

Coway Co., Ltd.

Separate financial statements
for the years ended December 31, 2017 and 2016
with the independent auditors' report

coway

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Independent auditors' report

The Stockholders and Board of Directors Coway Co., Ltd.

We have audited the accompanying separate financial statements of Coway Co., Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Ernst & Young Han Young

March 14, 2018

This audit report is effective as at March 14, 2018, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditors' report date to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

Coway Co., Ltd.

Separate financial statements
for the years ended December 31, 2017 and 2016

“The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Hae Sun Lee
Chief Executive Officer
Coway Co., Ltd.

Coway Co., Ltd.
Notes to the separate financial statements
December 31, 2017 and 2016

21. Retained earnings and statements of appropriation of retained earnings (cont'd)

The statements of appropriation of retained earnings for the years ended December 31, 2017 and 2016 are as follows (Korean won in thousands):

	2017	2016
Retained earnings before appropriation:		
Unappropriated retained earnings carried over from the prior year	₩ 169	₩ 1,000
Re-measurement loss on defined benefit plans	6,189,615	(50,684)
Profit for the year	322,405,382	275,454,110
Interim Dividends	(174,514,904)	-
Retirement of treasury shares	(139,969,390)	(32,689,654)
	14,110,872	242,714,772
Transfer of voluntary reserve	43,584,900	-
Appropriation of retained earnings:		
Voluntary reserve	-	(8,015,000)
Cash dividends (per common stock)	(57,695,684)	(234,699,603)
In 2017 : ₩800 (dividend rate: 160%)		
In 2016 : ₩3,200 (dividend rate: 640%)		
	(57,695,684)	(242,714,603)
Unappropriated retained earnings carried forward to the next year	₩ 88	₩ 169

Appropriation dates for 2018 and 2017 were March 23, 2018 and March 28, 2017, respectively.

