

# **Annual Report**

**(Jan.1 – Dec.31, 2016)**

**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, Gyeonggi-do
Environmental Technology Lab.	R&D for water and air purifiers	R&D Center, Seoul National Univ. Seoul
TQA Center	Quality management for water and air purifiers	136-23 Yugumagoksa Rd., Yugu-eup, Gongju-si, Chungcheongnam-do
Cosmetics Lab.	Cosmetics R&D	1103~4, Jayplatz, 186 Gasandong, Geumcheon-gu, Seoul
625 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.

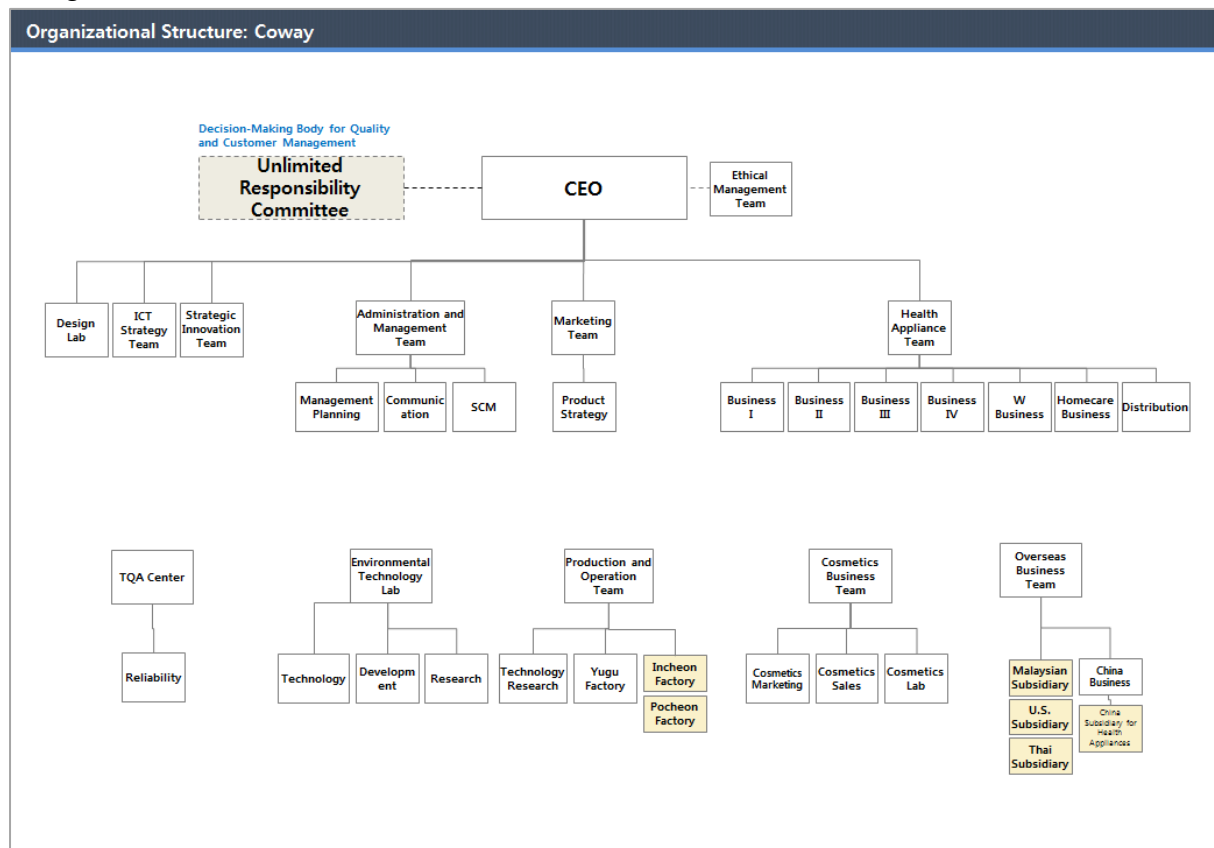
#### 4) Employees

(Unit: personnel)

	Full term employment	Fixed term employment	Total
Male	1,374	214	1,588
Female	2,519	664	3,183
Total	3,893	878	4,771

\* 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	76,380,513	40,662	100%	Registered stock
Total	76,380,513	40,662	100%	

### ② History of paid-in capital

"N/A"

### 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 Yeouuido-dong, Yeongdeungpo-gu, Seoul

## 7) Debenture

"N/A"

## 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 2016	FY 2015
Water purifier	1,042,530	885,008
Air purifier	843,017	570,790
Filter	19,750,598	18,124,257
Bidet	434,350	406,611
Food waste disposal, etc.	1,270	1,730
Water softener	78,918	77,112
etc.	171,372	228,748
<b>Total</b>	<b>22,322,055</b>	<b>20,294,256</b>

## 3) Sales

(Unit: EA, KRW million)

Production Business Area	Quantity		Amount	
	FY 2016	FY 2015	FY 2016	FY 2015
Rental and membership	5,703,787	5,771,306	1,696,238	1,711,635
Lump sum	245,237	226,180	486,941	403,569
Others	-	-	21,355	46,094
<b>Total</b>	-	-	2,204,534	2,161,298

1) The rental business results above refer to the sum of figures for rental and membership accounts.

## 4) Capital expenditure and funding source

(Unit: KRW million)

Index	Remarks	Amounts	Funding
<b>Buildings</b>	Newly acquired	34	Self-funded
<b>Structures</b>	//	992	
<b>Machinery and equipment</b>	//	12,157	
Tools	//	2,394	
Furniture and fixtures	//	260,141	
Rental assets	//	2,310	
Others	//	6,898	
Construction in progress	//	34	
<b>Total</b>		<b>284,926</b>	

### 3. Parent and Affiliate Companies

#### 1) Parent

"N/A"

#### 2) Affiliates

(Unit: KRW million)

Affiliate				Relations		
Company	Location	Company	Location	Paid	Ownership	Transaction (purchase+ sales)
Coway China Co., Ltd.	China	1,795	Sales of air-purifier	-	100%	4,754
Coway (Thailand) Company Limited	Thailand	9,488	Rental and lump-sum sales of home appliance items	2,687	100%	1,197
Coway(M) Sdn.Bhd.	Malaysia	24,911	Rental and lump-sum sales of home appliance items	70,817	100%	87,107
Coway USA Inc.	U.S.A	18,938	Rental and lump-sum sales of home appliance items	1,750	100%	15,893
Coway Entech	Korea	3,268	Industrial water treatment business	654	100%	-
Green Entech	Korea	-	Industrial water treatment business	-	-	274
Pocheon Malku-nmul Co.Ltd	Korea	3,095	Wastewater reuse system	-	-	393

- 1) During this term, the water treatment division was physically divided from Coway to set up Coway Entech.
- 2) During this term, Green Entech was merged into Coway Entech.
- 3) During this term, Coway's stake in Pocheon Malkunmul was transferred to Coway Entech, a new subsidiary that was spun off from Coway. (Number of shares owned: 433,200; stake: 70%)

#### 3) Concurrent positions of directors

Concurrent position		Concurrent company			Remarks
Name	Title	Company name	Title	Job function	
Lee, Hae-Sun	CEO	Coway Entech	Non-standing director	-	

## 4. Recent Three Year Financial Report

### 1) Income statement

[Unit: KRW]

Index	FY 2016	FY 2015	FY 2014
<b>Revenue</b>	<b>2,204,534,229,177</b>	<b>2,161,297,916,093</b>	<b>2,013,640,835,841</b>
COGS	752,622,447,149	679,472,533,394	673,352,109,794
Gross profits	1,451,911,782,028	1,481,825,382,699	1,340,288,726,047
SG&A	1,083,220,524,832	1,018,869,615,188	962,795,689,817
<b>Operating income</b>	<b>368,691,257,196</b>	<b>462,955,767,511</b>	<b>377,493,036,230</b>
Other income	20,000,223,593	16,700,431,321	14,310,225,024
Other expenses	18,609,043,331	15,826,080,917	22,836,562,331
Financial income	990,230,879	1,113,823,057	2,202,047,064
Financial expense	5,610,471,580	4,275,256,819	10,849,424,384
Investment income from investments in associated/affiliated companies	-	99,999,000	30,616,736,419
<b>Income before income tax</b>	<b>365,462,196,757</b>	<b>460,768,683,153</b>	<b>329,702,585,184</b>
Corporate tax expense	90,008,087,207	111,322,297,826	86,765,758,749
<b>Net income</b>	<b>275,454,109,550</b>	<b>349,446,385,327</b>	<b>242,936,826,435</b>

### 2) Balance sheet

[Unit: KRW]

Index	FY 2016	FY 2015	FY 2014
Current assets	777,532,092,161	658,055,502,063	573,108,160,679
Non-current assets	1,195,117,524,564	1,084,301,891,717	1,002,920,167,696
<b>&lt;Assets&gt;</b>	<b>1,972,649,616,725</b>	<b>1,742,357,393,780</b>	<b>1,576,028,328,375</b>
Current liabilities	682,260,522,505	421,636,912,628	468,027,334,949
Non-current liabilities	42,262,970,584	51,292,681,462	48,957,754,204
<b>&lt;Liabilities&gt;</b>	<b>724,523,493,089</b>	<b>472,929,594,090</b>	<b>516,985,089,153</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	1,233,995,233,337	1,199,313,506,430	1,001,790,524,182
Others	(124,304,956,849)	(68,321,553,888)	(81,183,132,108)
<b>&lt;Equity&gt;</b>	<b>1,248,126,123,636</b>	<b>1,269,427,799,690</b>	<b>1,059,043,239,222</b>
<b>&lt;Liabilities and equity&gt;</b>	<b>1,972,649,616,725</b>	<b>1,742,357,393,780</b>	<b>1,576,028,328,375</b>

## 5. 2017 Business Plan

Last year, Coway did its utmost to quickly resolve issues coming from the recall of ice water purifiers, stabilize its business, and regain customer confidence. It posted revenue of KRW 2.2045 trillion, up 2.0% from a year earlier, maintaining stable growth. Its EBIT and EBIT margin amounted to KRW 368.7 billion, down 20.4% from the previous year, and 16.7%, respectively. However, excluding the one-time cost (about KRW 120 billion) incurred due to the recall of ice water purifiers, its revenue and EBIT climbed 5.1% and 5.6% from a year ago, respectively.

To take another leap forward in 2017, Coway adopted 'Coway Trust' as its business slogan. By ensuring clean water and air and promoting healthy sleep and beauty, it has done its best to enhance people's quality of life. Coway Trust is essential to maintaining and promoting this business value.

Coway aims to generate revenue of KRW 2.4300 trillion, EBIT of KRW 500 billion, and EBIT margin of 20.6% in 2017. It will make all-out efforts to post its biggest ever revenue and EBIT. It also plans to promote the stable growth of its health appliance business by regaining customers and employees' trust and secure its growth engine via market-leading innovative products and technologies. It will attain its business objectives by actively facilitating its Chinese and global businesses.

## 6. Board Members and Auditors

Internal /External	Name	Position	Major functions/tasks	Transactions with company	Remarks
Internal	Lee, Hae-Sun	CEO	CEO of Coway Co. Ltd.	None	Appointment of Oct. 31. 2016
Internal	Kim, Dong-Hyun	CEO	CEO of Coway Co. Ltd.	None	Resigned on Oct. 31. 2016
External	Michael Byungju Kim	Non-standing director	Partner, MBK Partners	None	Resigned on Mar 29. 2016
External	Jong-Ha James Yoon	Director	Partner, MBK Partners	None	
External	Jay H. Bu	Non-standing director	Partner, MBK Partners	None	
External	Kim, Kwang-Il	Non-standing director	Partner, MBK Partners	None	Appointment of Sep. 12. 2016
External	Park, Tae Hyun	Non-standing director	Partner, MBK Partners	None	
External	Choi, Yon-sog	Non-standing director	Director, MBK Partners	None	Appointment of Mar. 29. 2016
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	
Internal	Jung, Cheol-ung	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	31.20%	Major shareholder	
GIC Private Limited	5,423,797	7.10%	None	
Korean national pension fund	4,916,172	6.44%	None	
Lazard Asset Management LLC	3,707,678	4.85%	None	
BLACK ROCK	1,837,533	2.41%	None	

\* The above information is based on the top 5 major shareholders on the shareholders list dated December 31, 2016

\* The stock ownership status of GIC Private Limited is based on the official disclosure on Korea Financial Supervisory Service  
- GIC Private Limited: As of notification on Sep. 7 2016

\* 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 May. 7 2015

## 8. Ownership Status

(Unit: Share)

Company	Shareholders	Invest on		Invested from	
		Shares	Ownership	Shares	Ownership
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) Sdn.Bhd.	Coway Co. Ltd.	70,816,969	100.0%	N/A	
Coway USA Inc.	Coway Co. Ltd.	1,749,533	100.0%	N/A	
Coway Entech	Coway Co. Ltd.	653,570	100.0%		
Pocheon Malkunmul Co.Ltd	Coway Entech Co. Ltd.	-	100.0%	N/A	
Coway Holdings	Coway Co. Ltd.	N/A		23,829,150	31.2%

1) During this term, the water treatment division was physically divided from Coway to set up Coway Entech.

## 9. Major Creditors

(Unit: share, KRW million)

Institutions	Amounts	No. of shares owned	Ownership ratio	Remarks
Korea Investment & Securities	100,000	43,572	0.00%	
Shinhan Bank	80,000	-	0.00%	
KDB Bank	50,000	-	0.00%	
Mirae Asset Securities	50,000	-	0.00%	
NH Nonghyup Bank	30,000	7,000	0.00%	
Samsung Securities	30,000	-	0.00%	
Total	340,000	50,572	0.00%	-

\* Quoted from the shareholder list as of 31/12/2016

## 10. Major Events after 2016

"N/A"

## 11. Others

### Consolidated Statements of Financial Position

December 31, 2016 and 2015

Accounts (unit: KRW)	2016	2015
<b>Assets</b>		
Current assets	733,134,075,994	653,318,017,710
Cash and cash equivalents	66,306,978,853	116,307,900,077
Trade receivables	292,776,988,529	256,015,919,789
Capital lease receivables	33,338,985,763	8,955,735,351
Other short-term financial assets	62,705,776,963	15,398,218,520
Other current assets	206,331,822,032	185,690,969,694
Inventories	70,194,665,124	69,820,809,255
Current tax assets	1,478,858,730	1,128,465,024
Non-current assets	1,234,573,817,352	1,122,079,124,795
Long-term trade	23,612,266,326	-
Non-current capital lease receivables	104,994,759,658	28,144,341,859
Other long-term financial assets	52,840,420,301	52,068,160,276
Other non-current assets	157,297,276,528	147,080,589,614
Available-for-sale financial assets	2,464,020,122	2,430,095,830
Retirement benefit assets	5,851,871,708	-
Property, plant and equipment	669,403,179,590	699,511,862,474
Intangible assets	182,993,861,968	168,786,681,111
Investment property	33,593,899,415	23,173,559,415
Deferred income tax assets	1,522,261,736	883,834,216
Total assets	1,967,707,893,346	1,775,397,142,505
<b>Liabilities</b>		
Current liabilities	735,390,765,837	472,882,081,155
Trade payables	58,724,468,626	59,799,440,753
Other short-term financial liabilities	181,218,578,877	183,985,891,177
Other current liabilities	87,817,269,128	77,255,325,642
Short-term borrowings	340,000,000,000	80,040,718,867
Income tax payable	47,867,955,165	70,198,265,550
Provisions	19,762,494,041	1,602,439,166
Current portion of debentures	48,973,368,952	64,287,230,555
Non-current liabilities	2,664,966,182	2,203,221,407
Other non-current liabilities	24,561,839,617	16,477,557,461
Long-term borrowings	11,812,000,000	7,951,000,000
Retirement benefit obligations	-	12,373,703,182
Provisions	1,968,932,684	2,135,329,680
Deferred income tax liabilities	7,965,630,469	23,146,418,825
Total liabilities	784,364,134,789	537,169,311,710
<b>Equity</b>		
Equity attributable to owners of the parent	1,182,815,030,247	1,237,363,218,374
Capital stock	40,662,398,000	40,662,398,000
Capital surplus	97,773,449,148	97,773,449,148
Retained earnings	1,179,735,672,647	1,177,049,753,285
Other components of equity	(135,356,489,548)	(78,122,382,059)
Non-controlling interests	528,728,310	864,612,421
Total equity	1,183,343,758,557	1,238,227,830,795
Total liabilities and equity	1,967,707,893,346	1,775,397,142,505

### Consolidated Statement of comprehensive income

Years Ended December 31, 2016 and 2015

Accounts (unit: KRW)	2016	2015
Sales	2,376,328,167,259	2,315,242,282,662
Cost of sales	(812,176,526,166)	(728,843,092,565)
Gross profit	1,564,151,641,093	1,586,399,190,097
Selling and administrative expenses	(1,225,354,188,064)	(1,123,060,003,421)
Operating income	338,797,453,029	463,339,186,676
Other income	28,737,581,966	24,447,251,232
Other expense	(38,890,265,528)	(30,407,140,043)
Financial income	1,212,324,916	1,423,176,277
Financial expense	(6,103,169,863)	(4,339,055,128)
Profit before income tax	323,753,924,520	454,463,419,014
Income tax expense	(80,442,692,413)	(111,343,034,229)
Profit for the year	243,311,232,107	343,120,384,785
Profit attributable to		
Owners of the parent	243,647,116,218	343,148,057,698
Non-controlling interests	(335,884,111)	(27,672,913)
Other comprehensive income	(804,069,601)	(8,832,592,426)
Other comprehensive income that will be reclassified to profit or loss, net of tax	(564,571,588)	(5,206,956,488)
Change in value of available-for-sale financial assets	20,867,176	9,878,983
Foreign currency translation differences	(585,438,764)	(5,216,835,471)
Other comprehensive income that will be reclassified to profit or loss, net of tax	(239,498,013)	(3,625,635,938)
Re-measurement losses on net of defined benefit liability	(239,498,013)	(3,625,635,938)
Total comprehensive income for the year	242,507,162,506	334,287,792,359
Total comprehensive income for the period attributable to		
Comprehensive income attributable to owners of the parent	242,843,046,617	334,315,465,272
Non-controlling interests	(335,884,111)	(27,672,913)
Earnings per share attributable to owners of the parent		
Basic earnings per share	3,280	4,621
Diluted earnings per share	3,261	4,597



## Consolidated Statement of changes in equity

Years Ended December 31, 2016 and 2015

Accounts (unit: KRW)	Equity ownership of controlled entity					Non-controlling interests	Total Equity
	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total Equity		
Balances as of Jan. 1, 2015	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
Comprehensive income :							
Profit for the year	-	-	343,148,057,698	-	343,148,057,698	(27,672,913)	343,120,384,785
Change in value of available-for-sale financial assets	-	-	-	9,878,983	9,878,983	-	9,878,983
Re-measurement losses on net of defined benefit liability	-	-	(3,625,635,938)	-	(3,625,635,938)	-	(3,625,635,938)
Foreign currency translation differences	-	-	-	(5,216,835,471)	(5,216,835,471)	-	(5,216,835,471)
Comprehensive income :	-	-	339,522,421,760	(5,206,956,488)	334,315,465,272	(27,672,913)	334,287,792,359
Transactions with owners :							
Dividends	-	-	(148,347,918,000)	-	(148,347,918,000)	-	(148,347,918,000)
Share-based compensation	-	-	-	6,477,818,692	6,477,818,692	-	6,477,818,692
Treasury stock	-	-	-	6,383,759,528	6,383,759,528	-	6,383,759,528
Other capital transactions	-	-	-	(8,651,039)	(8,651,039)	-	(8,651,039)
Total transactions with owners	-	-	(148,347,918,000)	12,852,927,181	(135,494,990,819)	-	(135,494,990,819)
Balance at Dec. 31, 2015	40,662,398,000	97,773,449,148	1,177,049,753,285	(78,122,382,059)	1,237,363,218,374	864,612,421	1,238,227,830,795
Balances as of Jan. 1, 2016	40,662,398,000	97,773,449,148	1,177,049,753,285	(78,122,382,059)	1,237,363,218,374	864,612,421	1,238,227,830,795
Comprehensive income :							
Profit for the year	-	-	243,647,116,218	-	243,647,116,218	(335,884,111)	243,311,232,107
Change in value of available-for-sale financial assets	-	-	-	20,867,176	20,867,176	-	20,867,176
Re-measurement losses on net of defined benefit liability	-	-	(239,498,013)	-	(239,498,013)	-	(239,498,013)
Foreign currency translation differences	-	-	-	(585,438,764)	(585,438,764)	-	(585,438,764)
Comprehensive income :	-	-	243,407,618,205	(564,571,588)	242,843,046,617	(335,884,111)	242,507,162,506
Transactions with owners :							
Dividends	-	-	(208,032,045,200)	-	(208,032,045,200)	-	(208,032,045,200)
Share-based compensation	-	-	-	3,126,475,699	3,126,475,699	-	3,126,475,699
Treasury stock	-	-	(32,689,653,643)	(59,109,878,660)	(91,799,532,303)	-	(91,799,532,303)
Other capital transactions	-	-	-	(686,132,940)	(686,132,940)	-	(686,132,940)
Total transactions with owners	-	-	(240,721,698,843)	(56,669,535,901)	(297,391,234,744)	-	(297,391,234,744)
Balance at Dec. 31, 2016	40,662,398,000	97,773,449,148	1,179,735,672,647	(135,356,489,548)	1,182,815,030,247	528,728,310	1,183,343,758,557

**Consolidated Statement of cash flows**

Years ended December 31, 2016 and 2015

<b>Accounts (unit: KRW)</b>	<b>2016</b>	<b>2015</b>
Net cash flows provided by operating activities	357,544,315,166	512,842,861,971
Cash generated from operations	477,467,559,897	596,257,470,041
Profit for the year	243,311,232,107	343,120,384,785
Adjustments	466,500,506,539	448,429,227,200
Changes in operating assets and liabilities	(232,344,178,749)	(195,292,141,944)
Dividends received	1,990,000	-
Income tax paid	(119,925,234,731)	(83,414,608,070)
Investing activities:	(367,497,963,106)	(329,499,037,937)
Increase in other short-term financial assets	(42,001,384,300)	(23,383,876)
Decrease in other short-term financial assets	152,445,207	39,500,000
Increase in other long-term financial assets	(15,468,331,673)	(9,459,582,799)
Decrease in other long-term financial assets	14,573,047,970	9,574,694,004
Proceeds from disposal of available-for-sale financial assets	-	192,854
Proceeds from disposal of investments in associates	-	100,000,000
Acquisition of property, plant and equipment	(328,200,851,195)	(329,278,843,190)
Proceeds from disposal of property, plant and equipment	15,258,005,425	8,890,025,828
Acquisition of intangible assets	(13,501,228,980)	(6,147,835,375)
Proceeds from disposal of intangible assets	480,000,000	699,999,999
Proceeds from disposal of investment properties	-	3,131,000,000
Interests received	1,210,334,440	1,625,765,877
Changes in scope of the consolidation	-	(8,650,571,259)
Net cash flows used in financing activities	(39,978,987,059)	(213,408,380,136)
Decrease in short-term borrowings	259,959,281,133	(84,361,389,149)
Increase in long-term borrowings	3,861,000,000	7,019,000,000
Government grants received	4,706,184,000	11,411,910,000
Payment of dividends	(208,032,045,200)	(148,347,918,000)
Purchase of treasury shares	(97,998,615,700)	-
Exercise of share options	4,718,014,400	5,238,160,000
Interests paid	(7,192,805,692)	(4,368,142,987)
Net decrease in cash and cash equivalents	(49,932,634,999)	(30,064,556,102)
Cash and cash equivalents at January 1	116,307,900,077	147,363,023,267
Net foreign exchange difference	(68,286,225)	(990,567,088)
Cash and cash equivalents at December 31	66,306,978,853	116,307,900,077

**Separate Statement of financial position**

December 31, 2016 and 2015

<b>Accounts (unit: KRW)</b>	<b>2016</b>	<b>2015</b>
<b>Asset</b>		
Current assets	777,532,092,161	658,055,502,063
Cash and cash equivalents	41,122,380,818	86,605,593,229
Trade receivables	444,779,024,989	353,607,533,703
Capital lease receivables	33,338,985,763	8,955,735,351
Other short-term financial assets	60,668,010,104	15,366,740,817
Other current assets	151,169,015,090	145,301,416,789
Inventories	46,454,675,397	48,218,482,174
Non-current assets	1,195,117,524,564	1,084,301,891,717
Long-term trade	23,612,266,326	-
Long-term capital lease receivables	104,994,759,658	28,144,341,859
Other long-term financial assets	50,419,041,224	50,260,460,324
Other non-current assets	150,847,509,765	139,907,806,360
Available-for-sale financial assets	1,238,201,489	1,534,075,239
Retirement benefit assets	7,299,751,301	-
Investments in subsidiaries	84,458,480,018	70,337,471,398
Property, plant and equipment	590,903,564,847	624,867,256,387
Intangible assets	147,749,750,521	146,076,920,735
Investment property	33,593,899,415	23,173,559,415
Total assets	1,972,649,616,725	1,742,357,393,780
<b>Liabilities</b>		
Current liabilities	682,260,522,505	421,636,912,628
Trade payables	51,356,239,669	47,652,986,026
Other short-term financial liabilities	163,592,649,018	165,726,999,471
Other current liabilities	60,777,048,326	56,821,559,706
Short-term borrowings	340,000,000,000	80,040,718,867
Income tax payable	46,872,481,719	69,881,141,176
Provisions	19,662,103,773	1,513,507,382
Non-current liabilities	42,262,970,584	51,292,681,462
Other long-term financial liabilities	1,824,034,961	2,204,907,207
Other non-current liabilities	22,809,707,088	14,041,051,506
Retirement benefit obligations	-	11,039,526,616
Provisions	1,442,019,369	1,774,015,559
Deferred tax liabilities	16,187,209,166	22,233,180,574
Total liabilities	724,523,493,089	472,929,594,090
<b>Equity</b>		
Capital stock	40,662,398,000	40,662,398,000
Capital surplus	97,773,449,148	97,773,449,148
Retained earnings	1,233,995,233,337	1,199,313,506,430
Other components of equity	(124,304,956,849)	(68,321,553,888)
Total equity	1,248,126,123,636	1,269,427,799,690
Total liabilities and equity	1,972,649,616,725	1,742,357,393,780

**Separate Statement of financial position**

Years Ended December 31, 2016 and 2015

Accounts (unit: KRW)	2016	2015
Sales	2,204,534,229,177	2,161,297,916,093
Cost of sales	(752,622,447,149)	(679,472,533,394)
Gross profit	1,451,911,782,028	1,481,825,382,699
Selling and administrative expenses	(1,083,220,524,832)	(1,018,869,615,188)
Operating income	368,691,257,196	462,955,767,511
Other income	20,000,223,593	16,700,431,321
Other expenses	(18,609,043,331)	(15,826,080,917)
Financial income	990,230,879	1,113,823,057
Financial expense	(5,610,471,580)	(4,275,256,819)
Investment income (loss) of subsidiaries and associates	-	99,999,000
Profit before income tax	365,462,196,757	460,768,683,153
Income tax expense	(90,008,087,207)	(111,322,297,826)
Profit for the year	275,454,109,550	349,446,385,327
Other comprehensive income (loss)	(50,683,800)	(3,575,485,079)
Other comprehensive income that will be reclassified to profit or loss, before tax	-	-
Income (Loss) on valuation of derivatives	-	-
Other comprehensive income that will not be reclassified to profit or loss, before tax	(50,683,800)	(3,575,485,079)
Re-measurement losses on net of defined benefit liability	(50,683,800)	(3,575,485,079)
Total comprehensive income for the year	275,403,425,750	345,870,900,248
Earnings per share		
Basic earnings per share	3,708	4,706
Diluted earnings per share	3,686	4,682

### Separate Statement of changes in equity

Years Ended December 31, 2016 and 2015

Accounts (unit: KRW)	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
Balances as of Jan. 1, 2015	40,662,398,000	97,773,449,148	1,001,790,524,182	(81,183,132,108)	1,059,043,239,222
Comprehensive income :					
Profit for the year	-	-	349,446,385,327	-	349,446,385,327
Re-measurement losses on net of defined benefit liability	-	-	(3,575,485,079)	-	(3,575,485,079)
Transactions with owners					
Dividends	-	-	(148,347,918,000)	-	(148,347,918,000)
Share-based compensation	-	-	-	6,477,818,692	6,477,818,692
Treasury stock	-	-	-	6,383,759,528	6,383,759,528
Balance at Dec. 31, 2015	40,662,398,000	97,773,449,148	1,199,313,506,430	(68,321,553,888)	1,269,427,799,690
Balances as of Jan. 1, 2016	40,662,398,000	97,773,449,148	1,199,313,506,430	(68,321,553,888)	1,269,427,799,690
Comprehensive income :					
Profit for the year	-	-	275,454,109,550	-	275,454,109,550
Re-measurement losses on net of defined benefit liability	-	-	(50,683,800)	-	(50,683,800)
Transactions with owners					
Dividends	-	-	(208,032,045,200)	-	(208,032,045,200)
Share-based compensation	-	-	-	3,126,475,699	3,126,475,699
Treasury stock	-	-	(32,689,653,643)	(59,109,878,660)	(91,799,532,303)
Balance at Dec. 31, 2016	40,662,398,000	97,773,449,148	1,233,995,233,337	(124,304,956,849)	1,248,126,123,636

### Separate Statement of cash flows

Years Ended December 31, 2016 and 2015

Accounts (unit: KRW)	2016	2015
Net cash generated from operating activities	327,239,512,132	475,162,978,410
Cash generated from operations	446,425,734,111	557,213,659,925
Profit for the year	275,454,109,550	349,446,385,327
Adjustments	439,941,797,486	422,042,050,113
Changes in operating assets and liabilities	(268,970,172,925)	(214,274,775,515)
Income tax paid	(119,186,221,979)	(82,050,681,515)
Net cash used in investing activities	(324,766,008,780)	(263,956,223,071)
Increase in other short-term financial assets	(42,001,384,300)	-
Decrease in other short-term financial assets	146,000,000	39,500,000
Increase in other long-term financial assets	(14,695,588,870)	(8,538,805,800)
Decrease in other long-term financial assets	14,442,007,970	9,838,008,122
Proceeds from disposal of available-for-sale financial assets	-	192,854
Proceeds from disposal of associates	-	100,000,000
Acquisition of property, plant and equipment	(286,004,879,264)	(270,585,826,031)
Proceeds from disposal of property, plant and equipment	14,842,848,505	9,078,358,461
Acquisition of intangible assets	(12,965,243,700)	(5,998,599,897)
Proceeds from disposal of intangible assets	480,000,000	699,999,999
Proceeds from disposal of investment assets	-	95,000,000
Interest received	990,230,879	1,315,949,221
Net cash used in financing activities	(48,049,096,228)	(230,147,578,523)
Net increase (decrease) in short-term borrowings	259,959,281,133	(82,762,563,704)
Payment of dividends	(208,032,045,200)	(148,347,918,000)
Purchase of treasury stock	(97,998,615,700)	-
Exercise of share options	4,718,014,400	5,238,160,000
Interest paid	(6,695,730,861)	(4,275,256,819)
Net increase in cash and cash equivalents	(45,575,592,876)	(18,940,823,184)
Beginning of the year	86,605,593,229	105,525,742,301
Exchange losses on cash and cash equivalents	92,380,465	20,674,112
End of the year	41,122,380,818	86,605,593,229

**Separate statements of appropriations of retained earnings**

Years Ended December 31, 2016 and 2015

<b>Accounts (unit: KRW)</b>	<b>2016</b>	<b>2015</b>
Retained earnings before appropriations	242,714,771,717	345,871,044,810
Unappropriated retained earnings carried over from the prior year	999,610	144,562
Actuarial gains and losses	(50,683,800)	(3,575,485,079)
Profit for the year	275,454,109,550	349,446,385,327
Interim dividend	-	-
Retirement of Stocks	(32,689,653,643)	-
Appropriations	242,714,603,200	345,870,045,200
Voluntary reserve	8,015,000,000	137,838,000,000
Cash dividends	234,699,603,200	208,032,045,200
Common stock		
: in 2016: 3,200 (640%)		
: in 2015: 2,800 (560%)		
Unappropriated retained earnings carried forward to succeeding year	168,517	999,610