



16F. Jungang Daily News Bldg., 7 Sunhwa-dong, Jung-gu, Seoul, Korea 100-759
T. 02 2172 1275-8 / F. 02 773 2911
www.coway.co.kr / www.cowayir.co.kr

2011 Woongjin Coway 23rd Annual Report

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Jan. 1 - Dec. 31, 2011



woongjin coway







2011 Woongjin Coway
23rd Annual Report



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Message from the CEO



The first priority of the management at Woongjin Coway is the enhancement of shareholder value



Dear shareholders and investors,

Greetings,

I hope everything is going well with you.

As always, we sincerely appreciate your ongoing support and interest in our company and are ready to listen to your fine opinions and utilize your voice in the key management decision processes at Woongjin Coway.

Woongjin Coway has reached record high sales and profits in 2011. Our revenue has reached KW 1.71 trillion with KW 243bn operating profits and KW 178bn net income. For the first time ever since 2006, most of the revenue has increased by two-digit numbers. On top of all this, the operating profit margin reached 14.2%, clearly reaching beyond the annual target of 14% and the market's expectations, despite the new investments being made in such areas as the domestic cosmetics

business. I believe that we have entered into a new era of growth.

In regards to the domestic home appliance business, approximately 1.27 million rental sales were made and KW 138bn in outright sales was recorded. This serves as the new record-high result following our performance in 2010. The rental cancellation rate has dipped to records of a mere 1.0% per month, a very low rate indeed. Due to such outstanding performance, the company acquired 370K net accounts and reached a peak of 5.45 million total accounts. These will serve to further contribute to rapid revenue growth.

The new mattress business, spearheaded in October of 2011, was such a tremendous surprise to the market. All prepared mattress were sold out instantaneously and the market demands continued to exceed our supply capacity. In such a surprising way, the mattress



business successfully penetrated the market and is expected to be the next big rental item followed by water purifiers, air purifiers, and bidets.

Thanks to the enhanced brand awareness and Woongjin Coway's exclusive know-how in the door-to-door sales sector, the revenue of the domestic cosmetics business reached KW68.2bn, which considerably exceeded our expectations of KW 60bn. We also succeeded in recruiting 2,888 sales representatives to boot, who act as a strong foundation for solid and rapid growth.

Furthermore, the industrial water treatment business, our new growth engine, acquired KC Samyang in 2011 for the purposes of technological enhancement. With the acquisition of KC Samyang in 2011, in addition to Green Entech in 2010, we made considerable inroads in terms of sophisticating the sector. The diverse technologies acquired distinguished Woongjin Coway in its field and created a strong foundation from which to expand both the domestic and overseas water treatment industries.

For 2011, Woongjin Coway established the annual goal of KW 1.92 trillion in revenue and KW 278bn in operating profits. We will continue to strive past our recorded performances of 2010 and earnestly pour all our efforts into reaching new records for 2011.

In order to meet our goals, we will be required to secure 5.8 million accounts with more than 350 thousand net account additions in rental and membership programs driven by new innovative item releases, improved cross sell ratios and sales channel expansions.

Regarding the domestic cosmetics business, our goal

is to reach the scalable with KW 100bn in revenue and penetrate into the market successfully without a doubt. In overseas business, our goal is to hit KW 125bn in revenue, a 27.4% increase yoy. In order to reach the target, our strategic alliances with global partners need to expand and the successful replication of our rental business sectors in overseas subsidiaries is required. The Malaysian subsidiary has signaled success in the rental business as a case in point and serves as a role model for the further establishment of more successful subsidiaries abroad.

In addition, the industrial water treatment business will be further enhanced due to the technological possessions gained through the M&As.

At Woongjin Coway, the interest of our shareholders is our first priority in management. In 2011, the total dividends were KW 77.9bn, and KW 1,050 per share was given to the shareholders.

We will continue to do our utmost in generating profit and enhancing shareholder value. Active IR will also be held to maximize company value.

On behalf of everyone at Woongjin Coway, I would like to thank you for your ongoing interest, helpful advice and hope in a future that is certainly moving forward.

Thank you.



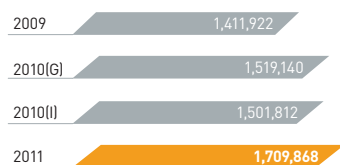
Yours Sincerely,
Hong, Joon-Ke
CEO of Woongjin Coway

Financial Summary

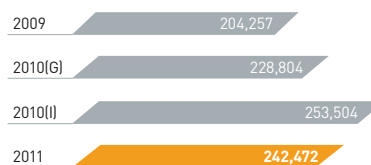
(Unit : KW mm)

	2011(K-IFRS)	2010(K-IFRS)	2010(K-GAAP)	2009(K-GAAP)
Balance sheet				
Asset	1,576,459	1,358,254	1,439,532	1,270,680
Debt	828,057	631,097	674,732	590,001
Equity	748,402	727,157	764,800	680,679
Income statement				
Revenue	1,709,868	1,501,812	1,519,140	1,411,922
Operating profits	242,472	253,504	228,804	204,257
Profits before tax	225,352	243,257	236,527	202,724
Net income	177,106	183,273	177,043	153,280

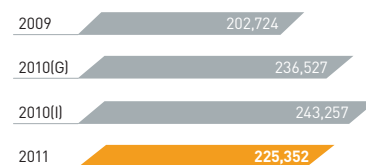
Revenue (Unit : KW mm)



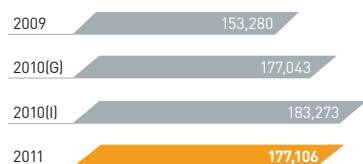
Operating profits (Unit : KW mm)



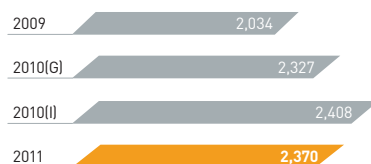
Profits before income tax (Unit : KW mm)



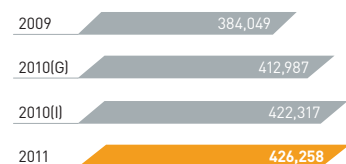
Net Income (Unit : KW mm)



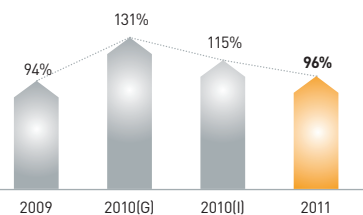
EPS (Unit : KW mm)



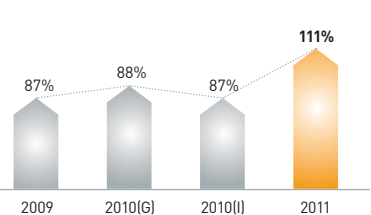
EBITDA (Unit : KW mm)



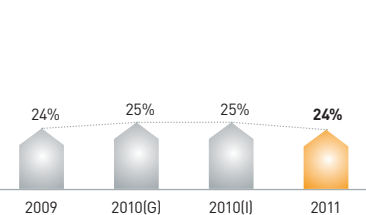
Current ratio



Debt to equity ratio



ROE



※ FY2009 K-GAAP, FY2010 K-GAAP/K-IFRS, FY2011 K-IFRS

Articles

• Company business

01. Water purifier manufacturing and sales
 02. Home appliance manufacturing and sales
 03. Environmental care system for the prevention of water/air pollution
 04. Water purifying/disposable items treatment system manufacturing and sales
 05. R&D for environmentally related areas, analysis of air/water quality, and evaluation of environmental effects
-
06. Export and international trade
 07. Real estate rent, development, management, investment, and sales
 08. Import and rent manufactured items
 09. Sales of miscellaneous goods
 10. Pipe material manufacturing and sales
-
11. Medical material import/export, manufacturing, and sales
 12. Door-to-door sales, online sales, electronic commerce, and related services
 13. System, kitchen and furniture manufacturing and sales
 14. Ceramic ware and plastic items (for sanitization) manufacturing and sales
 15. Manufacturing and sales of interior aroma
-
16. Door locks, security systems and other security related systems manufacturing and sales
 17. Liquid filtration manufacturing, sales, and rental business
 18. Health items export, manufacturing, and sales
 19. Social education facility operation
 20. Diode, transistor, and similar semi-conductor manufacturing
-
21. Air purifier manufacturing
 22. Security business
 23. Sterilization/extermination of insects, cleaning, and living environment improvements
 24. Coffee, food additives, general food import, processing, and sales
 25. Coffee and tea manufacturing machines import and sales
-
26. Sewage, waste water, excrement, and disposable item treatment facility design and construction
 27. Self-evaluation agency
 28. R&D and consulting for cosmetic item manufacturing
 29. Environmentally related facility design, construction, and supervision
 30. Construction of industrial environmental facilities
-
31. Credit card sales, insurance brokerage, members' card issuance, and related service sales and advisories
 32. Services including installation and maintenance services for sold items
 33. Agency for mobile and communication items
 34. Market research and advertising
 35. Interior design and contraction
-
36. Skin care item exports, manufacturing, and sales
 37. Skin care
 38. Electricity construction
 39. Food supplement item imports, exports, manufacture, and sales
 40. Industrial refrigerator/freezer manufacturing
-
41. Cosmetics manufacturing, distribution, and sales
 42. Home appliance manufacturing and sales
 43. Kitchen appliance manufacturing and sales
 44. Manufacturing and sales for healthcare related items and services in bathroom
 45. Water quality improvement and functional water generating item manufacturing, sales and rent
-
46. Service for air quality evaluation and analysis
 47. Public facility system manufacturing and service
 48. Other related businesses with above businesses

Articles

• Major business areas

01. Water purifier rental and whole sale/retail
02. Door-to-door sales
03. Water purifier manufacturing and sales
04. Household item manufacturing and sales
05. Agency for environmental research and water quality analysis
06. Import/Export
07. Pollution prevention facility for water/air quality
08. Sewage, waste water, excrement, and disposable item treatment facility design and construction
09. Environmentally related facility design, construction, and supervision
10. Industrial environment facility construction

• 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	14-85, 98 Gojan-dong, 155Rd, Namdong-gu, Incheon
Pocheon Factory	Refurbished item manufacturing	2072 Hoguk Rd. Sinbuk-myeon, Pocheon-si, Gyeonggi-do
Environment Quality Lab.	Quality management for water and air purifiers	136-23 Yugumagoksa Rd., Yugu-eup, Gongju-si, Chungcheongnam-do
Environment 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
583 branches	Sales and service providing	Seoul and other areas

• Employees (As of end of Dec. 2011)

(Unit : personnel)

	Administrative	Sales	Manufacturing	Total
Male	854	37	178	1,069
Female	314	634	84	1,032
Total	1,168	671	262	2,101

※ Regular employees only

• Stocks

1. Outstanding shares

(Unit : share, KW'000)

	No. of shares	Amounts	Ratio
Common stock	77,124,796	40,662,398	100%
Preferred stock	-	-	-
Total	77,124,796	40,662,398	100%

2. History of paid in capital (As of end of Dec. 2011)

(Unit : share, KW'000)

Yr/Month/Day		No. of shares	Add/cancelled	Paid in capital	Remarks
99.11.19	Common share	24,230,960	21,807,864	12,115,480	Stock split
02.11.08	Common share	23,030,960	-1,200,000	12,115,480	Cancellation
03.04.11	Common share	23,088,760	57,800	12,144,380	Stock option exercise
03.09.04	Common share	23,903,290	814,530	12,551,645	New share issuance due to M&A
04.04.14	Common share	23,959,690	56,400	12,579,845	Stock option exercise
05.01.31	Common share	20,959,690	-3,000,000	12,579,845	Cancellation
05.02.04	Common share	21,109,690	150,000	12,654,845	Stock option exercise
05.03.16	Common share	21,159,690	50,000	12,679,845	Stock option exercise
05.03.22	Common share	21,231,090	71,400	12,715,545	Stock option exercise
05.05.11	Common share	73,071,736	51,840,646	38,635,868	New share issuance due to M&A
05.06.16	Common share	73,786,611	714,875	38,993,306	Stock option exercise
05.07.11	Common share	73,851,611	65,000	39,025,806	Stock option exercise
06.04.10	Common share	74,263,122	411,511	39,231,561	Stock option exercise
06.06.23	Common share	74,375,593	112,471	39,287,797	Stock option exercise
07.04.06	Common share	74,431,993	56,400	39,315,997	Stock option exercise
09.07.06	Common share	77,124,796	2,692,803	40,662,398	New share issuance due to M&A

Articles

• Others

Index	Contents
Year end	End of December
Annual shareholder meeting	Within three months after year end
Closing shareholder list	From 1st. Jan to 31st. Jan
Kinds of stock certificate	1/5/10/50/100/1,000/10,000(8 kinds)
Agency for stock related administrative	
Agency	Hana bank
Address	43-2 Yeoeuido-dong, Yeongdeungpo-gu, Seoul
Remarks	None
Released on	Maeil business newspaper

• Debenture

(Unit : KW '000)

	Date	Amounts	Annual interests	Expiry date
Korean currency	08/09/2010	50,000,000	4.61%	08/09/2013
Foreign currency	14/01/2011	57,665,000	3.93%	14/01/2014
Foreign currency	18/04/2011	69,198,000	5.45%	18/04/2014

※ Foreign currency : based on current currency rate

Business Result

• Operations

Consult with "Message from the CEO"

• Major operation and production

(Unit : EA, KW mm)

Location	Item	Production			
		Quantity		Amount	
		FY 2011	FY 2010	FY 2011	FY 2010
Yugu	Water purifier	800,020	659,587	169,285	129,295
	Air purifier	420,920	492,655	61,734	61,744
	filter	17,280,714	15,686,113	56,490	51,656
Incheon	Bidet	371,035	356,958	39,660	36,942
	Water softener	97,261	72,662	9,653	8,597
	Food waste disposal etc.	43,836	25,292	9,079	6,777
Gangzhou, China	Water purifier	3,627		375	
	Air purifier	131,316		9,328	
Total		19,148,729	17,293,267	355,604	295,011

• Sales

(Unit : EA, KW mm)

	Item	Sales			
		Quantity		Amount	
		FY 2011	FY 2010	FY 2011	FY 2010
Rental & membership	Water purifier	2,910,787	2,772,718	834,250	771,336
	Bidet	1,227,694	1,105,569	230,303	210,789
	Air purifier	884,408	790,652	202,716	172,952
	Water softener	387,195	381,961	90,464	90,474
	Others	41,925	31,847	9,333	8,455
	Total	5,452,009	5,082,747	1,367,066	1,254,006
Lump sum	Water purifier	40,090	33,910	45,000	38,446
	Bidet	39,215	43,275	16,116	17,866
	Air purifier	51,705	51,762	23,006	23,235
	Water softener	7,387	9,909	4,604	6,002
	Others	85,583	39,954	49,498	21,810
	Total	223,980	178,810	138,224	107,359
Others	Export, Cosmetics, Water treatment, etc.	-	-	204,577	157,775
Total				1,709,868	1,519,140

※ Rental and membership revenues are based on existing accounts

Business Result

• Capital expenditure and funding source

(Unit : KW mm)

Index	Remarks	Investment	Funding
Land	Newly acquired	3	
Building	"	8,512	
Construction	"	240	
Machine	"	1,545	
Equipment	"	16,151	
Government subsidy	"	-	Self-funded
R&D equipment	"	1,876	
Rental assets	"	225,732	
Miscellaneous	"	12,320	
Transportation	"	-	
Under construction	"	32,995	
Total		299,374	

Parent and Affiliate Companies

• Parent

"N/A"

• Affiliates

(Unit : KWmm)

Company	Location	Affiliate		Relations		Transaction
		Equity	Business	Paid	Ownership	
Woongjin Coway(China) Living Goods Co.,Ltd.	China	14,887	Home appliance rental and sales Cosmetics sales	5,970	100.00%	Rev. 4,863
Woongjin Coway (Thailand) Co.,Ltd.	Thailand	7,876	Home appliance rental and sales	8,576	100.00%	Rev. 3,993
Woongjin Coway(M) S dn. Bhd.	Malaysia	25,704	Home appliance rental and sales	25,262	100.00%	Rev. 13,546
Woongjin Coway USA, Inc.	U.S.A	20,177	Home appliance rental and sales	18,938	100.00%	Rev. 13,490
Coway Italia S.r.l	Italia	896	Home appliance sales	935	100.00%	Rev. 185
Aimkorea Co., Ltd.	Korea	685	Waste recycling and renewable energy	685	100.00%	-
Samyang Water System Co., Ltd.	Korea	1,630	Water treatment and reuse	6,774	100.00%	-
Green Entech	Korea	900	Prevention of environmental pollution, etc.	28,180	100.00%	Rev. 4

• Concurrent positions of directors

"N/A"

Recent Three Year Financial Report

• Income statement

(Unit: KW)

Index	FY 2011 (K-IFRS)	FY 2010 (K-IFRS)	FY 2009 (K-GAAP)
I. Revenue	1,709,867,512,884	1,501,812,040,147	1,411,922,316,352
II. COGS	552,005,591,884	490,590,059,135	406,172,220,895
III. Gross profits	1,157,861,921,000	1,011,221,981,012	951,750,095,457
IV. SGnA	869,174,104,865	704,350,706,164	747,492,690,615
V. Operating profits	242,472,226,836	253,503,738,501	204,257,404,842
VI. Non-operating profits	21,593,197,007	14,033,806,235	27,224,570,202
VII. Non-operating loss	38,713,756,791	24,280,571,160	28,757,587,130
VIII. Profits before income tax	225,351,667,052	243,256,973,576	202,724,387,914
IX. Tax	48,246,024,186	59,984,105,088	49,444,874,217
X. Net Income	177,105,642,866	183,272,868,488	153,279,513,697

• Balance sheet

(Unit: KW)

Index	FY 2011 (K-IFRS)	FY 2010 (K-IFRS)	FY 2009 (K-GAAP)
I. Current asset	511,499,151,364	441,169,455,659	509,455,179,008
II. Non-current asset	1,064,959,877,824	917,084,808,782	761,224,486,961
Asset	1,576,459,029,188	1,358,254,264,441	1,270,679,665,969
I. Current debt	534,279,560,755	384,530,070,012	541,770,439,248
II. Non-current debt	293,777,106,176	246,566,890,154	48,230,468,529
Debt	828,056,666,931	631,096,960,166	590,000,907,777
I. Paid-in-capital	40,662,398,000	40,662,398,000	40,662,398,000
II. Capital in excess of par value	97,773,449,148	97,773,449,148	97,276,687,896
III. Retained earnings	677,684,182,975	582,918,759,202	529,587,679,450
IV. Others	(67,717,667,866)	5,802,697,925	13,151,992,846
Equity	748,402,362,257	727,157,304,275	680,678,758,192
Debt and equity	1,576,459,029,188	1,358,254,264,441	1,270,679,665,969

※ Foreign currency : based on current currency rate

Business Plan

Consult with "Message from the CEO"

Board Members and Auditor

Internal / External	Name	Position	Detail position	Transaction with company	Remarks
Internal	Hong, Joon-Kee	CEO	CEO of the company	None	
External	Yoon, Seok Kum	Group CEO	CEO and President of WJ Group	None	
External	Lee, Joo Seuk	President of BOD	Vice President of WJ Group	None	
External	Shin, Kwang Soo	Director	CEO of WJ Holdings	None	
Internal	Kim, Jong-Bae	Director	Director of CL, Woongjin Coway	None	
Internal	Heo, Se-Won	Auditor	Auditor of Woongjin Coway	None	
External	Joo Sun-Hoi	Director	Lawyer	None	
External	Tak, Tae-Moon	Director	Professor, SNU	None	
Internal	Lee, Jin	Auditor	Vice President of WJ Group	None	Resigned at Mar. 2011
External	Kim, I-Hwan	Director	Concurrent Prof. Joongang Univ.	None	Resigned at Mar. 2011

Major Shareholders

(Unit : share)

Name/Institution	Owns	Ownership	Transaction with company	Remarks
Woongjin Holdings	21,879,304	28.37%	Parent company	
Lazard Asset Management LLC	11,179,586	14.50%	None	
KB Asset Management	4,551,176	5.90%	None	
Morgan Stanley Investment Management Company	4,427,814	5.74%	None	
National Pension Funds	3,227,175	4.18%	None	

※ As of 31/12/2011

※ Quoted from the latest declared ownership status from Lazard Asset Management LLC and Morgan Stanley Investment Management Company

- Lazard Asset Management LLC : reported on 09/07/2010

- Morgan Stanley Investment Management Company : reported on 10/03/2010

Ownership

(Unit : share)

Company	Shareholder	Invest on		Invested from	
		Shares	Ownership	Shares	Ownership
Coway (Japan) Co., Ltd.	Woongjin Coway	8,575	49.00%		N/A
Woongjin Chemical	Woongjin Coway	214,644,092	45.24%		N/A
Kirin Music	Woongjin Coway	51,868	12.06%		N/A
Navi Story	Woongjin Coway	4,500	11.30%		N/A
Kids Mom	Woongjin Coway	29,625	49.00%		N/A
Woongjin Holdings	Woongjin Coway		N/A	21,879,304	28.37%

Major Creditors

(Unit : Share, KWmm)

Institution	Amounts	*Ownership	%	Remarks
Shinhan Bank	79,943	1,486,123	1.93%	ST borrowings etc.
Woori Bank	60,463	902,542	1.17%	ST borrowings etc.
Hana Bank	122,256	830,202	1.08%	Debenture
SC Bank	19,550	1,949	0.00%	ST borrowings etc.
KB	40,000	496,708	0.64%	Borrowings
KEB	4,724	307,211	0.40%	ST borrowings etc.
KDB	70,000	-	0.00%	Borrowings etc.
NH	17,882	875,784	1.14%	ST borrowings etc.
ANZ	57,665	-	0.00%	Foreign currency debenture
MIZUHO	46,132	-	0.00%	Foreign currency debenture
ICBC	23,066	-	0.00%	Foreign currency debenture
Total	541,535	4,900,519	6.35%	

* Quoted from shareholder list as of 31/12/2011

Major Event after FY2011

"N/A"

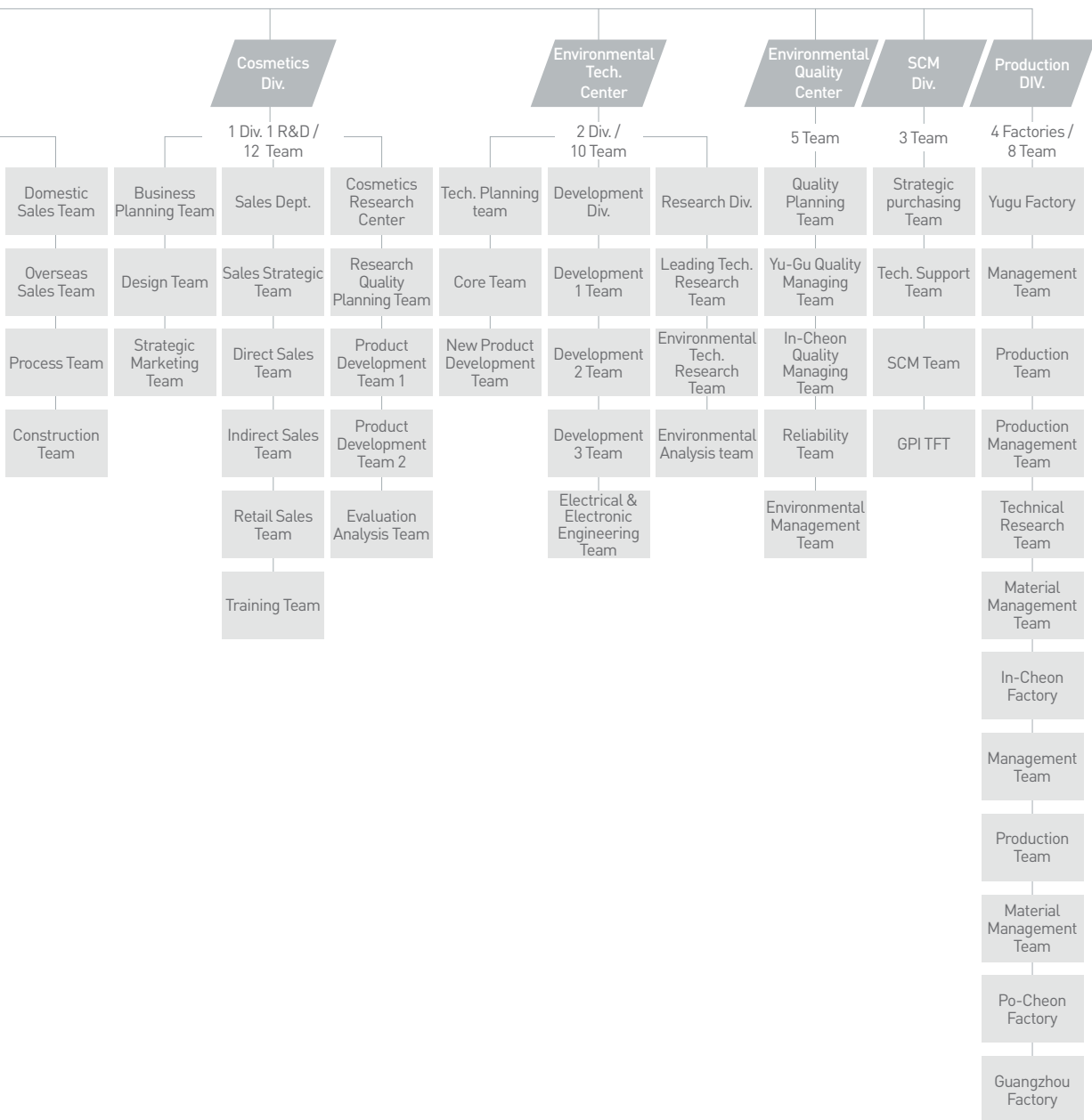
Other Major Events

"N/A"

Organizational Structure



1 Research Center / 1 Team



Report of Independent Auditor

I, as an independent auditor of Woongjin Coway, performed the audit for financial statement and business result in FY2011, and submit the audit report as follows.

1. Overview

I have audited a financial statement, itemized accounts, and related documentation in detail. The proper procedure was applied in auditing when necessary with various methods as comparison, due diligence and etc. I attended the BOD meetings and other important business meetings when required and been reported by board members in person with the use of proper methods as viewing the important documentation and others.

2. Financial reports

Neither omission nor false entries in ledger. Balance sheet and income statement were reported same as ledger.

3. Balance sheet and Income statement

Balance sheet and Income statement were reported in accordance with the corporate articles and legislation.

4. Statement of appropriation of retained earning

Statement of appropriation of retained earning was reported in accordance with the corporate articles and legislation.

It was also reported properly according to show the properties of the corporate and others.

5. Annual report

Annual report describes the current status of the company in accordance with the laws and the company articles.

Jan. 27, 2012

Independent auditor
Heo, Se-won
Woongjin Coway Co. Ltd.

Report of Independent Auditors

To the Board of Directors and Shareholders of
Woongjin Coway Co., Ltd.

Seoul, Korea
March 15, 2012

We have audited the accompanying separate statement of financial position of Woongjin Coway Co., Ltd. ("the Company") as of December 31, 2011, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of and for the year ended December 31, 2010, presented herein for comparative purposes, were audited by other auditors whose report dated March 16, 2011, expressed an unqualified opinion on those statements. The financial statements audited by other auditors do not reflect the adjustments as described in Note 44 required by the International Financial Reporting Standards as adopted by the Republic of Korea ("Korean IFRS"). However, the separate financial statements presented herein for comparative purposes reflect such adjustments in accordance with Korean IFRS.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial statements, referred to above, present fairly, in all material respects, the financial position of Woongjin Coway Co., Ltd. as of December 31, 2011, and its financial performance and cash flows for the year then ended December 31, 2011, in accordance with Korean IFRS.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report is for use by those who are informed about Korean auditing standards and their application in practice.

Samil PricewaterhouseCoopers,
LS Yongsan Tower, 191, Hangangno 2-ga, Yongsan-gu,
Seoul 140-702, Korea
Kyung-Tae Ahn,
Chairman, Territory Senior Partner, CEO

This report is effective as of March 15, 2012, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Assets			
Current assets			
Cash and cash equivalents	64,910,268	56,428,125	63,842,589
Trade receivables	240,071,271	203,790,053	190,742,495
Other short-term financial assets	18,926,509	22,117,431	11,390,995
Other current assets	114,609,971	85,634,652	35,562,676
Inventories	72,981,132	73,199,194	54,589,995
Total current assets	511,499,151	441,169,455	356,128,750
Non-current assets			
Other long-term financial assets	47,973,452	49,030,160	41,612,654
Other non-current assets	60,959,419	48,760,776	32,176,059
Available-for-sale financial assets	1,703,210	3,101,916	2,103,738
Investments in subsidiaries	101,577,042	59,021,935	26,273,492
Investments in associates	135,308,637	133,308,649	102,308,086
Property, plant and equipment	534,734,380	441,557,349	405,587,600
Intangible assets	155,965,386	156,456,469	145,400,508
Investment property	23,824,044	12,598,046	12,616,536
Derivative assets	1,825,713	-	-
Deferred income tax assets	1,088,595	13,249,509	28,464,408
Total non-current assets	1,064,959,878	917,084,809	796,543,081
Total assets	1,576,459,029	1,358,254,264	1,152,671,831

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Separate Statements of Financial Position

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Dec. 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Liabilities			
Current liabilities			
Trade payables	28,657,314	38,311,602	29,220,399
Other short-term financial liabilities	149,085,706	143,950,242	118,628,512
Other current liabilities	59,255,667	70,294,115	57,014,095
Short-term borrowings	164,818,432	74,473,032	119,715,069
Current portion of long-term borrowings	110,000,000	30,000,000	30,000,000
Current portion of debentures	-	-	90,000,000
Income tax payable	15,827,455	23,263,552	23,514,517
Provisions	6,634,987	4,237,527	2,742,324
Total current liabilities	534,279,561	384,530,070	470,834,916
Non-current liabilities			
Other long-term financial liabilities	1,185,663	1,226,163	4,542,664
Other long-term payables	12,742,122	15,808,648	14,918,996
Long-term borrowings	90,000,000	170,000,000	30,000,000
Debentures	176,716,799	49,772,554	-
Retirement benefit obligations	12,371,434	9,639,126	12,090,468
Derivative liabilities(non-current)	307,202	-	-
Provisions	453,886	120,399	590,831
Total non-current liabilities	293,777,106	246,566,890	62,142,959
Total liabilities	828,056,667	631,096,960	532,977,875
Equity			
Capital stock	40,662,398	40,662,398	40,662,398
Capital surplus	97,773,449	97,773,449	97,773,449
Retained earnings	677,684,183	582,918,759	479,535,371
Other components of equity	(67,717,668)	5,802,698	1,722,738
Total equity	748,402,362	727,157,304	619,693,956
Total liabilities and equity	1,576,459,029	1,358,254,264	1,152,671,831

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Separate Statements of Comprehensive Income

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Dec. 31, 2011	Jan. 1, 2010
Sales	1,709,867,513	1,501,812,040
Cost of sales	552,005,592	490,590,059
Gross profit	1,157,861,921	1,011,221,981
Selling and administrative expenses	(869,174,105)	(704,350,706)
Other operating income	583,274	1,478,039
Other operating expenses	(46,798,863)	(54,845,576)
Operating income	242,472,227	253,503,738
Other income(loss), net	6,400,422	1,487,202
Financial income	2,243,894	6,377,208
Financial expense	(25,764,876)	(18,111,175)
Profit before income tax	225,351,667	243,256,973
Income tax expense	48,246,024	59,984,105
Profit for the year	177,105,643	183,272,868
Other comprehensive income(loss)		
Change in value of available-for-sale financial assets	(3,960)	(1,453)
Actuarial losses	(2,398,682)	(3,064,036)
Losses on valuation of derivatives	(2,012,103)	-
Other comprehensive income(loss), net of tax	(4,414,745)	(3,065,489)
Total comprehensive income for the year	172,690,898	180,207,379
Earnings per share		
Basic earnings per share	2,370	2,408
Diluted earnings per share	2,362	2,405

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Separate Statements of Changes in Equity

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
Balances as of Jan. 1, 2010	40,662,398	97,773,449	479,535,371	1,722,738	619,693,956
Comprehensive income					
Profit for the year	-	-	183,272,868	-	183,272,868
Change in value of available-for-sale financial assets	-	-	-	(1,453)	(1,453)
Actuarial losses	-	-	(3,064,036)	-	(3,064,036)
Total comprehensive income	-	-	180,208,832	(1,453)	180,207,379
Transactions with owners					-
Dividends	-	-	(76,825,444)	-	(76,825,444)
Exercise of share options	-	-	-	(686,171)	(686,171)
Share-based compensation	-	-	-	2,226,143	2,226,143
Disposal of treasury stock	-	-	-	2,541,441	2,541,441
Total transactions with owners	-	-	(76,825,444)	4,081,413	(72,744,031)
Balance at Dec. 31, 2010	40,662,398	97,773,449	582,918,759	5,802,698	727,157,304

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Separate Statements of Changes in Equity

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Capital stock	Capital surplus	Retained earnings	Other components of equity	Total equity
Balances as of Jan. 1, 2010	40,662,398	97,773,449	582,918,759	5,802,698	727,157,304
Comprehensive income					
Profit for the year	-	-	177,105,643	-	177,105,643
Change in value of available-for-sale financial assets	-	-	-	(3,960)	(3,960)
Actuarial losses	-	-	(2,398,683)	-	(2,398,683)
Losses on valuation of derivatives	-	-	-	(2,012,103)	(2,012,103)
Total comprehensive income	-	-	174,706,960	(2,016,063)	172,690,897
Transactions with owners					
Dividends	-	-	(79,941,536)	-	(79,941,536)
Share-based compensation	-	-	-	1,990,149	1,990,149
Treasury stock	-	-	-	(73,494,452)	(73,494,452)
Total transactions with owners	-	-	(79,941,536)	(71,504,303)	(151,445,839)
Balance at Dec. 31, 2011	40,662,398	97,773,449	677,684,183	(67,717,668)	748,402,362

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Separate Statements of Changes in Equity

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Dec. 31, 2011	Jan. 1, 2010
Cash flows from operating activities		
Profit for the year	177,105,643	183,272,868
Adjustments	294,006,004	277,904,503
Changes in operating assets and liabilities	(111,509,506)	(85,671,994)
Cash generated from operations	359,602,141	375,505,377
Income tax paid	(41,997,737)	(44,193,774)
Net cash generated from operating activities	317,604,404	331,311,603
Cash flows from investing activities		
Increase in other short-term financial assets	(16,744,524)	(5,360,508)
Decrease in other short-term financial assets	12,175,149	1,911,916
Increase in other long-term financial assets	(16,056,789)	(25,029,872)
Decrease in other long-term financial assets	21,732,423	22,973,390
Acquisition of available-for-sale financial assets	-	(1,000,043)
Proceeds from disposal of available-for-sale financial assets	393,880	-
Acquisition of subsidiaries, net of cash acquired	(42,555,106)	(32,764,140)
Acquisition of associates	(999,996)	(31,000,562)
Acquisition of property, plant and equipment	(299,373,595)	(223,120,231)
Proceeds from disposal of property, plant and equipment	8,931,718	11,217,131
Acquisition of intangible assets	(7,048,260)	(14,768,057)
Proceeds from disposal of intangible assets	385,000	40,000
Acquisition of investment property	(8,511,563)	-
Acquisition of business	-	(4,321,742)
Interest received	3,438,691	1,326,715
Net cash used in investing activities	(344,232,972)	(299,896,003)

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Separate Statements of Changes in Equity

Years Ended December 31,
2011 and 2010

(Unit : In thousands of Korean won)

	Dec. 31, 2011	Jan. 1, 2010
Cash flows from financing activities		
Net proceeds from short-term borrowings	90,345,399	(45,242,037)
Decrease in current portion of long-term borrowings	(30,000,000)	-
Decrease in current portion of debentures	-	(50,000,000)
Proceeds from long-term borrowings	60,000,000	100,000,000
Repayment of long-term borrowings	(30,000,000)	-
Increase in debentures	122,690,000	49,747,800
Payment of dividends	(79,941,536)	(76,825,444)
Purchase of treasury stock	(73,494,452)	-
Exercise of share options	-	1,893,500
Interest paid	(23,992,924)	(17,784,184)
Net cash generated from (used in) financing activities	35,606,487	(38,210,365)
Net increase in cash and cash equivalents	8,977,919	(6,794,765)
Beginning of the year	56,428,125	63,842,589
Exchange losses on cash and cash equivalents	(495,776)	(619,699)
End of the year	64,910,268	56,428,125

※ The accompanying notes are in accordance with K-IFRS for FY 2010 & FY 2011.

Shareholders' interest is our first priority in management.

The total amounts of dividend were KW 77.9 bn,
and KW 1,050 per share was given to the shareholders in 2011.

We will try our best in profit generation
and shareholder value enhancement.

Active IR will also be held to maximize the company value.

Overall, we do appreciate your ongoing concerns and advise
and hope to be well going forward.