012

Performance

The fashion industry as a whole saw falling revenues and profitability in 2012, as consumers eased off on purchasing clothes amidst the on-going economic slowdown at home and abroad. Even in the face of these challenges, Cheil Industries focused aggressively on expanding its market share to seize opportunities. As a result of these efforts, the revenues of key brands, including Bean Pole, Galaxy and KUHO, increased, and overseas brands like Tory Burch and theory also grew strongly. We advanced into high growth markets, including SPA and outdoor wear, by successfully launching our new brands, 8seconds and Bean Pole Outdoor. Cheil Industries is thus strengthening its position as Korea's top fashion company by achieving balanced growth, and also by expanding into the global market. We are especially focused on China, which we consider our 'second domestic market'.

Future Plan

Compared to the slow growth in 2012, 2013 is expected to see some increase in clothing purchases in 2013. However, because of the on-going struggles of the global economy, we do not expect a full recovery in the fashion market. We do, however, expect continuing growth in the SPA and outdoor markets, thanks to the spread of leisure activities and a move towards good value and utility in fashion, and away from conspicuous consumption. In line with changes in fashion trends, we will boost our new brands, including Bean Pole Outdoor and 8seconds, and ensure that our fashion business remains a driver of company growth.

Revenues in the Chinese market accounted for approximately 7% of fashion revenues in 2012. To increase this figure, we will improve our local distribution of the brands currently available in China, including Bean Pole, Galaxy, and Rapido. We also plan to continue the launch of new brands, and to build product portfolios that are appropriate for the local markets in which we operate.

MVIO

Launched in 1995, MVIO is an urban-centered casual wear brand that targets consumers in their twenties. It has a modern, refined style and a unique beauty.

KUHO

This luxury brand has built a distinctive identity by taking its inspiration from progressive German culture and artworks. It is very popular with female consumers.

Lebeige

This brand represents the traditions and leisure of older consumers. It makes full use of the harmony of naturally flowing silhouettes, luxurious materials, distinctive processing methods, and feminine patterns.

theory

Featuring an urban, sophisticated, and authentic New York style, theory is gaining attention in major fashion centers around the world, including New York, Tokyo, Paris, and London.

Tory Burch

This brand was launched in 2004 by Tory Burch, a top American fashion icon. It is loved by many for offering luxurious yet practical designs at reasonable prices.

Derercuny

Derercuny offers elegant femininity to its senior customers. It is known for an elegant style that is both classical and luxurious.

Fubu

This global brand was launched in New York in 1992, and is now available in around 60 countries across the globe. Its urban street casual clothes target consumers in their teens and twenties.

8seconds

8seconds is a Korean-style SPA (Specialty store retailer of Private label Apparel) brand that offers a wide range of product groups at reasonable prices. Its main customers are young people in their 20s and 30s.

Cheil Industries' No. 1 brands set trends for the Korean fashion industry. Bean Pole has the strongest brand power in Korea, and Galaxy consistently ranks first in brand preference surveys.

No.





KEY PRODUCTS

Bean Pole

Bean Pole is a family brand that includes Bean Pole Men's, Ladies, Golf, Jeans, Kids, Accessory, and Bean Pole Outdoor. Taken as a single brand, Bean Pole has the strongest brand power in Korea.

Galaxy

Galaxy has led the Korean men's wear market since 1982. By expanding to include business casual wear through Galaxy Lifestyle, Galaxy has built its prestige as a total brand for men.

Rogatis

Rogatis was launched in 1980. Over the years, it has steadily expanded to include its blue label, which is a classic suit line, and green label, a high-end casual line for men.

Made in Korea Quality

Sensitivity of Korean Beauty in the World

We are now offering Cheil Industries' superb fashion and sensitivity to customers across the globe through Bean Pole, Galaxy, MVIO, JUUN. J, KUHO, Lebeige, and Derercuny.



BEAN POLE

Men's, Ladies', Golf, Jeans, Kids, Accessory, Outdoor

MVIO

Launched in 1995, MVIO is an urban-centered casual wear brand that targets consumers in their twenties. It has a modern, refined style and a unique beauty.

KUHO

This luxury brand has built a distinctive identity by taking its inspiration from progressive German culture and artworks. It is very popular with female consumers.

Lebeige

This brand represents the traditions and leisure of older consumers. It makes full use of the harmony of naturally flowing silhouettes, luxurious materials, distinctive processing methods, and feminine patterns.

theory

Featuring an urban, sophisticated, and authentic New York style, theory is gaining attention in major fashion centers around the world, including New York, Tokyo, Paris, and London.

Tory Burch

This brand was launched in 2004 by Tory Burch, a top American fashion icon. It is loved by many for offering luxurious yet practical designs at reasonable prices.

Derercuny

Derercuny offers elegant femininity to its senior customers. It is known for an elegant style that is both classical and luxurious.

Fubu

This global brand was launched in New York in 1992, and is now available in around 60 countries across the globe. Its urban street casual clothes target consumers in their teens and twenties.

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**BEAN POLE**

Bean Pole is Cheil Industries' leading brand, featuring an extensive line-up ranging from children's wear to adult wear, from women's wear to men's wear, and from clothing for daily activities to clothing for leisure. It has been ranked No. 1 in the National Brand Competitiveness Index for eight consecutive years.

GALAXY

Building brand value is Cheil Industries' highest priority. Galaxy, one of our key brands, has earned considerable customer loyalty by showcasing a distinctive brand philosophy and cutting-edge designs. In 2012, Galaxy ranked first in the Korean Customer Satisfaction Index.

GALAXY

Business, Business Casual, Lifestyle



KEY PRODUCTS

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Dressed Up & Down

Total Fashion Company, Cheil Industries

Cheil Industries is a Korea's leading fashion company, featuring a wide range of product groups for all ages and lifestyles, from casual wear to men's, women's, kids', golf, and outdoor wear.



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**MEN'S WEAR**

Galaxy | Rogatis | MVIO | Nina Ricci | JUUN. J | Pal Zilrei

WOMEN'S WEAR

KUHO | Lebeige | Derercuny | Epitaph | Alcee

CASUAL

Bean Pole | Fubu | Rapido

IMPORTED

Issey Miyake | Comme Des Garcons | theory | Tory Burch | Thom Browne | Colombo | Nine West

RETAIL

8seconds | 10 Corso Como | Beaker

KEY PRODUCTS

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Sales

(Unit: KRW billion)



MVIO

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Operating Income

(Unit: KRW billion)

65.1



Sales Contribution

(Unit: %)

28.7



research & development

A strong spirit of challenge, perseverance, and innovation are the icons of Cheil Industries' R&D.

R&D Expenditures

(Unit: KRW billion)

2010	131.1
2011	143.8
2012	161.1

R&D Workforce

(Unit: Person)

2010	571
2011	580
2012	604

Cheil Industries develops outstanding products and new technologies through continued investment in R&D and by recruiting outstanding research personnel. The number of R&D experts at our company has risen steadily, and R&D investment reached KRW 161.1 billion in 2012, a year-on-year increase of 12%. We focus on developing next-generation products and key technologies with the goal of creating a better world where people are happy, rather than concentrating solely on technologies.

Research Centers

Chemicals

Established in 1988, Chemical R&D Center performs a pivotal role in developing key technologies for our chemicals business. In 2012, the Center was integrated into Development Team in Chemical Division to encourage synergy with production, purchasing, sales, and marketing. The Center focuses on developing high value-added and highly functional products, and this has enabled it to make approximately 1,500 patent applications over the last 24 years. We became the first in the world to develop an eco-friendly, halogen-free, flame-resistant ABS resin; ABS resin for ultra-thin refrigerator sheets with outstanding vacuum formability; flame-resistant HIPS and high-impact HIPS; and PC for the exterior material of mobile phones. This shows our ability to develop new products across diverse fields. We are currently concentrating on developing next-generation products that will overcome technological limitations, including heat-conductive resin and highly heat-resistant nylon resin. We are also undertaking research on key basic technologies such as polymerization and compounding.

Electronic Materials

EM R&D Center has become EM Development Team to strengthen collaboration with all other divisions, and to ensure more efficient R&D. EM Development Team strengthens the foundation for our electronic materials business through stronger R&D fundamentals and technological innovation. The Team also serves as the think tank for Electronic Materials Division, as well as incubating new materials. We are developing our key technologies, including those related to semiconductor patterning and packaging materials, display materials, and solar cell materials. We are also looking to develop new materials, including those for flexible displays and AMOLEDs. EM Development Team will continue to recruit top-level experts, work together with development, production, quality, marketing and sales personnel, and will strengthen the intra-company technology network groups.

Manufacturing Engineering Center

Located at the company's Yeosu business site, Manufacturing Engineering Center promotes the use of the best in production technology to ensure the quality of mass production. This will help the company to develop new technologies and products, and to achieve early stabilization of mass production. The Center also provides compounding production technologies, such as extrusion simulation, for the global production base. As well as improving the cost competitiveness of mass production, the Center researches technologies that cover all production processes, ranging from technology to promote the stabilization of quality to methods for evaluating applications. It leads the development of scratch-resistant resins, which are high value-added products, by developing independent functional polymerization products and production technology. The Center also conducts research into



special processing, including simulation technologies; builds pilot polymerization plants as research and test facilities; develops new polymerization processes; develops the technology to stabilize the mass production of e-Stone, artificial marble; and serves a pivotal role in the development of technologies that stabilize production across various fields.

Samsung Fashion Research Center

Samsung Fashion Research Center was founded in 1993, and its main tasks include fashion trend analysis, product planning, fashion market analysis, establishing brand strategies, and consumer research on the fashion industry for Samsung Group. It also provides in-depth, professional fashion information through Samsung Design Net.

Samsung Design Net

This is Korea's largest fashion information website. It offers data on fashion trends, marketing information, and various fashion news and reports. It stretches to 70,000 documents, 500,000 images, and 80,000 pieces of research material. Samsung Design Net thus quickly and accurately provides top quality information, which in turn contributes to the competitiveness of Korean design.

Major R&D Achievements in 2012

Chemicals

High stiffness, flame-resistant material for automobile battery trays We created a new market by developing this high stiffness, high heat-resistant, flame-resistant PC material.

High flow PC/ABS material for automobiles We are targeting the European automotive material market by developing a high flow PC/ABS product line-up with outstanding performance and cost competitiveness. We expect this to contribute to increased revenues.

PC material for displays We have developed a new PC polymerization material to successfully create a new market.

Energy-saving membrane This new, world-leading membrane product will establish the foundations for our advance into the environmental business.

Electronic Materials

OLED evaporation material We developed an evaporation material that ensures low-voltage operation, high efficiency, and great reliability for OLED devices.

Polarizer for tablet PCs We created a new market by developing a polarizer for small- to mid-sized tablet PCs.

Polarizer for TVs We contributed to increasing revenues by expanding the polarizer product group.

PR stripper for system LSI Revenues of PR stripper was increased.

High-intensity hybrid color PR We have developed an eco-friendly product that improves the intensity of hybrid CR products for LCD TVs, and removes harmful substances from them.

High-strength prism sheet By developing a high-strength prism sheet for LCD TVs, we improved price competitiveness and improved quality through scratch resistance, which has helped to stabilize the assembly process.

Silicone encapsulants for LEDs We entered the market for LED silicone encapsulants for lighting and for LCD back light units.



better tomorrow

in full swing

Cheil Industries is constantly changing and pursuing innovation to realize a sustainable future for everyone. We want to be not just a successful company, but also a respected and trustworthy partner. And that is why all of us at Cheil Industries do our utmost to conduct our business in the right way, respect nature, and grow alongside local communities. In doing so, we will design a happier and better tomorrow.

SUSTAINABILITY REVIEW

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ethical management

We will enhance our corporate value through transparent and reliable management.

Objective

Cheil Industries always adheres closely to principles based on laws and ethics. As company regulations have recently been strengthened, we have further strengthened our compliance management. By doing so, we do our utmost that our corporate value is not damaged due to unethical choices and behavior, thus establishing a base for sustainable growth to become a world-leading company. In particular, we have adopted a Compliance Program that reflects a business environment in which many legal risks arise and companies have an ever-expanding social role. We also carry out in-depth employee training, monitoring, reporting and evaluation on compliance issues. Compliance is an inherent part of Cheil Industries' corporate culture, which ensures that we practice sustainable management and can grow based on the trust of our stakeholders.

Organization

Audit Team: Overall Ethical Management

Cheil Industries has an Audit Team which is responsible for ethical management, to ensure a fair, transparent corporate culture and to protect its employees. Since the team reports directly to the CEO, its independent activities for ethical management are ensured. It investigates any corrupt behavior that might take place or be alleged, and also provides ethical management training to staff to make sure that they understand the importance of ethical management and make it an intrinsic part of their daily lives. The team is also responsible for establishing clear judgment criteria on ethical choices and behavior, and for creating and enforcing our code of conduct. As part of these efforts, the team operates a 'Cyber Audit Team' that is linked to the company intranet and website to provide guidelines on corruption, and which is used as a route through which staff can anonymously report unfair handling of work or corrupt behavior.

Legal Affairs Group: Compliance Program

Cheil Industries set up its Compliance Program (CP) in 2006, in order to preemptively prevent collusion or unfair trade by building a comprehensive support system for voluntary compliance management. In 2011, a dedicated CP organization was created within Legal Affairs Group to establish CP operational standards, and to appoint approximately 100 compliance support personnel across all business sites. This put into place a comprehensive management system for the prevention and monitoring of any illegal conduct. In addition, compliance training, including training on subcontracting and the Fair Trade Act, is now provided to staff in Korea and overseas.

In 2012, we provided systematic ethical and compliance training based on the existing CP, and sent every staff member a monthly compliance letter to publicize the CP, thereby establishing it as part of our corporate culture.

In 2013, we will report the CP operational performance and plans to the BOD, and will publish official notices about CP. We will provide specific training to divisions with increased legal risks and will continue to monitor the execution of the CP. We will also further strengthen CP and provide more training to overseas subsidiaries. Moreover, compliance index evaluations will be part of executive evaluations starting in 2013, in order to make compliance an intrinsic part of Cheil Industries. As such, we will make strenuous and wide-ranging efforts to further expand our ethical culture.

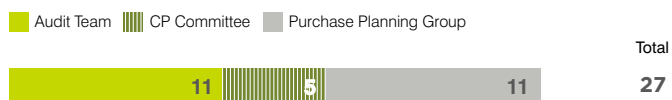
Purchase Planning Group: Win-Win Cooperation

Cheil Industries aims to become a trusted and world-leading company that grows in partnership with partner companies, based on a concept of win-win cooperation. We have therefore established fair and transparent trading with partner companies, and provide them with practical support to strengthen their business capabilities.

Cheil Industries complies with four guidelines in our dealings with partner companies to ensure transparent trading. We also use standard contracts for subcontracting, and operate compliance monitoring system. To promote effective communications, we build a win-win portal system, hold regular meetings with partner companies, and provide them with means to voice their complaints. We have established a win-win cooperation fund to help SME suppliers, and we provide financial support to outstanding partner companies to help them purchase facilities. We have also improved payment conditions. In addition, we provide technology support and training, host partner company-related events, and expand joint overseas business. Moreover, we established a Cooperation-coexistence secretariat to support partner companies and make every effort possible to establish and support fair trade

Staff for Ethical Management

(Unit: person, As of December 31, 2012)



human resources management

We aim to be a company where the best talent can fulfill their dreams.



Systematic HR Development

We develop the best global talent by offering a wide variety of specially-designed training programs reflecting employees' position and needs. Our system for HRD (Human Resources Development) consists of SVP (Samsung Shared Values Program), SLP (Samsung Business Leader Program), SGP (Samsung Global Talent Program), and SEP (Samsung Business Expert Program). SVP aims at sharing information on the management philosophies and key values of Samsung and Cheil Industries, and develops knowledge and basic skills needed at different levels of seniority. SLP is a training program designed to foster next-generation leaders, including the training of managers, support for MBAs, and courses on creative expertise. SGP develops global talent through a focus on regional expertise and foreign language skills. SEP involves training that is specific to job categories and seniority. Thanks to this detailed system for HRD, people at Cheil Industries grow into global experts and next-generation leaders who will lead the company's future growth.

Compensation System & Employee Welfare

Compensation System

We provide salaries according to fair criteria, and performance-based bonuses to motivate individuals and organizations to achieve their goals. This makes working for Cheil Industries a rewarding experience and bolsters the overall competitiveness of the company.

Employee Welfare

Cheil Industries has various employee welfare programs in place to improve the health and quality of life of staff and their family members, increase the financial security of our retired workers, provide financial support for the education of the children of our staff, and support daily life and leisure activities. By doing so, the company helps everyone at Cheil Industries live a happy and fulfilling life.

Creating a Great Workplace

An Open Workplace that Enhances Creativity

To create a flexible organizational culture, we have adopted a 'business casual' work system whereby staff at Uiwang Headquarters and Fashion Division can come to work whenever they want within certain parameters – between 7am and 1pm at Uiwang Headquarters, and between 8am and 1pm for Fashion Division. This has enabled increased work efficiency and a more dynamic work environment.

A Healthy Workplace with Open Communication

In 2010, we launched the ILMO TALK site, an internal bulletin board that encourages active internal communications. We also have established the OASIS counseling office which provides individual counseling, group counseling, and supervision, as well as a wide variety of mind- and body-care programs to help staff resolve any issues that they experience in their work and daily lives. In addition, we hold various events that help to build a healthy organizational culture that is committed to open communication; these events include exchanges among company clubs, table tennis tournaments, and the ILMO Bell Quiz.

A Happy Workplace that Cares for the Family

The expectant mother registration system is a part of our 'motherhood happiness system' to protect our female employees' rights. Staff who become pregnant are provided with congratulatory funds for pregnancy and childbirth, and a prenatal vacation. Expectant and new mothers can use the 'motherhood room', equipped with feeding bottle sterilizers, breast pumps, and nursing cushions.

A Great Workplace of Trust and Self-esteem

We have a one-on-one mentoring program for all new employees to help them adapt to work life and learn the values they should uphold at Cheil Industries. The program lasts around four months, and includes the selection of a mentor, workshops, and a full range of other activities. An excellent mentor and mentee are rewarded after the end of the program.

Investments in Training

(Unit: KRW million)

2010	5,720
2011	6,020
2012	6,509

green management

We are committed to green management to create harmony between mankind and nature.



Green Management Vision and Initiatives

Cheil Industries aims to play its part in realizing Samsung Group's vision of becoming the 'Global Leader in Green Management', and we have adopted the pursuit of sustainable growth and the fulfillment of social responsibilities as two of our key company values. We have categorized this into three areas – preserving resources and reducing energy usage and GHG (greenhouse gases) emissions; setting global green management criteria; and preventing environmental safety incidents and securing business sustainability. There will be particular focus in 2013 on observing laws and regulations, making timely investments for environmental improvements, strengthening our professional skills, building the best possible work environment, and improving our relationships with partner companies.

Major Accomplishments in Green Management

GHG and Energy Management

Cheil Industries is designated as a company subject to the Basic Act on Low Carbon Green Growth, and the Korean Government assigned our 2012 GHG emission quota, based on the Guidelines on Greenhouse Gas and Energy Target Management, in September 2011. Our GHG emissions for 2012 were 383,948 tons of CO₂, and our energy usage amounted to 7,846 TJ.

Despite systematic efforts to control GHG emissions, they continued to rise due to a rise in production and investments that are propelling the company's growth. However, we have been continuously decreasing our GHG emissions versus revenue. In 2012, the figure was 6.4 tons of CO₂ per KRW 100 million, a year-on-year fall of 4.6%, and it has been declining continuously since peaking at 8.9 tons of CO₂ per KRW 100 million of revenue in 2008.

Cheil Industries has an integrated GHG and energy management system which manages the root causes of GHG emissions. The company has also acquired the Energy Management System certification (ISO 50001) at all its business sites, becoming the first company in our industry in Korea to do so. As a result of these efforts, we won the Korean Government's Presidential Award for Saving Energy in 2012. We also took an active role in the Carbon Disclosure Project (CDP), and led the industry in the Carbon Disclosure Leadership Index (CDLI) in the raw material category.

Environmental Management Activities

All of our business sites have ISO 14001 environmental management system certification, a global certification. They also have OHSAS 18001, an occupational health and safety management system

certification. We treat and discharge all environmental pollutants within legally-permitted levels, and discharge less than 30% of the legal limit for particulates, thereby avoiding surcharges imposed by the government. We treat wastewater both by operating our own wastewater treatment facilities and using the services of professional treatment companies. We have also set up blockage and collection facilities as well as monitoring systems, including CCTVs, at the outlets and discharge points of the general drainage channels to be prepared for emergency situations. We separate, store, and properly treat waste pursuant to the standards set forth in the Waste Management Act.

Thanks to these efforts, our Gumi and Yeosu business sites were chosen as green companies by the Ministry of Environment. As of end-2012, there were only 206 business sites in Korea designated as green companies.

Health and Safety Activities

Cheil Industries makes considerable efforts to protect the health and safety of its employees. These include a monitoring system for accident prevention, distributing environmental safety guidebooks, detailed training according to job function, and process VOC reduction activities. Yeosu business site received the top P grade for the initial execution of its Process Safety Management system in 1996, and has now maintained that grade for 17 years. Gumi business site also has a P grade. Uiwang business site, where R&D Center is located, received the 'Grand Prize for Outstanding Firefighting Capability' from Gyeonggi Province, and became the first in the domestic industry to receive certification from the Korea Occupational Safety and Health Agency for engaging in activities to promote the health of its workers. In 2013, we will build an environmental health and safety IT system that will further enhance work efficiency, stability and safety.

Responding to International Chemical Substance Regulations

Cheil Industries responds actively to all relevant global regulations, including the EU's REACH (Registration, Evaluation, Authorization and restriction of Chemicals) regulatory framework. To respond effectively to similar regulations in China, Taiwan, and Turkey, and to risks that arise from the Korean Act on the Registration and Evaluation of Chemicals, we are building an IT system based on ERP (Enterprise Resource Planning) for the management of information on chemical substances, including information on raw material suppliers.



BY SHARING
VALUES OF GREEN
MANAGEMENT WITH
EVERYONE AT
CHEIL INDUSTRIES,
I WILL HELP TO
SHAPE A HEALTHY AND
GREEN FUTURE OF
THE EARTH.

Green Management Group
Assistant Manager, Lee Jae-sang

social contributions

We are writing a story which shares hopes and dreams throughout society.



Design for the Hope!

Based on our CSR vision of 'designing social contribution programs that foster a harmonious society and build hope for tomorrow', we actively engage in social contributions which pursue co-prosperity with our local communities. Our mission is to spread happiness by instilling pride in our staff and raising quality of life; to enhance our corporate image by creating a story of sharing; and to foster mutually beneficial relationships in the community. This mission encourages every staff member, from the CEOs to new employees, to volunteer at social contribution activities, reflecting the sincerity and passion of everyone at Cheil Industries to spread the value of sharing. By doing so, we design a better tomorrow and share greater hope throughout society.

CSR Organization

Cheil Industries puts into place sharing activities based on its professional organizations and talent. There are social volunteer teams at each business site, including Secretariat at Uiwang

Headquarters, Fashion Volunteer Center, Gumi Volunteer Center, Yeosu Volunteer Center, and Ochang Volunteer Center. Volunteer leaders manage our social contribution activities, sharing corporate profits transparently and efficiently with the local community. We will continue to engage in strategic social contribution activities and build a sustainable management system, in order to become a socially respected company. In addition, we will help a greater number of our neighbors through close connection with the local community.

Major Social Contribution Activities

Creating a Green World through Sharing

'Creating a Green World through Sharing' is Cheil Industries' main social contribution campaign, carried out jointly with the Ministry of Environment and the Beautiful Store. Through this campaign, we spread a culture of donating. In particular, we connected our environmental education contest program with Volunteer Festival held annually on the anniversary of the company's founding. This strategic public interest campaign brings together the spirit of sharing, the environment, and education.

Nanuri Marathon

Cheil Industries holds a staff marathon every year at Uiwang R&D Center to provide financial support to students from low-income families in the area for their college admission fees. More than 900 employees take part in the marathon every year and donate funds. Combined with the funds that the company contributes through a matching grant system, the Nanuri Marathon has raised a total of KRW 135 million for 40 students.

Heart for Eye

KUHO, one of Cheil Industries' women's clothing brands, runs the 'Heart for Eye' donation project for children suffering from visual impairments. Famous actors, models, and writers design T-shirts for donation, and all proceeds from sales go towards operations to restore children's eyesight. 189 children have had their eyesight restored through this program.

Volunteer Activities with the Local Community

146 volunteer teams of Cheil Industries have established sisterhood ties with 75 welfare facilities across Korea, to carry out regular volunteer activities in close connection with local communities. Approximately KRW 300 million is donated to social facilities every year through our 'neighbor donation' system.

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management's discussion & analysis

2012 Performance

It was initially forecasted that the global economy would recover steadily in 2012 from the effects of the European financial crisis in 2011 and the downgrade in the US credit rating, which would have suggested a downturn in the first half followed by an upturn in the second half of the year. However, 2012 actually saw greater uncertainty across the globe, due to the on-going and worsening European financial crisis, a slow economic recovery in advanced nations, and limited growth in emerging nations, which made the business environment very difficult.

Even amidst low growth, low consumption and low demand, Cheil Industries was active in its efforts to embrace change and explore opportunities for growth. Thanks to these efforts, the company's performance excelled in 2012, with sales of KRW 6,009.9 billion, a year-on-year increase of nearly 8%, making 2012 one of our best ever years. Operating income rose almost 45% year-on-year to KRW 321.7 billion.

Our summarized statement of income is as follows:

Summarized Statement of Income

(Unit: KRW million)

	2012	2011	Change	Change (%)
Sales	6,009,890	5,580,980	428,910	7.7
Cost of sales	4,154,810	3,997,062	157,748	3.9
Gross profit	1,855,080	1,583,917	271,163	17.1
Selling and other expenses	1,533,374	1,361,422	171,952	12.6
Operating income	321,706	222,495	99,211	44.6
Non-operating income (loss)	(28,725)	53,181	(81,906)	(154.0)
Gain (Loss) on valuation of investments in associates	(15,067)	12,495	(27,562)	(220.6)
Financial income (expenses)	(45,868)	(24,018)	(21,850)	91.0
Other non-operating income	56,088	108,898	(52,810)	(48.5)
Other non-operating expenses	23,878	44,193	(20,315)	(46.0)
Income before income tax	292,981	275,676	17,305	6.3
Income tax expense	84,221	16,556	67,665	408.7
Net income	208,760	259,121	(50,361)	(19.4)
Net income attributable to:				
Owners of the parent Company	208,624	259,086	(50,462)	(19.5)
Non-controlling interests	137	35	102	291.4
Earnings per share attributable to the owners of the parent Company:				
Basic earnings per share (KRW)	4,124	5,274	(1,150)	(21.8)
Diluted earnings per share (KRW)	4,113	5,266	(1,153)	(21.9)
Gross profit margin (%)	30.9	28.4		2.5%p
Operating profit margin (%)	5.4	4.0		1.4%p
Pre-tax profit margin (%)	4.9	4.9		-
Net profit margin (%)	3.5	4.6		(1.1)%p

Sales went up approximately 8% year-on-year to KRW 6,009.9 billion thanks to a rise in sales at Chemical and Fashion Division. In particular, Chemical Division was the major contributor to the growth by bringing the second polycarbonate (PC) line into operation in July, ahead of schedule.

Details of selling expenses and other expenses are as follows:

(Unit: KRW million)

	2012	2011	Change	Change (%)
Selling expenses	695,058	630,636	64,422	10.2
Administrative expenses	692,389	598,739	93,650	15.6
Research and development expenses	145,927	132,047	13,880	10.5

Selling expenses increased by KRW 64.4 billion year-on-year to KRW 695.1 billion. Administrative expenses were up KRW 93.7 billion from the previous year to KRW 692.4 billion. This is mainly because of a rise in commissions paid and rent for the opening of new fashion stores, as well as increased personnel expenses resulting from a rise in the number of employees.

Despite the rise in SG&A, operating income was up by approximately 45% year-on-year to KRW 321.7 billion, predominantly as a result of a strong rise in gross profits. This growth mainly came from increased revenues at Chemical Division and better profitability at Electronic Materials Division. Operating profit margin was also up by 1.4%p from the previous year, indicating that growth was qualitative as well as quantitative.

Net income, however, saw a year-on-year fall of KRW 50.4 billion to stand at KRW 208.8 billion, and the net profit margin was down 1.1%p from the previous year. This was due to the loss on valuation of investments in associates, increase in financial losses, reduction in other non-operating income, and increased income tax expenses. Unlike 2011, there were no gains on disposals of available-for-sale financial assets or on disposals of investments in associates in 2012, which was the reason for the decreased other non-operating income.

Performance by Business Division

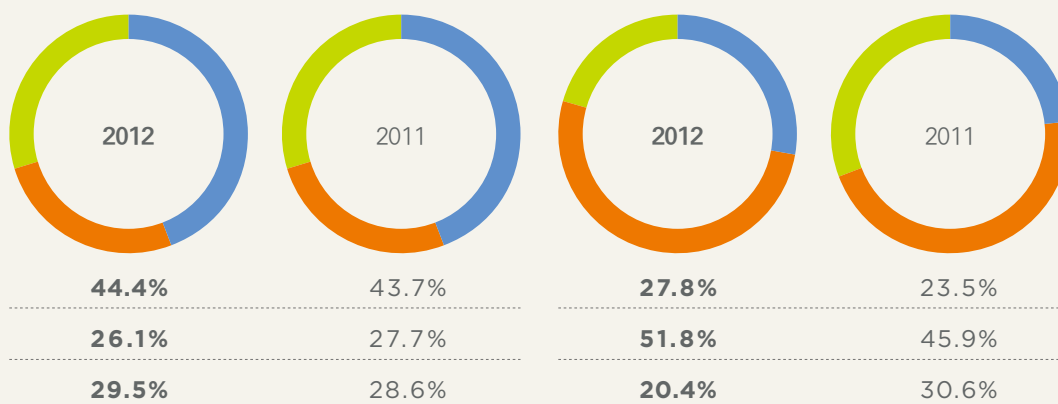
Chemical Division achieved balanced growth in both sales and operating income. It focused on improving product competitiveness and global business capabilities in the face of a difficult business environment, in particular the sluggish demand in the electrical and electronic markets due to the economic slowdown in advanced countries. In July 2012, Chemical Division completed the construction of its second PC line to establish a business structure centered on high value-added products. This is expected to contribute to improved competitiveness in the synthetic resin business.

Electronic Materials Division reorganized its product portfolio, withdrawing some products as part of its measures to enhance profitability; this resulted in limited growth in sales. However, operating income rose by an impressive 63% thanks to better competitiveness from key products and our efforts to improve profitability. This is attributable to the increased market dominance of market-leading products, such as SOH and CR, as well as the additional income from polarizer films.

Fashion Division achieved year-on-year sales growth of around 13% thanks to the growth in existing brands and the timely launch of new brands in rapid response to changes in consumer trends. The Division also established foundations for the future growth by successfully launching outdoor and SPA brands.

Sales by Business Division

Operating Income by Business Division



Financial Structure

Our summarized statement of financial position is as follows:

Summarized Statement of Financial Position

(Unit: KRW million)

	2012	2011	Change	Change (%)
Assets	5,418,572	4,930,803	487,769	9.9
Current assets	1,836,933	1,434,658	402,275	28.0
Non-current assets	3,581,639	3,496,145	85,494	2.4
Liabilities	2,161,141	1,714,055	447,086	26.1
(Total borrowings)	1,269,453	852,706	416,747	48.9
(Net borrowings)	1,155,994	756,273	399,721	52.9
Current liabilities	1,003,718	864,011	139,707	16.2
Non-current liabilities	1,157,423	850,044	307,379	36.2
Shareholders' equity	3,257,431	3,216,748	40,683	1.3
Equity attributable to the owners of the parent Company	3,254,303	3,216,154	38,149	1.2
Capital stock	262,188	262,188	-	-
Other contributed capital	419,595	419,153	442	0.1
Revaluation reserve	231,884	231,885	(1)	-
Accumulated other comprehensive income	802,738	916,488	(113,750)	(12.4)
Retained earnings	1,537,898	1,386,440	151,458	10.9
Non-controlling interests	3,128	594	2,534	426.6
Current ratio (%)	183.0	166.0		17.0%p
Debt-to-equity ratio (%)	66.3	53.3		13.0%p
Net borrowing rate (%)	35.5	23.5		12.0%p
Ratio of total borrowings and bonds payable to total assets	23.4	17.3		6.1%p

Total assets at year-end 2012 were up KRW 487.8 billion over the 2011 year-end figure to KRW 5,418.6 billion.

Current assets saw a year-on-year rise of 28% to KRW 1,836.9 billion. This was mainly due to increases in accounts receivable and inventories of KRW 139.1 billion and KRW 166 billion, respectively. Non-current assets rose 2.4% year-on-year to KRW 3,581.6 billion; this slight increase resulted from a KRW 144.2 billion decrease in losses on the valuation of available-for-sale financial assets being more than balanced out by a KRW 205.1 billion increase in tangible assets.

Current liabilities were up 16.2% year-on-year to reach KRW 1,003.7 billion. This was mostly attributable to an increase in short-term borrowings and accounts payable of KRW 93.6 billion and other liabilities rising by KRW 71.1 billion. Non-current liabilities rose 36.2% year-on-year to KRW 1,157.4 billion thanks to increases in working capital and investments for the company's sustained growth, including the construction of a second PC line for Chemical Division and the purchase of a building for Fashion Division.

Shareholders' equity rose slightly to KRW 3,257.4 billion with a KRW 113.6 billion decrease in accumulated other comprehensive income being more than balanced out by a KRW 151.5 billion increase in retained earnings.

The current ratio was up 17%p as current assets rose more than current liabilities. The debt-to-equity ratio, net borrowing rate, and ratio of total borrowings and bonds payable to total assets all rose, owing to extra borrowings including corporate bonds. We plan to improve financial stability by increasing reserves through increases in income.

Cash Flows

Our summarized statement of cash flows is as follows:

Summarized Statement of Cash Flows

(Unit: KRW million)

	2012	2011	Change	Change (%)
Cash flows from operating activities	112,244	194,607	(82,363)	(42.3)
Cash flows from investing activities	(478,811)	(332,977)	(145,834)	43.8
Cash flows from financing activities	384,977	201,772	183,205	90.8
Cash flows from operating activities/ Total assets (%)	2.1	3.9		(1.8)%p

Total cash flows from operating activities fell by KRW 82.4 billion year-on-year. A KRW 236.4 billion increase in cash outflows was caused by a KRW 50.4 billion drop in net income, and a rise in operating assets and liabilities, such as trade receivables and inventories; this outflow was more than the KRW 215.4 billion increase in cash inflow effects over the previous year, including an increase in expenses not involving cash outflows, and a decrease in revenues not involving cash inflows.

Cash outflows from investing activities went up by KRW 145.8 billion year-on-year. This came about mainly because of increases in the acquisition of short-term financial instruments, tangible assets, and intangible assets, recording KRW 32.8 billion, KRW 85 billion, and KRW 16.8 billion, respectively. There was also a decrease of KRW 19.2 billion in the disposal of available-for-sale financial assets.

Cash flows from financing activities were up KRW 183.2 billion year-on-year. This was due to a KRW 145.6 billion increase in proceeds from borrowings and a KRW 120.3 billion decrease in redemption of borrowings despite a year-on-year decrease of KRW 99.6 billion in the issuance of debentures.

Dividend Policy

Although the company's profitability improved in 2012, considering the low growth in the global economy and uncertainties over the recovery of the domestic economy, we cannot be confident that profitability will continue to improve. In addition, borrowings increased for the second consecutive year in 2012 due to new investments.

Despite these economic conditions where we were forced to reduce the dividend, we declared a dividend of KRW 750 per share for the 6th consecutive year as part of our efforts to enhance our shareholder's value. This is a par dividend rate of 15% and equates to a payout ratio of 15.8%, up 0.1%p over the previous year. Total dividends paid for the year amounted to KRW 38 billion.

Our yearly dividend performance can be summarized as follows:

	2012	2011	2010	2009
Net income (KRW billion)	240.9	241.1	240.4	127.0
Dividend per share (KRW)	750	750	750	750
Dividend yield (%)	0.8	0.7	0.7	1.4
Payout ratio (%)	15.8	15.7	15.0	28.3

* K-IFRS non-consolidated basis

Future Outlook

It is expected that the global economy will continue to grow slowly in 2013, and there are no signs that the Korean economy will recover more strongly. In particular, currency exchange rate fluctuations, such as those caused by quantitative easing in Japan, may affect the competitiveness of export companies in Korea.

Notwithstanding, Cheil Industries will focus on its goal of becoming a 'global top-tier company that is centered on speed and high added value' in 2013. We will therefore stabilize the SCM and ERP management systems, and further strengthen our flexible and creative organizational culture, thereby improving our management speed. We will ensure high added value by focusing on specific business areas, and enhance our competitiveness by building a global production network and expanding our overseas customer network, which will help us to become truly global at a corporate level.

The chemical industry is expected to see low growth in 2013 throughout the downstream part of the industry, but better growth is forecast for some markets, including mobile phones and automobiles. Accordingly, our chemical business aims to respond rapidly and flexibly in an ever-changing market by improving our business structure and developing key products in a timely manner. In the electronic materials business, we will develop our competitiveness by fostering new business areas, including OLED, and also improving the market position of polarizer films. Consumer sentiment in fashion is expected to remain quite negative throughout 2013, but we will pioneer in domestic and overseas markets by leveraging our planning and design capabilities, and adhere to our spirit of challenge.

Consolidated Financial Statements

Consolidated Statements of Financial Position

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

AS OF DECEMBER 31, 2012 AND 2011

(Unit: KRW thousand)

	2012		2011	
ASSETS				
Current assets:				
Cash and cash equivalents	₩	113,459,358	₩	96,432,778
Short-term financial instruments		33,000,000		182,510
Trade receivables		624,313,746		485,171,034
Due from customers for contract work		-		794,216
Loans and other receivables		78,621,922		57,614,561
Inventories		909,186,532		743,192,247
Current tax assets		322,899		524,643
Other current assets		78,028,509		50,745,766
Total current assets		1,836,932,966		1,434,657,755
Non-current assets:				
Long-term trade receivables	₩	5,048,845	₩	5,040,231
Long-term loans and other receivables		90,145,261		83,510,881
Available-for-sale financial assets		1,215,513,471		1,359,741,685
Held-to-maturity financial assets		-		100,000
Investments in associates		98,781,558		116,162,502
Property, plant and equipment		1,696,022,149		1,490,932,769
Intangible assets		462,874,122		431,771,080
Deferred income tax assets		3,454,938		1,596,081
Other non-current assets		9,798,640		7,289,667
Total non-current assets		3,581,638,984		3,496,144,896
Total assets	₩	5,418,571,950	₩	4,930,802,651

(Unit: KRW thousand)

	2012		2011	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Trade payables	₩	240,797,547	₩	279,675,366
Due to customers for contract work		1,467,291		2,646,208
Other payables and debts		277,424,150		206,324,774
Short-term borrowings		252,281,104		158,657,268
Current maturities of long-term debts		105,495,494		112,812,682
Provisions		4,771,391		4,695,331
Deferred income		18,281,009		16,203,116
Income tax payable		46,162,190		12,058,127
Other current liabilities		57,037,758		70,938,257
Total current liabilities		1,003,717,934		864,011,129
Long-term liabilities:				
Long-term incentives		13,670,435		5,168,945
Long-term borrowings		14,089,214		23,066,879
Debentures		897,587,605		558,169,232
Defined benefit obligation		37,141,790		32,879,815
Deferred tax liabilities		194,563,555		230,468,887
Other non-current liabilities		370,411		290,031
Total non-current liabilities		1,157,423,010		850,043,789
Total liabilities		2,161,140,944		1,714,054,918
Shareholders' equity:				
Equity attributable to the owners of the parent Company				
Capital stock		262,188,255		262,188,255
Other contributed capital		419,594,931		419,152,604
Revaluation reserve		231,884,465		231,884,465
Accumulated other comprehensive income		802,737,675		916,488,184
Retained earnings		1,537,898,007		1,386,439,945
		3,254,303,333		3,216,153,453
Non-controlling interests		3,127,673		594,280
Total shareholders' equity		3,257,431,006		3,216,747,733
Total liabilities and shareholders' equity	₩	5,418,571,950	₩	4,930,802,651

Consolidated Statements of Income

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW thousands, except per share amounts)

	2012		2011	
SALES	₩	6,009,889,565	₩	5,580,979,504
COST OF SALES		4,154,809,868		3,997,062,016
GROSS PROFIT		1,855,079,697		1,583,917,488
Selling expenses		695,057,864		630,636,102
Administrative expenses		692,388,895		598,738,927
Research and development expenses		145,927,021		132,046,969
		1,533,373,780		1,361,421,998
OPERATING INCOME		321,705,917		222,495,490
NON-OPERATING INCOMES				
Gain on valuation of investments in associates		729,263		29,595,152
Financial incomes:				
Interest income		6,713,105		4,704,183
Gain on foreign currency transactions		42,694,816		68,176,462
Gain on foreign currency translation		6,790,188		6,765,953
		56,198,109		79,646,598
Other non-operating incomes		56,087,657		108,897,585
		113,015,029		218,139,335
NON-OPERATING EXPENSES				
Loss on valuation of investments in associates		15,796,023		17,100,498
Financial expense:				
Interest expense		39,904,853		28,501,196
Loss on foreign currency transactions		52,888,425		69,276,424
Loss on foreign currency translation		9,272,599		2,912,426
Loss on derivative transactions		-		2,975,000
		102,065,877		103,665,046
Other non-operating expenses		23,877,882		44,192,800
		141,739,782		164,958,344
INCOME BEFORE INCOME TAX		292,981,164		275,676,481
INCOME TAX EXPENSE		84,220,667		16,555,566
NET INCOME	₩	208,760,497	₩	259,120,915
NET INCOME ATTRIBUTABLE TO:				
Owners of the parent Company	₩	208,623,841	₩	259,086,037
Non-controlling interests		136,656		34,878
EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY				
Basic earnings per share	₩	4,124	₩	5,274
Diluted earnings per share	₩	4,124	₩	5,266

Consolidated Statements of Comprehensive Income

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW thousand)

	2012		2011	
NET INCOME	₩	208,760,497	₩	259,120,915
OTHER COMPREHENSIVE LOSS:				
Gain on valuation of available-for-sale financial assets		(109,397,078)		(59,156,565)
Loss on valuation of available-for-sale financial assets		738		(10,535)
Gain on valuation of equity method investees		-		(60,281)
Loss on valuation of equity method investees		(165,372)		(41,439)
Loss on valuation of derivatives		-		1,130,742
Gain (loss) on foreign operations translation		(4,244,224)		609,134
Actuarial loss		(19,234,935)		(10,544,545)
		(133,040,871)		(68,073,489)
TOTAL COMPREHENSIVE INCOME	₩	75,719,626	₩	191,047,426
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent Company	₩	75,638,399	₩	191,033,565
Non-controlling interests	₩	81,227	₩	13,861

Consolidated Statements of Changes in Shareholders' Equity

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW thousand)

	Capital stock	Other contributed capital	Revaluation reserve	Accumulated other comprehensive income	Retained earnings	Non-controlling interests	Total
January 1, 2011	₩ 250,000,000	₩ 136,229,690	₩ 231,884,465	₩ 973,996,112	₩ 1,173,780,532	₩ 592,991	₩ 2,766,483,790
Dividend	-	-	-	-	(36,015,402)	(12,572)	(36,027,974)
Net income	-	-	-	-	259,086,037	34,878	259,120,915
Issuance of new shares due to business combination	12,188,255	281,548,691	-	-	-	-	293,736,946
Acquisition of treasury share due to business combination	-	(241)	-	-	-	-	(241)
Acquisition of treasury stock	-	(349,628)	-	-	-	-	(349,628)
Exercise of stock options	-	1,724,092	-	-	-	-	1,724,092
Gain on valuation of available-for-sale financial assets	-	-	-	(59,156,565)	-	-	(59,156,565)
Loss on valuation of available-for-sale financial assets	-	-	-	(10,535)	-	-	(10,535)
Gain on valuation of equity method investees	-	-	-	(60,281)	-	-	(60,281)
Loss on valuation of equity method investees	-	-	-	(41,439)	-	-	(41,439)
Loss on valuation of derivatives	-	-	-	1,130,742	-	-	1,130,742
Gain on foreign operations translation	-	-	-	630,150	-	(21,017)	609,133
Changes in scope of consolidation	-	-	-	-	133,323	-	133,323
Actuarial loss	-	-	-	-	(10,544,545)	-	(10,544,545)
December 31, 2011	₩ 262,188,255	₩ 419,152,604	₩ 231,884,465	₩ 916,488,184	₩ 1,386,439,945	₩ 594,280	₩ 3,216,747,733
January 1, 2012	₩ 262,188,255	₩ 419,152,604	₩ 231,884,465	₩ 916,488,184	₩ 1,386,439,945	₩ 594,280	₩ 3,216,747,733
Dividend	-	-	-	-	(37,930,844)	(12,835)	(37,943,679)
Net income	-	-	-	-	208,623,841	136,656	208,760,497
Payment of non-controlling interests	-	-	-	-	-	2,465,000	2,465,000
Exercise of stock options	-	442,327	-	-	-	-	442,327
Gain on valuation of available-for-sale financial assets	-	-	-	(109,397,078)	-	-	(109,397,078)
Loss on valuation of available-for-sale financial assets	-	-	-	738	-	-	738
Loss on valuation of equity method investees	-	-	-	(165,372)	-	-	(165,372)
Gain on foreign operations translation	-	-	-	(4,188,797)	-	(55,428)	(4,244,225)
Actuarial loss	-	-	-	-	(19,234,935)	-	(19,234,935)
December 31, 2012	₩ 262,188,255	₩ 419,594,931	₩ 231,884,465	₩ 802,737,675	₩ 1,537,898,007	₩ 3,127,673	₩ 3,257,431,006

Consolidated Statements of Cash Flows

CHEIL INDUSTRIES INC. AND ITS SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(Unit: KRW thousand)

	2012		2011	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash flows from operations:				
Net income	₩	208,760,497	₩	259,120,915
Income tax expense		84,220,667		16,555,566
Financial incomes		(13,503,293)		(11,470,136)
Financial expense		49,177,452		34,388,622
Dividend income		(16,907,502)		(14,870,166)
Reversal of allowance for bad debts		(219,764)		(794,059)
Gain on disposal of available-for-sale financial assets		-		(24,028,798)
Gain on valuation of investments in associates		(729,263)		(29,595,152)
Gain on disposal of investments in associates		-		(44,591,290)
Gain on disposal of property, plant and equipment		(380,060)		(395,591)
Provision for severance benefits		25,625,526		22,296,387
Provision for doubtful accounts		(264,639)		120,347
Depreciation		199,385,546		155,762,033
Amortization		9,305,095		5,918,515
Other bad debt expense		105,606		3,293,200
Loss on valuation of investments in associates		15,796,023		17,100,498
Loss on disposal of property, plant and equipment		6,738,608		3,280,012
Impairment of intangible assets		-		13,901,815
Warranty expenses		68,087		87,487
Payroll (long-term incentives)		9,756,288		5,777,842
Changes in operating assets and liabilities:				
Increase in trade receivables		(163,184,256)		(20,065,160)
Decrease (increase) in due from customers for contract work		794,216		(794,216)
Decrease (increase) in loans and other receivables		(10,337,426)		16,117,069
Increase in inventories		(171,096,826)		(68,718,999)
Increase in other current assets		(18,067,358)		(1,578,979)
Decrease in long-term trade receivables		-		91,362
Increase in long-term loans and other receivables		(19,614,235)		(334,624)
Increase in other non-current assets		(6,411,682)		(3,169,188)
Decrease in trade payables		(35,221,185)		(61,378,852)
Increase (decrease) in due to customers for contract work		(1,178,916)		2,646,208

(Unit: KRW thousand)

	2012		2011	
Increase in other payables and other debts	₩	89,719,104	₩	177,151
Decrease in provisions		(16,864)		(798,678)
Increase in deferred income		2,077,894		847,841
Increase (decrease) in other current liabilities		(12,264,741)		26,716,888
Increase (decrease) in long-term incentives		64,263		(3,163,385)
Payment of severance benefits		(19,994,994)		(11,413,846)
Transfer from affiliate company of defined benefit obligation		2,489,919		-
Increase of plan assets		(29,227,413)		(30,205,011)
		(391,470,500)		(155,024,419)
		185,464,374		256,833,628
Interest received		1,288,003		2,053,576
Dividend received		19,046,655		17,009,316
Income tax refunds		34,655		56,963
Interest paid		(46,997,676)		(31,078,160)
Income taxes paid		(46,592,056)		(50,268,228)
		112,243,955		194,607,095
CASH FLOWS FROM INVESTING ACTIVITIES:				
Collection of short-term financial instruments	₩	178,580	₩	-
Collection of loans and other receivables		3,611,249		1,273,610
Collection of long-term loans and other receivables		253,362		1,747,607
Proceeds from disposal of available-for-sale securities		-		19,226,163
Proceeds from disposal of property, plant and equipment		4,001,193		2,054,304
Proceeds from disposal of intangible assets		2,003,325		1,345,702
Proceeds from business combination		-		1,454,973
Increase in short-term financial instruments		(33,000,000)		(171,500)
Increase in loans and other receivables		(2,025,450)		(1,571,414)
Increase in long-term loans and other receivables		(2,606,391)		(8,789,450)
Acquisition of held-to-maturity financial assets		-		(100,000)
Acquisition of property, plant and equipment		(412,289,491)		(327,271,465)
Acquisition of intangible assets		(38,937,319)		(22,175,740)
		(478,810,942)		(332,977,210)

(Unit: KRW thousand)

	2012		2011	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from borrowings	₩	764,569,061	₩	618,987,731
Proceeds from issuance of debentures		398,565,400		498,124,300
Proceeds from long-term borrowings		37,172,300		9,555,263
Decrease in derivative instruments		-		10,632,000
Payment of non-controlling interests		2,465,000		-
Redemption of borrowings		(780,237,727)		(900,533,005)
Acquisition of treasury stock		-		(349,628)
Exercise of stock options		386,492		1,383,254
Payment of dividends		(37,943,679)		(36,027,974)
		384,976,847		201,771,941
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,409,860		63,401,826
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		96,432,779		33,388,517
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,383,281)		(357,564)
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩	113,459,358	₩	96,432,779

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of CHEIL INDUSTRIES INC.:

We have audited the accompanying consolidated financial statements of CHEIL INDUSTRIES INC. and its subsidiaries (the "Group"). The financial statements consist of the consolidated statements of financial position as of December 31, 2012 and 2011, respectively, and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows, all expressed in Korean won, for the years ended December 31, 2012 and 2011, respectively. The Group's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, including Samsung Chemical U.S.A. Inc., whose statements reflect 2.11% and 4.53% of the consolidated total assets as of December 31, 2012 and 2011, respectively, and 3.17% and 9.58% of the consolidated total sales for the years ended December 31, 2012 and 2011, respectively. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and 2011, respectively, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

March 7, 2013

Notice to Readers This report is effective as of March 7, 2013, the audit report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors' report.

Report of Independent Accountants' Review of Internal Accounting Control System (IACS)

English Translation of a Report Originally Issued in Korean

To the Presidents of Cheil Industries Inc.

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Cheil Industries Inc. (the "Company") as of December 31, 2012. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on the assessment of the operations of the IACS as of December 31, 2012, the Company's IACS has been designed and is operating effectively as of December 31, 2012 in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

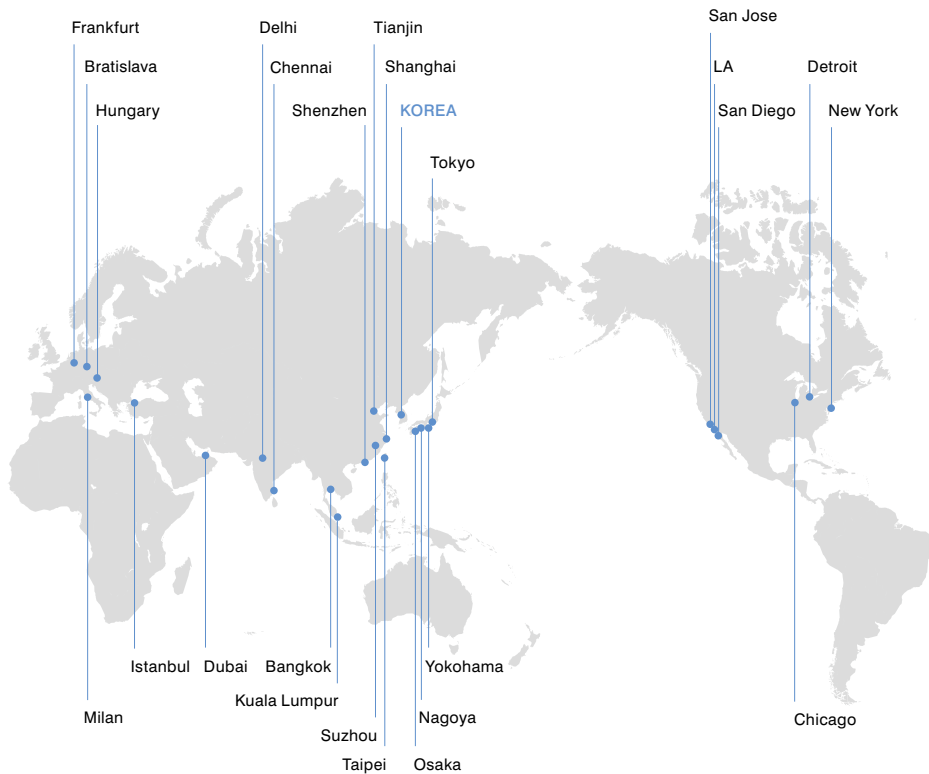
A company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2012, and we did not review management's assessment of its IACS subsequent to December 31, 2012. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

March 15, 2013

global network



Domestic Business Sites

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Gumi Plant

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Fax: +82-54-468-2319

Yeosu Plant

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Ochang Plant

441-1 Gooryong-ri, Ochang-eup, Cheongwon-gun, Chungcheongbuk-do, Korea

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Fashion Division

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Horim Art Center

651-16, Sinsa-dong, Gangnam-gu, Seoul, Korea

Tel: +82-70-7130-7859

Geumcheon Center

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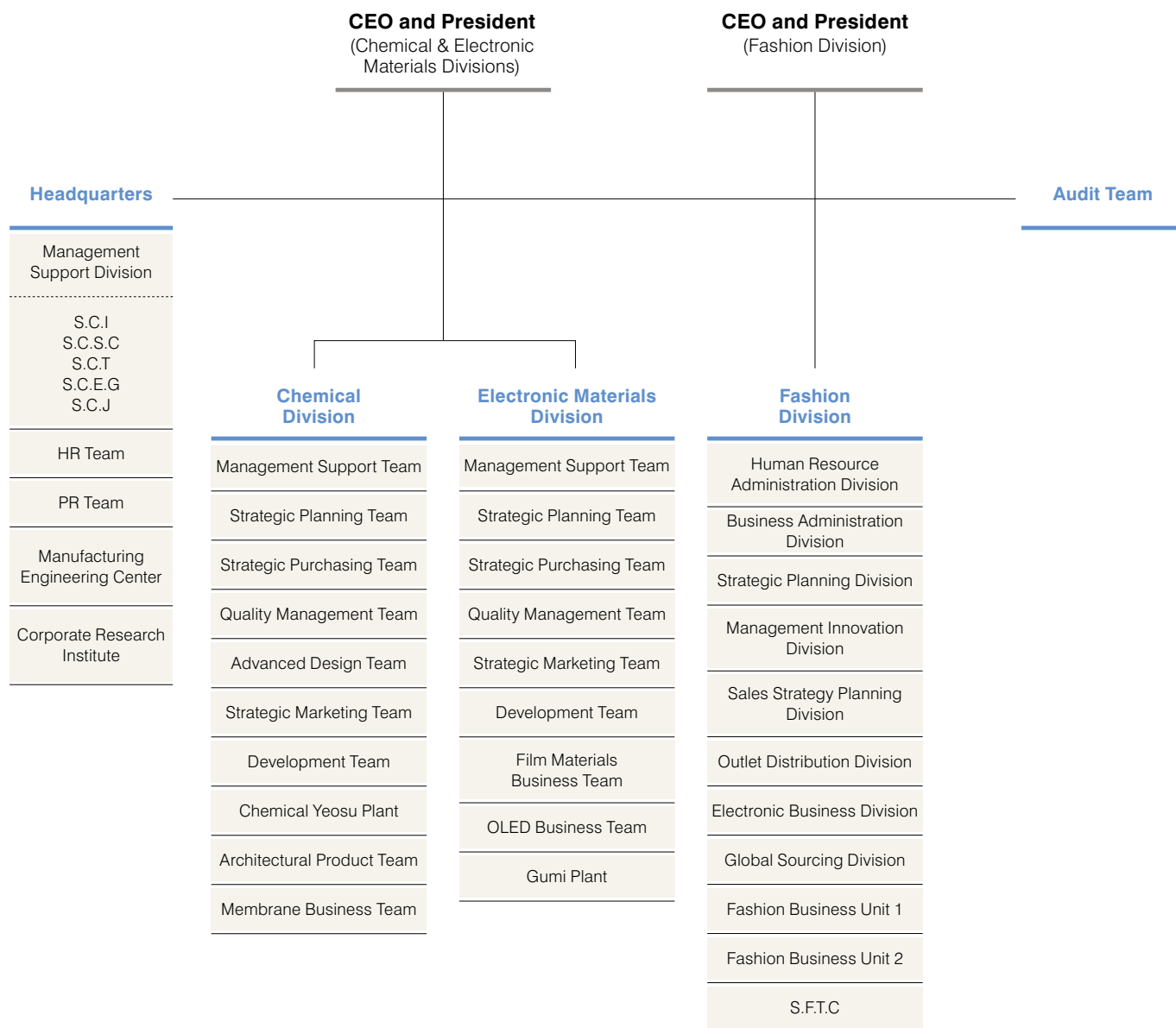
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organization chart





contact us

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