

# **Annual Report**

**(Jan.1 – Dec.31, 2014)**

**Coway Co., Ltd.**

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# 1. Overview

## 1) Company Business

1. Manufacture and sales of water purifiers
2. Manufacture and sales of household appliances
3. Facility business for environmental pollution prevention e.g. water quality and air
4. Manufacture and sales of water purification and waste treatment facilities
5. Business management of environment-related technology and research, air and water quality analysis and environmental impact assessment
6. Ex/Import and trading business
7. Lease, development, management, investment and sales of real estate
8. Rental of various products imported or produced
9. Sales of miscellaneous goods
10. Manufacture and sales of piping materials
11. Ex/Import, manufacture and sales of medical devices
12. Door-to-door sales, mail order sales, e-commerce and other related services
13. Manufacture and sales of system kitchen and furniture
14. Manufacture and sales of ceramics used in hygiene and plastic products
15. Manufacture and sales of indoor air fresheners
16. Manufacture and sales of various security facilities and devices, e.g. door locks and warning systems
17. Manufacture, sales and rental of liquid filters
18. Ex/Import, manufacture and sales of gym devices
19. Operation of social education centers
20. Manufacture of diodes, transistors and similar semiconductors
21. Manufacture of air conditioning equipment
22. Guard and other protective services
23. Residential environment improvement business, e.g. disinfection and exterminating activities, and general clean-up
24. Import, processing and sales of coffee, food additives and general foods
25. Import and sales of coffee/tea makers
26. Design and construction of sewage, waste water, manure and waste treatment facilities
27. Business management of self-measurement
28. R&D and consulting on cosmetics manufacturing technologies
29. Design, construction and surveillance of facilities and equipment in the environmental industry
30. Construction of facilities for the industrial environment
31. Sales and consulting on various financial products, e.g. credit card membership, insurance product arrangement, issuance of members' cards and services thereof
32. Service business including installation, maintenance, repair and safety qualification tests of products and facilities sold, constructed and designed or other products
33. Affiliated branch operation or sales consignment business of communications devices
34. Market research and advertisement
35. Indoor construction business

36. Ex/Import, manufacture and sales of skin cosmetic devices
37. Skincare business
38. Electrical construction business
39. Export/Import, manufacture and sales of health functional food
40. Manufacture of industrial refrigerators and freezers
41. Manufacture, distribution and sales of cosmetics
42. Manufacture and sales of home electrical appliances
43. Manufacture and sales of electric devices for kitchen
44. Manufacture and sales of healthcare products to be installed in bathrooms and other services thereof
45. Manufacture, sales and rental of devices to improve water quality and make functional water
46. Service business to measure and analyze the air quality
47. Manufacture and service business of collaboration systems for multi-use facilities
48. Manufacture, import, sales, rental and maintenance of bed and bed-related products
49. House clean-up service
50. Miscellaneous businesses related to any of the above

## 2) Major Business Areas

1. Rental and wholesale/retail of water purifiers
2. Door-to-door sales
3. Manufacture and sales of water purifiers
4. Rental and wholesale/retail of household devices
5. Commissioned services for environmental technology research and water analysis
6. Ex/Import
7. Business of environmental pollution prevention facilities, e.g. water and air quality

## 3) Branches and manufacturing facilities

Location	Major business and items	Address
Yugu Factory	Water/air purifier manufacturing	136-23 Yugumagoksa Rd., Yugu-eup, Gongju-si, Chungcheongnam-do
Incheon Factory	Bidet and water softener manufacturing	Gojan-dong, 155Rd, Namdong-gu, Incheon
Pocheon Factory	Refurbished item manufacturing	2072 Hoguk Rd. Sinbuk-myeon, Pocheon-si, Kyeonggi-do
Environmental Quality Lab.	Quality management for water and air purifiers	136-23 Yugumagoksa Rd., Yugu-eup, Gongju-si, Chungcheongnam-do
Environmental Technology Lab.	R&D for water and air purifiers	R&D Centre, Seoul National Univ. Seoul
Cosmetics Lab.	Cosmetics R&D	1103~4, Jayplatz, 186 Gasandong, Geumcheon-gu, Seoul
595 branches and subsidiaries including Jansim Branch	Sales and services, e.g. water purifier, and air purifier	Ujeon B/D 5F 358 (Seokcheon-dong) Songpa-gu, Seoul, and etc.

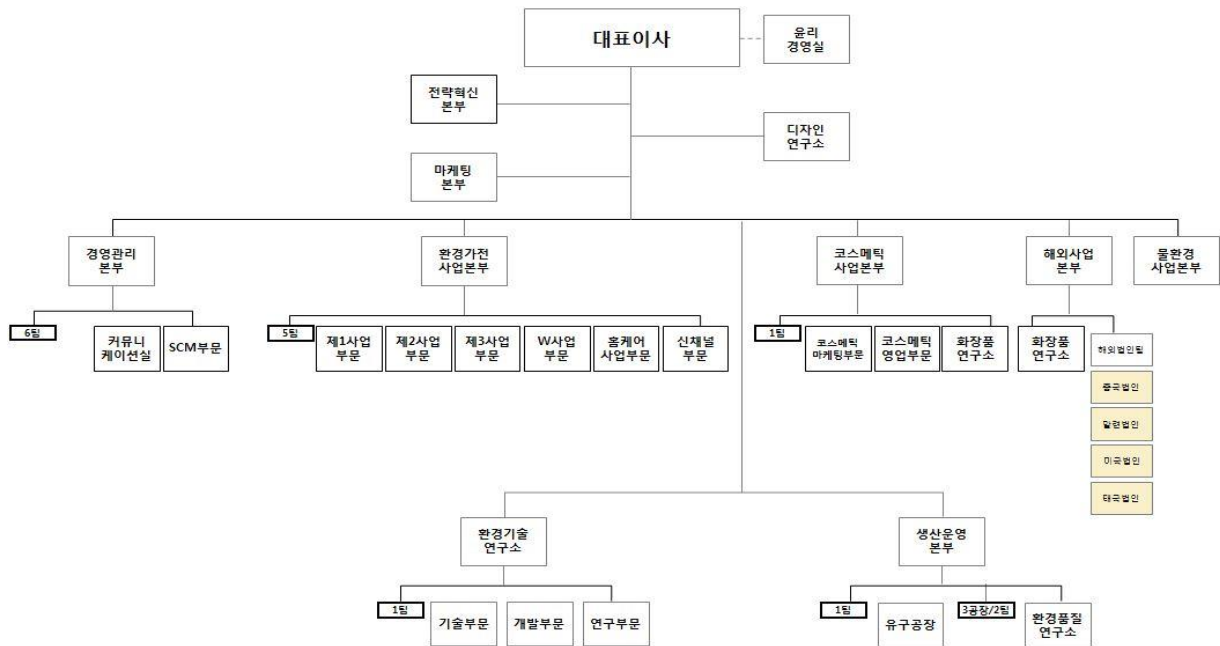
#### 4) Employees

(Unit: personnel)

	Regular	Contract - based	Sales	Total
Male	1,044	216	272	1,532
Female	494	649	2,089	3,232
Total	1,538	865	2,361	4,764

\* Employees are including non-registered directors.

#### 5) Organizational Structure



## 6) Stocks

### ① Outstanding shares

(Unit: Share, KRW million)

	No. of shares	Amounts	Portion	Remarks
Common stock	77,124,796	40,662	100%	Registered stock
Total	77,124,796	40,662	100%	

### History of paid-in capital

(Unit: Share, KRW million)

Year/Month/Date	Type of shares	No. of current outstanding shares	No. of added shares	Paid-in capital	Remarks
09.07.06	Common stock	77,124,796	2,692,803	40,662	Issuance of new stocks following a small-scale merger with Woongjin Cucheon

### ③ Others

<b>Year-end</b>	Dec .31	
<b>Date of record</b>	Dec. 31	
<b>Notification method</b>	www.coway.co.kr	
<b>Kinds of stock certificate</b>	1/5/10/50/100/1,000/10,000(8 kinds)	
<b>Agency for stock related administrative affairs</b>	Name of agency	Hana Bank
	Address	43-2 Yeoeuido-dong, Yeongdeungpo-gu, Seoul

## 7) Debenture

(Unit: KRW million)

Type of debentures	Date	Contract price	Annual interests	Amounts	Expiry date
Foreign currency	Jan. 14, 2011	57,350	LIBOR + 1.90%	0	Jan. 14, 2014
Foreign currency	Apr. 18, 2011	65,340	LIBOR + 1.40%	0	Apr. 18, 2014

## 2. Business Results

### 1) Business Overview

#### - Business Overview

We launched 'rental marketing', a new business model, for the first time in Korea, and introduced 'rental service/system,' believing that costly water purifiers would be unaffordable for consumers in times of economic difficulties. The rental system was a success in two ways: 'price burdens' which consumers pinpointed in consumer surveys many times are eased; and continuous customer services that are essential for products like water purifiers require regular post services. Consumers' price resistance was eased while a new solution of 'service management' to concerns about drinking water was proposed.

The 'HEART' service is available, that is, a customized regular product management service whereby 'CODY' (i.e., Coway+Lady) who are mostly married ones are trained on required professional services. The service focuses on various points: enhancing expertise in hygiene service; launching subsidiaries and multiple facility utilization services; developing product-specific customized services; and sharply being on time. CODY's visit customers every two months, offering different services: regular checks on products rented; membership management of general products; filter changes; and component changes.

Moreover, we have expanded and developed our mattress business into a total homecare service division that includes not only the rental, sale, and management of mattresses but also the cleaning up and management of sofas and carpets. In order to provide high-quality homecare services, we have set up a separate homecare doctor organization from the CODY system. We check out customer satisfaction within 24 hours from the customer service within three days from product installation, and run the 'Happy Call' service where customer complaints are addressed in a one-stop service. As such, we strive to achieve seamless customer satisfaction.

#### - Market Competition

Korean markets for water purifiers, air purifiers, and bidets have mainly been characterized by fierce competition not only in price and quality but also in efficient sales networks and maintenance services. In particular, considering the characteristics of product groups, consistent maintenance services such as filter replacement have never been more important, leading consumers to prefer products manufactured by companies with high brand awareness and nationwide service networks. As a result, some major businesses have dominated the markets.

In the domestic water purifier market, Coway and ChungHo Nais have released high-end products, creating the demand for high-priced items while minor players have focused on secondary brands. In terms of sales type, rental business via door-to-door sales, rather than general marketing, came into position as a major pillar in the market.

The focus in the small-sized kitchen appliance market has shifted to multi-functional water purifiers with the functions of mini-coffee machines, ice makers, and sparkling water makers, thereby enlarging the market.

The Korean air purifier market has mainly been based on rental business via door-to-door sales, Coway's key marketing strategy, with its competitors such as Samsung and LG focusing on general marketing areas. Multi-functional air purifiers with the functions of humidifiers and dehumidifiers, rather than traditional air purifiers, have played a leading role in expanding the market. Coway and its competitors have concentrated on marketing for multi-functional air purifiers.

The Korean bidet market has rapidly grown since Coway launched its rental business through terrestrial broadcast and door-to-door sales networks in 2002 for the first time in Korea. The market is now divided into rental business via door-to-door sales (Coway) and general marketing business (Novita, Tongyang Magic, etc.). Coway has recently installed its shops in emart, Lotte Mart, and Homeplus, diversifying its sales channel.

Coway's mattress business, launched in October 2011, has fast solidified its position in the market. Rental business was introduced into the existing mattress market based only on lump-sum sales, adding regular maintenance services such as cleaning and sterilization thereto and successfully attracting positive responses from customers. Following water purifiers, bidets, air purifiers, and softeners, the mattress sector has introduced and stably established rental business for the fifth time in Coway's business history.

Coway's cosmetics business, which has been carried out in Korea since September 2010, has focused on high-function premium products. Based on the customer network that has been set up through its existing health appliance business, Coway has established sales networks, concentrating on door-to-door sales and expanding sales via channel diversification (TV home shopping, etc.).

#### - Market Characteristics

With the general public having more interest in the environment and health, health appliances such as water purifiers, air purifiers, bidets, and softeners have been solidly positioned as a mainstay in people's daily lives. Generating the demand for lump-sum sales products closely relates with the income level of consumers and domestic consumption while rental business is not much affected by changes in economic conditions. The former is very sensitive to government policies and environmental issues that can change people's level of interest in the environment.



## 2) Major operation and production

(Unit)

Item	Production (Quantity)	
	FY 2014	FY 2013
Water purifier	800,416	697,734
Air purifier	844,201	897,219
Filter	17,042,321	13,294,342
Bidet	365,682	334,125
Food waste disposal, etc.	2,930	13,230
Water softener	71,261	76,471
etc.	194,031	146,445
<b>Total</b>	<b>19,320,842</b>	<b>15,459,566</b>

## 3) Sales

(Unit: EA, KRW million)

Business Area	Sales			
	Quantity		Quantity	
	FY 2014	FY 2013	FY 2014	FY 2013
Rental and membership	5,616,668	5,446,480	1,583,951	1,505,733
Lump sum	244,937	183,408	371,320	370,288
Others	-	-	58,370	57,711
<b>Total</b>	-	-	2,013,641	1,933,731

## 4) Capital expenditure and funding source

(Unit: KRW million)

Index	Remarks	Amounts	Funding
Construction	Newly acquired	548	Self-funded
Machine	//	391	
Equipment	//	13,428	
Government subsidy	//	3,781	
Rental assets	//	243,392	
Other tangible assets	//	1,772	
Construction in progress	//	7,101	
<b>계</b>		<b>270,412</b>	

### 3. Parent and Affiliate Companies

#### 1) Parent

"N/A"

#### 2) Affiliates

(Unit: KRW million)

Affiliate				Relations		
Company	Location	Company	Location	Company	Location	Company
Woongjin Coway (China) Living Goods Co.,Ltd.	China	10,018	Manufacturing and sales of cosmetics / Rental and lump-sum sales of home appliance items	-	100%	2,853
Coway China Co., Ltd.	China	1,795	Sales of air-purifier	-	100%	3,901
Coway (Thailand) Company Limited	Thailand	9,488	Rental and lump-sum sales of home appliance items	2,687	100%	1,921
Coway(M) S dn.Bhd.	Malaysia	24,911	Rental and lump-sum sales of home appliance items	70,817	100%	29,260
Coway USA Inc.	U.S.A	18,938	Rental and lump-sum sales of home appliance items	1,750	100%	13,029
Green Entech	Korea	1,157	Industrial water treatment business	2,314	100%	615
Pocheon Malku -nmul Co.Ltd	Korea	3,095	Wastewater reuse system	433	70%	1,916

#### 3) Concurrent positions of directors

Concurrent position		Concurrent company			Remarks
Name	Title	Company name	Title	Job function	
Kim, Dong-Hyun	CEO	Green Entech	Non-standing director	-	

## 4. Recent Three Year Financial Report

### 1) Income statement

[Unit: KRW]

Index	FY 2014	FY 2013	FY 2012
<b>Revenue</b>	<b>2,013,640,835,841</b>	<b>1,933,731,417,973</b>	<b>1,806,832,625,803</b>
COGS	673,352,109,794	651,664,989,109	605,383,221,006
Gross profits	1,340,288,726,047	1,282,066,428,864	1,201,449,404,797
SG&A	962,795,689,817	948,850,609,322	973,637,124,791
<b>Operating income</b>	<b>377,493,036,230</b>	<b>333,215,819,542</b>	<b>227,812,280,006</b>
Other income	14,310,225,024	13,993,394,825	23,432,631,552
Other expenses	22,836,562,331	23,054,941,317	28,466,241,146
Financial income	2,202,047,064	3,870,496,922	3,551,546,717
Financial expense	10,849,424,384	17,604,192,096	61,677,411,697
Investment income from investments in associated/affiliated companies	- 30,616,736,419	40,128,329,416	(3,187,533,127)
<b>Income before income tax</b>	<b>329,702,585,184</b>	<b>350,548,907,292</b>	<b>161,465,272,305</b>
Corporate tax expense	- 86,765,758,749	97,356,286,478	41,716,698,658
<b>Net income</b>	<b>242,936,826,435</b>	<b>253,192,620,814</b>	<b>119,748,573,647</b>

### 2) Balance sheet

[Unit: KRW]

Index	FY 2014	FY 2013	FY 2012
Current assets	573,108,160,679	642,474,602,289	691,276,655,813
Non-current assets	1,002,920,167,696	998,582,853,387	1,010,230,889,971
<b>&lt;Assets&gt;</b>	<b>1,576,028,328,375</b>	<b>1,641,057,455,676</b>	<b>1,701,507,545,784</b>
Current liabilities	468,027,334,949	636,844,361,268	719,579,302,501
Non-current liabilities	48,957,754,204	36,868,426,474	179,198,809,923
<b>&lt;Liabilities&gt;</b>	<b>516,985,089,153</b>	<b>673,712,787,742</b>	<b>898,778,112,424</b>
Paid-in capital	40,662,398,000	40,662,398,000	40,662,398,000
Capital in excess of par value	97,773,449,148	97,773,449,148	97,773,449,148
Retained earnings	1,001,790,524,182	890,447,324,553	716,802,060,649
Others	(81,183,132,108)	(61,538,503,767)	(52,508,474,437)
<b>&lt;Equity&gt;</b>	<b>1,059,043,239,222</b>	<b>967,344,667,934</b>	<b>802,729,433,360</b>
<b>&lt;Liabilities and equity&gt;</b>	<b>1,576,028,328,375</b>	<b>1,641,057,455,676</b>	<b>1,701,507,545,784</b>

## 5. 2014 Business Plan

The year 2014 is characterized by economic uncertainties attributed to the European financial crisis and the resulting global economic slowdown. As a result, the Korean economy also suffered significant economic difficulties. However, Coway successfully achieved higher-than-expected performances, even in such an unfavorable economic circumstance. Its sales rose to KRW 2.0136 trillion, up 4.1% from a year earlier, maintaining stable sales growth. Diverse profitability enhancement activities helped its operating income increase to KRW 377.5 billion, up 13.3% from the previous year, the best in its business history, with its operating income margin reaching 18.7%.

The rental business, Coway's key business sector, sold 1.33 million units, the largest sales volume in its history, thanks to a rise in sales of new innovative premium products. The churn rate was also maintained at less than 1%; further expanding rental net adds. As a result, the number of rental and membership accounts, Coway's most important assets, reached about 5.62 million, showing continued growth. The number of door-to-door salesmen including CODYs, the main component of the door-to-door sales unit, also grew to around 17,000, up 16% from a year earlier, contributing to the biggest growth of business performances in Coway's history. Such positive changes are deemed to be a very proud and significant indicator for the year 2014. The homecare business that was promoted as a new growth engine in 2014 fully showed its potential as a crucial driver of growth, targeting replacement and junior demands and releasing various new products. Specifically, the number of Coway-managed accounts went up 61.8% over the past year. Coway's domestic cosmetics business also posted a stable performance, up 5.3% from the previous year, on the back of a rise in home shopping sales and luxury essence item sales. The overseas business also followed suit, growing 15.8% over the past year to post its biggest-ever sales and to be more solidly established as Coway's key growth driver. Moreover, Coway's Malaysian and U.S. subsidiaries continued to expand in sales due to a rise in the number of accounts. In particular, the Malaysian subsidiary was more clearly positioned as one of Coway's key business units, with the number of its accounts exceeding 200,000, the first in its history.

## 6. Board Members and Auditors

Internal /External	Name	Position	Major functions/tasks	Transactions with company	Remarks
Internal	Kim, Dong-Hyun	CEO	CEO of Coway Co. Ltd.	None	
External	Michael ByungJu Kim	Non-standing director	Partner, MBK Partners	None	
External	Jong-Ha James Yoon	Non-standing director	Partner, MBK Partners	None	
External	Jay H. Bu	Non-standing director	Partner, MBK Partners	None	
External	Park, Tae Hyun	Non-standing director	Partner, MBK Partners	None	
External	Lee, Joong seek	External director	Associate Professor, Graduate School of Convergence Science and Technology Seoul National University	None	
External	Lee, Joon-ho	External director	Head of Korea, L.E.K. Consulting	None	
External	Choi, In-Bum	External director	Adjunct Professor, Sogang University/ Senior Advisor, GM Korea	None	Resigned on Sep. 04. 2014
Internal	Kim, Kyung-Hwan	Auditor	Internal auditor of Coway Co. Ltd.	None	

## 7. Major Shareholders

(Unit: Share)

Name/Institution	No. of shares owned	Ownership	Transaction with company	Remarks
Coway Holdings	23,829,150	30.90%	Major shareholder	
Lazard Asset Management LLC	3,594,846	4.66%	None	
Korean national pension fund	3,404,482	4.41%	None	
SAUDIARABIAN MONETARY AGENCY	3,067,763	3.98%	None	
GIC	2,711,430	3.52%	None	

\* The above information is based on the top 5 major shareholders on the shareholders list dated December 31, 2013

\* The stock ownership status of Lazard Asset Management LLC is based on the official disclosure on Korea Financial Supervisory Service

- Lazard Asset Management LLC: As of notification on Apr. 14, 2014

## 8. Ownership Status

(Unit: Share)

Company	Shareholders	Invest on		Invested from	
		Shares	Ownership	Shares	Ownership
Woongjin Coway (China) Living Goods Co.,Ltd.	Coway Co. Ltd.	-	100.0%	N/A	
Coway China Co., Ltd.	Coway Co. Ltd.	-	100.0%	N/A	
Coway (Thailand) Company Limited	Coway Co. Ltd.	2,686,550	100.0%	N/A	
Coway(M) S dn.Bhd.	Coway Co. Ltd.	70,816,969	100.0%	N/A	
Coway USA Inc.	Coway Co. Ltd.	1,749,533	100.0%	N/A	
Green Entech	Coway Co. Ltd.	2,314,204	100.0%	N/A	
Pocheon Malkunmul Co.Ltd	Coway Co. Ltd.	433,200	70.0%	N/A	
Kirin Music	Coway Co. Ltd.	51,868	12.1%	N/A	
Coway Holdings	Coway Co. Ltd.	N/A		23,829,150	30.9%

## 9. Major Creditors

(Unit: share, KRW million)

Institutions	Amounts	No. of shares owned	Ownership ratio	Remarks
Shinhan Bank	51,528	500	0.00%	기업구매자금대출 외
Woori Bank	21,118	-	-	기업구매자금대출
Hana Bank	40,158	-	-	기업구매자금대출
Woori Finance	20,000	-	-	기업어음증권
KB	30,000	-	-	기업어음증권
Total	162,803	500	0.00%	-

\* Quoted from the shareholder list as of 31/12/2014

## 10. Major Events after 2014

"N/A"

## 11. Others

### Consolidated Statements of Financial Position

As of 12/31/2014

As of 12/31/2013

As of 12/31/2012

(Unit : KRW)

	FY 2014	FY 2013	FY 2012
<b>Assets</b>			
<b>Non-current assets</b>	<b>1,024,838,930,313</b>	<b>976,444,176,927</b>	<b>975,943,842,458</b>
Other long-term financial assets	52,584,883,310	52,525,362,251	51,369,795,981
Other noncurrent asset	96,731,719,306	79,274,117,837	80,402,480,943
Available-for-sale financial assets	2,417,367,997	2,467,078,452	2,461,264,045
Property, plant and equipment	675,187,865,092	638,306,128,525	630,421,982,938
Intangible assets	170,626,319,462	176,847,558,202	183,665,072,523
Investment property	26,410,249,817	26,759,679,354	27,109,108,890
Deferred income tax assets	880,525,329	264,252,306	514,137,138
<b>Current assets</b>	<b>596,810,515,755</b>	<b>691,414,546,521</b>	<b>779,164,517,926</b>
Cash and cash equivalents	147,363,023,267	238,665,064,539	152,411,776,291
Trade and other current receivables	208,800,400,593	212,606,268,280	233,010,795,961
Other short term financial assets	26,752,942,070	43,396,429,084	32,444,580,609
Other current asset	151,978,809,587	130,980,632,688	126,217,162,985
Inventories	61,909,650,008	65,766,151,930	71,687,168,456
Current tax assets	5,690,230	0	0
Assets held for sales	0	0	163,393,033,624
<b>Total assets</b>	<b>1,621,649,446,068</b>	<b>1,667,858,723,448</b>	<b>1,755,108,360,384</b>
<b>Equity</b>			
<b>Equity attributable to owners of parent</b>	<b>1,038,542,743,921</b>	<b>940,888,508,919</b>	<b>785,084,821,318</b>
Retained earnings	985,875,249,525	867,992,459,258	700,852,885,725
Capital stock	40,662,398,000	40,662,398,000	40,662,398,000
Capital surplus	97,773,449,148	97,773,449,148	97,773,449,148
Other components of equity	-85,768,352,752	-65,539,797,487	-54,203,911,555
Non-controlling interests	892,285,334	0	0
<b>Total equity</b>	<b>1,039,435,029,255</b>	<b>940,888,508,919</b>	<b>785,084,821,318</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>56,173,184,972</b>	<b>50,237,576,867</b>	<b>210,864,604,564</b>
Other long-term financial liabilities	10,792,642,968	9,348,534,248	9,023,429,296
Other long-term payables	7,749,182,152	10,416,401,962	8,710,983,066
Long-term borrowings	932,000,000	0	30,083,333,000
Retirement benefit obligations	15,951,403,224	8,421,167,314	12,819,014,249
Provisions	650,689,840	648,726,206	623,085,957
Deferred income tax liabilities	20,097,266,788	21,402,747,137	25,916,143,165

	FY 2014	FY 2013	FY 2012
Debentures	0	0	117,821,000,000
Derivative liabilities	0	0	5,867,615,831
<b>Current liabilities</b>	<b>526,041,231,841</b>	<b>676,732,637,662</b>	<b>759,158,934,502</b>
Trade and other current payables	59,047,506,667	36,662,813,832	46,264,932,534
Other short-term financial liabilities	176,409,758,706	174,993,747,880	175,482,239,034
Derivative liabilities	0	6,865,216,289	0
Other current liabilities	79,821,288,251	64,795,450,451	72,298,027,149
Short-term borrowings	164,403,282,571	181,773,836,079	330,095,354,639
Current portion of long-term borrowings	0	30,083,333,000	60,499,866,000
Current portion of debentures	0	116,083,000,000	49,939,127,155
Income taxes payable	44,933,779,395	61,240,942,890	18,302,722,292
Provisions	1,425,616,251	4,234,297,241	6,276,665,699
<b>Total liabilities</b>	<b>582,214,416,813</b>	<b>726,970,214,529</b>	<b>970,023,539,066</b>
<b>Total equity and liabilities</b>	<b>1,621,649,446,068</b>	<b>1,667,858,723,448</b>	<b>1,755,108,360,384</b>

### Consolidated Statement of comprehensive income

From 01/01/2014 To 12/31/2014

From 01/01/2013 To 12/31/2013

From 01/01/2012 To 12/31/2012

(Unit : KRW)

	FY 2014	FY 2013	FY 2012
<b>Sales</b>	<b>2,160,315,530,683</b>	<b>2,118,341,565,040</b>	<b>1,992,838,137,049</b>
<b>Cost of sales</b>	<b>726,567,159,312</b>	<b>720,983,776,288</b>	<b>678,300,742,485</b>
<b>Gross profit</b>	<b>1,433,748,371,371</b>	<b>1,397,357,788,752</b>	<b>1,314,537,394,564</b>
Selling general administrative expenses	1,069,319,801,501	1,058,325,440,832	1,088,390,891,267
<b>Operating Income</b>	<b>364,428,569,870</b>	<b>339,032,347,920</b>	<b>226,146,503,297</b>
Other Income	17,610,070,502	15,972,610,967	27,779,327,772
Other Expense	40,697,496,626	30,981,904,629	85,554,649,504
Finance income	2,703,459,518	4,137,322,883	2,346,589,883
Finance Expense	11,598,016,713	18,620,948,527	30,366,174,208
Share of profit of associates	0	17,598,006,475	5,431,167,243
<b>Profit before income tax</b>	<b>332,446,586,551</b>	<b>327,137,435,089</b>	<b>145,782,764,483</b>
Income tax expense	82,778,174,443	82,062,783,136	51,740,066,469
<b>Profit for the year</b>	<b>249,668,412,108</b>	<b>245,074,651,953</b>	<b>94,042,698,014</b>
<b>Profit attributable to</b>			
Owners of the parent	249,691,456,790	245,074,651,953	94,042,698,014
Non-controlling interests	-23,044,682	0	0
<b>Other comprehensive income(loss)</b>	<b>-8,567,485,642</b>	<b>-1,268,999,715</b>	<b>4,907,160,414</b>



	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Other comprehensive income(loss) that will not be reclassified to profit or loss, net of tax	-8,172,241,121	478,707,380	-3,125,629,153
Actuarial losses	-8,172,241,121	-1,165,573,838	-2,824,848,921
Share of other comprehensive income of associates	0	1,644,281,218	-300,780,232
Other comprehensive income(loss), net of tax	-395,244,521	-1,747,707,095	8,032,789,567
Changes in value of available-for-sale financial assets	9,368,733	4,415,592	13,350,068
Capital valuation of equity method	0	4,489,120,771	883,777,481
Losses on valuation of derivatives	195,727,947	561,222,853	1,255,151,724
Foreign currency translation differences	-600,341,201	-6,802,466,311	5,880,510,294
<b>Total comprehensive income</b>	<b>241,100,926,466</b>	<b>243,805,652,238</b>	<b>98,949,858,428</b>
Comprehensive income attributable to			
Owners of the parent	241,123,971,148	243,805,652,238	98,949,858,428
Non-controlling interests	-23,044,682	0	0
Earnings per share			
Basic earnings per share	3,361	3,283	1,267
Diluted earnings per share	3,356	3,273	1,259

## Consolidated Statement of changes in equity

From 01/01/2014 To 12/31/2014

From 01/01/2013 To 12/31/2013

From 01/01/2012 To 12/31/2012

(Unit : KRW)

	Attributable to equity holders of the company					Non-controlling interests	Total equity
	Capital stock	Capital surpluses	Retained earnings	Other components of equity	Total		
Balances as of Jan. 1, 2012	40,662,398,000	97,773,449,148	675,650,082,706	-76,183,416,947	737,902,512,907	0	737,902,512,907
<b>Total comprehensive income</b>							
Profit for the year	0	0	94,042,698,014	0	94,042,698,014	0	94,042,698,014
Change in value of available-for-sale financial asset	0	0	0	13,350,068	13,350,068	0	13,350,068
Share of other comprehensive income of associates	0	0	-300,780,232	883,777,481	582,997,249	0	582,997,249
Actuarial losses	0	0	-2,824,848,921	0	-2,824,848,921	0	-2,824,848,921
Foreign currency translation differences	0	0	0	5,880,510,294	5,880,510,294	0	5,880,510,294
Losses on valuation of derivatives	0	0	0	1,255,151,724	1,255,151,724	0	1,255,151,724
<b>Total comprehensive income</b>	0	0	90,917,068,861	8,032,789,567	98,949,858,428	0	98,949,858,428
<b>Transactions with owners</b>							
Dividends	0	0	-77,841,535,800	0	-77,841,535,800	0	-77,841,535,800
Share -based compensation	0	0	0	1,643,239,820	1,643,239,820	0	1,643,239,820
Acquisition of treasury stock	0	0	0	12,310,991,605	12,310,991,605	0	12,310,991,605
<b>Change in the equity owned for subsidiaries</b>							
Paid-in capital increase, etc.	0	0	0	-7,515,600	-7,515,600	0	-7,515,600
Change in the consolidation scope	0	0	12,127,269,958	0	12,127,269,958	0	12,127,269,958
Total transactions with owners	0	0	-65,714,265,842	13,946,715,825	-51,767,550,017	0	-51,767,550,017
Balances at Dec.31, 2012	40,662,398,000	97,773,449,148	700,852,885,725	-54,203,911,555	785,084,821,318	0	785,084,821,318
Balances as of Jan. 1, 2013	40,662,398,000	97,773,449,148	700,852,885,725	-54,203,911,555	785,084,821,318	0	785,084,821,318
<b>Total comprehensive income</b>							
Profit for the year	0	0	245,074,651,953	0	245,074,651,953	0	245,074,651,953
Change in value of available-for-sale financial asset	0	0	0	4,415,592	4,415,592	0	4,415,592
Share of other comprehensive income of associates	0	0	1,644,281,218	4,489,120,771	6,133,401,989	0	6,133,401,989
Actuarial losses	0	0	-1,165,573,838	0	-1,165,573,838	0	-1,165,573,838
Foreign currency translation differences	0	0	0	-6,802,466,311	-6,802,466,311	0	-6,802,466,311
Losses on valuation of derivatives	0	0	0	561,222,853	561,222,853	0	561,222,853
<b>Total comprehensive income</b>	0	0	245,553,359,333	-1,747,707,095	243,805,652,238	0	243,805,652,238
<b>Transactions with owners</b>							
Dividends	0	0	-78,413,785,800	0	-78,413,785,800	0	-78,413,785,800
Share -based compensation	0	0	0	2,556,855,814	2,556,855,814	0	2,556,855,814
Acquisition of treasury stock	0	0	0	-12,145,034,651	-12,145,034,651	0	-12,145,034,651
<b>Change in the equity owned for subsidiaries</b>							
Paid-in capital increase, etc.	0	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0	0
Total transactions with owners	0	0	-78,413,785,800	-9,588,178,837	-88,001,964,637	0	-88,001,964,637
Balances at Dec.31, 2013	40,662,398,000	97,773,449,148	867,992,459,258	-65,539,797,487	940,888,508,919	0	940,888,508,919
Balances as of Jan. 1, 2014	40,662,398,000	97,773,449,148	867,992,459,258	-65,539,797,487	940,888,508,919	0	940,888,508,919
<b>Total comprehensive income</b>							
Profit for the year	0	0	249,668,412,108	0	249,668,412,108	-23,044,682	249,645,367,426
Change in value of available-for-sale financial asset	0	0	0	9,368,733	9,368,733	0	9,368,733
Share of other comprehensive income of associates	0	0	0	0	0	0	0
Actuarial losses	0	0	-8,172,241,121	0	-8,172,241,121	0	-8,172,241,121
Foreign currency translation differences	0	0	0	-600,341,201	-600,341,201	0	-600,341,201
Losses on valuation of derivatives	0	0	0	195,727,947	195,727,947	0	195,727,947
<b>Total comprehensive income</b>	0	0	241,496,170,987	-395,244,521	241,100,926,466	-23,044,682	241,077,881,784
<b>Transactions with owners</b>							
Dividends	0	0	-123,613,380,720	0	-123,613,380,720	0	-123,613,380,720
Share -based compensation	0	0	0	6,518,941,248	6,518,941,248	0	6,518,941,248
Acquisition of treasury stock	0	0	0	-26,359,297,536	-26,359,297,536	0	-26,359,297,536
<b>Change in the equity owned for subsidiaries</b>							
Paid-in capital increase, etc.	0	0	0	0	0	929,000,000	929,000,000
Change in the consolidation scope	0	0	0	7,045,544	7,045,544	-13,669,984	-6,624,440
Total transactions with owners	0	0	123,613,380,720	19,833,310,744	143,446,691,464	-915,330,016	142,531,361,448
Balances at Dec.31, 2014	40,662,398,000	97,773,449,148	985,875,249,525	-85,768,352,752	1,038,542,743,921	892,285,334	1,039,435,029,255

### Consolidated Statement of cash flows

From 01/01/2014 To 12/31/2014

From 01/01/2013 To 12/31/2013

From 01/01/2012 To 12/31/2012

(Unit : KRW)

	FY 2014	FY 2013	FY 2012
<b>Cash flows from operating activities</b>	536,738,886,806	536,755,118,935	454,295,658,186
Cash generated from operating activities	635,876,805,561	578,235,661,266	490,290,779,602
Profit for the year	249,668,412,108	245,074,651,953	94,042,698,014
Adjustments	415,328,828,374	374,232,456,171	420,182,579,450
Changes in operating assets and liabilities	-29,120,434,921	-41,071,446,858	-23,934,497,862
Dividends received	2,556,000	0	0
Income taxes paid	-99,140,474,755	-41,480,542,331	-35,995,121,416
<b>Cash flows from investing activities</b>	-299,195,909,498	-76,293,602,469	-319,391,792,447
Increase in other short-term financial assets	0	-3,728,199,881	-2,727,296,100
Decrease in other short-term financial assets	207,597,588	584,408,469	292,641,513
Increase in long-term financial instruments	-6,589,946,888	-15,108,437,875	-7,195,113,998
Decrease in other long-term financial assets	6,691,082,753	19,915,842,473	5,459,071,211
Purchase of available-for-sale financial assets	0	0	-100,000,000
Proceeds from sales of available-for-sale financial assets	0	1,152,726	255,928,131
Acquisition of subsidiaries, net of cash acquired	0	0	991,471,376
Disposal of subsidiaries, net of cash acquired	0	0	30,000,000
Purchase of investments in associates	0	178,154,596,360	402,693,993
Purchase of property, plant and equipment	-305,777,706,914	-267,953,466,826	-313,843,129,046
Proceeds from sales of property, plant and equipment	9,561,835,760	9,626,121,399	3,538,711,089
Purchase of intangible assets	-6,710,714,322	-4,715,547,315	-8,310,674,638
Proceeds from sales of intangible assets	681,818,181	2,303,242,171	638,230,965
Purchase of investment property	0	0	-523,683,227
Proceeds from sales of investment property	0	0	84,545,454
Interest received	2,740,124,344	4,626,685,830	1,614,810,830
<b>Cash flows from financing activities</b>	-327,922,715,840	-372,941,069,445	-75,636,507,183
Proceeds from short term borrowings	-17,264,971,453	-151,094,997,112	20,398,872,549
Decrease in current portion of long-term borrowings	-30,083,333,000	-60,499,866,000	-499,866,000
Decrease in current portion of debentures	-116,083,000,000	-50,000,000,000	0
Proceeds from long term borrowings	932,000,000	0	0
Proceeds from government grants	4,300,000,000	0	0
Dividends paid	-123,613,380,720	-78,413,785,800	-77,841,535,800
Acquisition of treasury shares	-31,477,668,300	-18,778,293,000	0

	FY 2014	FY 2013	FY 2012
Paid-in capital increase for investment of subsidiary	922,375,560	0	0
Exercise of share options	3,866,020,000	4,863,450,000	12,212,200,000
Interest paid	-12,673,926,737	-19,017,577,533	-29,906,177,932
Cash flows from financial derivative trading	-6,607,000,000	0	0
Etc.	-139,831,190	0	0
<b>Net increase in cash and cash equivalents</b>	-90,379,738,532	87,520,447,021	59,267,358,556
<b>Beginning of the year</b>	238,665,064,539	152,411,776,291	98,223,335,061
Effect of exchange rate changes on cash and cash equivalents	-922,302,740	-1,267,158,773	-5,078,917,326
<b>End of the year</b>	147,363,023,267	238,665,064,539	152,411,776,291

### Statement of financial position

As Of 12/31/2014

As Of 12/31/2013

As Of 12/31/2012

(Unit : KRW)

	FY 2014	FY 2013	FY 2012
<b>Assets</b>			
<b>Non-current assets</b>	1,002,920,167,696	998,582,853,387	1,010,230,889,971
Other long-term financial assets	51,364,938,528	51,515,383,116	55,054,637,121
Other non-current assets	90,734,230,545	73,104,407,778	76,198,744,852
Available-for-sale financial assets	1,534,012,769	1,533,623,750	1,537,410,545
Investments in subsidiaries	70,337,472,398	100,954,208,817	101,703,254,632
Property, plant and equipment	617,601,087,655	596,797,789,837	594,204,832,774
Intangible assets	147,809,967,203	150,900,236,594	157,516,061,655
Investment property	23,538,458,598	23,777,203,495	24,015,948,392
<b>Current assets</b>	573,108,160,679	642,474,602,289	691,276,655,813
Cash and cash equivalents	105,525,742,301	201,278,525,993	118,881,951,713
Trade and other current receivables	273,609,656,258	265,871,142,701	278,406,994,510
Other short-term financial assets	21,517,398,778	24,525,764,200	14,003,293,484
Other current assets	130,680,507,111	109,925,488,396	105,329,227,848
Inventories	41,774,856,231	40,873,680,999	41,346,541,529
Assets held for sales	0	0	133,308,646,729
<b>Total assets</b>	1,576,028,328,375	1,641,057,455,676	1,701,507,545,784
<b>Equity</b>			
Capital stock	40,662,398,000	40,662,398,000	40,662,398,000
Capital surplus	97,773,449,148	97,773,449,148	97,773,449,148
Retained earnings	1,001,790,524,182	890,447,324,553	716,802,060,649
Other components of equity	-81,183,132,108	-61,538,503,767	-52,508,474,437

	FY 2014	FY 2013	FY 2012
<b>Total equity</b>	1,059,043,239,222	967,344,667,934	802,729,433,360
<b>Liabilities</b>			
<b>Non-current liabilities</b>	48,957,754,204	36,868,426,474	179,198,809,923
Other long-term financial liabilities	10,460,233,988	9,035,836,616	8,514,033,314
Other non-current liabilities	5,411,988,410	4,564,929,868	3,294,583,625
Retirement benefit obligations	14,064,774,069	7,023,741,785	10,533,636,817
Provisions	263,774,380	215,691,659	164,682,697
Deferred tax liabilities	18,756,983,357	16,028,226,546	3,003,257,639
Long-term borrowings	0	0	30,000,000,000
Debentures	0	0	117,821,000,000
Derivative liabilities	0	0	5,867,615,831
<b>Current liabilities</b>	468,027,334,949	636,844,361,268	719,579,302,501
Trade and other current payables	46,541,464,777	29,539,554,570	28,901,007,216
Other short-term financial liabilities	154,539,440,037	162,458,784,914	197,618,402,571
Derivative liabilities	0	6,865,216,289	0
Other current liabilities	57,874,029,009	55,544,667,242	63,283,698,221
Short-term borrowings	162,803,282,571	172,009,138,942	295,686,104,639
Current portion of long-term borrowings	0	30,000,000,000	60,000,000,000
Current portion of debentures	0	116,083,000,000	49,939,127,155
Payments of Income taxes payable	44,916,692,855	61,055,569,316	18,177,815,830
Provisions	1,352,425,700	3,288,429,995	5,973,146,869
<b>Total liabilities</b>	516,985,089,153	673,712,787,742	898,778,112,424
<b>Total equity and liabilities</b>	1,576,028,328,375	1,641,057,455,676	1,701,507,545,784

### Statement of comprehensive income

From 01/01/2014 To 12/31/2014

From 01/01/2013 To 12/31/2013

From 01/01/2012 To 12/31/2012

(Unit : KRW)

	FY 2014	FY 2013	FY 2012
Sales	2,013,640,835,841	1,933,731,417,973	1,806,832,625,803
Cost of sales	673,352,109,794	651,664,989,109	605,383,221,006
Gross profit	1,340,288,726,047	1,282,066,428,864	1,201,449,404,797
Selling general administrative expenses	962,795,689,817	948,850,609,322	973,637,124,791
Operating Income	377,493,036,230	333,215,819,542	227,812,280,006
Other income	14,310,225,024	13,993,394,825	23,432,631,552
Other expense	22,836,562,331	23,054,941,317	28,466,241,146
Finance income	2,202,047,064	3,870,496,922	3,551,546,717
Finance expense	10,849,424,384	17,604,192,096	61,677,411,697

Investment income(loss) of subsidiaries and associates	-30,616,736,419	40,128,329,416	-3,187,533,127
Profit before income tax	329,702,585,184	350,548,907,292	161,465,272,305
Income tax expense	-86,765,758,749	-97,356,286,478	-41,716,698,658
Profit for the year	242,936,826,435	253,192,620,814	119,748,573,647
Other comprehensive income	-7,784,518,139	-575,421,603	-1,534,198,169
Other comprehensive income that will not be reclassified to profit or loss, net of tax	-7,980,246,086	-1,133,571,110	-2,789,160,173
Actuarial losses	-7,980,246,086	-1,133,571,110	-2,789,160,173
Other comprehensive income that will be reclassified to profit or loss, net of tax	195,727,947	558,149,507	1,254,962,004
Changes in value of available-for-sale financial assets	0	-3,073,346	-189,720
Income(loss) on valuation of derivatives	195,727,947	561,222,853	1,255,151,724
Total comprehensive income	235,152,308,296	252,617,199,211	118,214,375,478
Earnings per share			
Basic earnings (loss) per share	3,270	3,392	1,614
Diluted earnings (loss) per share	3,266	3,382	1,603

### Statement of changes in equity

From 01/01/2014 To 12/31/2014

From 01/01/2013 To 12/31/2013

From 01/01/2012 To 12/31/2012

(Unit : KRW)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
<b>Balances as of Jan. 1, 2012</b>	40,662,398,000	97,773,449,148	677,684,182,975	-67,717,667,866	748,402,362,257
<b>Comprehensive income</b>					
Profit for the year	0	0	119,748,573,647	0	119,748,573,647
Change in value of available-for-sale financial assets	0	0	0	-189,720	-189,720
Actuarial losses	0	0	-2,789,160,173	0	-2,789,160,173
Losses on valuation of derivatives	0	0	0	1,255,151,724	1,255,151,724
<b>Transactions with owners</b>					
Dividends	0	0	-77,841,535,800	0	-77,841,535,800
Share-based compensation	0	0	0	1,643,239,820	1,643,239,820
Treasury stock	0	0	0	12,310,991,605	12,310,991,605
<b>Balance at Dec. 31, 2012</b>	40,662,398,000	97,773,449,148	716,802,060,649	-52,508,474,437	802,729,433,360
<b>Balances as of Jan. 1, 2013</b>	40,662,398,000	97,773,449,148	716,802,060,649	-52,508,474,437	802,729,433,360
<b>Comprehensive income</b>					
Profit for the year	0	0	253,192,620,814	0	253,192,620,814
Change in value of available-for-sale financial assets	0	0	0	-3,073,346	-3,073,346
Actuarial losses	0	0	-1,133,571,110	0	-1,133,571,110
Losses on valuation of derivatives	0	0	0	561,222,853	561,222,853
<b>Transactions with owners</b>					
Dividends	0	0	-78,413,785,800	0	-78,413,785,800
Share-based compensation	0	0	0	2,556,855,814	2,556,855,814
Treasury stock	0	0	0	-12,145,034,651	-12,145,034,651
<b>Balance at Dec. 31, 2013</b>	40,662,398,000	97,773,449,148	890,447,324,553	-61,538,503,767	967,344,667,934
<b>Balances as of Jan. 1, 2014</b>	40,662,398,000	97,773,449,148	890,447,324,553	-61,538,503,767	967,344,667,934
<b>Comprehensive income</b>					
Profit for the year	0	0	242,936,826,435	0	242,936,826,435
Change in value of available-for-sale financial assets	0	0	0	0	0
Actuarial losses	0	0	-7,980,246,086	0	-7,980,246,086
Losses on valuation of derivatives	0	0	0	195,727,947	195,727,947
<b>Transactions with owners</b>					
Dividends	0	0	-123,613,380,720	0	-123,613,380,720
Share-based compensation	0	0	0	6,518,941,248	6,518,941,248
Treasury stock	0	0	0	-26,359,297,536	-26,359,297,536
<b>Balance at Dec. 31, 2014</b>	40,662,398,000	97,773,449,148	1,001,790,524,182	-81,183,132,108	1,059,043,239,222

### Statement of cash flows

From 01/01/2014 To 12/31/2014

From 01/01/2013 To 12/31/2013

From 01/01/2012 To 12/31/2012

(Unit : KRW)

	FY 2014	FY 2013	FY 2012
<b>Cash flows from operating activities</b>	498,459,396,791	517,612,816,528	429,118,931,290
Cash generated from operations	596,050,182,796	558,964,618,255	463,804,814,727
Quarterly net income	242,936,826,435	253,192,620,814	119,748,573,647
Adjustments	409,683,082,945	347,542,928,884	381,783,163,463
Changes in operating assets and liabilities	-56,569,726,584	-41,770,931,443	-37,726,922,383
Dividends received	2,556,000	0	0
Income taxes paid	-97,593,342,005	-41,351,801,727	-34,685,883,437
<b>Cash flows from investing activities</b>	-268,905,676,431	-58,391,581,027	-300,933,529,728
Increase in other short-term financial assets	0	-112,948,600	-90,000,000

	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
Decrease in other short-term financial assets	113,470,000	295,228,600	212,869,600
Purchase of long-term financial instruments	-6,467,022,890	-15,074,724,625	-7,099,279,088
Decrease in other long-term financial assets	8,549,139,635	19,682,446,701	5,387,291,823
Proceeds from sales of available-for-sale financial assets	0	1,152,726	194,115,241
Purchase of investments in subsidiaries, joint ventures and associates	0	-3,968,574,400	-1,746,450,015
Proceeds from subsidiaries, net of cash acquired	0	0	402,693,993
Purchase of investments in associates	0	178,154,596,360	30,000,000
Purchase of property, plant and equipment	-275,718,966,581	-245,707,462,255	-294,981,028,616
Proceeds from sales of property, plant and equipment	8,219,799,632	6,094,929,483	3,441,343,203
Purchase of intangible assets	-6,410,406,197	-4,284,399,542	-8,257,831,838
Proceeds from sales of intangible assets	681,818,181	2,230,000,098	605,433,333
Purchase of investment property	0	0	-523,683,227
Proceeds from sales of investment property	0	0	84,545,454
Interest received	2,126,491,789	4,298,174,427	1,406,450,409
<b>Cash flows from financing activities</b>	<b>-325,267,565,769</b>	<b>-376,784,046,314</b>	<b>-73,571,682,720</b>
Proceeds from short term borrowings	-9,205,856,371	-156,486,215,697	20,867,673,043
Decrease in current portion of long-term borrowings	-30,000,000,000	-60,000,000,000	0
Decrease in current portion of debentures	-116,083,000,000	-50,000,000,000	0
Payment of dividends	-123,613,380,720	-78,413,785,800	-77,841,535,800
Acquisition of treasury shares	-31,477,668,300	-18,778,293,000	0
Exercise of share options	3,866,020,000	4,863,450,000	12,212,200,000
Cash flows from financial derivative trading	-6,607,000,000	0	0
Interest paid	-12,146,680,378	-17,969,201,817	-28,810,019,963
Net increase (decrease) in cash and cash equivalents	-95,713,845,409	82,437,189,187	54,613,718,842
Cash and cash equivalents at beginning of period	201,278,525,993	118,881,951,713	64,910,267,918
Exchange losses on cash and cash equivalents	-38,938,283	-40,614,907	-642,035,047
Cash and cash equivalents at end of period	105,525,742,301	201,278,525,993	118,881,951,713



