



Dialogue with the World

Love Again and Again

Contents

- 01 Introduction
- 08 CEO Message

Woongjin Coway & Sustainability

- 11 Company Profile
- 15 Ethics Management
- 19 Sustainability Management System

Woongjin Coway & Stakeholders

- 23 Stakeholder Communication
- 27 Customers
- 36 Employees
- 45 Shareholders
- 51 Business Partners
- 55 Social Contribution

Woongjin Coway & The Planet

- 61 Environmental Leadership
- 64 Environmental Activities and Performance
- 69 2009 Eco-friendly Management Strategy

- 72 Summary Financial Statements
- 73 Awards and Recognition
- 76 Assurance Report
- 78 Comment from External Expert
- 79 GRI Index



2008 Sustainability Highlights



Top 4 International Design Awards Winner

- Air cleaner 'Daan' won the Winners Silver prize in 2008 IDEA(International Design Excellence Awards) which was held last July in the United States and 7 other products were selected as prizewinning works. With the reddot Award of Germany in 2007, GD(Good Design) of Japan and IF(International Forum Design) of Germany, the winning of 'Daan' accomplished the outstanding feat to record a grand slam by winning top 4 design awards. We are proved to be the best company in design as well by sweeping over the world's supreme design awards.



Water Process Business Has Begun In Earnest

- Woongjin Coway gained a foothold to begin water process business in earnest as it acquired the water process business sector of Saehan(now, Woongjin Chemical) which Woongjin Group acquired in January 2008.



Acquisition of Service Organization (CS Doctor: Organization for Installation & AS)

- We acquired CS Doctor organization of Woongjin Happyall and integrated sales, marketing and services from January 1st, 2009. As a result, we could enhance the business efficiency of organization. We expect that the customers' satisfaction level will go up through the integration of customer services. In particular, by absorbing the sourcing expenses to Woongjin Happyall internally, the company can save costs by more than KRW 1.1 billion for a year and is expected to increase the operating income margin by 0.8% points.



Winning Prize for Customer Satisfaction Management Activities

- As the result of steady improving customer value by the customer satisfaction management activities, Woongjin Coway was selected as '1st CCMS Certified Excellent Company' by the Fair Trade Commission in July 2007, and received awards for '6th Forbes Management Quality' in September 2008, '13th Customer's Day Presidential Award' in December 2008, first case in enterprise, and on the same month received 'KCOP authority of the year'.





Participation in Overseas Exhibitions to Strengthen Brand Images

Participating in overseas exhibitions such as WETEX in March, K/BIS in April, and AQUATECH in October, the company showed the excellence of products and proceeded consulting with business partners. Woongjin Coway plans to accelerate overseas expansion for a new market in the future.



Beginning of Food Waste Processor Business

Woongjin Coway entered to food waste processor market by launching 'CLIVE' in May. 'CLIVE' is the product that reduces the volume of food waste without smell or decay during the process and adopts a new way of enhancing thermal efficiency by pulverizing and drying the food waste: this is known as 'Pulverization and Drying Method'. This method only takes about 2 hours compared with other methods which take about a day for processing. Because of this merit, Woongjin Coway(Model CLIVE WM03) received award in large corporation sector of the top ceremony which was supervised by Korean Standards Association for the first time in the food waste processor field.



'\$30 million Tower of Export' Award

On 45th Trade Day, Woongjin Coway received '\$30 million Tower of Export' award. The ceremony was sponsored by Korea International Trade Association and supervised by the Ministry of Knowledge Economy. The company received the award in accordance with the actual exports recorded from July 2007 to June 2008. We also received award consecutively after '\$10 million Tower of Export' on Trade Day in 2007. Going forward, we will revitalize the export through market diversification and competitive products.



10th Anniversary of 'CODY' Love Festival

On October 15th, '10th Anniversary of CODY Love Festival' was held in Speedom Velodrome Stadium located in Gwangmyeong-si Gyeonggi-do. All branch directors, branch managers, and 10,500 service professional CODYs across the country participated during the festival. Also, CODYs working at overseas countries such as Japan, the United States, Thailand, etc. participated in the festival. The festival is recorded as the first in which all members of CODYs took part in and it was a place to look back the last 10 years and ascertain that CODYs have been a prime mover for the growth of our company.



About this report

Report Profile

- Woongjin Coway has disclosed CSM(Corporate Sustainability Management) performances in a transparent manner since the company began publishing the first sustainability report in 2006. By publishing the fourth sustainability report, we aim to provide our CSM activities transparently while reflecting stakeholders' opinions to our management as a whole.

Reporting Period and Scope

- This Sustainability Report covers the period from January 1, 2008 to December 31, 2008. Data on activities and performance in 2006 and 2007 is included when necessary to examine past trends while our activities in 2009 are also included when deemed important. The Report describes performance at Woongjin Coway Seoul Office, the Environment Technology Institute, Quality Management Institute and Yugu Factory. In case of overseas operations and subsidiaries, we disclose general information.

The Latest Reporting Year and Reporting Guidelines

- This Report is written with reference to G3 Reporting Guidelines of GRI(Global Reporting Initiative). Particularly, we selected the material issues and disclose more information on them to enhance the interactive communications with our stakeholders. There are no significant changes in comparison to the previous year's report in terms of reporting, such as measurement and evaluation of information, etc. Going forward, we plan to publish sustainability reports every year.

Assurance

- The contents of the Report have been verified by an independent, outside organization. Please refer to assurance report at pages 76~77

Additional Information

- Additional information is available in financial reports, newsletters published by Woongjin Coway, our website at www.coway.com as well as the Environmental and Social Report published by the Woongjin Group.







Wisdom to Cultivate

HAPPINESS

Constant change and innovation for happiness – Led by unique insights and passion, we pursue happiness for customers, employees, business partners, shareholders, and local communities. Raising corporate value to deliver happiness is the source of our happiness.







Wisdom to Cultivate

THE MIND

Integrity for our own benefit – The path we've chosen may take us longer, but it is the right path. We will never abandon our basic principles of transparency and ethics, which hold the key to sustainability.





Woongjincoway
Our Environment

Green up 2009!

Leadership for
Environment Managements



Wisdom to Cultivate
NATURE

Respect for our planet and nature –
We look beyond today, and picture
the lives of future generations. Nature
has produced many gifts that enrich
our lives today. Caring for our planet
today will lead to a richer tomorrow.



I would like to thank our shareholders, customers, communities, business partners and employees who are preparing for the future together with Woongjin Coway. I hope 2009 proves to be a year of happiness and positive change for us all.

”

CEO Message



On the path of innovation...

Innovation, creation and passion powered growth of Woongjin Coway in 2008. Over the past year, we enjoyed the first fruits of our innovation drive.

Although global recession presented a huge obstacle, Woongjin Coway sustained growth and made global inroads through creative change. Advanced technology developed by high-caliber talent at our R&D center paved the way for further strides into the global marketplace. We also achieved a 'grand slam' through design innovation, winning the world's four major design awards. Repeating the success we enjoyed with our rental system in the wake of the foreign exchange crisis, we successfully introduced our new marketing strategy, the payFree program.

Growing in harmony with nature

The wide range of issues that surfaced last year highlighted the interconnection between business, environment, and society. In particular, the environment continued to draw much attention with greater emphasis being placed on promoting green growth. This trend represents a positive change that is also consistent with Woongjin Coway's future direction. Since Woongjin Group declared environmental management in 2006, we have been publishing our sustainability report and striving for low-carbon emission. In 2008, we were selected for the Korean government's labeling certification project, carried out a waste battery collection campaign, and strengthened our green partnership certification system.

Woonjin Coway dreams of a happy world for all.

Social responsibility is highly valued at Woongjin Coway. In June 2006, we joined the UN Global Compact and pledged to observe the Global Compact's ten principles in the areas of human rights, labor, the environment and anti-corruption. This sustainability report looks back on our past achievements and details our plans for the future. It also represents our commitment to positive change for our customers and society. A company that is complacent and that fails to look ahead cannot sustain its continuous growth. Woongjin Coway will build on its past to forge a brighter future.

I would like to thank our shareholders, customers, communities, business partners and employees who are preparing for the future together with Woongjin Coway. I hope 2009 proves to be a year of happiness and positive change for us all.

CEO Joon-Kee Hong



Woongjin Coway & *Sustainability*

Woongjin Coway is taking a wide range of actions to meet our economic, environmental and social responsibilities and contributes to the sustainable growth of the humankind. We generate profits in a fair manner while enhancing the stakeholder value. We are recognizing our earth and the future generations as a well-being appliance company.



SUSTAINABILITY

- 11** Company Profile
- 15** Ethics Management
- 19** Sustainability Management System

Woongjin Coway has been strengthening its leading position in the industry through innovative marketing and differentiated services. Currently, the company is aggressively expanding its business into the world market.

”

Company Profile



Company Profile

This year is the twentieth anniversary of Woongjin Coway. For the past twenty years, the company has positioned itself as a leader in the industry. In 1998, it introduced a breakthrough concept of rental marketing for the first time in the industry and selected services by the service professional “Cody.” Now we are on the top of position in terms of market share, customer satisfaction, brand awareness, etc.

Since the mid-2000s, we have actively made inroads into the global market to become a leading global well-being company while strengthening the domestic position. Now, we operate six overseas subsidiaries and a distribution base in the Netherlands. Particularly, we plan to bolster our position as a going concern by focusing on green management from 2009, thus contributing to the sustainable development of the humankind.

General Profile

Company name	Woongjin Coway Co., Ltd.
Address	658 Yugu-ri, Yugu-eup, Gongju city, Choongnam province
Date of establishment	May 2, 1989
CEO	Joon-Kee Hong
Business area	Manufacturing and sales
Number of employees	1,533 persons
Overseas subsidiaries	U.S.A, Japan, China, Thailand, Malaysia, Hong Kong

Financial Profile (Unit : KRW billion)

Total assets	1,071.4
Total liabilities	474.8
Total shareholders' equity	596.6
Capital stock	39.3
Sales	1,314.4
Operating income	190.1
Net income	129.1

SUSTAINABILITY

Company Profile

Ethics Management

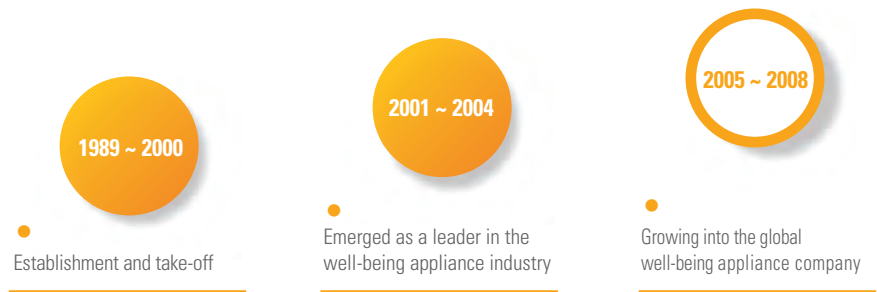
Sustainability Management System



- New CI Declaration Ceremony
- Launching payFree Service

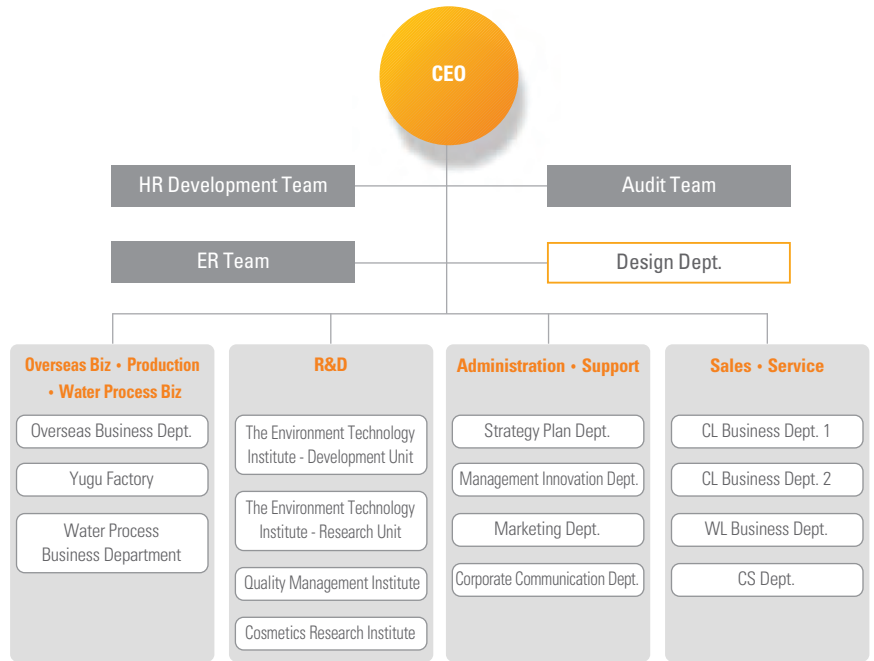
Company History

1989~2000	
1989	● Korea Coway Co. was established
1990	● Commenced sales of water filtration devices
1993	● Established the Environment Technology Institute
1994	● Produced air purifiers
1998	● Began rental business for water filtration devices
2000	● Began rental business for bidets
2001~2004	
2001	● Listed on the Korea Stock Exchange ● Began rental business for air purifiers
2003	● Acquired ISO 9001, 14001 certificates ● Established Japan subsidiary
2004	● Launched system kitchen business
2005~2008	
2005	● Established Thailand subsidiary ● Opened Rental House ● Began food waste processor business
2006	● Established Woongjin Energy ● Established Malaysia subsidiary ● Established China subsidiary
2007	● Designated as the official RoHS testing institute ● Established USA subsidiary ● Constructed filter plant in Yugu
2008	● Design grand slam(reddot, IF, IDEA, Good Design) ● Penetrated into the water processing industry ● Declared new CI ● Constructed Woongjin R&D Center in Seoul National University ● Contracted with Woongjin Chemical on sawp of filter and water process business ● Conclusion of contract for filter & water process business with Woongjin Chemical Co., Ltd. ● Environmental Analysis Center, designated as an RTL(Recognized Testing Laboratory) from WQA(Water Quality Association) ● Launched payFree members service ● Participated in the "Aquatech Amsterdam 2008" – the largest water exhibition in the world ● Held festival in celebration of 10th anniversary of "Cody"



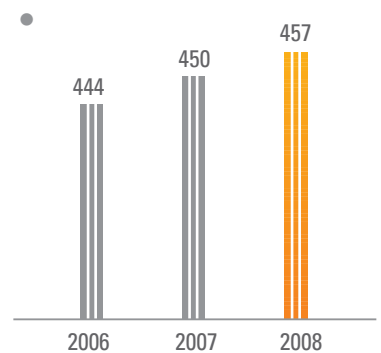
Organization

As of February 2009, Woongjin Coway operates ten departments, three research institutes, one factory, four divisions, 63 teams, and six overseas subsidiaries. Compared with last year, one department, one research center and seven teams were newly established. Water Process Business Department was newly established and is in charge of entering into industrial water process market on the base of the nation's leading technology in the area of water purifier and filter. Meanwhile, number of sales branches under the management of 25 head branch offices totaled 457 as of February in 2009.



As of February 16, 2009

Number of Branches (Unit : Offices)



SUSTAINABILITY

Company Profile

Ethics Management
Sustainability Management System



Global Network

● Woongjin Coway operates six overseas subsidiaries including USA subsidiary and one distribution base in the Netherlands. The company exported water filtration devices, air purifiers, and bidets to 47 countries, posting 92.5% export growth over the previous year in 2008. Another 91% export growth was set for 2009. We will strengthen our position in the global market through win-win partnership with clients and brand marketing.



● Water Filtration Device ● Air Purifier



● Bidet ● Water Softener



● Food Waste Processor ● System Kitchen

Woongjin Coway operates six overseas subsidiaries including USA subsidiary and one distribution base in the Netherlands.

China

ChaoWai Soho, NO.6B, B-0921,
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Beijing 100020, China
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Japan

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Homepage: www.coway.co.jp

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BKK 10110 Thailand
Tel. 66-2-661-8640
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Tel. 1-213-480-1600
Homepage: www.coway-usa.com

Hong Kong

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No.41 Man Yue Street, Hung Hom,
Kowloon, Hong Kong
Tel. 852-2334-5660

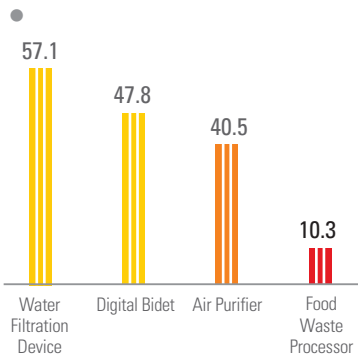
Netherlands(Distribution)

Tupolevlaan 48,
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The Netherlands
Tel. 31-20-659-0105

Head Office

Naewei Bldg., 6 Euljiro 2ga,
Jung Gu, Seoul, 100-844, Korea
Tel. 82-2-2172-3969
Homepage: www.coway.co.kr

Market Share (Unit : %)



※ 2H in 2008 / Source: Gallup Research

Key Products

● Woongjin Coway has successfully grown to the domestic market leader based on key products such as water filtration devices, bidets, air purifiers, etc. Now the company becomes the undisputed leader in the industry in terms of market share, customer satisfaction, and brand awareness. Since the mid-2000s, we have expanded our sales by branching out system kitchen business and food waste processor business. Going forward, we will grow into the leading global company through continuous diversification into Industrial filter market of the inside and outside of the country and the integrated water process service business of sea water purification, waste water process of water supply, etc.

Ethics management is the most important factor in Woongjin group's general management. Woongjin Coway has always maintained a transparent and fair management as its prime principle. By practicing such policies and abiding by ethical regulations, we will build a company that is more transparent and clean.



Ethics Management

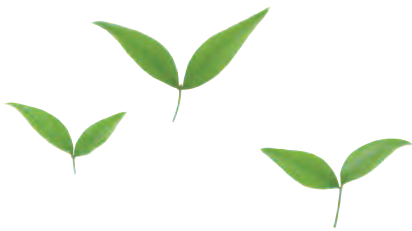
History of Ethics Management

● Ethics management is a business activity which pursues long-term profit, based on ethics and justice that stakeholders demand to the company. Woongjin group recognizes importance of ethics management and declared the ethics management in October 2003. Also, the company has enacted and amended related regulations including Woongjin ethics regulation in order to evolve various ethics management activities more practically.

Ethics management is a business activity which pursues long-term profit, based on ethics and

Ethics Management

2003.10	<ul style="list-style-type: none"> ● Woongjin Ethics Regulations Enacted Ethics platform, code of ethics and rules of ethics were enacted ● Ethics Management Implementation Bodies in place Group ethics management office and each affiliate's ethics management office started operation
2003.12	<ul style="list-style-type: none"> ● Hotline, Woongjin Ethics Report Center, in place On-line report system (audit.woongjin.com) started operation ● Constructed On-line Education System Developed ethics management on-line education contents, operated on-line education to all executives and employees since 2004
2005.10	<ul style="list-style-type: none"> ● Self-check Program for Ethics Management for Six Months Drove implementation of ethics management
2006.06	<ul style="list-style-type: none"> ● Enactment and Revision of Rules of Ethics According to changes in management environment such as organization restructuring ● Dissemination of Ethics Management to Business Partners Urged business partner to participate in ethics management
2006.12	<ul style="list-style-type: none"> ● Ethics Management Guide Provided employees with a guide to the rules and regulations of ethics management
2007.03	<ul style="list-style-type: none"> ● Establishment of Accountability and Discipline Standards Integrated the standards which were separately managed by each affiliate
2008.12	<ul style="list-style-type: none"> ● Newly Established Ethics Management Office to Strengthen the Ethics Management Practice ● Received Presidential Award on 13th Consumer's Day Supervised by Fair Trade Commission



SUSTAINABILITY

Company Profile

Ethics Management

Sustainability Management System



Organizations for Ethics Management

Woongjin group put in place Ethics Management

Offices for the Group and each affiliates and is operating the offices to build and embrace transparency across all areas of management from accounting, personnel management to purchasing, etc. Woongjin Group operates Group Ethics Committee (role: discussion & resolution) and Group Ethics Management Office (role: management & resolution) and runs ethics management offices at each affiliate to translate ethics management into action.

Woongjin Ethics Regulations

Woongjin Group’s Woongjin ethics regulations

are composed of ethics platform, code of ethics and rules of ethics. The Ethics Platform is a promise that all personnel will actively participate in efforts for Woongjin Coway to observe ethics regulations so that it would gain trust from the people. The Code of Ethics is a standard for value judgment and proper actions all personnel should follow to pursue mutual benefits of stakeholders, and the Rules of Ethics is a practice guide for ethics regulations.

We, as the employees of Woongjin Group, promise to thoroughly understand the management philosophy Tto-Tto Sarang based on ethics and actively participate in practicing ethics standard to become the credible company by the people, thus we swear as follows:

One, we behave with dignity, proud of being Woongjin family and reject every immoral behavior at the job and in daily life.

One, we work and think creatively on the base of philosophy that we put our customers first to aim at consumer satisfaction.

One, we protect the information of counterpart company associated with business matters, maintain fair relationship with partners and wholly reject any action that is against protection of company’s property right.

One, we step forward to manage rational organization that is faithful to principle and basis by expert knowledge based on self-improvement and active learning.

One, we try to serve mankind and society by performing duties with responsibility and eventually contribute to realizing happiness of human society.

October 23, 2003 Woongjin Group Chairman **Seok-Keum Yoon**

● Ethics Platform

Promise to put ethics management into practice
Composed of five clauses

● Code of Ethics

Standards for behavior and value-judgment by which all management and employees shall abide
Composed of six chapters and supplementary provision

- Chapter 1: Our responsibilities and liabilities for customers
- Chapter 2: Fair competition
- Chapter 3: Fair trade
- Chapter 4: Fundamental ethics for the management and employees

Chapter 5: Our responsibilities for Woongjin family

Chapter 6: Our responsibilities for the society

● Rules of Ethics

Implementation guidelines of Code of Ethics

Composed of six chapters and supplementary provision

- Chapter 1: Objectives
- Chapter 2: Definition
- Chapter 3: Standards for monetary benefits
- Chapter 4: Standards for entertainment
- Chapter 5: Standards for other benefits and irregularities abusing positions
- Chapter 6: Penalties

Ethics Reporting System

In order for our employees, employees of business partners, and customers to report corruption

and irregularities, Woongjin Coway operates ethics management hotline. We protect the reporting person and the information of the reporting is kept confidential.



● Ethics Management Hotline



Reporting on irregular sales activities

- Activities and such that violate regular sales activities stated in the company's regulations



Suggestions for system improvement

- Improvements for company's irrational regulations and system



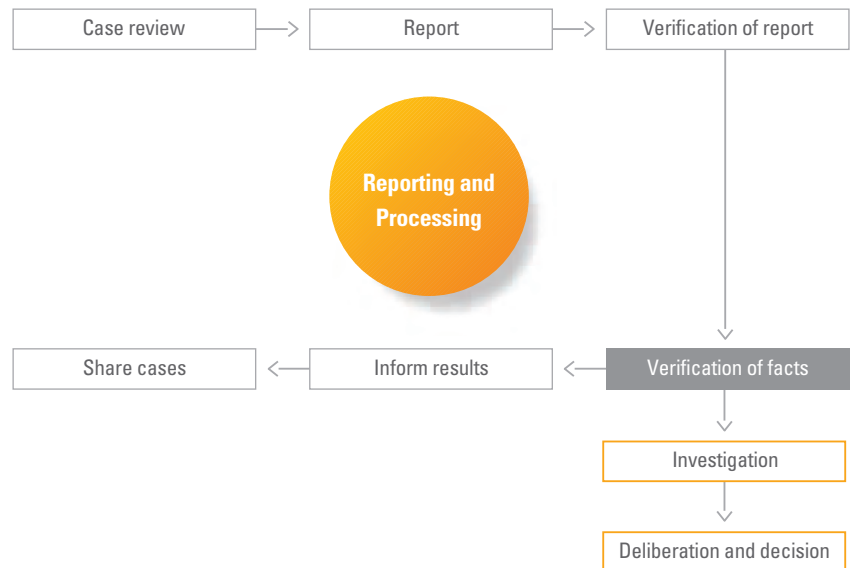
Misconduct

- Employees' misappropriation and embezzlement
- Wrongful work
- Providing or requesting money or entertainment
- Other items that violate code of ethics and ethics regulations



Model and good examples

- Model examples and admirable stories of employees



Ethics Management Activities

Survey on Business Partner's Satisfaction

Surveys were conducted from the end of October 2008 to November 2008 on 129 business partners. There are surveys about ethics level which counts 40% of weight among survey items and the partners' satisfaction score on Woongjin Coway ethics level increased from 84.1 in 2007 to 91.9 in 2008. To itemize, asking of business related recompense received the highest score of 97.5 while easiness of demurring received relatively low score of 81.8. For more details, please refer to business partner part of this report at pages 52~53.

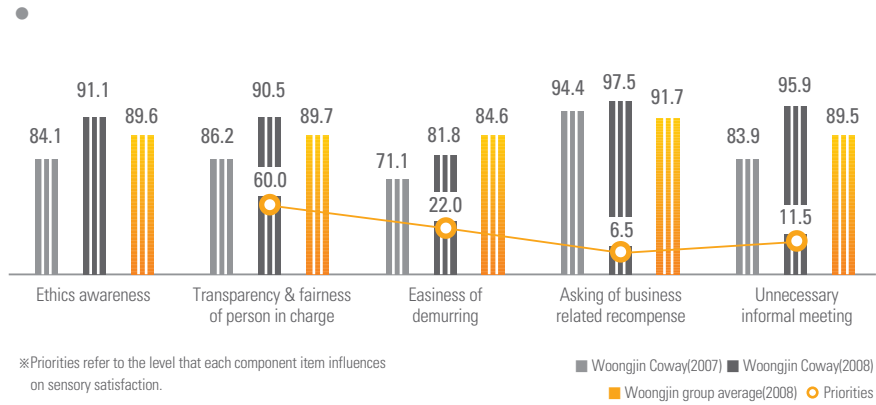
SUSTAINABILITY

Company Profile

Ethics Management

Sustainability Management System

Business Partner's Satisfaction Level on Ethics (Base=129, Unit: Point)



Establishment of My Ethics Checkup Screen

Since March 2007, we have installed the 'My Ethics Checkup' banner in the company's intranet(woongjin.net) in order for our employees to check their ethics by themselves.

Spreading Ethics Management to Business Partners

Just before New Year's Day and Chusuk, we have sent a cooperation notice and an official letter to our business partners on 'Not giving and receiving any Holiday Gifts' in order to prevent any misconducts or corruptions so that our business partners would subscribe in our ethics management.

Establishment of Accountability and Discipline Standards

Based on the Accountability and Discipline Standards which was established on March 1, 2007, Woongjin Coway prepared a new disciplinary regulation to stop misconduct in the workplace. This standard, which is an integrated and strengthened version of previously executed standards, aims to prevent misconducts and enhance fairness and settlement of ethics management while protecting company properties and human resources.

Prevention of Sexual Harassment

In order to assist ethical decision and practice of employees and establish understanding of sexual harassment prevention, we posted sexual harassment prevention laws and judgment standards on the woongjin.net in May 2007. In the meantime, we take e-Learning(Online education program as in cafeteria) 'Prevention of Sexual Harassment' course as a mandatory and complete it to prevent and eradicate sexual harassment in the workplace. We executed the education to 573 employees in total from November 2008 until the end of the year.

Inserted Ethics Management Phrase on the Employee's Card

Since May 2007, we've printed the phrase "All members of Woongjin Coway will exterminate misconduct and corruption and participate in a transparent management", and we've inspired the ethics management spirit.

Ethics Management Education

To spread clean Coway culture at the corporate level, Woongjin Coway executes ethics management education centering on full-time workers and sales. By doing so, we spread compliance culture and arouse attention to irregular sales. (Related information is shown in business partner section)



- Ethics Management Education
- Ethics Management Poster

Woongjin Coway is committed to green management and value management driven by its technology prowess and breakthrough thinking, to deliver more value to various stakeholders and spur global leadership. As the management philosophy of “Tto-Tto Sarang (Love again & again)” signifies, Woongjin Coway dedicates itself to engaging in an endeavor to ensure a sustainable future for the company and beyond.



Sustainability Management System

Management Philosophy - Tto-Tto Sarang The core management philosophy of Woongjin Coway is “Love”. With a dream for “clean water, clean world and clean people,” Woongjin Coway operates its business starting with love for individual members of the organization, and going beyond to love our stakeholders and the world we live in. This philosophy is what we call “Tto-Tto Sarang (Love again & again)”. In this aspect, Tto-Tto Sarang, the management philosophy of Woongjin Coway, is in line with our sustainability management which contributes to sustainable development of mankind and enhancement of stakeholders’ value.



Love for Customer

It expresses customer-oriented affirmation and positive service through humanity.



Love for Change

Meaning that the growth of sprout comes from changes, it expresses the management philosophy that seeks growth through changes.



Love for Society

Meaning wrapping and embracing with hand, it expresses magnanimous love of society.



Love for Work

It expresses a man who works enthusiastically with positive attitude, while perceiving the core of work with a lofty objective and volition.



Love for Challenge

It means the pursuit of an ultimate object (star) through challenges without resting on past achievements.



Love for Organization

It expresses corporate culture that emphasizes cooperation and fairness as a united organization.

SUSTAINABILITY

- Company Profile
- Ethics Management
- Sustainability Management System

The Promise of Woongjin Coway

- The promise of Woongjin Coway has been announced annually since early 2000s and settled as shared values to implement annual business plans and strategies. During 2008, Woongjin Coway continued to drive sustainability management with a catchphrase "Happy Growth 2008 Coway" which signifies growth and profit generation based on innovation. In 2009, we will continue to strive to enhance values for company as well as stakeholders, and contribute to sustainable development of mankind with a catchphrase "Green Up 2009", thus achieving green management and company growth at the same time.

Sustainability Management Drive

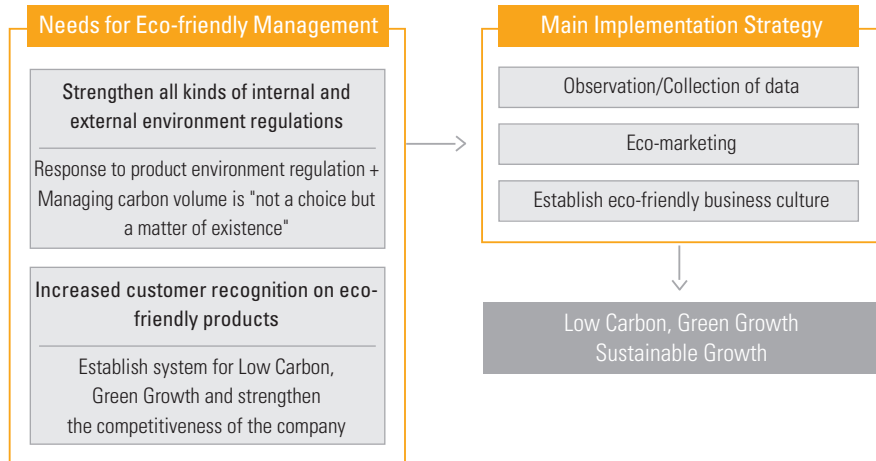
- Since 2005, Woongjin Coway has built on sustainability management to spearhead company-wide effort aimed at identifying sustainability issues in relevant areas of each sector. We, already published three sustainability reports, plan to communicate the outcomes of such activities to various stakeholder groups through our sustainability report, and are establishing a platform for upgrading sustainability activities through incorporating stakeholder feedbacks.

Low Carbon, Green Management

- Woongjin Coway strengthened the basis of environment management by Carbon Labeling Trial Certification in 2008, partner companies' Green Partner Certification, etc. Woongjin Coway is going to grow as a respected eco-friendly company and coexisting with society by beginning green management in earnest. As a part of these efforts, we will establish 'low carbon, green management' strategy, which is outlined as 'eco-marketing' and eco-friendly products.



● Management Slogan: Green Up 2009



Risk Management

● Risk management is to prepare for the risk that can occur by the changes in global economy and competitors' strategy. The company has built scenario planning and Issue Management Committee delivering its best efforts to manage risks that can occur in the overall business operations through comprehensive and systematic risk management system. We have kept endeavoring to prevent financial risks and non-financial risks such as environmental risk, customer claim, etc.

Especially, the 'Scenario Planning' which was adopted from 2008 is the plan that frames on general management and reveals the company's predicting management by monitoring it. This is the risk management program of the company that enables comprehensive risk analysis and resolution measures.

Issue Management Committee and Risk Management Committee are specialist organizations to find out all possible risks including issues of natural disaster, etc and analyze in depths, thus prepare resolution measures. These specialist organizations have manuals that suit for each risk and are in control of the issues when there is a emergency according to the regulation and procedure.



Woongjin Coway & *Stakeholders*

We are willing to listen to stakeholders' opinions and reflect them into our management while doing our utmost to enhance value for stakeholders including customers, shareholders, business partners, and employees.



STAKEHOLDERS

- 23** Stakeholder Communication
- 27** Customers
- 36** Employees
- 45** Shareholders
- 51** Business Partners
- 55** Social Contribution

Woongjin Coway engages with stakeholders in all aspects of business activities. The company uses key communication channels for each stakeholder group in accurately incorporating their demands and feedback into management decisions. We plan to build an operational system for stakeholder communication to better and more efficiently undertake stakeholder engagement in the future.

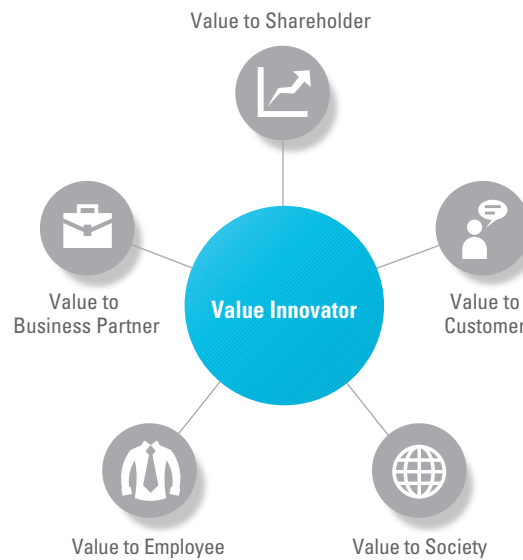


Stakeholder Communication

Address	Details
coway.co.kr	Main website (Korean)
coway.com	Main website (English)
sheswell.coway.co.kr	Customer-focused website
payfree.co.kr/com	payfree website
water1.coway.co.kr	Water process business website
blog.coway.co.kr	Company blog
help.coway.co.kr	On-line customer center
recruit.cody.co.kr	Website for recruiting Codys
blog.joins.com	CEO blog of Joongang Daily
/joonkeehong	
Subsidiaries	Individual website under operation

※Additionally, websites for employees including 'Cody' are under operation

Communication with Stakeholders



Value to Shareholder

- Maximization of market value
- Enhancement of investors' return
- Transparent and responsible management

Value to Customer

- Maximization of brand value
- Customer-oriented development of products
- Development of service placing top priority on customer value
- Putting ethics management into practice

Value to Society

- Returning profit to community
- Helping enhance quality of life through efforts for environmental conservation

Value to Employee

- Creative corporate culture
- Performance-based compensation
- Encouragement of employees' self-development

Value to Business Partner

- Helping growth and enhancing management skill
- Transparent procurement and green purchasing

STAKEHOLDERS

Stakeholder Communication

Customers
Employees
Shareholders
Business Partners
Social Contribution



- Customer Service
- Education for Business Partners

Customers

Customer relations represented by our unique rental marketing can be sustained only when Woongjin Coway sees and understands from a customer standpoint and promptly responds to the customer needs. As a result, we bring a strong customer focus to all processes of our product life cycle. We also train our customer care representatives CODYs more intensively to drive higher service levels at the point of interface with the customers.

- We produce and sell only the products which can improve the health and living quality of customers.
- We carry out our responsibility to customer based on PL(Product Liability) Act.

Shareholders and Investors

Woongjin Coway reports on the status of management of the company to its shareholders at the general shareholders' meeting and holds IR conference on a quarterly basis. At the GSM, shareholders decide on key issues raised and set forth their views directly to the management. We operate IR team to effectively communicate with the investors and the shareholders. Key management data relating to the shareholder returns conforms to the regulations of the Securities & Exchange Act and is thus, disclosed in a timely manner at the Korea Exchange, electronic disclosure system at FSC(Financial Services Commission), and our IR website(www.cowayir.com).

- We strive to maximize shareholders' return.
- We disclose management information through IR activities and abiding by fair disclosure rules.

Employees

Human resources are the most important assets of the company. In this sense, we focus on the communication with employees to enhance employee satisfaction. We undertake various activities such as self-career management, employee complaints & grievances management and information sharing with the employees.

- We work to build a corporate culture for improved employee satisfaction.
- We work to enhance competitiveness through development programs for employees.

Business Partners

Woongjin Coway is actively conducting supportive activities to enhance management techniques and growth of our business partners. In addition, we are giving our best to produce a more environment friendly products and products that correspond more to our customers through cooperation with partner firms.

- We try to make better achievement with business partners through COP(Coway Open Plaza) system.
- We work together with business partners by holding annual Partner's Day.

Government and Local Autonomous Bodies

We are assuming social responsibilities to the government and relevant local autonomous organizations through creating added value from our business activities. Moreover, we try to maintain cooperative relations with the organizations in various ways to contribute to the society in a more responsible manner.

- We protect our society and environment through various social contribution activities.
- We fulfill our tax obligations and undertake charity work.

NGOs and Civil Society Organizations

We have a firm conviction that corporate sustainability management and socially sustainable

growths are realized through proactive stakeholder communication with not only large national NGOs but also civic organizations operating at the grassroots of our community.

- We seek partnership with NGOs for sustainable growth.

Distribution of Economic Value

Woongjin Coway has tried to enhance corporate value since its inception and has built foundation

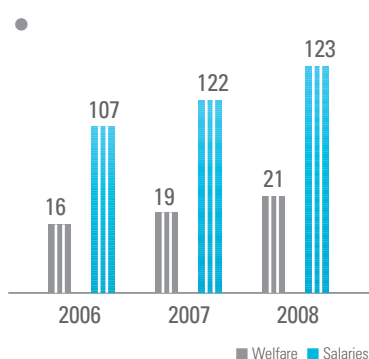
as going concern through creative and innovative management. Now we grow up with a variety of stakeholders such as stockholders, government bodies and local communities, through dividend payment, tax payment etc. Woongjin Coway is the company that is enhancing values and sharing them with its stakeholders.

Dividend

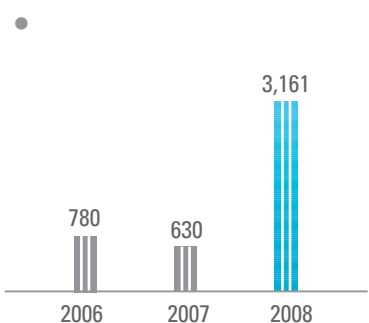
Our cash dividend in 2008 stood at KRW 64.8 billion, or 50% of net income. With a focus on shareholder value, Woongjin Coway plans to keep the dividend payout ratio over 50% at minimum and maintain consistent dividend policy to earn trust from the market.

Category	2006	2007	2008
Dividend payout ratio (%)	40	50	50
Dividend per share (KRW)	400	780	870
Total dividend (KRW billion)	29.8	58.1	64.8
Dividend ratio based on market value (%)	1.6	2.6	3.4

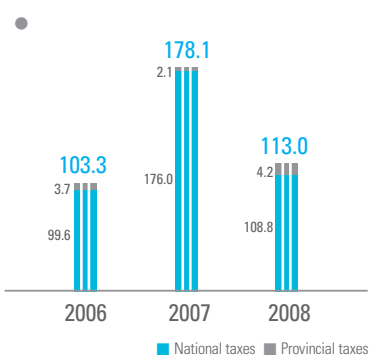
Wage (Unit: KRW billion)



Donations (Unit: KRW million)



Taxes (Unit: KRW billion)



Interest Expenses

In 2008, interest expenses on liabilities were KRW 11,345 million, up from KRW 8,011 million in 2007. Net interest expenses (interest expenses minus interest income) was KRW 8,050 million or an increase of KRW 1,650 million from KRW 6,400 million in the previous year.

Category	2006	2007	2008
Interest expenses	8,822	8,011	11,345
Interest income	1,856	1,611	3,295
Net interest expenses	6,966	6,400	8,050

(Unit : KRW million)

Wage

Compensations to employees are largely divided into salary and employee benefits. In 2008, Woongjin Coway spent a total of KRW 143.7 billion, marking a rise of KRW 3.0 billion from the total expenditure of KRW 140.7 billion in 2007. For information, compensation for employees totaled KRW 123.5 billion in 2006.

Donations

Woongjin Coway's donations in 2008 jumped to KRW 3,161 million from KRW 630 million in 2007.

Taxes

Woongjin Coway contributes to the country and regional society by paying taxes. In 2008, taxes paid to the government and local autonomous governments totaled KRW 113.0 billion, KRW 108.8 billion in national taxes (including KRW 30.0 billion in income taxes) and KRW 4.2 billion in provincial taxes.

STAKEHOLDERS

Stakeholder Communication

- Customers
- Employees
- Shareholders
- Business Partners
- Social Contribution



● China Subsidiary Donating Water Filtration Devices



Material Issues

● At Woongjin Coway, stakeholder communication takes place through diverse channels. We have identified corporate sustainability issues that are raised by stakeholders through the reader survey in our previous sustainability report and media research analysis, and by deriving best practices and benchmarking sustainability reports of major global corporations.

The report is aimed at offering more information than the last year's by expanding to report on material issues in particular among Woongjin Coway's various sustainable management issues.

Issue group	Information provided in the report
Securing new growth engines	<ul style="list-style-type: none"> ● Expand business area <ul style="list-style-type: none"> ○ Water process business, food waste processor business, and acquisition of service organization ● Spur the overseas sales ● Enhance recognition through participation in the global exhibitions ● New growth momentum, payFree
Strengthening corporate management	<ul style="list-style-type: none"> ● Innovative design ● Foster innovative talents - Intensive language course ● Strengthen R&D ● Cost reduction
Enhancing customer value	<ul style="list-style-type: none"> ● CCMS (Consumer Complaints Management System) ● Communication with customers
Strengthening employee capability and revitalizing organization	<ul style="list-style-type: none"> ● WAA ● Imagination Ocean ● Safety and health
Win-win management	<ul style="list-style-type: none"> ● Fair trade compliance program ● Support for business partners
Unique social contribution activities	<ul style="list-style-type: none"> ● Coway Green Maker ● Eco-Cody : Waste batteries collection campaign ● Well digging for Cambodia ● 'Happy Food' Truck ● Sponsor South African children ● Save Taaen coast ● Save Yugu river ● Donation of water filtration device to earthquake-stricken Sichuan, China
Green management	<ul style="list-style-type: none"> ● Respond to global environmental regulations ● Environment-friendly products ● Carbon labeling ● Green partner certification for business partners

Woongjin Coway is enhancing customer satisfaction through customer-oriented products and services that put customer values as top priority. Moreover, by preparing and managing devices to secure customer safety and information, we are actively conducting responsible activities for the customers.



Customers

Seven Categories for CCMS

1. Quality control
2. Product safety
3. Providing information
4. Education for customers
5. Considering environment throughout product life cycle
6. Protection of customer information
7. Contingency plans and actions



● Presidential Award at the 13th Consumer Rights Day

Responsibilities and Liabilities for Customers

● At Chapter 1 of Code of Ethics, we stipulate our responsibilities and liabilities for customers. It means that respecting their opinions and providing them with services and benefits from their perspectives are the right way to enhance customer value and acquire firm trust from them eventually.

We put customer satisfaction as the first priority standards for behaviors and judgment. In addition, we will continuously improve customer value through customer-focused activities such as introduction and operation of CCMS(Consumer Complaints Management System), protection of customer privacy, and innovative marketing and design.

Consumer Complaints Management System

● Woongjin Coway has implemented a CCMS(Consumer Complaints Management System) to prevent customer damage and take improvement initiatives, and clarify roles and responsibilities for handling consumer complaints. Complaint prevention activities fall largely into seven categories such as quality control, product safety, protection of customer information, and considering environment throughout product lifecycle. These activities are favorably recognized, thus enhancing company image. We were selected as the '1st CCMS Certified Excellent Company' by the Fair Trade Commission in July 2007 and awarded Presidential Award at the 13th Consumer Rights Day and KCOP(Korean Association of Consumer Professionals) Award in December 2008.



● CCMS Certification Mark

Woongjin Coway as CCMS certified excellent company, acknowledging it as the representative of the industry for the best service and customer satisfaction management.

The CCMS certification is a system that bestows a company with the title of CCMS Certified Excellent Company for two years by the Fair Trade Commission for companies that satisfies all judgments standards after conducting an assessment on 104 items on companies that have installed CCMS. The Fair Trade Commission's first ever evaluation on customer complaint management process of private sectors announced

STAKEHOLDERS

- Stakeholder Communication
- Customers**
- Employees
- Shareholders
- Business Partners
- Social Contribution

Woongjin Coway receives Forbes Korea Excellence Award Grand Prize in Customer Satisfaction Category



Woongjin Coway CEO Joon-Keo Hong received grand prize in customer satisfaction category at the 6th Forbes Korea Excellence Award ceremony. The Forbes Korea Excellence Award was established in 2003 under the sponsorship of the Korean Society for Quality Management and Joong Ang Daily Forbes, in order to discover and reward the Korean industries with the best practice in all six categories including Customer Satisfaction, Leadership, and Ethical Management. Mr. Hong was rewarded grand prize in customer satisfaction for successfully introducing 'Consumer Complaints Management System(CCMS)', which continuously takes in the customers' complaints to make improvements, and for active online customer complaint management using the website and the blog.

Disseminating and Publicizing CCMS

Woongjin Coway hosted the CCMS certified companies' community of the third quarter of 2008. The community was held on September 30, 2008 in the company's meeting room on tenth floor. Head of CCMS management at OCAP(Organization of Consumer Affairs Professionals in Business) and representatives of 9 companies including Samsung Life Insurance and Samsung Fire and Marine Insurance participated to share each certified company's CCMS case and discuss constructing a network. Woongjin Coway presented its cases of consumer education and VOC(Voice of Customers) management.

The union of 20 certified companies including Woongjin Coway inserted a full page advertisement on CCMS in the 5 major daily papers to celebrate Consumer Rights Day on December 3, 2008. The first-ever advertisement to publicize CCMS was an opportunity to promote consumers' recognition of CCMS and widely diffuse the superiority of the certified companies.



- Third CCMS Experience School
- Nationwide College Tour Education on CCMS

Category	Details of the activities	Participants	Date
Corporation field training for university students	Touring the factory and R&D center, on-the-job training at the call center	5 Fair Trade Commission university student apprentices	January 23, 2008
		11 students from 10 consumer study courses	June 30~July 4, 2008
CCMS Experience School	Touring the company facilities, on-the-job training at the call center, education on theories, practicing CCMS, discussions and presentations on themes	40 students from 8 consumer study courses	January 25, 2008
		40 students from 9 consumer study courses	July 24-25, 2008
		40 students from 12 consumer study courses	January 29-30, 2009
Company tour for consumer organization and colleges under consumer related societies	Company tour	10 organizations and universities	April-November 2008
CCMS case educations for colleges throughout the nation and regional civic organizations CCMS	CCMS education	7 colleges and organizations	May-November 2008
Company tour for Consumer Rights Day prize winner	Touring the company and Pulmuone factory in Jeungpyeong	Consumer Rights Day prize winner by the government	December 4, 2008
Supporting events	Supporting OCAP conference, etc.	8 events for consumer organizations and societies	March-December 2008

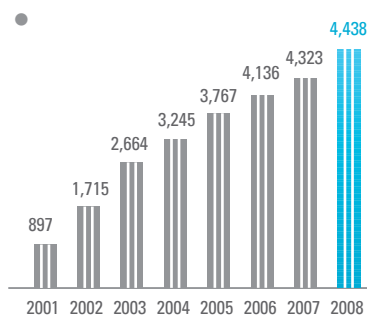
Third CCMS Experience School for university students

During the two days' program, I was able to learn particularly how consumer complaints are handled in companies and how the CCMS works. I also found out that the introduction of CCMS can be a Win-Win strategy for both the company and its consumers, and is essential for a company to become competent. There are various reasons for that. First of all, when a company becomes all ears to consumer feedback with the introduction of CCMS, it will be able to know the actual needs of the consumers as well as defects of the products, which will decrease after service expenses by preventing consumer inconvenience. Moreover, the introduction of CCMS itself gives off the image of 'consumer-oriented industry', which is more effective than any public relations.

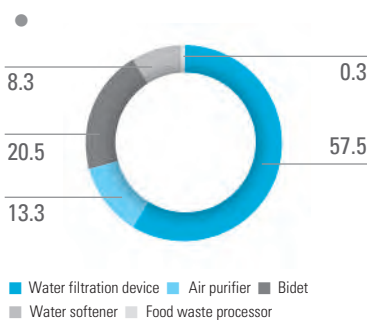
However, I felt that CCMS is not recognized fully for its various strong points yet, and it must be due to the lack of understanding of CCMS. Companies should realize the necessity of CCMS and introduce the system as soon as possible, and inform other companies and consumers about it. CCMS will help consumers trust the industries and make purchases with reassurance, and the industries will renew their image while being able to sustain efficient business management.



Changes in Membership(Unit : thousand)



Proportion of Membership by Product (Unit: %)



Responsibility for Customers

Our membership reached 4,438 thousand in 2008. Membership accounts of all products increased during the year. In terms of membership proportion by product, water purifiers maintained the dominant position representing 57.5%, followed by bidets and air cleaners.

Product Liability

In an effort to prevent product defects from incurring damage on body and property of our customers, Woongjin Coway examines each and every aspect of products from its design stage and addresses potential problems before manufacturing. When we release new products, the legal department review appropriateness of product manuals or catalogs by examining product exterior, function and difficulties when using, etc. Also, by providing a contract that has stipulation attached when installing a product containing details on the product and how to use it, we are preventing safety problems resulting from misuse of our products. In the meantime, there has not been a single reported case of violation to Labeling and Advertising Act in relation to our labeling practices, and our legal team performs an internal scrutiny on relevant laws and regulations on labeling before any product launch.

STAKEHOLDERS

Stakeholder Communication

Customers

Employees
Shareholders
Business Partners
Social Contribution

Customer Inquiries

Management Process



Customer reception



Transfer over to the division
(if a specialty consultant is needed)

Online customer center
respond within 24 hours



Confirm processing results
(automatic notification via SMS and email)

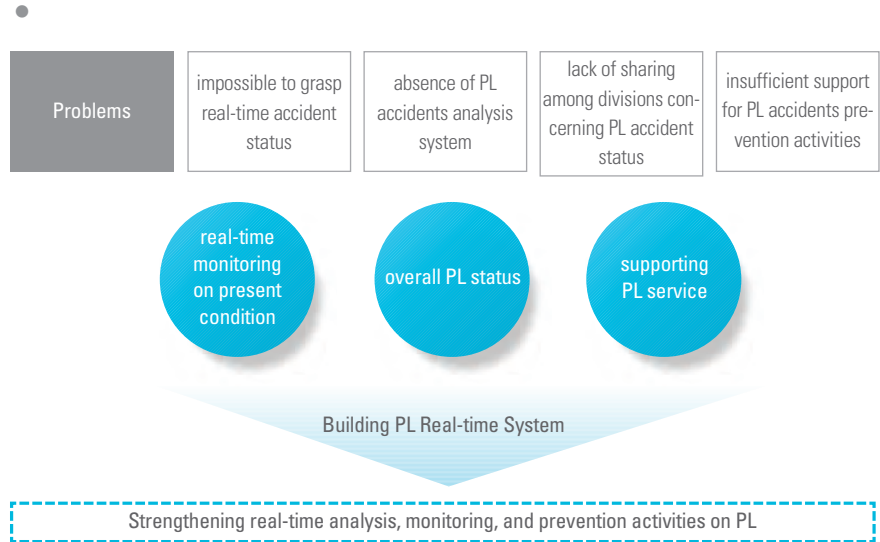


Customer satisfaction survey

Establishment of PL Real-time Inquiry System

To improve the problems due to lack of companywide PL(Product Liability) accidents analysis system and sharing among divisions concerning PL accident, 'PL real-time system' was built to make real-time monitoring and analysis on status of PL accidents possible, and PL accidents are prevented by supporting PL service.

PL Innovation Process



Customer Information Protection

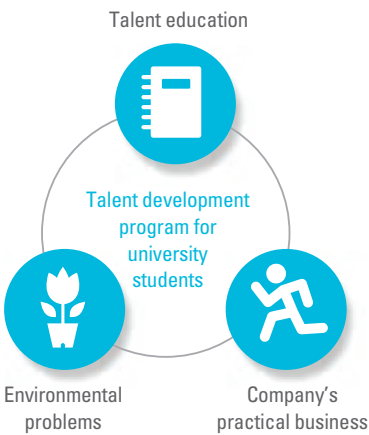
Woongjin Coway is giving its best efforts to prevent personal information from being lost, stolen, leaked, modified, or damaged. The online personal information of our customers is kept strictly confidential by passwords. Also, we manage our system thoroughly to prevent personal information from being leaked or damaged by a computer virus or hacking. We make backups of data regularly in preparation of damage and we use the newest vaccine software to ensure customer's personal information. We make safe transmissions of personal data in the network through an encrypted algorithm. Beside these, we use an invader blocking system to control any unauthorized access from outside. Only authorized personnel can access customer information. At the same time, we organize information security trainings regularly to reinforce our employee mindset towards information protection.

Customer-oriented Activities

Customer Communication

Woongjin Coway is always paying attention to its customers' voices, through the online customer center quick link on the front page at the company's website. The online customer center is a communication channel that was established to offer better service by collecting all VOC(Voice of Customers) such as customer's inconvenience complaints, suggestions, and complements. Woongjin Coway, considering the customers' side, tries its best to reply within 24 hours after an inquiry is made. Other than the preexisting phone call consultations, the company also has introduced one-to-one chatting consultation service to improve the convenience of customer consultation in November 2008. It is also seeing to making online A/S requests possible.

Three Major Fields of Coway Green Maker



- Coway Green Maker
- Coway 'Madamsumer'

Expanded Call Center Consulting Service

Due to the need of emergency consultant service at night and night consultation service fit for the customers' life style, Woongjin Coway has adjusted the call center's closing hour to 10 pm from 7 pm, starting April 14, 2008. We also established a suitable consultant process for more efficient consultations.

Establishment of Night Consultation Process



Customer Experience Program

Coway Green Maker – Woongjin Coway has launched Coway Green Maker, an experience program of talent development for university students. Unlike the university student programs of other companies, Green Maker, with 'Environmental problems, Company's practical business, and Talent education' presented as key points, is the nation's first-ever compound program to offer a variety of experiences on the environment, actual projects, and marketing education. Participants of this program learn the knowledge required in working for companies by carrying out practical experience projects on field of interest irrespective of their university majors. The hundred some university students taking part as Coway Green Makers are given monthly activity funds for performing activities at least once a month in individual and in groups teamed up by the schools. Planning and carrying out environmental campaigns, taking educational courses given by professionals in the field, various overseas camps experience and performance compensations, in particular, are priceless experiences for them.

Coway 'Madamsumer' – A customer-participation program called 'Coway Madamsumer' was launched in 2008 to reflect various opinions and ideas from housewife consumers. Madamsumer is a compound word with 'Madam' meaning woman and 'Consumer'. 'Coway Madamsumer' can experience the overall services covering from the purchase, installation, A/S and 'T-to-T Service' for six months before expressing their opinions in depth. The company is rewarding housewives between 23 to 35 years old according to their performance results.

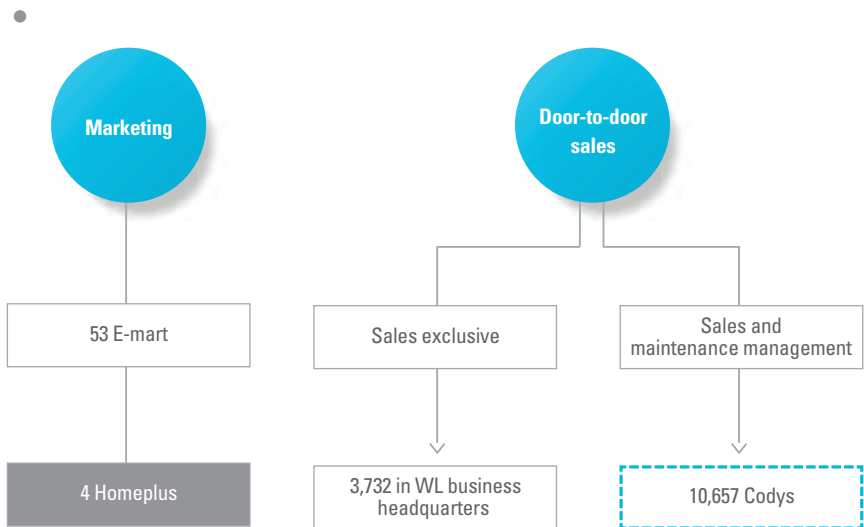
STAKEHOLDERS

- Stakeholder Communication
- Customers
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Sales Channel

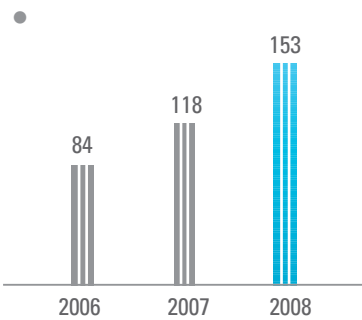
In October 2005, Woongjin Coway opened the first "Rental House"(Daechi store) so that our customers can experience our products and services more conveniently. The rental house is a specialty store to enable customers to try products and make decision for purchase through direct experience. We promoted customers' accessibility and convenience by increasing the number of rental houses to 153 as of the end of 2008. At the rental house, customers can obtain more detailed information through hands-on experiences for all of our products than that was provided through advertisement or leaflets by 'Cody'. When deciding the location of the rental house, we considered various factors such as transportation to enhance the accessibility and arranged exhibition space on the 1st floor to increase convenience.

Sales System



As of December 31, 2008
 ※ W Business Department: Organization in charge of rental and non-rental sales(including 155 Rental Houses)

No. of Rental House



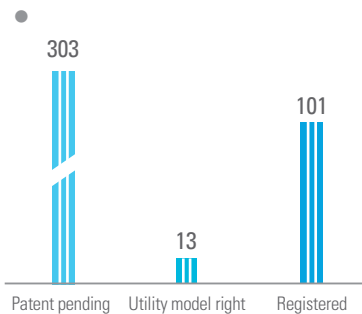
Meanwhile, we expanded our sales channels so that customers can purchase Woongjin Coway's products at a near store. We started installing our sales posts at E-Mart in April 2007 and had completed 53 sales posts in E-Mart as of the end of 2008. (3 types of water filtration devices and 1 type of air purifier) In addition, we expanded 4 sales posts at Homeplus in 2008.



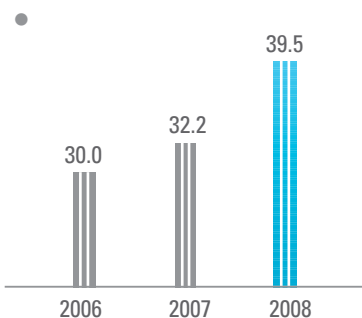


● Design Proposal Exhibition

Patent Status (Unit : Case)



R&D Investment (Unit : KRW billion)



※ KRW 18.5 billion (donation to SNU in 2006) and KRW 33.0 billion (spending for Woongjin R&D Center in 2007) were not included.

Design Innovation

Design is where our management particularly puts a special emphasis on, believing that design is the manifestation of our technological prowess. Woongjin Coway strives to enhance customers' convenience in the area of function and design of products.

Based on our design philosophy, 'Emotion & Tomorrow – The design that creates emotions of tomorrow', Woongjin Coway stays futuristic and implants better future values through consumer sensibility satisfaction. We endeavor so that this design philosophy will help our customers experience new life style and cultures. For this, various researches are being made on preceding designs. We are holding annual De+Novation to present future visions, while running the Design Forum consisted of various outside design authorities to experiment diverse visual designs. Infrastructure was also built to improve international competitiveness, and a multiplicity of activities such as building a global network for sharing design information are being deployed. As a result, by receiving the Presidential Award in the 2007 Design Awards, our company was recognized as the most innovative design managing company. In 2008, we received the German IF Design Award, one of the 3 major design awards in the world, reddot Award, and the United States IDEA Award. We were the first Korean environment electronics company to win the 'Grand Slam' in design.

R&D

Research and development innovation at Woongjin Coway is focused primarily on delivering improved consumer convenience rather than improved profit for the company. In other words, our R&D is founded on consumer-centric system that exhaustively identifies and discovers consumer needs in product development. As of the end of 2008, total 253 R&D personnel (18 doctorate and 84 master degrees) concentrate on R&D at the R&D institute of Woongjin Coway. Last year Woongjin Coway applied for total 303 patents and registered 101 patents.

In February 2008, Woongjin Coway completed construction of the 'Woongjin Coway R&D Center'. The R&D Center with 6 stories above ground, 2 stories below and 12,208m² in floor space is located within Seoul National University's research district. It was constructed with environmental materials, EcoFocus method that harmonizes the images of tree forest and water, and in an Open-Forest concept using natural lighting and space. Total of KRW 58 billion was invested for the R&D Center, which is equipped with 182 cutting-edge devices such as high-tech research facilities including Environmental Analysis Center appointed by Han River Basin Environmental Office as 'drinking water quality inspection institution' and certified as 'KOLAS international testing lab for water quality', 45 laboratories, a CADR(Clean Air Delivery Rate) measurement chamber, a dead room for noise measurement, and wind tunnel measuring equipment. Environmental Analysis Center was established in 1993, and is contributing to meeting consumer needs and improving the environment through research and analysis on water quality and environmental pollution. The center was able to extend its research capabilities when it was designated by TÜV SÜD to run self-analysis and tests for RoHS(Restriction of Hazardous Substances) of electrical and electronic products. It was also certified from WQA(Water Quality Association, USA) as Recognized Testing Laboratory and is running efficiency and safety tests on water related devices. The center also holds certifications from the government for Drinking Water Inspection Institution and Food Hygiene Inspections Institution.

(Environmental Analysis Center website for reference: www.enviana.org)

STAKEHOLDERS

- Stakeholder Communication
- Customers**
- Employees
- Shareholders
- Business Partners
- Social Contribution



Woongjin Coway R&D Center developed globe-type pulverdryer and automatic discharge system in 2008. Applying the pulverization and drying system to a domestic food waste processor minimized the pulverization load than before, while elevating pulverization efficiency and reducing noise at the same time. This technology acquired a NET(New Excellent Technology),

and also secured an international level of capability in packaging design by obtaining a certificate from the ISTA(International Safe Transit Association). Through this certification, the ISTA standard reliability tests can now be performed at the R&D center, and ISTA certification marks are attached to Woongjin Coway's exporting products to show that they are designed appropriately according to international shipping standard.

Main Certification

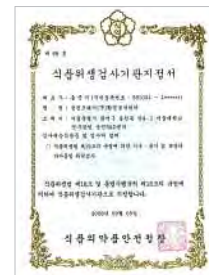
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- Food Waste Processor with Pulverization and Drying System
- Woongjin Coway R&D Center



WQA Recognized Testing Laboratory



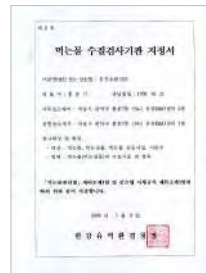
Certification of Food Hygiene Inspections Institution by Korean Government

KOLAS Testing Lab

-



Drinking Water Inspection Institution from the Ministry of Environment



TÜV-SÜD RoHS Test Institution

-



Ten Testing Items of Water Quality

-
- NTU (Turbidity)
- Pb (Lead)
- Cd (Cadmium)
- Al (Aluminum)
- Fe (Iron)
- Zn (Zinc)
- As (Arsenic)
- Se (Selenium)
- Cu (Copper)
- Mn (Manganese)

Customer Satisfaction

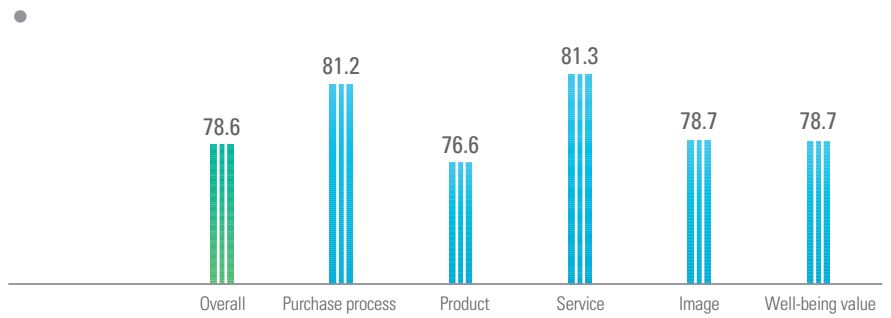
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Customer Service

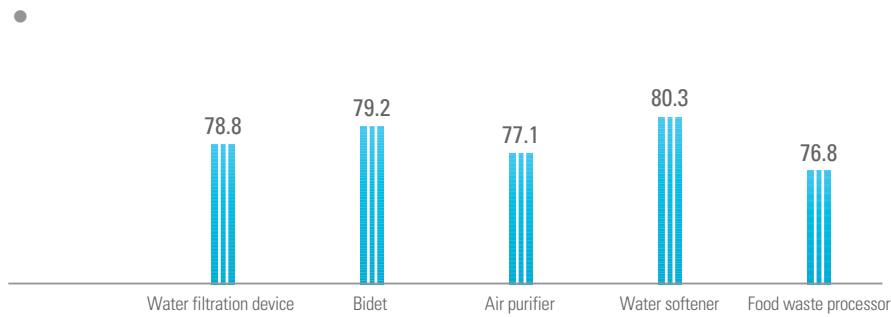
Woongjin Coway offers water quality inspection services to our customers using water filtration devices. At our Environmental Analysis Center annual water quality inspections are performed to examine the performance and water quality of customer's water filtration device. It is free of charge upon customer request to gauge against ten different testing criteria. Woongjin Coway carries out customer satisfaction surveys every year. In 2008, one-on-one individual interviews and phone call surveys entrusted to IPSOS Korea were carried out from mid-September to end of October, to total of 1,500 customers in 5 cities across the country at home or corporations, and users of the company's website. (This survey had more extensive contents than those of previous ones, so it is difficult to compare the results.)

Overall satisfaction level was 78.6, and satisfaction points were the highest for purchase process and service. Among products, water softener received the highest customer satisfaction while satisfaction for the newly launched food waste processor was comparatively low. Survey results were reported to the CEO and the board, and also shared with employees. The company is listening to the voices of its customers through the satisfactory survey, and by analyzing in detail all the process of the customers' experience, is using it as preliminary data to understand and promote all matters that needs improvement.

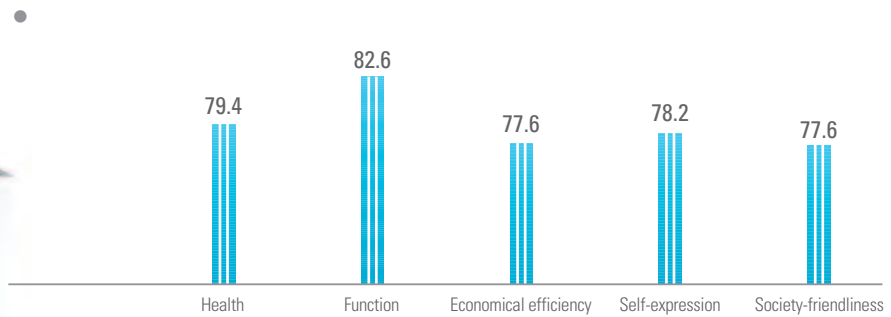
Satisfaction Level (Unit : point)



Satisfaction Level of Product (Unit : point)



Satisfaction Level of Well-being Value (Unit : point)



STAKEHOLDERS

- Stakeholder Communication
- Customers
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- Social Contribution

Starting point of values that company creates is employees. Woongjin Coway recognizes talent to be important and we are organizing the system in many aspects including evaluation, compensation and training. We strive to enhance the employee satisfaction level through management of the benefit program for improving employee’s life quality and a corporate culture that enables employees work happily.



Employees



● Design Team

Human Resources Management Policy

Woongjin Coway stipulates “Employees’ responsibility for the company” (Code of Ethics

Chapter 3. fundamental ethics for the management and employees) and “Company’s responsibility for employees” (Code of Ethics Chapter 4. Our responsibilities for Woongjin family). Employees’ responsibility for the company is in line with our vision for human resources.

Woongjin People

Woongjin Coway stipulates “The management and employees establish right sense of value and implement tasks through continuous self-development and fair work performance.” The right people for Woongjin Coway are experts who have professional knowledge, creative ideas, perseverance, driving force, strong will and passion for work, and good interpersonal relationship. If anybody can practice ‘Tto-Tto Sarang’ and has capability, we provide him or her with opportunity to display his/her ability fairly and to challenge.

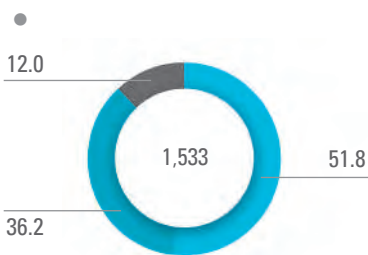


Company's Responsibility for Employees

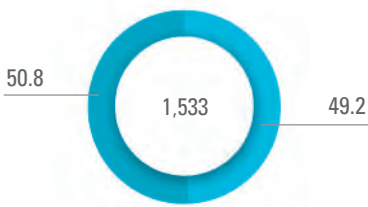
We respect employees and treat them fairly based on their capability and performance. In addition, we strive to enhance their creativity. Woongjin Coway's responsibility for employees is summarized as follows: First, the company will respect each employee as an individual so that they may work with a sense of ownership and feel satisfaction from their work. Second, the company will introduce measures and provide support to promote employees' creativity and development. Third, the company will ensure fair evaluation and compensation based on a person's capability and performance. Lastly, the company will maintain various systems and programs to promote creativity and participation of employees.

Moreover, we prohibit all forms of child labor and forced labor, and ban any discrimination against gender, race and religion at our workplace.

Human Resources Status (Unit : %)

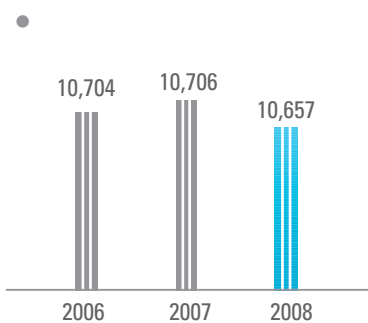


※ Full-time basis
■ Working on desk jobs ■ Sales ■ Production



※ Full-time basis
■ Female ■ Male

No. of Codys (Unit : Persons)



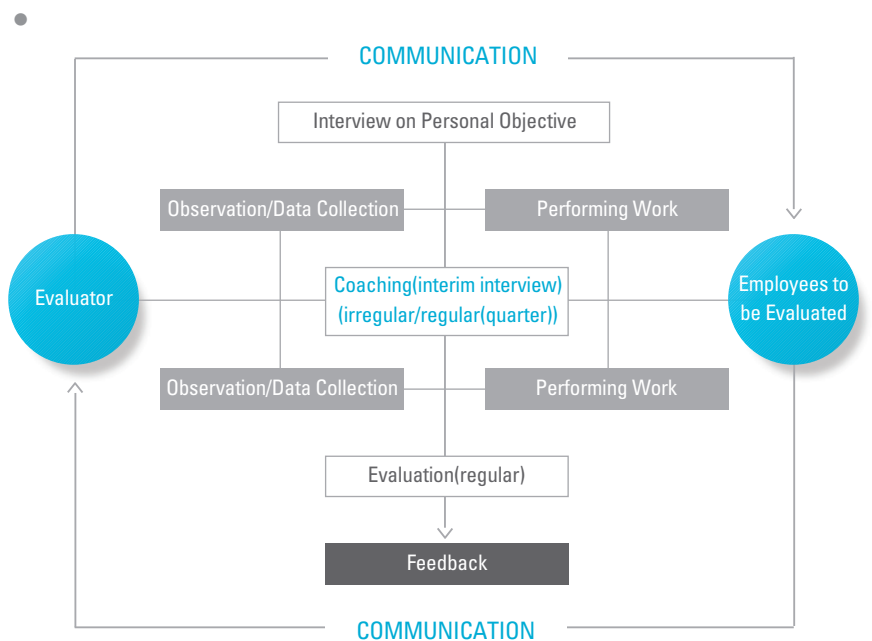
Human Resources Status

As of the end of 2008, there were 1,533 employees working at Woongjin Coway compared with 1,450 as of the end of 2007. Of them, 794 were working on desk jobs, 555 in the sales, and 184 in the production. By gender, 778 of the workers were male and 755 females, not much gap between them in numbers of workers. Meanwhile, the total number of employees including part-time workers and Codys is 17,806. The disabled were 11, and the rate of the disabled of total employees was 0.7%. Meanwhile, turnover rate for the year was 1.89%.

Evaluation

By introducing a total management system that enhances not only the company but also the each individual performance, we are creating a process management system of each individual. We are aiming at a cultivation-type evaluation system through operation of a regular coaching system so a fair and rational evaluation can be made. Through an objective evaluation, we are operating an advanced evaluation system that enables our employees to accomplish innovative outcomes and develop their competencies.

Evaluation Process



STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees**
- Shareholders
- Business Partners
- Social Contribution

We are operating MBO(Management by Objective) system on each individual in connection with KPIs. For performance evaluation, process management system is operated fit for each individual's objective plan while competency evaluation is under operation for fundamental competency, work competency and leadership competency. Meanwhile, we are conducting evaluations on the heads of organizations through a bottom-up evaluation.

Evaluation Method



Compensation

We have introduced various incentive systems to enhance the morale of the employees. The year-end performance incentive is rewarded to the employees in grade according to sales and operating income margin against its original target. The project incentive is rewarded to the employees who have accomplished significant performances in projects. Meanwhile, retention incentive system is for R&D personnel by assessing their contribution to the company and accomplishments to inspire development of capabilities and consistent work mentality.

Benefits

We provide employees with welfare benefits. Welfare programs are broken down into two categories, common welfare program and selective welfare program through "Welfare Card."

What is the Promotion Point System?

It's a system in which general qualifications for promotion, such as accomplishment (competency and performance) evaluation credits and training credits are made into a point. When a person's point becomes higher than a certain level, the person is given qualification for a promotion evaluation, regardless of the required years for promotion of their position. This is to avoid a seniority system in promotions and to put more weight on personal capabilities and accomplishments and efforts in developing competency when evaluating for promotion.

Category	Detail
Congratulations and condolences	For weddings and other events of the employees or their family members
Discounted price for the Woongjin Group products	Employee retail price scheme for discount buys
Tuition assistance	Tuition assistance for employees' children (fixed amount)
Housing purchase	Supports interests payment on housing / rental loan for workers
Refresh vacation	Motivation for long-term employees- 7 years/12 years
Blue Print	Training support for job-related qualification/training
Finding help	One-on-one counseling (Health, stress, economic problem, etc.)
Birth celebration pay	Birth celebration pay for employees/their spouses
Love flower	Employees select among bouquet, flower basket, flower pot, orchid, etc for their wedding anniversary
Gift certificate	Eating out coupon for birthdays of the employees
Anniversary present	Individual present for festival days and the anniversary day of the founding
Car maintenance expenses	Expenses supported for deputy managers or above
Other	Supports overseas education, souvenirs, medical check-up, CEO's recommendation book, birthday gift on employee birthdays, five work-day system, employee club activities

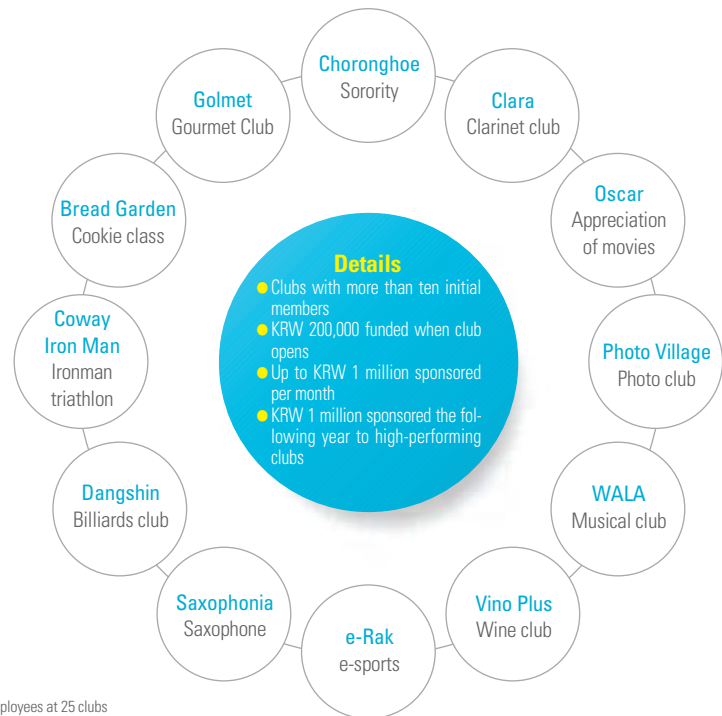
Selective Benefit Programs

Description	Details
Benefit Card	Providing different points according to work period
ESOP	Giving right to buy shares of the company

Meanwhile, Woongjin Coway supports employees' community activities to ensure our employees' happy life at work. As of the end of 2008 about 900 persons of 25 communities were in full activity.



- Musical Club
- Tennis Club



※ 900 employees at 25 clubs

Talent Development

We are operating education through work-centered, field-centered action learning so that educational outcomes can create management outcomes. Also, in order to enhance the company's common core competency, we are operating learner-centered education programs by developing courses specialized for work and position in connection with the group's HRD center. In 2008, Woongjin Coway opened 545 education programs and 7,746 employees took the courses. Training hours totaled 161,860 (86,516 hours of e-learning and 72,344 hours of classroom training). Meanwhile, hour of education per employee was 20.1 hours for the year.

Woongjin Coway aggressively invests in education and training, as evidenced by a dramatic increase in education and training spending for permanent employees from KRW 830 million in 2007 to KRW 1.25 billion in 2008. Key education programs are as follows: "mentoring system" for improving symbiotic working relations among employees; "e-Learning" and "Woongjin Advanced Abroad (WAA)" programs for upgrading working-level knowledge; and "Mensa programs" and "Cynosure excellent technology competition" for enhancing the skills level of researchers. Training programs are also offered to Codys.

STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees**
- Shareholders
- Business Partners
- Social Contribution

Woongjin Coway conducts training on human rights and corruption prevention. In 2008, education on sexual harassment prevention was given to 716 full-time employees via the Internet while sales personnel received the same training in an offline setting. As way of promoting ethics, we distributed related books to employees and organized a book review contest.

WAA(Woongjin Advanced Abroad)

Woongjin Coway is running WAA program which gives our people the opportunity of development and education, thus cultivating the spirit of challenge. All employees working at Woongjin Coway more than a year are qualified to apply for the WAA program. If selected, the company supports training expenses KRW 4 million per team. In 2008, 6 teams have visited Europe and the U.S. to research rental house repositioning, etc.

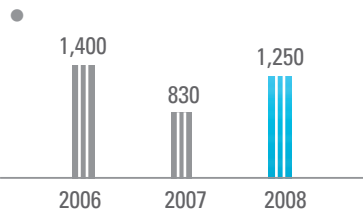
WAA in 2008

Category	Team name	Location	Subject
1st	Healthcare Leader	Germany, Netherlands, U.K	Rental house re-positioning
	Omnivore	U.S.A, U.K	Search for organic business advancement
2nd	SS430	Denmark, Sweden, Norway	Marketing strategy of life culture companies in Northern Europe
	Rediscovery of Wind	Denmark, Germany, Spain	Establish brand identity strategy through benchmarking
3rd	MUST BE	U.K, Netherlands, Japan	Examine validity of wind power energy business
	Coway 2.0	U.K, Scotland, Netherlands, Germany	Examine market for carbon emission right
			Search for possibility of participating in microgeneration business

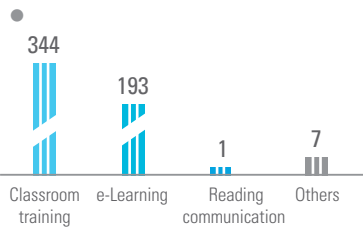


● WAA

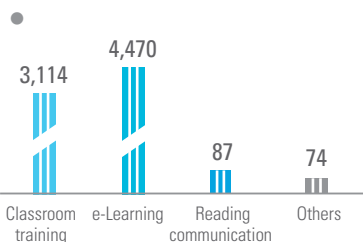
Trend of Training Spending (Unit: KRW million)



Numbers of Training Subjects



Numbers of Training Attendance (Unit: Person)



Through WAA program, by adopting creative ideas proposed by voluntary and active participation of employees into business, we surely plan for the company's development and give employees opportunities to study the related issues and widen their views.

Raising Innovative Personnel

In 2008, Woongjin Coway fostered 242 GB(Green Belt) and 8 BB(Black Belt) certification personnel mainly at the production and R&D categories. Additionally, 24 innovation leaders were raised. We plan to promote company-wide six sigma to expand the initiative to office works and sales area, thus raising 5 BB and 50 GB personnel in 2009. Moreover, we will raise FEA(Finance Effect Analyst) and verify its performance while operating education organization such as six sigma study group.

Raising Innovation Leaders

Innovation Leader	No. of Leaders	Period	Activities	Remark
1 st semester	7	April 2008- July 2008	● Established company-wide scenario and responding strategies by participating in scenario planning and project workshop	● Received basic innovation education
2 nd semester	17	August 2008- August 2009	● Shared and reported innovation related issues through monthly innovation meeting	● Domestic benchmarking (LG Display, Posco, Woori Investment & Securities, etc)
				● Oversea benchmarking (Toyota, Toto, etc)

Employee Communication

● To manage grievance, enhance satisfaction at work and vitalize communication between the company and employees, Woongjin Coway unfolds various activities such as operation of Personnel Management Committee, ER Culture-Lab, publishing bulletins and holding regular and ad hoc labor-management councils.

Grievance Management

Employees can file grievances through online and offline channels. Online medium includes the ER culture-lab, which is part of the company's groupware, and an employee's personal email which guarantees anonymity. Offline options include speaking with a guidance counselor either through the telephone or a face-to-face interview.

Grievance counseling is classified into regular and legal counseling. The scope of counseling covers personal issues such as an individual's career development and finances and organizational issues including HR and work processes. Simple grievances are resolved promptly through coordination between related departments and process improvements. More serious matters are formally referred to the Grievance Management Committee for an in-depth review before reaching a solution.

ER Culture-lab

Purpose: An official channel of communication on the company groupware designed to handle a wide range of employees' grievances with the purpose of fostering a progressive organizational culture and boosting employee satisfaction

Major Composition

- **Grievances reception and process** : Anonymity is guaranteed in cases of application and posting for consultation on personal matters, conflict with superiors, HR issues, problems related to company processes, and environmental and organizational issues. Reply is delivered to the person within 2 days from registration through phone, mail, or reply post on the web board. Confidentiality is guaranteed in any case.
- **Legal consultation and process** : When a personal(seizure, contract, guarantee, obligation) or official problem is registered(anonymity guaranteed), reply is delivered to the person within 2 days through phone, mail, or reply post on the web board. Consulting a visiting lawyer is available when necessary.



STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees**
- Shareholders
- Business Partners
- Social Contribution

Category	2005	2006	2007
Number of council meeting	4	7	7
Number of agendas negotiated	18	18	11
Number of agendas addressed	18	18	11
Processing ratio(%)	100	100	100



● CEO High-Ting

Corporate Culture

- **Participation and improvement**
Employees who voluntarily participates and grows with the company
- **Talents development**
Securing excellent talents and developing them for the organizational and individual growth
- **Family culture**
Enhancing job satisfaction/forming a culture based on love and trust
- **Customer-oriented culture**
Achieving internal and external customer's satisfaction

Coway Ulimteo (Echo Space)

This is a new interactive online communication forum to collect opinions and feedbacks from employees regarding personnel management and training issues. The Coway Ulimteo is an open dialogue channel for creating a more fun and exciting corporate culture.

Labor-Management Council

There is no labor union at Woongjin Coway. Instead, seamless communication on grievance and welfare issues is guaranteed between employees and management through regular(quarterly) and ad-hoc labor-management councils according to the domestic law. In 2008, 4 quarterly council meetings and one ad-hoc council meeting were convened through which 5 agendas were negotiated and addressed accordingly.

Corporate Culture

● Woongjin Coway builds a unique corporate culture of energy and excitement believing that only those energized and excited about their work can create outstanding performances with their creative mind and a challenging spirit. Our growth is built on this organizational culture of energy and excitement that inspires creative thinking and strategy and which brings everyone together towards the shared vision. The reason that the culture of energy and excitement can be a company culture of Woongjin Coway is the result to thrives on four different cultures we value a culture of debate, a culture of dissent, a culture of positive thinking and a culture of togetherness.

Culture of Energy and Excitement

- **High-Ting** : A program where the CEO and about 15 employees below assistant manager level meet once a month and do volunteer activities in the morning and communication activities in the afternoon in order to share mutual interest between the CEO and employees.
- **Coway League** : Intended to boost communication, winning teams of Coway Golden Bell, a quiz with questions related to the company, compete in a tournament. The final is held at the year-end and the winner is awarded KRW 3 million.
- **Coway Action** : Internal auction program with employees' donation. All auction starts at KRW 1000, and total amounts collected are delivered to the children at the Group Home for living expenses.
- **Coway Day** : A program that invites employees' families to our head office and factory in order to improve their understanding on the company and provide them various programs such as temple stay. In 2008, we held 1 night 2 days event for 12 families (47 persons, including 22 children).

Imagination Ocean

Launched in April, Imagination Ocean provides an interesting and easy way for employees to take part in suggestion activities to drive work improvement and innovation. Each time an employee submits an idea into a virtual ocean of suggestions created on the web, the person receives a shrimp (KRW 100 per shrimp). When the individual collects 10,000 shrimps, he/she will receive one dolphin (KRW 1 million per dolphin). To add a sense of fun, different grades (crewman, boatswain, captain) are awarded depending on the number of shrimps accumulated. Employees who acquire a dolphin are given a chance for overseas training. Imagination Ocean raised the employee participation rate in suggestion activities from 41% in 2007 to 92% in 2008, and pushed up suggestions per person from 1.5 to 7.3. To promote the culture of suggestions and utilize Imagination Ocean as part of our social contribution efforts, we began selling space on this virtual ocean on September 22. As of December, spots were sold to five organizations including Nongshim and Korea National Park Service. Work is underway to sell space to 28 other entities. In 2009, we plan to launch Imagination Continent, which will also apply to our codys (responsible for door-to-door sales and after-sales care services) and CS doctors.



● Imagination Ocean

Praise Relay

The Praise Relay is a program organized to bolster teamwork by encouraging praise among workers. Held from 8:50 to 9:00 every Thursday morning, two designated people praise two others to form a relay. People receiving praise can display the praise dolphin in their work area. Each month, two praise receivers are named the 'best worker' and awarded 300 shrimps.

Leaders Club

The first Leaders Club event was held July 25~26, 2008, to recognize 50 people with outstanding sales performance in the year's first half. The heads of branches that ranked among the top 10% in terms of first half performance were given various benefits as a means of motivating employees. The event included the awarding of plaques to the first group of Leaders and presentations on best practices.



STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees**
- Shareholders
- Business Partners
- Social Contribution

Safety and Health

Safety Program



● OHSAS 18001 Certificate (2008. 7. 24)

Since large parts of our employees are working in the offices, the risk of industrial accidents is relatively low. However in case of Yugu factory or R&D center where safety accidents could happen, we protect employees by operation industrial safety & health committee. Yugu factory acquired OHSAS(Occupational Health & Safety Assessment Series) on July 24th, 2008 to build infrastructure of safety and health. Also, we improve working environment and safety & health related matters after negotiation between management and employees.

Category	2006	2007	2008
Woongjin Coway	0.00	0.03	0.09
Overall industry	0.76	0.72	0.71
Manufacturing industry	1.18	1.10	1.15

※ Accident rate=Number of the injured / Number of employees x100
 ※ Source: Korea Occupational Safety & Health Agency Industrial Accidents Statistics(Yearly)

Woongjin Coway carries out internal monitoring to ensure effective implementation of safety and health related activities. That is supplemented by an inspection carried out by the safety and health taskforce team organized at the group level. In addition, training and promotional activities are conducted to raise employees' health and safety awareness.

Industrial Accident Status

Our accident rate has been kept much lower comparing to the average of the overall industry or the manufacturing industry. In 2008, the accident rate slightly rose from the previous year. Yet this was just simple case caused by internal union activity while the serious accidents didn't occur during the period.

Health Program

Woongjin Coway provides total medical check-up to all of our employees. For workers at production site, we let them check their health at pointed hospital for every year while, we check health for every other year for other employees.



● Coway Quit-Smoking Olympic

Moreover, we expand quit-smoking campaign aggressively for enhancing health status and refreshing working environment. A survey was carried out on 685 full-time employees to identify the company's smoking rate. Under the slogan of 'Coway Anti-Smoking Olympic,' a smoking cessation pledge was sent out to 238 employees and anti-smoking education was carried out for 69 individuals. For 24 of the training participants, a weekly clinic was organized in conjunction with the public health center of Gwanak district. Anti-smoking activities were reinforced such actions as affixing related stickers and posting materials on Woongjin Net. To encourage more workers to quit smoking, we are seeking ways to reward people who succeed in kicking the habit.

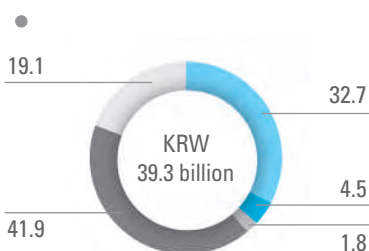


Woongjin Coway is not only enhancing corporate value through business diversification and successful expansion to overseas market but also observing all sorts of regulations to secure transparent management and establishing advanced corporate governance. These result in enhancement of shareholder value.



Shareholders

Share Ownership (Unit: %)



■ Woongjin Holdings
 ■ Affiliate person
■ Employee Stock Ownership Association
■ Foreign investors
 ■ Others

※ As of December 31, 2008

Board of Directors

Standing / Non-standing	Name	Position	Remark
Standing	Joon-Kee Hong	CEO	
Standing	Seok-Keum Yoon	Director	
Standing	In-Chan Lee	Director	
Standing	Jong-Bae Kim	Director	
Standing	Dong-Hyun Kim	Director	
Standing	Jin Lee	Auditor	
Non-standing	Yi-Hwan Kim	Outside Director	Vice president of the Korea Advertisers Association
Non-standing	Sun-Hoi Joo	Outside Director	Chief lawyer of Sun-Hoi Joo Law Firm
Non-standing	Tae-Mun Tak	Outside Director	Professor of Seoul National Univ. (Bio-material engineering)

Corporate Governance

Share Ownership

Number of outstanding shares totals 74,431,993. Woongjin Holdings and foreign investors own 32.7% and 41.9%, respectively while domestic individual investors and institutional investors own 19.1%. Although foreign investors sold their shares in large scale in Korean stock market due mainly to global financial crisis, foreign investors' share ownership at Woongjin Coway increased 4.5% points compared to the year-end of 2007. We will continue to maintain transparent corporate governance to maximize the corporate value.

Board of Directors

Woongjin Coway's BOD decides on the matters defined by the law and regulations or by the Article of Incorporation. The BOD also votes on the matters delegated from the general shareholders' meeting, key agendas related to basic management policy and operation of the company, as well as carries out auditing activities. The BOD is chaired by the CEO and agendas are voted by presence of a majority and by approval of a majority of the directors present. A total of 15 regular and extraordinary meetings of BOD were convened during 2008, with average attendance of independent directors at 93%. Furthermore, Woongjin Coway sets up Management Committee under the BOD to strengthen autonomy and expertise of the Board.

Composition of BOD and Remuneration

The BOD consists of eight directors with the CEO serving as the chairperson. There are three independent directors with their composition ratio standing at 38% (in full compliance with the 25% requirement as defined by the Securities & Exchange Act of Korea). Independent directors are experts with excellence in each area and are appointed as such at the general shareholders' meeting. The limit on remuneration to the directors is determined via shareholders' approval at a regular convention of general shareholders' meetings each year. Final remuneration ceiling is set in line with various performance indicators.

STAKEHOLDERS

Stakeholder Communication

Customers

Employees

Shareholders

Business Partners

Social Contribution



● General Shareholders' Meeting in 2008

Committee under the BOD

Woongjin Coway operates Management Committee under the Board as pertaining to the Article 11 of the provisions relating to the Board of Directors. The committee convenes a regular meeting on every first Monday each month, and also calls for an ad-hoc meeting when important agendas come up to bring a timely resolution to issues that need to be promptly managed at field division levels. The committee is working to bring up the level of efficiency and timeliness of work.

BOD Activities for Preventing Conflict of Interest

The BOD circulates additional information for each agenda item submitted for consideration, so as to make sure that a sufficient amount of deliberation is done beforehand. The agendas submitted for consideration are adopted through final voting and no conflict of interest regarding these agendas has been found during this course.

Audit

Woongjin Coway has one standing auditor in charge of auditing the company's business and accounting. The auditor discusses management issues by attending the BOD. In addition, he can call for the ad-hoc Board of Directors meeting by submitting a written agenda on purpose and cause of the meeting and request affiliates to report the business results if necessary.

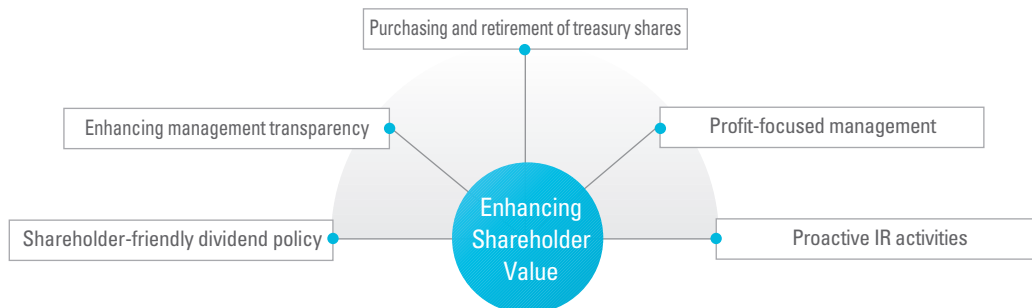
Enhancing Shareholder Value

● **Enhancing Management Transparency and Strengthening IR Activities**

Woongjin Coway also makes efforts to reflect its current and future values into stock price by providing quick and accurate information to investors through IR activities both at home and abroad. We give a quarterly presentation of management results to both domestic and overseas securities companies and meet investors through regular NDR(Non-Deal Roadshow) and conferences both in Korea and abroad. In addition, we provide our investors with real time information on operational and financial performances through IR website. Going forward, we will do our utmost to enhance shareholder value through a variety of IR activities.

Dividend and Treasury Shares

Our dividend payout ratio was maintained at 50% level for last two years while dividend per share has increased gradually as we have generated more profits. Woongjin Coway plans to maintain current dividend policy based on the shareholder focused management.



Performance in 2008

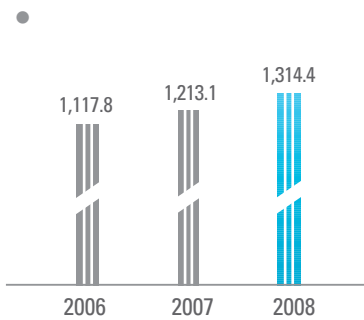
Record-high Performance

Sales and operating income increased to KRW 1.31 trillion and KRW 190.1 billion, respectively in 2008, which were 8.4% and 17.9% growth over the previous year. Net income also jumped 11.0% to reach KRW 129.1 billion. The main reasons behind these record-high performances were as follows: increase in management accounts (total 4.44 million accounts: 150,000 accounts in 2008), soaring exports, and cost reduction and aftermath of merge.

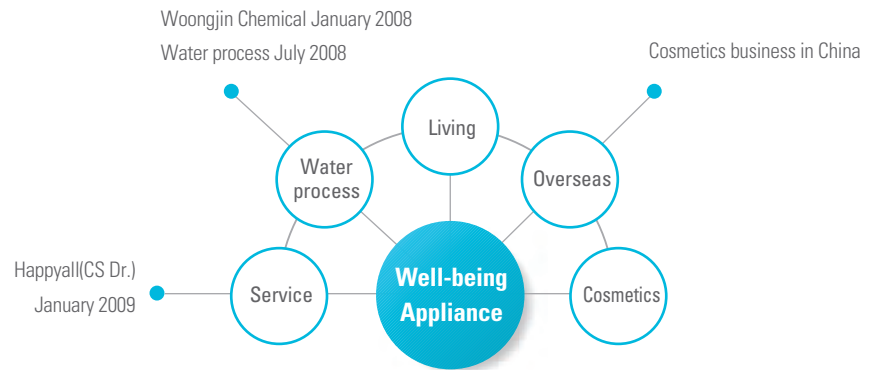
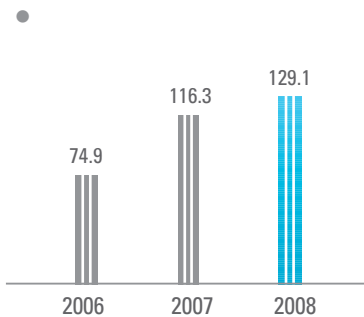
Expansion of Business Domain

We continued to expand business scope in order to secure mid- to long-term growth momentum in 2008. We penetrated into the water process business by acquiring relevant business from Saehan (now Woongjin Chemical). In addition, we could integrate service, sales and marketing by purchasing CS Dr. (Doctor) organization from Woongjin Happyall.

Sales (Unit: KRW billion)



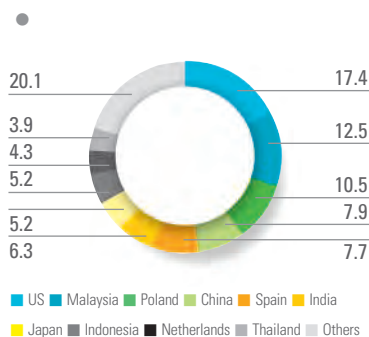
Net Income (Unit: KRW billion)



Increase in Overseas Sales

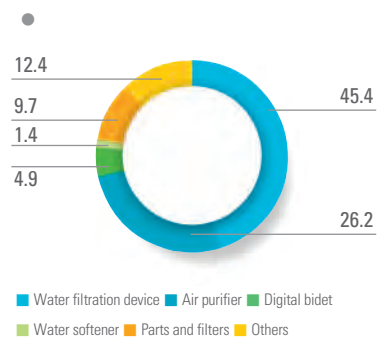
Woongjin Coway's export in 2007 increased 300% over the previous year. Focused on export expansion in 2008, the export increased 92.5% over 2007. By market, exports increased significantly to the regions where our subsidiaries are in operation such as the US and Malaysia. By product, water filtration device and air purifier represented 71.6% of total exports.

Export by Region (Unit: %)



※ As of December 31, 2008

Export by Product (Unit: %)



※ As of December 31, 2008

STAKEHOLDERS

Stakeholder Communication

Customers

Employees

Shareholders

Business Partners

Social Contribution

payFree Partner Companies

●



Credit card

Korea Exchange Bank



Car insurance

Kyobo AXA, LIG



Wire communication

SK Broadband



Wireless communication

SK Telecom



Education

Woongjin Thinkbig,
ANYSTUDY



Trip

Modetour, Theme Camp



Beverage

Woongjin Food



Oil

SK Energy

Participation in International Trade Fairs

- **WETEX 2008** : During March 11~13, Woongjin Coway took part in the Water, Energy Technology and Environment Exhibition (WETEX) 2008 held in Dubai. We exhibited a wide range of products including water filtration devices for home-use and those installed under the sink as well as products for industrial plants. The exhibits and demonstrations drew strong interest from visitors. The trade fair provided a good opportunity to showcase our superior technology and pave the way for our entry into the Middle East.
- **K/BIS** : Woongjin Coway was one of the participants in the Kitchen & Bath Industry Show (K/BIS) which took place in Chicago in the US during April 11~14. This is a major trade event that attracts some 50,000 companies. We introduced 61 products at K/BIS including a countertop water filtration device (equipped with a water tank) and a deluxe air purifier for use at hotels.
- **CHITEC** : From May 21 to 25, we showcased our products at China Beijing International Hi-Tech Expo (CHITEC). CHITEC 2008 attracted 409 companies from 68 nations and 160,000 visitors. Based on the themes of wind and forest, the Woongjin Coway booth highlighted our image as a provider of environmental home appliances and won the award for popular booth.
- **AQUATECH 2008** : Aquatech is the world's largest exhibition and convention on water technology. Woongjin Coway took part in Aquatech 2008, which was held from September 30 to October 3 and brought together 630 buyers from 42 countries. During the event, we offered consultation to roughly 230 buyers and was able to enhance the Coway brand in the European market. We also had a chance to contact new and potential customers from Eastern Europe, Latin America, and Africa.



● WETEX 2008



● KBIS



● CHITEC



● AQUATECH 2008

New Growth Engine payFree

In October 2008, Woongjin Coway launched specialized membership service known as payFree. Due to the introduction of innovative marketing, the number of members is increasing rapidly in early stage. As a result, by January 2009, a total of 300,000 members joined. Moreover, number of foreign exchange payFree credit cards reached over 61,000. Hence, as of the end of January 2009, refund to customers totaled KRW 270 million.

Strengthening R&D

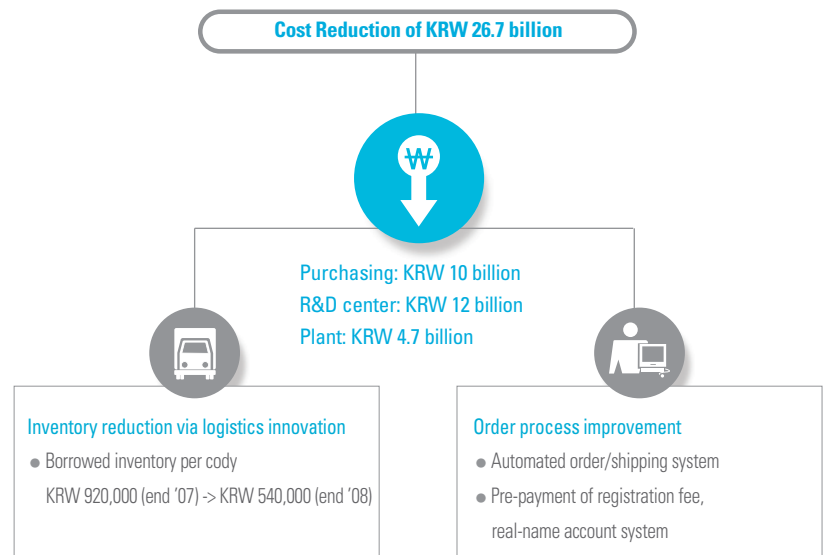
Recognizing that the most important factor for mid- to long-term growth is R&D capability, we strengthened R&D. As a result, we developed 29 new product models(19 for domestic market, 10 for overseas market). Moreover, service rate fell to 1.90% in 2008 from 3.42% in 2007 while F-cost(Quality failure cost) decreased by some KRW 10 billion.

Cost Reduction

We reduced costs amounting to KRW 26.7 billion in 2008. In addition, we secured solid profit base that enables us to record operating profit margin over 14% by completion of logistics innovation, productivity innovation and order process improvement.

Cost Reduction via Strengthened Management

-



Effect of Job Eraser Campaign

-

Category	Details
Accumulative saving hours	6,999 hours
No. of participants	401 employees
Saving hours per participant	17.1 hours



● Winning Team at Job Eraser Campaign

Job Eraser

The job eraser campaign was intended to eliminate unnecessary steps and formalities in the work process. A total of 401 people took part in the campaign in 2008. The result was a savings of 17.1 hours per person. In addition to carrying out the initiative in 2009, we plan to introduce a town hall type meeting to set up an effective model for resolving company-wide issues. Monitoring will be reinforced to ensure swift decision-making and execution by senior management in order to come up with prompt corrective measures when necessary.

STAKEHOLDERS

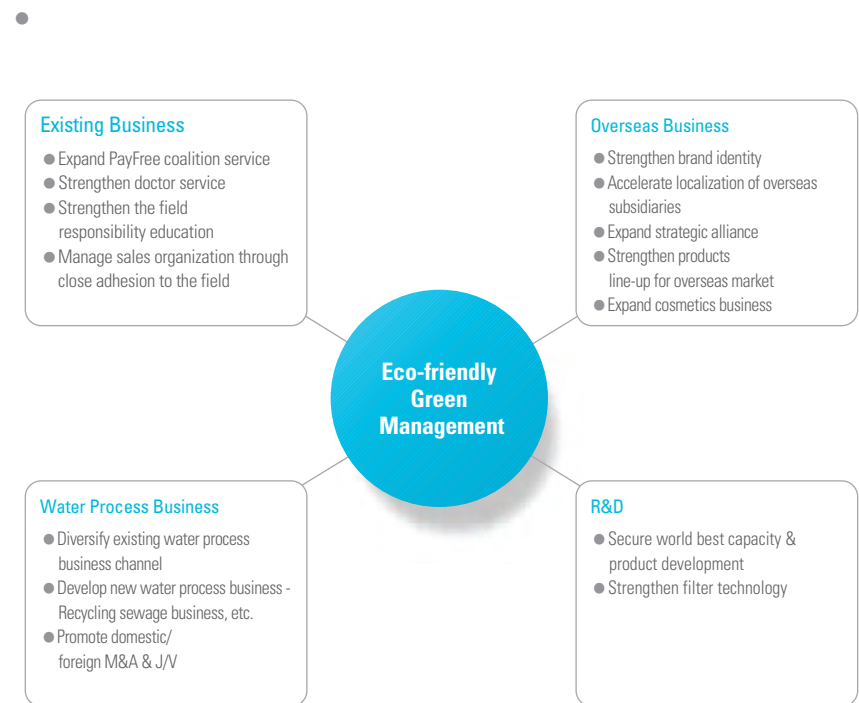
- Stakeholder Communication
- Customers
- Employees
- Shareholders**
- Business Partners
- Social Contribution

Plans for 2009

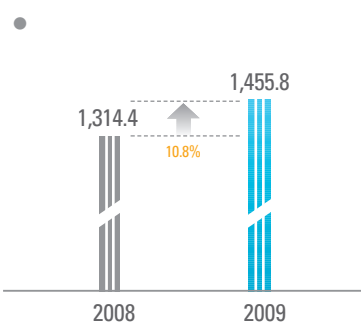
Our sales target for 2009 is KRW 1.45 trillion, a rise of 10.8% from 2008. Operating income based on our plan is also expected to increase 11.7% to post KRW 212.3 billion in 2009. Target for operating income margin is 14.6% which is 0.1% point upward. Management slogan for 2009 is 'Green Up 2009'. In addition, we plan to focus mainly on the expansion of customer-oriented marketing through payFree service, securing of the 6th and 7th growth products, strengthening overseas marketing, diversifying water process business channel, etc in order to achieve the management goal. We put more focus on increasing new customers in the midst of global economic recession. We plan to develop the 6th and 7th products while expanding the line-up of the existing five core products such as water filtration device, air purifier, digital bidet, water softener, and food waste processor.

Our sales target for 2009 is KRW 1.45 trillion, a rise of 10.8% from 2008. Operating income based on our plan is also expected to increase 11.7% to post KRW 212.3 billion in 2009. Target for operating income margin is 14.6% which is 0.1% point upward. Management slogan for 2009 is 'Green Up 2009'.

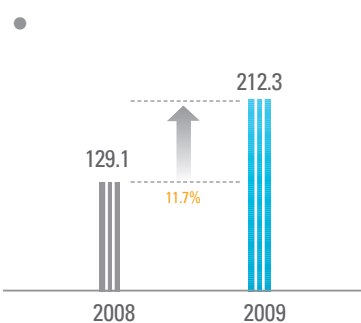
2009 Strategy Direction



Sales (Unit: KRW billion)



Operating Income (Unit: KRW billion)



Woongjin Coway is conducting fair trade compliance program voluntarily. Also, in order to enhance competitiveness of our business partners and to grow together, we are operating the win-win partnership programs that include education and consulting services.



Business Partners

Fair Trade

Declaration of Fair Trade

At the Code of Ethics, Woongjin Coway declares the win-win partnership with our business partners by stating "We offer equal opportunities in accordance with free competition rules and pursue long-term mutual growth by building mutual trust and cooperative relationship through transparent and fair trades." To the principle into practice, Woongjin Coway introduced fair trade compliance program (CP) by holding a declaration ceremony where the company declared its will toward fair trade in August 2007. At the ceremony, all employees of Woongjin Coway pledged on securing transparency in all decision making processes through voluntary observance of fair trade acts, enhancing ethical management and internal control through strengthening of fairness, and securing risk management capacity similar to that of advanced countries. In November 2007, we announced statement of observance declaring that we would give our efforts in establishing a fair trade order through a fair and free trade.



- Declaration Ceremony of Fair Trade Compliance Program
- Declaration Statement of Compliance Program

Implementation of Seven Key Elements

We observe compliance program that Fair Trade Commission asks by implementing the following 7 key elements: ①Declaration of the CEO on compliance policy, ②Appointment of compliance manager, ③Enactment and revision of a compliance guidebook, ④Compliance education, ⑤Monitoring of implementation, ⑥Sanctions for illegal actions, ⑦Efficient and systematic management of documents. To expand fair trade compliance program to consumer protection domain, we are operating CCMS(Consumer Complaints Management System). Woongjin Coway's prevention activities for consumers' complaints received outside recognition as can be seen in such cases as being selected as the '1st CCMS Certified Excellent Company' by the Fair Trade Commission in 2007. In addition, we received BBB grade in the fair trade compliance program.



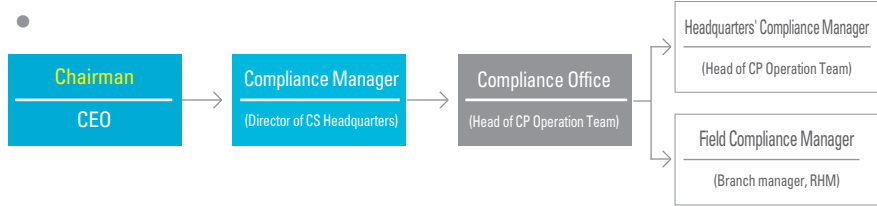
STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees
- Shareholders
- Business Partners**
- Social Contribution

Organization for Fair Trade

In order to promote efficiently the fair trade compliance program, Woongjin Coway assigned the director of the CS headquarters and is operating the compliance office as a fair trade organization.

Organization



Clean Coway Education

To improve its employees' awareness of compliance and to arouse their attention on irregular business, Woongjin Coway conducted various forms of Clean Coway education, such as regular training, pre-training, post-training, and occasional training. With total 88.5 hours of educating the company's employees, sales organization, new Codys, the Clean Coway culture is being established throughout the company.



● Consulting on Manufacturing Innovation

Category	Regular Training	Pre-Training	Post-Training	Occasional Training
Training target	New Chiefs	CL Division	CL Division	Full-time employees
	New Team Leaders	W Division	W Division	Call Center
	New Codys	HQ and Former sales organization		
Hours	19.5hrs	17.5hrs	12.5hrs	39hrs
Details	Clean Coway	Importance of Ownership	Case-based Prevention measure	Understanding CP
	Administrator Role	Fallacy Inspection Criteria	Management Policy	Return consultation skills
	Fallacy Inspection	Improving Transfer and Inheritance system		Policy Education
	Provisions	Improving Return system		Partnership Card

Win-Win Partnership

Policy

Woongjin Coway is pursuing mutual prosperity with business partners through fair trade. That is, we are pursuing long-term mutual growth by guaranteeing equal opportunities in accordance with free competition rules and by building mutual trust and cooperative relationship through transparent and fair trades.

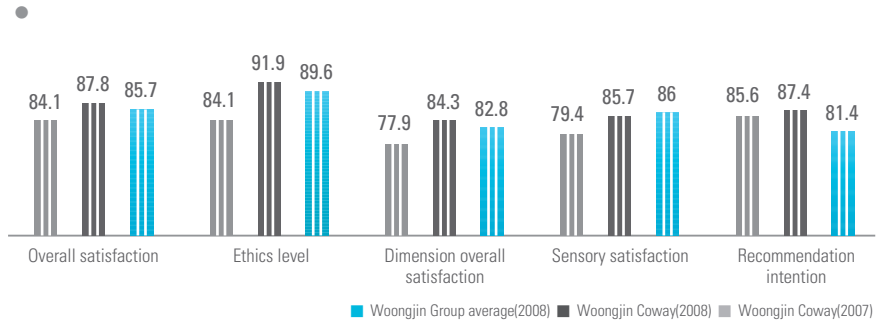
Win-Win Activities

Survey on Business Partner Satisfaction

Woongjin Group conducted surveys in 2008, between late October and early November, in order to check our business partners' satisfaction level on the services our affiliates provide, and to collect the basic data that will be used to implement customer-oriented service according to the Group's CSM mind and enhance service quality, by understanding the business partners' current level of ethical management. The score is calculated by aggregating the satisfaction level of Ethics (40%), Dimension overall satisfaction(40%), Sensory satisfaction(10%), Recommendation intention(10%). Woongjin Coway conducted the survey on 129 business partners, and the results show that the overall satisfaction level has greatly increased from 81.3 points in 2007 to 87.8 points.

Ethics level was the highest by scoring 91.9, and Dimension overall satisfaction showed a relatively low of 84.3. Woongjin Coway plans to increase business partner satisfaction by taking countermeasures and improving its weaknesses.

Survey on Business Partner Satisfaction (Base=129, Unit: points)



※ Overall satisfaction=(ethics level x 40%) + (dimension overall satisfaction x 40%) + (sensory satisfaction x 10%) + (recommendation intention x 10%)
 ※ Recommendation intention is a barometer of overall satisfaction after deal is done.



● Opening Ceremony of COP Academy

Operating COP(Coway Open Plaza) Academy

In order to enhance competitiveness in terms of production and quality, develop capabilities of manager group, and build mindset on costs of the business partners, COP Academy opened 50 classroom education programs such as production/quality, cost control, organization culture, leadership development, informatization, ISO certification, research & development, ability development by different classes. Among these, we operated 20 programs and conducted educations 40 times, raising 500 talents.

Total of 2,333 people participated in seven distance learning courses, which were opened to help the partner's weakest points - creating a learning culture for field production workers and improving corporate culture to a more lively and enthusiastic one. We also ran a cost reduction project GCI(Group Cost Innovation) on a website which opened in September 2008 to provide diverse learning opportunities and learning channels, and trained 15 internal and international ISO 9000/14000 examiners.

Education Support for Partner Companies (Unit : KRW thousand)

COP classroom education	Education through mail and telecommunication	e-learning	Total
47,500	119,984	5,600	130,334

Operating Direction of 2009 COP Academy

Operating direction	Details
Supporting environmental system establishments	Reducing certification costs on ISO9001/14001 by 50-60% Standardization of business partners' QMS activity and supporting integrated management with international standard
Quality improvement / Cost reduction	Eliminating waste and supporting standardization of cost reduction activities
Establishing standard management system	Education and consulting based on problem-solving approach Establishing online system to manage the improvement activities at field and professional support system

STAKEHOLDERS

Stakeholder Communication
Customers
Employees
Shareholders
Business Partners
Social Contribution

Coway Partner's Day

On December 18th, '4th Coway Partner's Day' event was held to affirm win-win partnership with partner companies. CEO Joon-Keo Hong and staffs attended to express appreciation for the efforts during the year. In January 2009, representatives of 13 companies, designated as excellent partner companies, participated in 'Cambodia well digging' volunteer work with Woongjin Coway employees.

GCI Project

Woongjin Coway has been implementing the 'Business Partner GCI(Group Cost Innovation) Project' since early 2008. GCI Project is an innovative cost reduction program that draws up the most suitable cost reduction proposal by organizing the 'Value Technology Academy' with the business partners.

Green Partnership

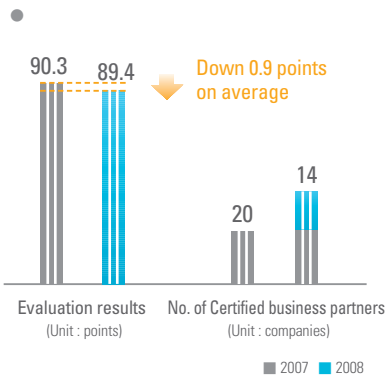
The Green Partner Certification system which considers even environmental factors besides traditional purchase factors such as cost, quality, and delivery when making selections and assessments on partner companies provides effects such as enhancement of product competitiveness, response to environment regulations, risk management of work place and product environment. In 2007, Woongjin Coway confirmed 20 companies as green partners and in 2008 from April to May, we confirmed 19 companies out of 20 companies again after the re-evaluation. Also, from May to July, 15 companies were listed as our green partners among 43 companies under evaluation.

Compared to that of 2007, the assessment was more activity-oriented than document-oriented in 2008, and the examination was strengthened by changing the assessment focus from possessing the standard system to standard compliance. Real measurements using hazardous substance detector during field assessment was also introduced. As a result, the number of certified companies decreased to 14 in 2008 from 20 in 2007, and assessment rating also fell from 90.3 to 89.4 points.



● Coway Partners' Day

Green Partner Certification Result in 2008



We offer incentives to green partners and for those that fail to meet the requirements as green partners, various kinds of penalties are imposed. In the future, we plan to convert the evaluation from environment primacy to integrated one which considers product quality, environment, hazardous substances(RoHS, WEEE, EuP), etc. In 2008, green purchasing amount totaled KRW 116.9 billion, 82% of total purchasing amount of the company. We plan to increase green purchasing to KRW 130 billion, 90% of total purchasing amount in 2009. Going forward, we will expand green purchasing gradually.

Green Purchasing Guidelines

1. Woongjin Coway recognizes procurement of environment-friendly parts and components as one of its top priorities.
2. Woongjin Coway discovers, supports, and develops environment-conscious business partners and evaluates its partners against environmentally sensitive criteria.
3. Woongjin Coway clearly communicates to its partners to minimize environmental impact in the areas of business management, production and service delivery.
4. Woongjin Coway works with its partners to continue to improve the environment.
5. Woongjin Coway provides guidance and resources to facilitate partner companies' environment related initiatives.
6. Woongjin Coway offers active support to environment-friendly partners and Woongjin Coway strives to achieve co-prosperity.

Corporate sustainability management becomes more important as a precondition of sustainable development of a company that tries to take responsibility in various areas. As a corporate citizen, Woongjin Coway has long been engaged in various community activities such as environment preservation, supporting the underprivileged, caring for the next generation, and supporting the poor of foreign countries.

Social Contribution



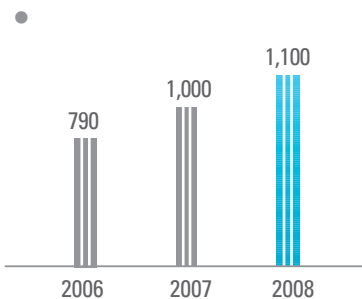
Woongjin Coway Symbol



The background blue symbolizes river, a target of our Clean Water Campaign. Fish takes the form of a heart to emphasize the spirit of “Tto-Tto Sarang (love again & again)”, our management philosophy. This is the future that Woongjin Coway envisions through its social contribution activities.

Social Contribution Spending

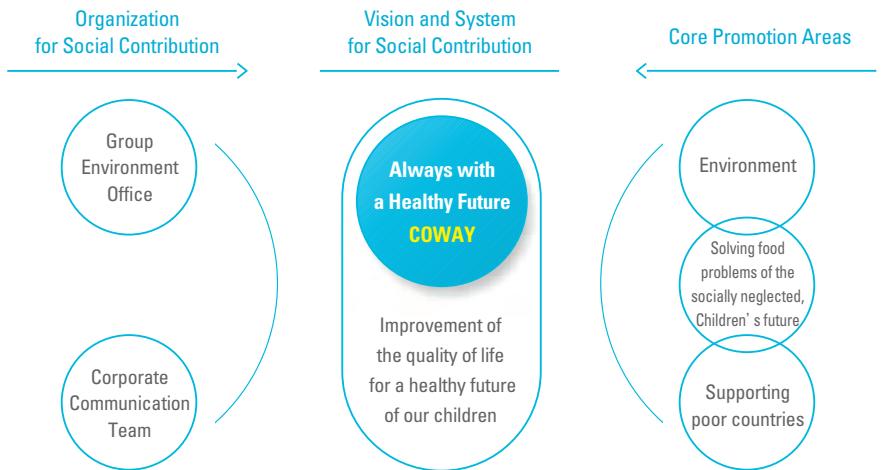
(Unit: KRW million)



Vision and Strategy for Social Contribution

Woongjin Coway’s vision for social contribution is “improvement of the quality of life for a healthy future of our children.” With the vision, we are making efforts to realize effective social contribution by focusing on the four areas of environment conservation, solution to food issues of alienated people, activities for the future of children and support of the poor in overseas countries.

Woongjin Coway’s vision for social contribution is “improvement of the quality of life for a healthy future of our children.”



Organization for Social Contribution

In June 2005, Woongjin Coway expanded volunteer activities that were conducted by some employees of recreational societies to the entire company, and established the “Tto-Tto Sarang Volunteers” that consist of all employees and customers in order to realize systematic and efficient social contribution activities. All employees are participating as a member of the Tto-Tto Sarang Volunteers and we have a social contribution manager to conduct systematic social contribution activities.

In June 2005, Woongjin Coway expanded volunteer activities that were conducted by some employees

Social Contribution Activities

Woongjin Coway’s social contribution activities are conducted mainly for environment, socially neglected people, children, and global communities. Out of standardized fiscal support, we recommend employees sincere contribution activities in various ways, and allow them to do the activities during office hours to support volunteer work. In 2008, volunteer hour totaled 16,133.5 hours, or 21.3 hours per person. We spent KRW 1,100 million (KRW 340 million for donation, KRW 760 million for pure social contribution activities) for social responsibility, higher than KRW 790 million in 2006 and KRW 1,000 million.

Woongjin Coway’s social contribution activities are conducted mainly for environment, socially

STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees
- Shareholders
- Business Partners
- Social Contribution**



- Cleaning Yugu River
- Happy Friday

Main Social Contribution Activities

Category	Details
Environment	<ul style="list-style-type: none"> ● Caring of Yugu River : One company-one river campaign ● Activities for cleaning oil-spilled Taeon coast ● Participate in social contribution programs related to environment issues
Settlement of food problem of alienated classes	<ul style="list-style-type: none"> ● Happy Friday : Free lunch meal service for every Friday, distribution of food and dish wash ● Happy Food Truck : Donated 5 refrigerated cars and provided meal service to 12,500 people a day
Future of children	<ul style="list-style-type: none"> ● Coway Group Home : Support to group home throughout the country, product donation, volunteer work ● Support and assistance to disabled students of Woojin School
Support for poor countries	<ul style="list-style-type: none"> ● Well digging for Cambodia : Every year donate 100 wells by 2010 ● Supporting South Africa: Support KRW 10 million every year, 1:1 Matching Grant
Others	<ul style="list-style-type: none"> ● Kongju University Scholarship : Supported KRW 590 million since 2003 ● Sharing the Love Year-end Ceremony ● Support for the socially neglected

Environmental Conservation

Cleaning Yugu River

Since we held the ‘Yugu-cheon(river) cultivation demonstration project signing ceremony’ in September 2006 in Yugu-eup, Woongjin Coway has been planting self-purifying plants and conducting riverside cleaning activities to cultivate Yugu-cheon. In 2008, the company cleaned Yugu-cheon together with our customers, thus providing the citizens of local community with the opportunity to participate in the corporate social contribution activities. Woongjin Coway is planning on supplying KRW 1.5 billion until 2009 for the Yugu-cheon cultivation activity which is co-promoted with the Ministry of Environment and the city of Gongju.

Environment Camp for Children at Taeon Peninsular

1,300 employees of Woongjin Coway participated in volunteer activities in removing oil around Taeon Beach in December 2007. It didn’t end as a temporary support, but went on afterwards to hold environmental camps for the children who are neglected in the gloomy social atmosphere, giving them psychological consolation and a message of hope in environmental recovery. The quarterly camps were held in Nami Island and a school located in Taeon, and provided over 100 children of the damaged district with opportunities to restore their confidence and will of environmental recovery.

Supporting the Alienated People

Happy Friday

Since February 2007, we have been supporting free lunch, bread, and milk to lonely elderly people at the entrance of the Hyochang Stadium with the Yongsan Welfare Center every Friday. This volunteer activity is conducted regardless of weather. Woongjin Coway’s employees are conducting volunteer activities such as meal distribution and dishwashing.



- Well Digging in Cambodia
- Volunteer Activity in South Africa

Tto-Tto Sarang Happy Food Truck

In cooperation with the Food Bank and the Community Chest of Korea, Woongjin Coway had a ceremony to donate five “Tto-Tto Sarang Happy Food Trucks” in September 2007. Each of the refrigeration truck can deliver 2,500 fresh meals donated by many companies and individuals to the poor. Every week 50 executives and employees of Woongjin Coway volunteer to serve meals delivered by the trucks.

Support for Children



Coway Group Home

By utilizing Cody organization all over Korea, we are supporting group home children throughout the country with general managers and branch managers. Codys, general managers, and branch managers are regularly visiting group homes where children live as a family with social workers and do volunteer activities such as laundry, meal preparation, and babysitting. We’ve also donated our company’s water filtration devices and air purifiers so that the children can live in a better environment.

Korea Woojin School

Woongjin Coway’s employees are volunteering as assistants when disabled students conduct experiential learning each month at the Korea Woojin School, which is an institute for the severely disabled and located in Seongsan-dong, Seoul. By participating in the experiential learning and the BOCCIA of the students who mostly can’t walk, unlike other disabled persons, we are assisting the children so that they won’t be uncomfortable.

Global Social Contribution



Digging Wells in Cambodia

Woongjin Coway dug total 75 pump-type wells in 26 villages around Phnom Penh, Cambodia in 2006. The company dug another 100 wells throughout the country in 2007 where 20 volunteers (top management and employees) participated. In 2008, we dug 104 wells with madamsuner and green maker. Additionally, 112 wells were completed by individual participants in 2008. We plan to expand the effort with a target of completing total 1,000 wells (over 100 wells every year) in the country by 2010.

Support for South African Soccer Club and Scholarship

Since 2006, our ‘Coway Soccer Team’ has supported uniforms and soccer balls to the Green Star soccer team of Philipi, which was the poorest area in South Africa, and in 2007, we expanded our support from 1 team(Philipi) to 4 teams(Philipi, Asanda, Cuza, etc.), and 60 of our employees supported teenagers and children with scholarships on a one-on-one basis. In order to stimulate volunteer activities, Woongjin Coway gives opportunities to visit South Africa to excellent volunteers. Under the slogan, ‘Promise of 5 years’, Woongjin Coway plans to expand its support on soccer teams and scholarships until 2010, when the World Cup is to be held in South Africa.

STAKEHOLDERS

- Stakeholder Communication
- Customers
- Employees
- Shareholders
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- Social Contribution**

Other Social Contribution Activities

● **Scholarship Support for Kongju University**

To support students under economically difficult situations and to nourish excellent talents, Woongjin Coway has given scholarships to Kongju University's students since 2003. Separated into domestic scholarships and international scholarships(given to foreign students studying at Kongju University), we've supported a total of 159 persons/KRW 550 million, 31 persons/KRW 210 million as of 2008.

Category	Domestic scholarship	International scholarship
Grant Start Year	Latter half of 2003	February 2006
Annual Granted Students	About 15 students with outstanding academic records	10 students
Annual Grant Amount	KRW 100 million /KRW 6.24 million per person	KRW 70 million
Total	159 persons/KRW 550 million	31 persons/KRW 210 million



● Scholarship for Students of Kongju University

● **Love Sharing Year-end Ceremony**

Taking the difficult business conditions of 2008 into consideration, the year-end ceremony has been replaced by community service activities. More than 400 officers including the CEO Joon-Keel Hong visited 28 welfare centers within Seoul city and participated in volunteer work such as environmental cleaning and facilities maintenance. Moreover, Woongjin made a donation of KRW 10 million to Korea Council of Group Home for Children and Youth, which our employees collected by cutting a minimum part of their wages for a year, and purchased eco-friendly rice from our sister region of 'One company-One village' campaign and deposited KRW 14 million worth of rice to a social welfare organization.

● **Product Donations for the Socially Neglected**

Woongjin Coway aided the drinking water conditions of the neglected class by donating KRW 200 million worth of 187 refurbished goods to Food Council affiliated organizations. The company also donated about KRW 500 million worth of water supply facilities, which amounts to 800 gallons(3028 liters), to the temporary relief stations in 6 areas in the 2008 earthquake stricken Sichuan, China. About 20 local corporation employees and installation technicians in China were dispatched to the site for volunteer work such as equipment operation.

What is the water quality status in Cambodia?

The drinking water problem in Cambodia is in a critical condition. Only big cities like Phnom Penh have water supplies system, and 90% of the populations have no access to water service. Very few places have clean water wells for their drinking water source. Most people collect rainwater or use water puddles which are not fit for drinking. However, even these are not available during the dry season, and a lot of diseases are caused by dirty water. The dirty water containers are to blame for the recent outbreak of dengue fever in Cambodia. The fever is transmitted by mosquitoes living in these water containers. The solution to such problems is to dig water wells. One well can provide about 50 people clean drinking water.

How effective is the well-digging project in Cambodia?

For the need of water as mentioned, an INGO named Cambodia Neighbor and Woongjin Coway started the well-digging project in August 2006, completing 366 wells by February 2009. Following their example, individuals, organizations and employees of Woongjin Group volunteered to participate in the project, building 128 wells which adds up to total of 494 completed wells.

Water well constructions were carried out across the country until 2008, and a new project was initiated in 2009. The plan is to select one region to concentrate the constructions in, then spread to the surrounding areas. Tang Roleang village in Me Pring Commune of Banteay District, Kampong Cham Province is selected and 42 wells will be built. Around Tang Roleang, 47 wells in Tang Thlaeung, 20 in Me Pring, 30 in Tang Srei, and 14 wells in Prey Kaor were completed so far, and more will be built.

The noticeable change as a result of building the wells is the children's skin conditions, which notably cleared up of all kinds of dermatosis. Children's morbidity rate has also decreased, and being free from the labor of drawing water from distant places has taken a load off their shoulders. The clothes adults wear and the environment of the villages are becoming much cleaner.

What is the desirable attitude of a company in contributing to social welfare?

An enterprise is a profit seeking economic unit, so it is natural for it to do for-profit activities in a capitalist society. However, the company is bounden to consider where the profit came from. A company profits from the society, so it has obligations to give back through social contributions. It is reasonable for a company to publicize their social contribution activities in order to gain more profits. Nevertheless, making social contributions or endowments should not be misused as a cover-up for the company's wrong doings, moreover as a trade-off. Social contributions in underdeveloped countries are especially vulnerable for such misuse. This, however, would be considered not as a social contribution but as a sort of bribery. Altruistic social contributions will be appreciated by the majority of the public, which will help the company gain more profits.



● Cambodia



Woongjin Coway & *the Planet*

As a well-being appliance company,
Woongjin Coway steps forward to save environment and
cultivate the earth under the special recognition
of the importance of environment. By creating economic value
and carrying out social contribution activities,
we make efforts to enhance stakeholders' value. Moreover,
we care for future generation through environment management.



THE PLANET

- 61 Environmental Leadership
- 64 Environmental Activities and Performance
- 69 2009 Eco-friendly Management Strategy

We are committed to actions that minimize our environmental impact around the globe, under the firm belief that environmental protection deserves top priority and improves the quality of peoples' lives.



Environmental Leadership

History of Environment Management

1996	● Received ISO 14001
2006	● Declared Green Management ● New-Green management ● Established green purchasing guideline
2007	● Established RoHS/EMS system ● Certified 20 partner companies as green partner ● Selected as an international testing institute on RoHS
2008	● Operated Woongjin Integrated Management System(QMS+EMS+MQMS+RoHS) Conducted WIMS audit (Twice a year) ● Certified partner companies as Green Partner ● ISO 9001/14001 revalidation ● Ministry of Environment Award for Excellence in Corporate Sustainability Management ● Obtained OHSAS 18001
2009	● Planned WIMS audit (Twice a year) on Woongjin Integrated Management System ● Established GHG inventory ● Established HSPM system and certification ● Eco-Labeling certification ● Established EuP/WEEE system ● Held low carbon, green growth launching ceremony

Green Management Policy

● In April 2006, Woongjin Group, recognizing the importance of green management, declared its intent to pursue global environmental leadership. This provided the momentum for Woongjin Coway to take green actions and integrate environmental principles into all aspects of its operations. We are also dedicated to educating and motivating our staff to promote greater employee involvement.

In April 2006, Woongjin Group, recognizing the importance of green management, declared its

Green Management Commitments

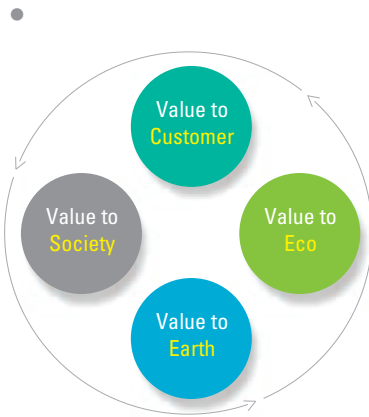
- **Pursue global environmental leadership** : Based on our ability to accept changes and translate them into our competitive edge, we will become the most trusted, global green company.
- **Systemize green management through clean production** : From development to disposal, we will build environmental considerations into every stage of the product life cycle.
- **Proactively address environmental trends** : We will be at the forefront of green management by accurately projecting and driving changes in global environmental trends.
- **Ongoing investment in environmental improvement** : To protect nature and minimize waste, we will incorporate 3R (Reduce, Reuse, Recycle) as our way of life and further our quest to become an innovative green company with continued investment in environmental improvement.
- **Reinforce our 'Love again & again' and 'love the environment' philosophies** : We plan to strengthen environmental awareness and promote environmentally responsible practices in our people through education.



THE PLANET

Environmental Leadership
 Environmental Activities and Performance
 2009 Eco-friendly Management Strategy

Share Value of Environmental Management



Value to Customer

- Customer satisfaction through environmental management
- Inspiration of environmental awareness

Value to Eco

- 3R(Reduce, Reuse, Recycle) practice
- Green purchasing

Value to Earth

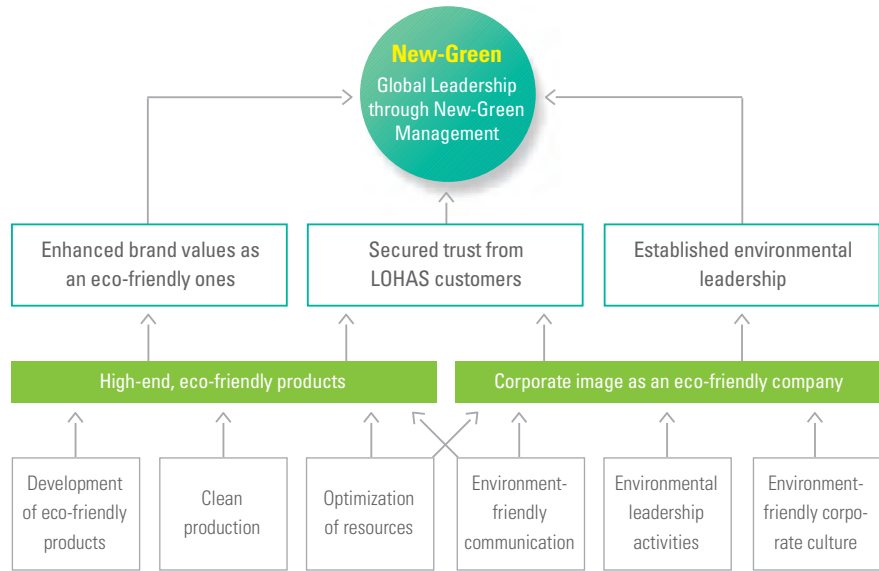
- Observing international environmental regulations voluntarily
- Contribution to environmental improvement of the world

Value to Society

- Developing eco-friendly products
- Conducting environmental activities

Vision and Share Value of Environmental Management

● Woongjin Coway conducts various environmental activities to achieve environmental vision that Woongjin group pursues. Through eco-friendly product development and clean production on the basis of 'Love again & again,' the company is aiming to achieve 'global leadership through New-Green management,' thus eventually improving eco-friendly brand values, ensuring trust from LOHAS customers, and building environmental leadership.



Operation of EMS (Environmental Management System)

● Quality Planning Team was established in Woongjin Coway in September 2006 for a more efficient operation of environmental management system. The team is responsible for all EMS related tasks from managing each team's environmental performance assessments, reporting quarterly performance results and addressing RoHS (Restriction of Hazardous Substances).

On June 24, 2008, we obtained ISO 9001/14001 environmental/quality management certifications. The certifications cover all aspects (design, purchase, manufacture, quality, sales, CS, marketing, installation service, discharge) of environmental/quality management. Obtaining the TÜV accredited international standards has allowed us to enhance customer trust and external credibility. Furthermore, we are now equipped with the optimal management system to evaluate task procedures and their quality levels and make appropriate improvements.



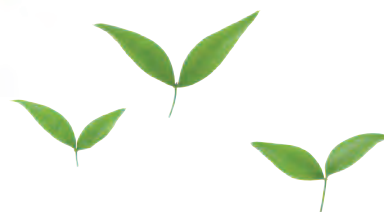
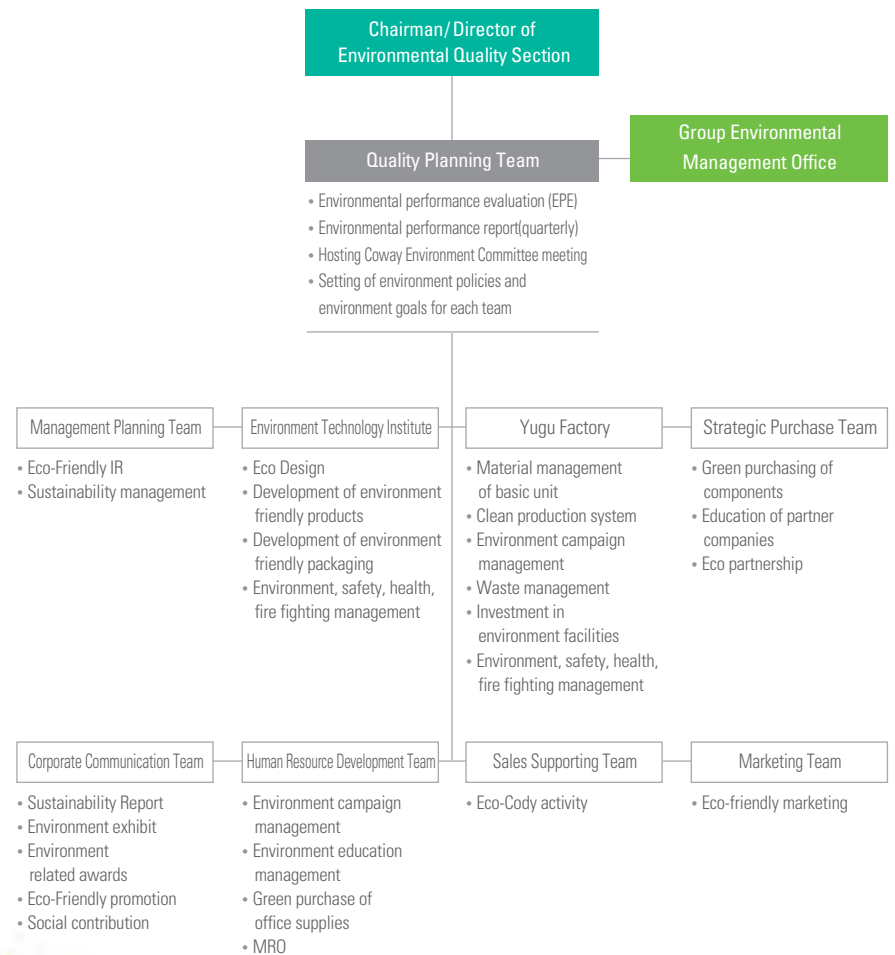
● ISO 9001/14001 Renewal Certificate (June 24, 2008)

The company aligned EDM(Environmental Data Management) system for real-time management of energy use and hazardous substances. In addition, we build more eco-friendly production system by linking EDM system with SAP. EDM system is largely divided into two sub-systems. One is an integrated environmental operation system that manages data on environmental materials. The other is Smart GP designed to respond swiftly to environmental regulations and stakeholder demands by consolidating a wide range of parts-related restriction information.

Key Functions of Smart GP System

Function	Contents
Manage supplier information	Supplier list search, supplier information search, approve/reject environmental management guarantee, self-evaluation search, manage company evaluation
Manage supply information	List of supplies, series supplies, non-use guarantee, components & material information, approve/reject hazardous substance information
Analyze product greenness	Analyze product laws and regulations, Analyze product components and materials
Provide standard information	Material information, material group information, laws & regulations information, list of additionally requested names, exceptions to RoHS

Environmental Management Organization



THE PLANET

Environmental Leadership
Environmental Activities and Performance
2009 Eco-friendly Management Strategy

Woongjin Coway's environmental activities are conducted in various ways such as development of environment-friendly products, activities for energy saving and pollutants reduction, environment campaign, education, etc. Also, we are not sparing our efforts in investment of R&D and basic facilities to enhance environmental performances.



Environmental Activities and Performance

Environmental Activities and Performance

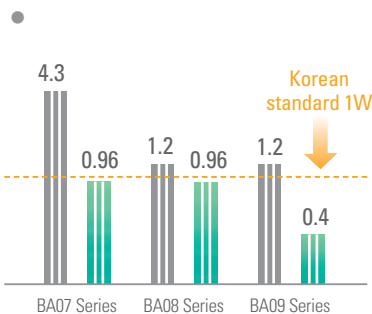
Eco-friendly Certification & Awards

In 2008, the company was awarded the eco-mark on less pollutive food waste processors(WM02, WM03). The eco-mark is awarded to products that reduce environmental impact during the manufacturing and consumption stages. The label is designed to help companies deliver accurate environmental information about a product to consumers and to encourage development and production of green products. Also, the company received Energy Winner Award(Air purifier AP-1207BH, Bidet BA09) for green machinery and tools category from Consumers Korea.



● Korea Eco-Label / Energy Winner Award

Improvement of Standby Power of Bidets (Unit: W)



Eco-friendly Products

Woongjin Coway continues to improve energy efficiency and reduce the size of products while developing eco-friendly products that reduces harmful substances.

Enhancing Energy Efficiency

New air purifier model(AP-1008DH, AP-1207BH) accomplished 1st grade energy efficiency and 1W standby power. To this end, we developed energy saving technology for SMPS, sensor control and power saving algorism, then applied them to the product. As a result, the usage of electricity based on AP-1207BH decreased by 2.7KW/h. Moreover, we realized the lowest level of standby power in the industry by achieving 1W standby power through development of instant heating & leakage sensing protection circuit for all bidet models.

Reduction of Product Size



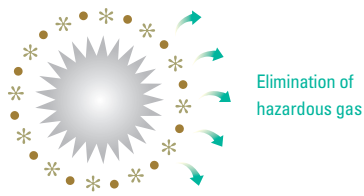
● CHP-06DL / P-07CL

We reduced the size of water filtration device by developing slim-type hot water tank, applying a small sized 8 inch filter and integrating cold-hot cork. Size of cold & hot water filtration device(CHP-06DL) was reduced by 27% comparing to that of the previous product while the size of general water filtration device(P-07CL) was also reduced by 47%. In addition, the size of air purifier was reduced 10%~30% through optimizing filter and air flow, and integration of components. Applying highly effective small size dry fan, bidet was reduced 20% in its size.

Applying highly effective small size dry fan, bidet was reduced 20% in its size.

Dust and Gas Elimination Rate

NOx and SOx on the surface of yellow dust



※Test institution: Busan Techno Park Machinery Parts and Materials Technology Support Center (Test of dust and gas elimination rate)

Test category	Efficiency	Others
Air purifier	99.7	Dust similar with yellow dust=
Yellow sand filter	85.7	JIS 15 kinds of dust (KSC 9314 examination method)
Gas elimination	90.9	Yellow sand hazardous gas=SO ₂ (50min operation)

(Unit : %)

Decrease of Environmentally Hazardous Substances

Developing multi-care filter and applying it to air purifier, we realized functions such as removal of yellow sand and virus, sterilization, etc. Especially, we eliminated dust caused by yellow sand and hazardous substances such as SO_x and NO_x so that all kinds of ophthalmological diseases and respiratory ailments were minimized. Moreover, all kinds of virus that infiltrates to respiratory organs and causes serious diseases was 99.9% eliminated.

Management of Hazardous Substances

Woongjin Coway is responding to international environment regulations by preparing management rules for hazardous substances. The same rule has a purpose to understand whether or not there is any hazardous substance in our products' components or material, and in the packaging, and to improve those components and material based on the management rule and develop and produce products that have no negative impacts on the environment. In 2009, our goal is to attain IECQ HSPM QC080000 certification, a technical assessment quality specification implemented by IEC (International Electronically Commission Quality Assessment System for Electronic Components), to streamline the management of hazardous substances.

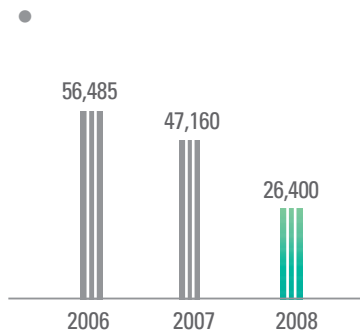
We were the first in the well-being appliance industry to be selected as an international testing institute on Restriction of Hazardous Substances(RoHS) by the German 'TÜV SÜD', which is an EU' s official certification institute. By this, all of our analysis test reports on hazardous substances for our products have the same efficacy as the ones from specialized analysis certification institutes. By receiving of this certification, we obtained a basis for global competitiveness in the environment area by gaining international recognition on our analysis capabilities on products' hazardous substances.

Waste Disposal

The commissioned treatment of wastes of Woongjin Coway in 2008 decreased 55.9% to KRW 26.4 million from KRW 47.2 million in 2007. In terms of waste volume, it decreased by 144% from 1,144^{kg} in 2007 to 792^{kg} in 2008. The reduction was possible due to active recycling of packaging materials and related by-products that occur during the production of air purifiers and water filtration devices.

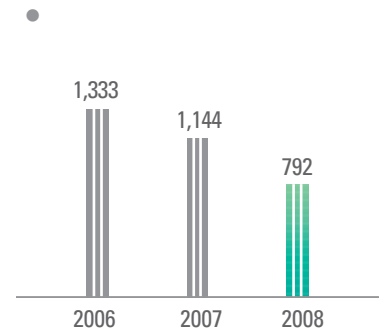
Spending for Waste Treatment

(Unit : KRW thousand)



Total Volume of Waste

(Unit : m³)



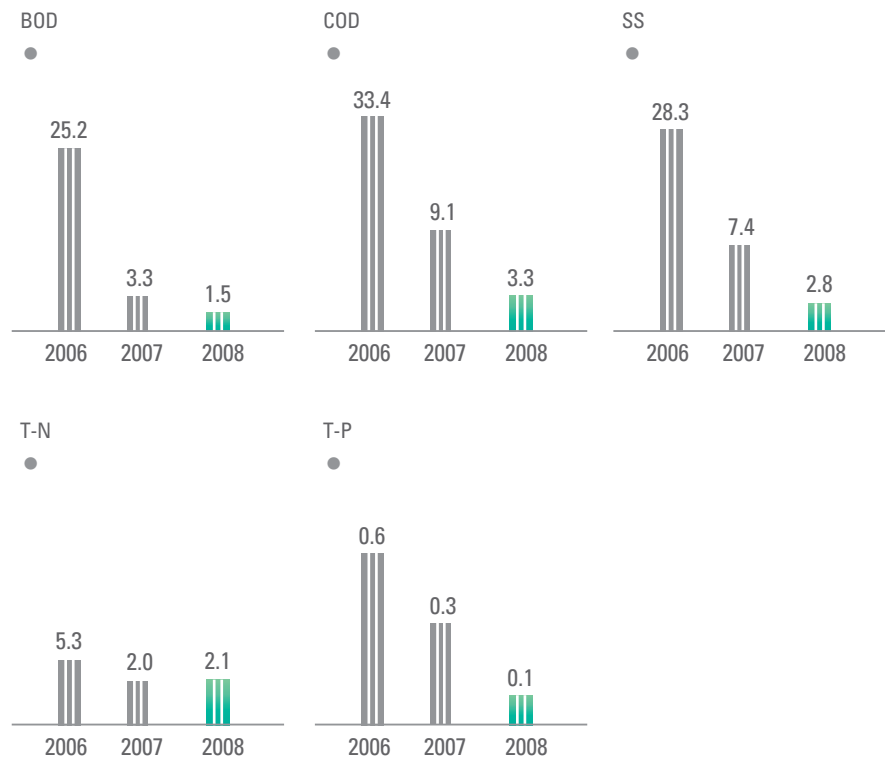
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Environmental Leadership
Environmental Activities and Performance
 2009 Eco-friendly Management Strategy

Water Pollution

Woongjin Coway's pollutant emission in 2008 was greatly improved in all aspects such as BOD, COD, SS, etc. on the back of continuous improvement activities. (Excluding pollutant emission from filter production process which was transferred to Woongjin Chemical)

Water Pollutant Emission (Unit : mg/ℓ)



Use of Resources

We conduct diverse energy conservation programs such as shutting off personal computers during lunchtime and at night. These actions are aimed at reducing CO₂ emissions, a major culprit of global warming. Despite our efforts, our energy use increased in 2008 in line with the company's growth and increase in production volume. In particular, rise in production of water purifiers and expansion of carbon block 2 line and filter 2 line led to a surge in LPG usage and a 19 percent increase in electricity use (4,575,190kWh) from 2007. In contrast, subsurface water use decreased with the transfer of membrane module and fabric production line to Woongjin Chemical in the second half of 2008.

Use of Resources

Category	Unit	2006	2007	2008
Electricity	kWh	2,932,644	3,709,920	4,575,190
Heating Oil	ℓ	91,900	-	-
LPG Gas	kg	1,374	25,588	32,448
Butane Gas	kg	300	172	156
Water	m ³	31,230	51,713	49,931
Waterworks	m ³	20,782	19,770	18,653
Kerosene	ℓ	8,345	9,266	8,788



- Participate in Trial Accreditation of Carbon Labeling

CO₂ Emission

CO₂ emission in 2008 increased due to substantial increase in resource use caused by production of water filtration devices and air purifiers.

CO₂ Emission

Category	Unit	2006	2007	2008
CO ₂ Emission - Kerosene	CO ₂ · ton	22	24	23
CO ₂ Emission - Heating Oil	CO ₂ · ton	238	-	-
CO ₂ Emission - LPG Gas	CO ₂ · ton	12	168	235
CO ₂ Emission - Butane Gas	CO ₂ · ton	3	0.53	0.48
CO ₂ Emission - Electricity	CO ₂ · ton	1,418	1,794	2,213

Wastewater

Wastewater generation volume in 2008 decreased significantly to 1,807m³. Moreover, as we transferred our membrane module and fabric lines to Woongjin Chemical, there recorded no wastewater generated from our worksites from July 2008.

Wastewater Generation

Category	Unit	2006	2007	2008
Wastewater	m ³	212	2,604	1,807

Carbon Labeling

Carbon labeling is an initiative led by the Ministry of Environment whereby greenhouse gas emissions generated throughout a product's life cycle are disclosed to consumers in a bid to encourage the purchase of low carbon products and reduce greenhouse gases. The ministry carried out pilot certification from July to December of 2008 ahead of the system's implementation in 2009. As an active supporter of efforts to cut greenhouse gas emissions and share greenhouse gas emissions of products in the whole process with customers, Woongjin Coway participated in the pilot process. The company designated air purifier(CP-07B) as an example of carbon labeling for the first time in the well-being appliance industry and will apply 5 other products among 2009 brand new models.

Environmental Activities

Empty Plate Campaign

We are spreading out empty plate campaign for 'Food waste for ZERO' as one of the environment management. We had 'No leftover food for Thursday' campaign and the amount of leftover food per person in 2008 was reduced to 18.0g, substantially lower than 23.5g in 2007. The company targets 9.0g for the amount of leftover food in 2009 and plans to reduce food waste continuously.



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Environmental Leadership
 Environmental Activities and Performance
 2009 Eco-friendly Management Strategy

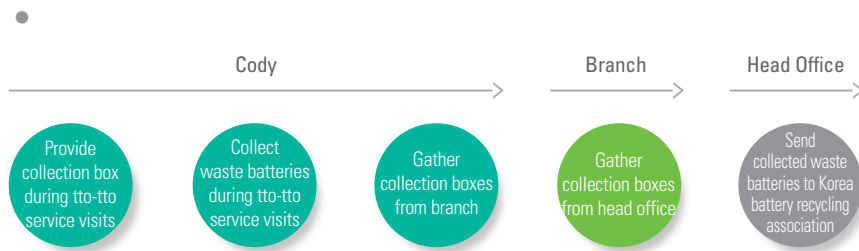
Environmental Education

We developed environment management related e-learning contents and managed 15.9 hours of education for 688 employees in total. Also, in 2008, we conducted 22.4 hours of education, more than double comparing to 2007, for persons in charge of partner companies, thus enhancing the recognition for the importance of eco-friendly management and supervising hazardous substances.

Eco-Cody

To inform the proper disposal of waste batteries which give serious impact on human body and nature, Woongjin Coway appeared as a spokesperson for resource circulation of the Ministry of Environment at opening ceremony of 'Environment Loving Waste Batteries Collection' in November 2008 and 11,000 Woongjin Coway Codys were appointed as 'Eco-Cody'. Eco-Cody communicates with 3 millions of customers to inform the necessity of recycling waste batteries and collects waste batteries, distributing trays to each family at the same time.

Eco-Cody's Collection of Waste Batteries



● Eco-Cody
 ● Eco-drive Campaign Poster

Eco-drive

Launched in July 2008, the Eco-drive campaign has been effective in protecting the environment, saving personal expenses and solving shortage of parking space. The program promotes a 5th day no-driving system, bicycling and car-pooling.

Selling Refurbished Products

From February 2009, the company started to sell refurbished goods so that the customers can have the opportunity to purchase good quality of products at a relatively low price. It also contributes to solving the environmental problems by reducing wastes.

From February 2009, the company started to sell refurbished goods so that the customers can have the opportunity to purchase good quality of products at a relatively low price. It also contributes to solving the environmental problems by reducing wastes.

What is refurbished product?



Refurbished products refer to goods that have been returned by customers because they changed their mind about the purchase. These pre-owned products are reworked and restored before being offered for sale. Although some may have scratches, the level of quality is often the same as a product that is sold as new because they undergo stringent quality tests. Customers also have the advantage of obtaining a quality product at a lower cost.

In response to the growing concern for our environment, Woongjin Coway has declared 2009 as the Year One in environmental management and plans to execute strategies designed to build a foundation for low-carbon, green growth.



2009 Eco-friendly Management Strategy

3 Key Strategies to Attain Low Carbon Green Growth

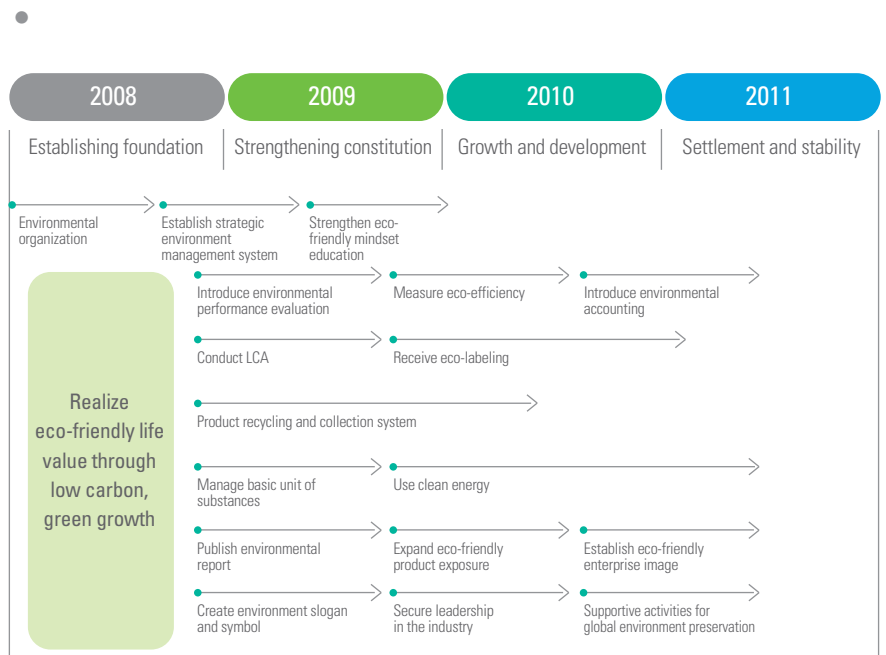


Establish Foundation of Low Carbon, Green Growth

- The year 2009 is the first year for Woongjin Coway to begin new environment management. The company will actively respond to the environment issues that are becoming more important and will establish new growth foundation by implementing leading activities. To this end, we will expand and reorganize the environment management organization, prepare for mid- to long-term environment management roadmap, and focus on environment management strategies set for 2009.

The 3 strategic tasks of environment management in 2009 are responding to regulations, establishing green foundation, and expanding growth. To deal with regulations, the company plans to expand RoHS response, execute HSPM certification and EuP/WEEE project as main tasks. Particularly, the company plans to establish GHG inventory, certify carbon labeling, etc by the end of the year to establish green foundation.

Mid- to Long-term Environmental Management Roadmap



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Environmental Leadership
Environmental Activities and Performance
2009 Eco-friendly Management Strategy

Responding to Global Environmental Regulations

Since mid-2000s, Woongjin Coway has been making headway in overseas markets, exporting air and water purifiers, their components and filters to 47 countries worldwide. The company will step up its exports while proactively responding to global environmental regulations. Our efforts will include building an integrated system for quality and environmental management and developing green products.

Global Environmental Regulations



Korea
K-RoHS/WEEE(2008.01)

Japan
J-MOSS
Disclosure of information on chemical substances contained in electrical and electronic (E&E) equipment

China
E&E Product Pollution Prevention Law
C-RoHS/WEEE(2007.03)



USA
California SB50
Electronics Recycling Law

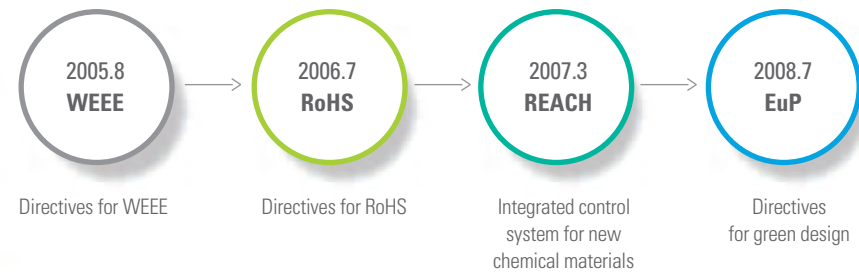


EU
RoHS/WEEE(2006.07)
EuP/REACH(2008.07)



The scope of hazardous substance management is planned to increase from 6 RoHS-restricted substances (Pb, Cd, Hg, Cr6+, PBBs, PBDEs) in 2008 to 12 in 2009 and 25 in 2010. We plan to expand the number of controlled materials by reflecting changes in RoHS guidelines. Our plan also includes creating an eco-friendly design process to respond to EuP (Energy using Products) restrictions. EuP is a framework for the integration of various environmental aspects in the product lifecycle (design/manufacture/use), created to supplement RoHS and WEEE (Waste Electrical and Electronic Equipment) Directives. Moving forward, Woongjin Coway will expand the current performance-centered product and component design process to encompass environmental, legal and customer requirements to strengthen our foundation for green product development. Moreover, we will pursue such green actions as recycling-friendly designs, WEEE mark labeling, waste E&E product recovery, model-specific recycling tool selection and recycling manual distribution.

Restrictions



APPENDIX

- * Summary Financial Statements
- * Awards and Recognition
- * Assurance Report
- * Comment from External Expert
- * GRI Index



Summary Financial Statements

Summary Balance Sheets (Unit : KRW thousand)



Category	2007	2008
Current assets	395,573,254	475,603,124
● Quick assets	337,784,650	417,610,283
● Inventories	57,788,604	57,992,841
Non-current assets	540,503,632	595,804,680
● Investment assets	16,704,496	114,061,161
● Tangible assets	388,708,793	356,410,921
● Intangible assets	74,063,799	64,857,191
● Other non-current assets	61,026,543	60,475,407
Total assets	936,076,886	1,071,407,804
Current liabilities	393,048,412	398,741,701
Non-current liabilities	14,546,109	76,034,632
Total liabilities	407,594,521	474,776,333
Capital stock	39,315,997	39,315,997
Capital surplus	113,674,391	108,723,905
Capital adjustment	4,916,689	6,180,975
Accumulated other comprehensive income	546,149	1,346,595
Retained earnings	370,056,285	441,064,000
● Legal reserve	10,825,427	16,825,427
● Voluntary reserve	242,876,035	295,076,035
● Retained earnings before appropriations	116,354,823	129,162,538
Total shareholders' equity	528,482,365	596,631,471
Total liabilities and shareholders' equity	936,076,886	1,071,407,804

Summary Income Statements (Unit : KRW thousand)



Category	2007	2008
Sales	1,213,090,172	1,314,402,927
Cost of goods sold	384,670,142	407,158,576
Gross profit	828,420,030	907,244,351
SG&A expenses	667,123,918	717,095,399
Operating income	161,296,112	190,148,952
Non-operating income	9,741,253	21,459,966
Non-operating expenses	15,345,577	26,823,671
Net income before income tax	155,691,788	184,785,247
Income tax expenses	39,416,344	55,720,577
Net income	116,275,445	129,064,669

Awards and Recognition

Awards and Recognition



Award	Organizer	Month
Technology Management Innovation Grand Prize(BA09)	Korea Economic Daily	January
Technology Management Innovation Grand Prize(BA05)	Korea Economic Daily	January
Korea Brand Power Index(K-BPI)	Korea Management Association Consulting(KMAC)	February
2008 'Good Company to Work For' Award	Hankyoreh Economy	March
Technology Frontier Award	Korea Standard Association	April
Best Quality and Service Award by Female Consumers	The Women's News	May
Brand Star Award (Coway, Looloo, CAIRS)	BrandStock	May
The 10th Hankyung Marketing Award	Korea Economic Daily	May
Korea Best Brand Award	BrandStock	July
No.1 in User Quality Index	Korea Standard Association	July
Energy Winner Award(AP-1207BH)	Consumers Korea	July
Energy Winner Award(BA09)	Consumers Korea	July
Excellent Company in the Standby Power (Air purifiers)	Consumers Korea	July
Excellent Company in the Standby Power (Bidets)	Consumers Korea	July
2008 Hankyung Global Leader Award	Korea Economic Daily	September
2008 KCSI(4 consecutive years)	Korea Management Association Consulting(KMAC)	September
Forbes Management Quality Grand Prize	Korean Society for Quality Management, Forbes Korea	September
Highest Brand	BrandStock	October
2008 Sustainability Management Grand Prize	Korea Economic Daily	October
Korea Management Grand Prize(Marketing)	Korea Management Association Consulting(KMAC)	October
Female Consumers Grand Prize	The Women's News	November
No.1 NBCI(National Brand Competitiveness Index)	Korea Productivity Center	November
Global Management Grand Prize	JMAC	November
Korea Management Grand Prize(Marketing)	Korea Management Association Consulting(KMAC)	November
NET(New Excellent Technology) Certificate	Ministry of Knowledge Economy	December
KCOP of the Year	Korea Association of Consumer Professionals	December
Presidential Award at the 13th Consumer Rights Day	Fair Trade Commission	December
'\$30 million Tower of Export' Award	Korea International Trade Association	December

































Awards and Recognition

Awards and Recognition



Award	Organizer	Detail	Project/Product	Model
GOOD DESIGN	Korea Institute of Design Promotion	Award of Ministry of Knowledge Economy	Air purifier	AP-1008
		Award of Korea Institute of Design Promotion	Bidet	BA11
		Recognition	Robot cleaner	WRC-01
		Recognition	Water filtration device	P-07CL, P-07QR
		Recognition	Bidet	BA09
		Recognition	Food waste processors	WM03
KIDA	Korea Association of Industrial Designers	Bronze	Dolomities	AP-1008
		Recognition	Villa-M	CHP-08A
		Recognition	Digital bidet	BA11
		Recognition	Sarah	WMD-01
reddot design award (design concept)	Design Zentum	Recognition	Dolomities	AP-1008BH/CH
		Recognition	Neptunus	P-07F
		Recognition	Air purifier	Compact
GOOD DESIGN AWARD	Japan GD	Recognition	Humidification air purifier	Tefnut (AP-0807DH)
iF Design	International Forum Design	Recognition	Cool water purifier(Petit)	CHP-06DL
			Water filtration device (cold/hot) for house	
			Standard type water filtration device Sally2 (cold/hot for export good)	CP-07H
			Under sink type	P-07F
			Genie	P-07IU/M
			EOS-PLUS	AP-1007EH
			Tefnut	AP-0807DH
			Notos	AP-1207B
			High level Bidet	BA-11
IDEA		Finalist	Dolomities	AP-1008BH/CH
		Finalist	Notos	AP-1207B
		Finalist	High level Bidet	BA-11
		Silver	DAAN	
		Finalist	Natural Cycle	
		Finalist	Breather	
		Finalist	Rising the Moon	

AWARDS AND RECOGNITION

	Technology Management Innovation Grand Prize Korea Economic Daily AP-2506BH, BA09, BB05		NBCI(National Brand Competitiveness Index)2008 Joongang Daily, Korea Productivity Center LooLoo (5 consecutive years)		The 10th Korea Brand Power Index Korea Management Association Coway(9 consecutive years), LooLoo(5 years), Cair(5 years)		Green Management Excellence Award Korea Management Association Cair
	2008 'Good Company to Work For' Award Hankyoreh Economy		2nd CCMS Certified Excellent Company Fair Trade Commission		Technology Frontier Award Korea Standard Association AP-1007AH		2008 Hankyung Global Leader Award Korea Economic Daily
	Korea Brand Star Award Brand Star Coway(3 consecutive years), LooLoo(4 years), Cair(4 years)		Forbes Management Quality Grand Prize(Grand prize in customer satisfaction category) Korean Society for Quality Management, Forbes Korea		Best Quality and Service Award by Female Consumers The Women's News LooLoo(6 consecutive years), Cair(6 years)		Highest Brand BrandStock
	The 10th Hankyung Marketing Award Korea Economic Daily Social contribution category		Korea Management Grand Prize(Marketing) KMAC		2007 Korea Best Brand Award Korea Economic Daily LooLoo(4 consecutive years)		Global Management Grand Prize JMAC
	Energy Winner Award Consumers Korea Excellent company of standby power: Bidet Green device category(standby power): AP-1007AH		NET(New Excellent Technology) Certificate Ministry of Knowledge Economy		2008 KCSI Korea Management Association Coway(8 consecutive years)		KCOP of the Year Korea Association of Consumer Professionals
	Presidential Award at the 13th Consumer Rights Day Fair Trade Commission		KOLAS Certificate KOLAS(Korean Agency for Technology and Standards under Ministry of Knowledge Economy)		ISTA certificate International Safe Transit Association		TÜV-SÜD RoHS Test Institute Certificate TÜV
	Good Design Korea Institute of Design Promotion AP-1008, BA11, WRC-01, P-07CL, P-07QR, BA09, WM03, BA09, WM03		KAID Award Korea Association of Industrial Designers AP-1008, CHP-08A, BA11, WMD-01		reddot Design Award Design Zentum CHP-08A, BA11, WMD-01, AP-1008BH/CH, P-07F, design concept - Compact		GOOD DESIGN Award GD Japan Tefnut (AP-0807DH)
	IF Design International Forum Design CHP-06DL, CP-07H, P-07F, P-07IU/M, AP-1007EH, AP-0807DH, AP-1207B, BA-10, BA-11		IDEA(International Design Excellence Awards) Industrial Designers Society of America AP-1008BH/CH, AP-1207B, BA-11		2008 Sustainability Management Grand Prize '\$30 million Tower of Export' Award WQA Recognized Testing Laboratory		Korea Economic Daily Korea International Trade Association WQA(Water Quality Association)

Participation in External Associations



Association	Organizer	Period	Department
Korean Society for Indoor Environment			Cleaner 1team(8 person)
The Korean Society of Analytical Science	Ministry of Education, Science and Technology		Cleaner 1team(2 person)
The Korean Society of Analytical Science	Ministry of Education, Science and Technology		Environmental Analysis Center
Council of Drinking Water Inspection Bodies	Ministry of Environment	2007~	Environmental Analysis Center
Korean Industrial Technology Association	Korean Industrial Technology Association	August 1994~	Technology Planning team
Korea Air Cleaning Association	Ministry of Environment	October 2007~	Cleaner 2team
Korea Institute of Design Promotion	Ministry of Knowledge Economy	2006~Currently	Design team
Korea Association of Industrial Designers	Ministry of Knowledge Economy	2006~Currently	Design team

Participation in External Seminar or Forum



Events	Organizer	Period	Participation department
2008 Korea Design Forum	Korea Institute of Design Promotion	May 23	Design team
"Mange the Future by Design"	Design Promotion		
World Knowledge Forum 41th Autumn Symposium	Maeil Business Newspaper	October 15, 16	Management Strategy team
The Korean Society of Analytical Science		November 20, 21	Environmental Analysis Center

Assurance Report

Foreword



The Korea Management Association Registration and Assessments (KMAR) has been engaged by WOONGJIN COWAY to verify the contents of its 2008 Sustainability Report (the Report). WOONGJIN COWAY is responsible for the collection and presentation of information within the Report. Our responsibility is to carry out assurance activities on specific information in the verification scope stipulated below.

Our Independence



With the exception of providing third party verification services, KMAR is not involved in any other WOONGJIN COWAY business operations that are aimed at making profits in order to avoid any conflicts of interest and to maintain independence.

Verification Scope



WOONGJIN COWAY described its efforts and achievements of its sustainability activities in the Report. The verification process was designed to provide readers with the following information;

Verification of the Economic Segment

Review whether financial performance data has been extracted appropriately from WOONGJIN COWAY 's 2008 Financial Statements Audit Report and Annual Report as defined in the Report's performances and conclusion sectors

Verification of Social / Environment Segments

Review whether information included in the following segments is presented appropriately.

- Ethical Management
- Sustainability Management System
- Stakeholders (Customers, Employees, Stockholders and Business Partners)
- Social Contribution
- Environment

'Presented appropriately' means that the contents of the Report appropriately reflected actual data and original information and were presented in a consistent and reliable manner. For the economic sector, we based our evidence gathering procedures on reasonable assurance. It is a higher level of assurance than the limited verification in terms of characteristics and the extent of performed tasks.

Verification Standards



KMAR performed the review based on our verification standards that have been developed in accordance with the Accountability's "AA1000 Assurance Standard." We also used the International Auditing and Assurance Standards Board-issued "International Standard on Assurance Engagements (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information" as additional guidelines.

Verification Process and Conclusion



In order to form our conclusion, KMAR undertook the steps outlined below to assess WOONGJIN COWAY 's internal processes for reviewing the sustainability reporting practices.

- Surveyed WOONGJIN COWAY 's sustainability related media information during the reporting period
- Reviewed systems and processes used in producing data
- Assessed internal documents and materials
- Interviewed people in charge of disclosed activities and performances

Based on results we have obtained from material reviews, related department visits and interviews, we held several discussions with WOONGJIN COWAY on the revision of the Report. We reviewed the Report's final version in order to confirm whether our recommendations for improvement and revisions have been reflected.

Economic Performance



We compared the Report with WOONGJIN COWAY 's 2008 Financial Statements and found that the financial data presented in the Report has been appropriately derived from 2008 Financial Statements.

Environmental and Social Performance



We observed that information contained in the "environmental and social sections" has been appropriately presented. We did not discover any significant errors.

Recommendation for Improvement



We hope WOONGJIN COWAY 's first publication of the Report is actively used as a communication tool with stakeholders and recommend the following for improvements.

- Establishment of systemic process for stakeholders' engagement and the materiality test model
- Extension of reporting scope on corporate social responsibility management and activities

CEO Ki Ho Park

K. H. Park

KMAR

Korea Management Association
Registrations & Assessments Inc.

Comment from External Expert



Lee Myoung-Chun



- Professor of Advertising and Public Relations at Chung Ang University
- Chief Director of Korean Supporters for Youth International
- President of Korean Academic Society for Public Relations

Enterprise business management starts from its customers - that's how Woongjin Coway started off. Whatever the consumer's need was, Woongjin Coway was there to meet it. Woongjin Coway has developed under one purpose: customer satisfaction. The domestic market is not big enough for late starters to easily fix in. Without putting itself in the customers' shoes, it would have been impossible for Woongjin Coway to grow into the company that has won over the consumers for 20 years. Its 2008 sustainability report shows how mature Woongjin Coway has developed through customer-focused activities. The report specifically indicates fiscal year 2008 achievements and how 2009 management should be in the concrete.

Woongjin's rental business - including water purifier rental service - during the nation's financial predicament in the 1997 currency crisis takes credit for cutting down unnecessary purchases, maximizing volunteer activities, and initiating a new, corporate-led consumer trend. In addition, the company is opening a new era of well-being appliances with products such as air purifiers, bidets, water softeners, and food waste processors. Commercializing such environment-friendly home appliances is a definite market differentiation, which means that Woongjin Coway is in a predominant position in technology, promising a future growth.

The report confirms that the company's management is taking a future-oriented course by setting eco-management as its business model. The eco-friendly management philosophy can also be affirmed by the company's eco-management policy based on 'Low Carbon Green Growth', social contribution reports on environmental activities, and by the company's acquiring of the eco-mark and winning many environmental awards, including Energy Winner Award(Air purifier AP-1207BH, Bidet BA09) for Green device category from Consumers Korea.

Achieving the "Grand slam" by winning four major global design awards and receiving an award for customer satisfaction management activities prove how much customer-focused Woongjin Coway is. As you can tell from the 2008 sustainability report, Woongjin Coway strives harder than any other company for sustainable management. However, we cannot be complacent, because the moment you think everything is perfect, you will soon fall. Consumers don't approve of self-complacent companies. Consumers of the future are different from that of the past or the present - they demand much more from the companies. They want the companies to be faithful to long-term values such as social welfare and preserving the environment and resources while responding to the customers' short-term needs. It is a tall order.

Therefore, a company must stay alert and open towards its customers in order to keep sustainable management in place. The company must, by extension, be ahead of the consumers to satisfy their unbounded demands. It is also important to have all kinds of system ready for any complaints or misunderstanding that might occur, and to deal with unexpected situations. For this reason, the 2009 eco-friendly management strategies in Woongjin Coway's 2008 sustainability report, including the 3 major strategic challenges of 2009 environment-friendly management are given attention. Many stockholders and customers will be watching and encouraging Woongjin Coway's innovations and growth, along with the contents of its 2008 sustainability report.

GRI Index

GRI Index	Indicators	Page	Remark
1	Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	8, 9	
1.2	Description of key impacts, risks, and opportunities	19-21	
2	Organizational Profile		
2.1	Name of the organization	11	
2.2	Primary brands, products, and/or service	14	
2.3	Operational structure of the organization, including main divisions, operating companies subsidiaries, and joint venture Location of organization' s headquarters	13	
2.4	Location of organization's headquarters	11, 14	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	14	
2.6	Nature of ownership and legal form	45	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	14, 47	
2.8	Scale of the reporting organization	11, 37, 47	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	12-14, 45	
2.10	Awards received in the reporting period	73-75	
3	Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	1	
3.2	Date of most recent previous report (if any)	1	
3.3	Reporting cycle (annual, biennial, etc.)	1	
3.4	Contact point for questions regarding the report or its contents	3	
3.5	Process for defining report content	1, 26	
3.6	Boundary of the report	1	
3.7	State any specific limitations on the scope or boundary of the report	1	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	1	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report		Shown in the report if necessary
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	1	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	1	
3.12	Table identifying the location of the Standard Disclosures in the report	79-82	
3.13	Policy and current practice with regard to seeking external assurance for the report	1	
4	Governance, Commitments, and Engagement		
4.1	Governance structure of the organization	45, 46	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	45	
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	45	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	46	

GRI Index

GRI Index	Indicators	Page	Remark
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	45	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	45	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization' strategy on economic, environmental, and social topics	45	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	11, 16, 52 54, 61	
4.9	Procedures of the highest governance body for overseeing the organization' identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principle	45, 46	
4.10	Processes for evaluating the highest governance body' own performance, particularly with respect to economic, environmental, and social performance	45	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	21	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	75, 83	
4.13	Memberships in associations (such as industry associations) and /or national/international advocacy organizations in which the organization	75	
4.14	List of stakeholder groups engaged by the organization	23, 24	
4.15	Basis for identification and selection of stakeholders with whom to engage	23, 24	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	23, 24	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	23, 24	
EC	Economic		
EC1	Direct economic value generated and distributed	25	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change		Main businesses are influenced by seasonal factors. However, it is not measurable.
EC3	Coverage of the organization' s defined benefit plan obligations		See business report.
EC4	Significant financial assistance received from government		No government subsidy
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	54	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	37	
EC8	Development and impact of infrastructure investments and services provide primarily for public benefit through commercial, in-kind, or pro bono engagement	55-58	
EN	Environment		
EN1	Materials used by weight or volume	66	
EN2	Percentage of materials used that are recycled input materials		Data is not collected or managed since we purchase parts and components from outside suppliers.

GRI Index

GRI Index	Indicators	Page	Remark
EN3	Direct energy consumption by primary energy source	66	
EN4	Indirect energy consumption by primary source	66	
EN	Water		
EN8	Total water withdrawal by source	66	
EN	Bio-diversity		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not available
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		Not available
EN	Emissions, Effluents, and Waste		
EN16	Total direct and indirect greenhouse gas emissions by weight	67	
EN17	Other relevant indirect greenhouse gas emissions by weight	67	
EN19	Emissions of ozone-depleting substances by weight	67	
EN20	NOx, SOx, and other significant air emissions by type and weight	65	
EN21	Total water discharge by quality and destination	67	
EN22	Total weight of waste by type and disposal method	65	
EN23	Total number and volume of significant spills	65, 70	
EN	Products and Services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	64, 65	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	65	
EN	Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for		Not available
LA	Labor Practice and Decent Work		
LA1	Total workforce by employment type, employment contract, and region	37	
LA2	Total number and rate of employee turnover by age group, gender, and region	37	
LA	Labor/Management Relations		
LA4	Percentage of employees covered by collective bargaining agreements	42	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		Communication between management and employees are done in case important management issues happen.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	44	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	44	
LA	Training and Education		
LA10	Average hours of training per year per employee by employee category	39	
LA	Diversity and Equal Opportunity		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	37, 45	
LA14	Ratio of basic salary of men to women by employee category		There exists no difference between male and female workers of same position.
HR	Human Rights		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		Not available

GRI Index

GRI Index	Indicators	Page	Remark
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		Not available
HR	Non-Discrimination		
HR4	Total number of incidents of discrimination and actions taken		No incidents of discrimination happened
HR	Freedom of Association and Collective Bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights		Not available
HR	Child Labor		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	37	
HR	Forced and Compulsory Labor		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	37	
SO	Society		
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	55-58	
SO	Corruption		
S02	Percentage and total number of business units analyzed for risks related to corruption		No business unit was related to the risk of corruption.
S03	Percentage of employees trained in organization's anti-corruption policies and procedures		All executives and employees received related education including education on ethics.
S04	Actions taken in response to incidents of corruption	15-18	
SO	Public Policy		
S05	Public policy positions and participation in public policy development and lobbying		Not available
SO	Compliance		
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No monetary fines and non-monetary sanctions
PR	Product Responsibility		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	29, 30	
PR	Product and Service Labeling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	29	
PR	Marketing Communication		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	29	
PR	Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No fines levied

GRI Index

Self-declaration of GRI G3 Application Level



The Sustainability Report 2008 of Woongjin Coway was written based on the GRI G3 guidelines and, Woongjin Coway declared that this report met the content and quality requirements of GRI G3 Application Level A.

KMAR confirms that this report meets the GRI G3 Application Level A among A, B and C level through assurance.

* Reference: + provided below refers to 3rd party assurance.

GRI Application Levels Table



Report Application Level	C	C+	B	B+	A	A+
G3 Profile Disclosures Output	Report on : 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15		Report on : Report on all criteria listed for Level C plus, 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17		Report on : Same as requirement for Level B	
G3 Management Approach Disclosures Output	Not Required	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured	Management Approach Disclosures for each Indicator Category	Report Externally Assured
G3 Performance Indicator & Sector Supplement Performance Indicators Output	Report on a minimum of 10 Performance Indicators, including at least one from each of : : social, economic, and environment		Report on a minimum of 20 Performance Indicators, including at least one from each of : : economic, environment, human rights, labor, society and product responsibility		Respond on each core G3 and Sector Supplement Indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

The Global Compact's Ten Principles



Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

WOONGJIN CI

Logotype



Blending of the Woongjin logotype with symbols representing “Tto-Tto Sarang(love again & again)” for work, society, change, company, challenge and customers.

Woongjin's logotype means connection, infinity, and expansion. The circles connected horizontally and vertically are expressing the willingness of Woongjin to permanently stay with its customers and society.

It demonstrates business system of Woongjin that expands in cooperation among people. It also can be interpreted as moving forward dynamically with four circles becoming wheels.

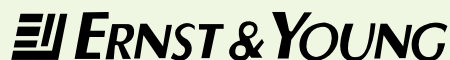
6 Symbols



The unique and asymmetric layout of six symbols mirrors Woongjin's creative weird idea, showing its corporate culture where diversified elements coexist in harmony. And liberal and vivid touch of logotype expresses human-oriented and emotional character of Woongjin.

	<p>Love for Customer It expresses customer-oriented affirmation and positive service through humanity.</p>
	<p>Love for Change Meaning that the growth of sprout comes from changes, it expresses the management philosophy that seeks growth through changes.</p>
	<p>Love for Society Meaning wrapping and embracing with hand, it expresses magnanimous love of society.</p>
	<p>Love for Work It expresses a man who works enthusiastically with positive attitude, while perceiving the core of work with a lofty objective and volition.</p>
	<p>Love for Challenge It means the pursuit of an ultimate object (star) through challenges without resting on past achievements.</p>
	<p>Love for Organization It expresses corporate culture that emphasizes cooperation and fairness as a united organization.</p>

Independent Auditors' Report



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

We have audited the accompanying balance sheet of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2008, and the related statements of income, appropriations of retained earnings, changes in equity and cash flows for the year then ended. 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 for the year ended December 31, 2007, presented for comparative purposes, were audited by Deloitte Anjin LLC, whose report dated February 29, 2008, expressed an unqualified opinion on those financial statements.

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 financial statements referred to above present fairly, in all material respects, the financial position of Woongjin Coway Co., Ltd. as of December 31, 2008, and the results of its operations, its changes in retained earnings and equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in retained earnings and equity, and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

March 5, 2009

Notice to Readers

This audit report is effective as of March 5, 2009, the auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this audit report is used. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

Balance Sheets

As of December 31, 2008 and 2007

	2008		2007	
	₩		₩	
(Korean won in thousands)				
Assets				
Current assets:				
Cash and cash equivalents (Note 13)	₩	76,101,910	₩	28,511,583
Short-term investment assets (Notes 4, 13 and 18)		5,901,688		486,790
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩55,612,954 in 2008 and ₩49,519,425 in 2007 (Notes 13, 18 and 34)		149,822,884		117,908,861
Other accounts receivable, net of allowance for doubtful accounts of ₩11,273,089 in 2008 and ₩10,484,764 in 2007 (Notes 13 and 18)		8,326,858		11,055,765
Accrued income, net (Note 18)		-		44,270
Advance payments		11,446,673		7,463,492
Prepaid expenses (Note 34)		162,909,252		157,860,251
Deferred income tax assets (Note 19)		3,101,019		14,453,637
Inventories (Note 24):				
Merchandise		36,493,386		40,529,639
Finished goods		20,778,598		14,108,290
Work-in-process		393,668		3,247,976
Raw materials		5,756,630		5,053,346
Others		245,376		-
		63,667,659		62,939,250
Less valuation allowance		(5,674,818)		(5,150,646)
Inventories, net		57,992,841		57,788,604
Total current assets		475,603,124		395,573,254
Non-current assets:				
Long-term investment securities (Note 5)		3,048,699		4,419,056
Equity method investments (Note 6)		109,765,552		9,602,964
Long-term loans, net of allowance for doubtful accounts of ₩3,492 in 2008 and ₩853 in 2007 (Notes 6, 13 and 18)		1,246,911		2,682,475
Long-term guarantee deposits		39,176,275		38,408,383
Long-term prepaid expenses		17,497,917		18,422,917
Deferred income tax assets (Note 19)		3,505,386		3,925,846

(Continued)

See accompanying notes.

Balance Sheets

As of December 31, 2008 and 2007

	2008		2007	
	₩		₩	
(Korean won In thousands)				
Property, plant and equipment, net (Notes 7, 8 and 24)				
Land	₩	14,456,458	₩	12,652,116
Buildings		11,951,681		23,736,681
Structures		493,552		4,497,086
Machinery and equipment		8,072,921		15,495,008
Tools		43,700,164		28,387,800
Research facility		6,164,901		3,233,198
Rental assets		542,392,482		564,081,619
Furniture and fixtures		59,246,632		64,583,852
Vehicles		489,706		127,337
Construction in progress		1,090,795		1,453,961
		688,059,292		718,248,657
Less government grant		(69,700)		-
Less accumulated impairment losses		(7,784,495)		(10,440,625)
Less accumulated depreciation		(323,794,176)		(319,099,239)
Property, plant and equipment, net		356,410,921		388,708,793
Intangible assets, net (Notes 9 and 30)		64,857,191		74,063,799
Other assets (Note 3)		295,830		269,398
Total non-current assets		595,804,680		540,503,632
Total assets	₩	1,071,407,804	₩	936,076,886
Liabilities and stockholders' equity				
Current liabilities:				
Trade accounts and notes payable	₩	34,168,108	₩	25,773,266
Short-term borrowings (Note 11)		107,845,795		92,013,408
Other accounts payable		83,662,104		77,116,304
Advances received		128,591,731		149,412,273
Withholdings		10,415,078		4,828,990
Accrued expenses		5,445,287		3,289,323
Income taxes payable (Note 19)		26,793,650		17,694,446
Provision for product warranties (Note 15)		1,411,512		2,828,542
Provision for return of goods sold (Note 15)		408,437		91,859
Current portion of debenture		-		20,000,000
Total current liabilities		398,741,701		393,048,412

(Continued)

See accompanying notes.

Balance Sheets

As of December 31, 2008 and 2007

	(Korean won in thousands)	
	2008	2007
Non-current liabilities:		
Long-term borrowings (Note 11)	₩ 60,000,000	₩ -
Reserve for agent losses (Note 12)	5,747,457	5,716,401
Rental deposits received from customers	1,124,008	1,136,018
Provision for construction warranties (Note 15)	161,603	-
Severance and retirement benefits (Notes 2 and 14)	8,991,563	7,683,689
Other long-term liabilities	10,000	10,000
Total non-current liabilities	76,034,632	14,546,109
Total liabilities	474,776,333	407,594,521
Commitments and contingencies (Note 25)		
Stockholders' equity:		
Capital stock (Note 16)	39,315,997	39,315,997
Capital surplus (Note 31 and 33)		
Paid-in capital in excess of par value	64,146,430	80,762,416
Adjustment arising from equity method investments	11,665,500	(27,145)
Other capital surplus	32,911,975	32,911,975
Capital adjustments:		
Stock options (Note 26)	6,180,975	4,916,689
Accumulated other comprehensive income:		
Gain (loss) on valuation of long-term investment securities (Note 5)	(1,091,472)	162,160
Gain on valuation of equity securities accounted for using the equity method (Note 6)	4,147,361	430,742
Loss on valuation of equity securities accounted for using the equity method (Note 6)	(1,709,295)	(46,753)
Retained earnings (Note 17):		
Legal reserve	16,825,427	10,825,427
Voluntary reserve	295,076,035	242,876,035
Unappropriated retained earnings	129,162,538	116,354,823
Total stockholders' equity	596,631,471	528,482,365
Total liabilities and stockholders' equity	₩ 1,071,407,804	₩ 936,076,886

See accompanying notes.

Statements of Income

Years ended December 31, 2008 and 2007

	2008		2007	
	₩		₩	
Sales (Note 29)	1,314,402,927		1,213,090,172	
Cost of sales (Notes 29 and 30)	407,158,576		384,670,142	
Gross profit	907,244,351		828,420,030	
Selling and administrative expenses (Note 28)	717,095,399		667,123,918	
Operating income	190,148,952		161,296,112	
Other income (expenses):				
Interest income	3,295,294		1,611,140	
Interest expense	(11,345,460)		(8,011,428)	
Dividend income	24,597		-	
Rental income	546,796		116,400	
Bad debt expenses - non-trade	(1,377,106)		(1,080,150)	
Loss on foreign currency transactions, net	(182,865)		(935)	
Gain on foreign currency translation, net	10,642,774		910,222	
Equity in loss of equity method investments (Note 6)	(1,358,860)		(4,093,142)	
Gain on disposal of long-term investment securities, net	-		4,601,720	
Loss on disposal of property, plant and equipment, net	(2,545,036)		(332,630)	
Loss on inventory written off	(544,602)		-	
Miscellaneous income, net	641,294		1,334,565	
Others	(3,160,529)		(660,087)	
	(5,363,705)		(5,604,324)	
Income before income taxes	184,785,247		155,691,788	
Provision for income taxes (Note 19)	55,720,577		39,416,344	
Net income	₩ 129,064,669		₩ 116,275,445	
Earnings per share (Note 20):	₩ 1,734		₩ 1,565	

(Korean won In thousands)

See accompanying notes.

Statements of Appropriations of Retained Earnings

Years ended December 31, 2008 and 2007

	2008	2007
(Korean won in thousands)		
Retained earnings before appropriations:		
Unappropriated retained earnings carried forward from the prior year	₩ 97,869	₩ 79,379
Net income for the year	129,064,669	116,275,445
	129,162,538	116,354,824
Appropriations (2008 - proposed):		
Legal reserve	6,500,000	6,000,000
Other reserves	57,900,000	52,200,000
Cash dividends (Note 21)	64,755,834	58,056,955
	129,155,834	116,256,955
Unappropriated retained earnings to be carried forward to the next year	₩ 6,704	₩ 97,869

See accompanying notes.

Statements of Changes in Equity

Years ended December 31, 2008 and 2007

(Korean won In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive	Retained earnings	Total
As of 1 January 2007	₩ 39,287,797	₩ 113,831,969	₩ 2,070,448	₩ 62,248	₩ 283,531,077	₩ 438,783,539
Dividends	-	-	-	-	(29,750,237)	(29,750,237)
Issuance of capital stock	28,200	152,280	-	-	-	180,480
Net income for the year	-	-	-	-	116,275,445	116,275,445
Acquisition of treasury stock	-	-	(85,256,530)	-	-	(85,256,530)
Proceeds from disposal of treasury stock	-	(309,858)	85,256,530	-	-	84,946,672
Stock-based compensation expenses	-	-	2,846,241	-	-	2,846,241
Gain on valuation of long-term investment securities	-	-	-	152,503	-	152,503
Gain on valuation of equity securities accounted for using the equity method	-	-	-	274,330	-	274,330
Loss on valuation of equity securities accounted for using the equity method	-	-	-	29,922	-	29,922
As of December 31, 2007	₩ 39,315,997	₩ 113,674,391	₩ 4,916,689	₩ 519,004	₩ 370,056,285	₩ 528,482,365

See accompanying notes.

(Korean won In thousands)

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive	Retained earnings	Total
As of January 1, 2008 (as previously stated)	₩ 39,315,997	₩ 113,674,391	₩ 4,916,689	₩ 519,004	₩ 370,056,285	₩ 528,482,365
Cumulative effect of changes in accounting policy	-	(27,145)	-	27,145	-	-
As of January 1, 2008 (as restated)	39,315,997	113,647,246	4,916,689	546,149	370,056,285	528,482,365
Dividends	-	-	-	-	(58,056,955)	(58,056,955)
Net income for the year	-	-	-	-	129,064,669	129,064,669
Capital surplus arising from acquisition and disposal of business	-	(16,615,987)	-	-	-	(16,615,987)
Stock-based compensation expenses	-	-	1,264,286	-	-	1,264,286
Gain on valuation of long-term investment securities	-	-	-	(1,253,632)	-	(1,253,632)
Capital surplus from equity method	-	11,692,645	-	-	-	11,692,645
Gain on valuation of equity securities accounted for using the equity method	-	-	-	3,716,619	-	3,716,619
Loss on valuation of equity securities accounted for using the equity method	-	-	-	(1,662,541)	-	(1,662,541)
As of December 31, 2008	₩ 39,315,997	₩ 108,723,905	₩ 6,180,975	₩ 1,346,595	₩ 441,064,000	₩ 596,631,471

See accompanying notes.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008		2007	
	₩		₩	
(Korean won in thousands)				
Cash flows from operating activities:				
Net income	₩	129,064,669	₩	116,275,445
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance and retirement benefits		12,134,753		13,621,808
Stock-based compensation expenses		1,264,286		2,846,241
Depreciation		126,499,075		132,757,442
Amortization of intangible assets		14,681,559		8,833,939
Bad debt expense - trade		15,954,392		13,880,665
Bad debt expenses - non-trade		1,377,106		1,080,150
Loss on impairment of assets		44,710,986		44,131,162
Equity in loss of equity method investments, net		1,358,860		4,093,142
Gain on foreign currency translation, net		(9,988,135)		(910,222)
Loss on disposal of property, plant and equipment, net		2,545,036		332,630
Miscellaneous loss, net		12,519		25,503
Loss on valuation of inventories		524,172		716,161
Loss on inventory written off		544,602		-
Provisions		316,577		2,454,800
Gain on disposal of long-term investment securities, net		-		(4,601,720)
Changes in operating assets and liabilities:				
Trade accounts and notes receivable		(41,781,857)		(19,734,482)
Other accounts receivable		2,213,680		2,883,635
Prepaid expenses		(5,049,001)		(13,769,312)
Deferred income taxes		13,156,021		1,310,902
Accrued income		(544,511)		82,138
Advance payments		(3,983,180)		(6,150,603)
Inventories		(1,284,608)		21,984,576
Trade accounts and notes payable		8,394,841		(7,464,031)
Other accounts payable		6,545,800		3,589,402
Advances received		(20,820,542)		4,581,927
Withholdings		5,586,088		(1,544,085)
Accrued expenses		2,155,963		(2,057,918)
Income taxes payable		9,099,204		(22,429,827)
Payment of severance and retirement benefits, net	₩	(10,826,233)	₩	(12,350,504)

(Continued)

See accompanying notes.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008		2007	
	₩		₩	
Long-term prepaid expenses		925,000		77,083
Others, net		18,400		(1,256,714)
Total adjustments		175,740,856		167,013,889
Net cash provided by operating activities		304,805,525		283,289,333
Cash flows from investing activities:				
Decrease (increase) in short-term investment assets, net		(4,245,086)		4,049,833
Increase in long-term financial instruments, net		(236,863)		(968,761)
Proceeds from disposal of property, plant and equipment		29,032,948		9,784,368
Acquisition of property, plant and equipment		(171,061,174)		(228,216,489)
Proceeds from disposal of equity method investments		-		8,747,810
Acquisition of equity method investments		(82,157,362)		(6,950,803)
Refund of long-term guarantee deposits		11,923,372		11,380,659
Payment of long-term guarantee deposits		(12,691,264)		(10,129,172)
Increase in long-term loans receivable		-		(2,920,019)
Acquisition of intangible assets		(4,530,458)		(4,740,300)
Acquisition of business unit		(21,080,312)		(19,545,907)
Others, net		(26,432)		(60,031)
Net cash used in investing activities		(255,072,631)		(239,568,813)
Cash flows from financing activities:				
Proceeds from issuance of capital stock		-		180,480
Proceeds from disposal of treasury stock		-		85,257,570
Drawdown of short-term borrowings		680,346,715		734,844,046
Acquisition of treasury stock		-		(85,684,960)
Proceeds from long-term borrowings		60,000,000		-
Proceeds from government subsidy		82,000		-
Payment of short-term borrowings		(664,514,328)		(744,575,664)
Repayment of current portion of debentures		(20,000,000)		(10,000,000)
Payment of dividends		(58,056,955)		(29,750,237)
Net cash used in financing activities		(2,142,567)		(49,728,766)
Net increase (decrease) in cash and cash equivalents		47,590,327		(6,008,245)
Cash and cash equivalents at the beginning of the year		28,511,583		34,519,828
Cash and cash equivalents at the end of the year	₩	76,101,910	₩	28,511,583

(Korean won In thousands)

See accompanying notes.

Notes to Financial Statements

December 31, 2008 and 2007

1. Corporate information

Woongjin Coway Co., Ltd. (the "Company") was incorporated on May 2, 1989 under the laws of the Republic of Korea to engage in the manufacture and commercial distribution and rental of water purifiers, home appliances and construction of waste disposal facilities and other related business. The Company listed its common shares at the Korea Exchange ("KRX") on August 7, 2001 pursuant to the provisions of the Korean Securities and Exchange Act.

As the result of a merger and several increases in paid-in capital, the capital stock of the Company as of December 31, 2008 amounts to ₩39,316 million. In addition, the Company had previously retired 4,200,000 shares of treasury stock through the appropriation of retained earnings. As a result, the number of shares common stock outstanding amounting to 74,431,993 shares with a face value of ₩37,216 million differs from the face value and number of shares issued as recorded in the balance sheet as of December 31, 2008.

As of December 31, 2008, the majority shareholder of the Company is Woongjin Holdings Co., Ltd. (32.74%). Woongjin Chemical Co., Ltd., Woongjin Coway (Shenyang) Living Goods Co., Ltd. and Woongjin Coway USA Inc. are subsidiaries of the Company.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Adoption of new and revised Statements of Korea Accounting Standards ("SKAS"), Korea Financial Accounting Standards ("KFAS") and Korea Accounting Institute Opinion ("KAI Opinion")

The Company has adopted the following new and revised SKAS, KFAS and KAI Opinion for the current financial year.

- SKAS 8 Amendments - Investment in Securities
- SKAS 15 Amendments - Investment in Associates
- SKAS 16 Amendments - Income Taxes
- KAI Opinion 06-02 Amendments - Accounting for the Recognition of Deferred Income Tax Assets/Liabilities Associated with Investments in Subsidiaries, Branches and Associates, and Interests in Joint Ventures
- KFAS Article 70-2 - Special Exemption to Derivatives Accounting

The principal effects of these changes are as follows:

SKAS 15 Amendments - Investments in Associates

The revised standard requires a parent entity's reported net income and shareholders' equity in its non-consolidated financial statements to agree with the net income and shareholder's equity attributable to the parent entity in its consolidated financial statements, except for the case where the carrying amount of the investment in a subsidiary is below zero where the application of the equity method had already been discontinued. The comparative 2007 financial statements shall be restated in accordance with SKAS 1 Accounting Changes and Corrections of Errors and the effect of this change was adjusted to the closing balance of capital surplus and other comprehensive income in the balance sheet as of December 31, 2007 by a decrease in capital surplus and an increase in other comprehensive amounting to ₩27,145 thousand.

SKAS 16 Amendments - Income Taxes

The revised standard requires an entity to apply the revised disclosures which enable users of the financial statements to better understand the components of income taxes reported in the financial statements. These revised disclosures are presented in Note 19 .

Revenue recognition

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of goods have passed to the buyer upon delivery of goods sold and rental revenue is recognized on an accrual basis over the rental period. Other revenue is recognized when the revenue has been earned, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Company.

Cash equivalents

Highly liquid deposits and marketable securities with original maturities of three months or less, and which have no significant risk of loss in value by interest rate fluctuations, are considered as cash equivalents.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts in consideration of the estimated losses that may arise from non-collection of its receivables. The estimate of losses, if any, is based on a review of the aging and current status of the outstanding receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the moving-average method. Perpetual inventory system is used to record inventories, in which inventories are adjusted to physical inventory counts that are performed at the end of the year.

When a decline in the value of an inventory indicates that its cost exceeds net realizable value, a valuation loss will be recognized to write the inventory down to its net realizable value. The loss on valuation is recognized in cost of sales which amounted to ₩524,172 thousand and ₩716,161 thousand, as of December 31, 2008 and 2007, respectively.

In the event of an increase in the net realizable value of previous written down inventory, the amount of the write-down is reversed to the extent of the original write-down amount so that the new carrying amount is the lower of cost and the revised net realizable value. The Company has not made any reversal of write-down for the years ended December 31, 2008 and 2007.

Notes to Financial Statements

December 31, 2008 and 2007

Investments in securities

Investments in securities within the scope of SKAS 8 Investments in Securities are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the balance sheet date. Non-marketable equity securities are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency.

If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

Trading securities are classified as current assets. Available-for-sale and held-to-maturity securities are classified as long-term investments, except that securities maturing within one year or that are certain to be disposed of within one year from the balance sheet date are classified as short-term investments.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income.

Equity method investments

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the balance sheet. If the Company's share of losses of the investee equals or exceeds its interest in the investee, it suspends recognizing its share of further losses. However, if the Company has other long-term interests in the investee, it continues recognizing its share of further losses to the extent of the carrying amount of such long-term interests.

Negative goodwill represents the excess of the Company's share in the net fair value of the investee's identifiable assets and liabilities over the cost of the investment. Negative goodwill is recorded to the extent of the fair value of acquired non-monetary assets and recognized as income using the straight-line method over the remaining weighted-average useful life of those acquired non-monetary assets. The amount of negative goodwill in excess of the fair value of acquired non-monetary assets is recognized as income immediately.

The Company's share in the investee's unrealized profits and losses resulting from transactions between the Company and its investee are eliminated.

In translating the financial statements of foreign investees into Korean won, assets and liabilities are translated at the exchange rate on the balance sheet date and income and expenses are translated at the weighted-average exchange rate for the period. All resulting exchange differences are recognized as foreign currency translation adjustments in other comprehensive income within equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Maintenance and repairs are expensed in the year in which they are incurred. Expenditures which enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property, plant and equipment is provided using the straight-line method over the estimated useful life of the assets as follows:

	Years
Buildings	25-40
Structures	7-25
Machinery and equipment	2-12
Vehicles	5-10
Tools	2- 6
Furniture and fixtures	2-20
Research facility	3
Rental assets	3-5

Intangible assets

Intangible assets of the Company consist of goodwill, industrial property rights and other intangible assets, which are stated at cost less accumulated amortization. Amortization is recognized as an expense based on the straight-line method over the estimated useful life of 5 to 10 years for goodwill and industrial property rights and 5 years for all other intangible assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are expensed in the period in which they are incurred.

Notes to Financial Statements

December 31, 2008 and 2007

Impairment of assets

When the recoverable amount of an asset is less than its carrying amount due to obsolescence, physical damage or abrupt decline in the market value of the asset, the decline in value, if material, is deducted from the carrying amount and recognized as an asset impairment loss in the current year.

A previously recognized impairment loss for an impaired asset is reversed if the recoverable amount during the reporting period exceeds its carrying amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

No impairment loss or reversal of impairment of an item of asset has been recorded by the Company for the years ended December 31, 2008 and 2007.

Government subsidy

Government subsidy, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the balance sheet. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

Severance and retirement benefits

In accordance with the Employee Retirement Benefit Security Act ("ERBSA") and the Company's employee benefits policy, employees terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors.

The provision for the years ended December 31, 2008 and 2007 is sufficient to state the liability at the estimated obligation arising from services performed to and at rates of pay in effect as of December 31, 2008 and 2007. Separate funding of this liability is not required by Korean law.

The lesser of 5% of annual payroll expense or 35% of the accumulated severance and retirement benefits provision is deductible for corporate income tax reporting purposes unless benefits are actually paid or the non tax-deducted portion is deposited with financial institutions. Accordingly, the Company has deposited a portion of its severance and retirement benefits obligation with an insurance company. Since the Company's employees are individually nominated as the vested beneficiaries of the deposit in respect of what is due to them as of December 31, 2008 and 2007, such deposit has been offset against the Company's liability for severance and retirement benefits as of such dates.

In accordance with the Korean National Pension Law prior to revision, the Company had prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS") at the rate of 3% of payroll expense up through March 31, 1999. Such prepayments have been offset against the Company's liability for severance and retirement benefits. In accordance with a revision in the Korean National Pension Law, additions to these prepayments are no longer required effective from April 1, 1999.

Provisions and contingent liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provision is used only for expenditures for which the provision was originally recognized. If the effect of the time value of money is material, provisions are stated at present value.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is disclosed, but not recognized when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse, and are classified as current or non-current, respectively, based on the classification of the related asset or liability in the balance sheet. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Foreign currency translation

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. The year-end exchange rate used were ₩1,257.50: US\$1 and ₩938.20: US\$1, ₩1,776.22: EUR1 and ₩1,381.26: EUR1, ₩36.11: THB1 and ₩31.33: THB1, as of December 31, 2008 and 2007, respectively, for balance sheet items.

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the appropriate exchange rates on the balance sheet date. The resulting unrealized foreign currency translation gains or losses are credited or charged to current operations.

Share-based payment transactions

For equity-settled share-based payment transactions, the Company measures the goods or services received, and the corresponding increase in equity at the fair value of the goods or services received or the equity instruments granted over the vesting period. For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability, and re-measures the fair value of the liability at each reporting date, with any changes in value recognized in profit or loss for the period. For share-based payment

transactions in which the terms of the arrangement provide the supplier of goods or services with a choice of whether the Company settles the transaction in cash or by issuing equity instruments, the Company accounts for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Company has incurred a liability to settle in cash (or other assets), or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

Notes to Financial Statements

December 31, 2008 and 2007

Share-based payment transactions implemented before the effective date of SKAS 22 are accounted in accordance with Korea Financial Accounting Standards Interpretation 39-35 Accounting for Stock Options.

Per share amounts

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the year. Diluted earnings per share are calculated by dividing net income by the weighted-average number of common shares outstanding during the year plus the weighted-average number of common shares that would have been outstanding assuming the conversion of all dilutive potential common shares.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation. Such reclassifications had no effect on the Company's net income and retained earnings as previously reported.

Significant judgments and accounting estimates

The preparation of financial statements in accordance with Korean GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restricted deposits

Restricted deposits as of December 31, 2008 and 2007 consist of the following :

						(Korean won In thousands)
	Financial institution		2008		2007	Description
Long-term financial instruments	Shinhan Bank	₩	10,500	₩	10,500	Security deposit for bank overdraft facility

4. Short-term investment assets

The balances of short-term investment assets of the Company as of December 31, 2008 and 2007 are presented as follows :

						(Korean won In thousands)
			2008		2007	
Available-for-sale debt securities		₩	-	₩	147,824	
Short-term loans receivable			5,901,688		338,966	
		₩	5,901,688	₩	486,790	

Available-for-sale securities

The Company has no investments in available-for-sale debt securities with maturities of less than one year as of December 31, 2008. Available-for-sale debt securities with maturities of less than one year as of December 31, 2007 are as follows :

	Acquisition cost		Fair value		Book value		(Korean won In thousands)	
	₩		₩		₩		Unrealized holding gain	
PCA new MMFA-2	₩	132,339	₩	147,824	₩	147,824	₩	15,485

5. Long-term investment securities

Details of long-term investment securities as of December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Available-for-sale securities				
Equity securities	₩	2,626,858	₩	3,897,385
Debt securities		421,841		521,671
	₩	3,048,699	₩	4,419,056

Notes to Financial Statements

December 31, 2008 and 2007

Available-for-sale equity securities as of December 31, 2008 and 2007 consist of the following :

	2008						(Korean won In thousands)	
	Number of shares	Ownership(%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss) (*2)	Up to 2007	2008
Marketable securities								
Woongjin Holdings Co., Ltd.	121,856	0.24%	₩ 2,339,635	₩ 950,477	₩ 950,477	₩ (1,389,158)	₩ -	₩ -
Tong Yang Investment Bank Co., Ltd.	927	0.0008%	1	5,608	5,608	5,607	-	-
			2,339,636	956,085	956,085	(1,383,551)	-	-
Non-marketable securities								
McScience Inc.	6,000	5.90%	1,133,760	(*1)	1,133,760	-	-	-
Nextelecom Co., Ltd.	11,000	1.20%	98,516	"	98,516	-	-	-
Kirin Music Publishing Co., Ltd.	51,868	12.06%	96,500	"	96,500	-	-	-
Korea Water Purifier Industry Cooperative	53	3.33%	5,300	"	5,300	-	-	-
Academy Infra Corp.	15,773	7.84%	165,100	"	1	-	165,099	-
Kwang Myung SG Co., Ltd.	4,000	4.00%	1,434,640	"	1	-	1,434,639	-
OpenSolution Co., Ltd.	250	0.05%	22,093	"	1	-	22,092	-
Korea Culture promotion, Inc.	5,000	1.25%	25,000	"	1	-	24,999	-
Construction Guarantee			336,693	"	336,693	-	-	-
			3,317,602	-	1,670,773	-	1,646,829	-
			₩ 5,657,238	₩ 956,085	₩ 2,626,858	₩ (1,383,551)	₩ 1,646,829	₩ -

(Korean won In thousands)

	2007						Impairment loss	
	Number of shares	Ownership(%)	Acquisition cost	Fair value	Book value	Unrealized holding gain (loss) (*2)	Up to 2007	2008
Marketable securities								
Woongjin Holdings Co., Ltd.	121,856	0.24%	₩2,339,635	₩2,546,790	₩2,546,790	₩ 207,155	₩ -	₩ -
Tong Yang Investment Bank Co., Ltd.	900	0.0008%	1	16,515	16,515	16,514	-	-
			2,339,636	2,563,305	2,563,305	223,669	-	-
Non-marketable securities								
McScience Inc.	6,000	5.90%	1,133,760	(*1)	1,133,760	-	-	-
Nextelecom Co., Ltd.	11,000	1.20%	98,516	"	98,516	-	-	-
Kirin Music Publishing Co., Ltd.	51,868	12.06%	96,500	"	96,500	-	-	-
Korea Water Purifier Industry Cooperative	53	3.33%	5,300	"	5,300	-	-	-
Academy Infra Corp.	15,773	7.84%	165,100	"	1	-	165,099	-
Kwang Myung SG Co., Ltd.	4,000	4.00%	1,434,640	"	1	-	1,434,639	-
OpenSolution Co., Ltd.	250	0.05%	22,093	"	1	-	22,092	-
Korea Culture promotion, Inc.	5,000	1.25%	25,000	"	1	-	24,999	-
			2,980,909	-	1,334,080	-	1,646,829	-
			₩5,320,545	₩2,563,305	₩3,897,385	₩ 223,669	₩1,646,829	₩ -

(*1) In assessing the fair value of these non-marketable equity investments, the Company could not obtain sufficient information to perform a reliable estimation of the fair value of the investments. Therefore, investment in these equity securities were recorded at acquisition cost except when there was an objective evidence that the equity securities were impaired where impairment losses were recognized.

(*2) Loss on valuation of long-term investment securities amounting to ₩1,091,472 thousand (2007: ₩162,160 thousand) recognized in other comprehensive income as of December 31, 2008 represents the difference between acquisition cost and fair value of the investments of ₩1,383,551 thousand (2007: ₩223,669 thousand), net of the related tax effects.

Notes to Financial Statements

December 31, 2008 and 2007

Held-to-maturity debt securities as of December 31, 2008 and 2007 are as follows :

	2008				(Korean won In thousands)	
	Maturity	Acquisition cost	Amortized cost	Book value	Impairment loss	
					Up to 2007	2008
Government bonds	Within 5 years	₩ 421,840	₩ 421,840	₩ 421,840	₩ -	₩ -
Subordinated bonds	Within 5 years	2,450,000	2,450,000	1	2,449,999	-
		₩ 2,871,840	₩ 2,871,840	₩ 421,841	₩ 2,449,999	₩ -

	2007				(Korean won In thousands)	
	Maturity	Acquisition cost	Amortized cost	Book value	Impairment loss	
					Up to 2006	2007
Government bonds	Within 5 years	₩ 421,670	₩ 421,670	₩ 421,670	₩ -	₩ -
Subordinated bonds	Within 5 years	2,550,000	2,550,000	100,001	2,449,999	-
		₩ 2,971,670	₩ 2,971,670	₩ 521,671	₩ 2,449,999	₩ -

6. Equity method investments

Investments in equity securities accounted for using the equity method as of December 31, 2008 and 2007 are as follows :

	(Korean won In thousands)			
	Ownership(%)	Acquisition cost	Proportionate net asset (liability) value	Book value
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ (16,888,490)	₩ 1
Woong Jin USA, Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	10,658,496	10,385,818
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	(5,768,022)	1
Woong Jin Coway (M) Sdn. Bhd.	70.00%	906,885	(3,491,814)	1
Woong Jin Coway USA, Inc.	100.00%	6,476,650	1,333,481	1,432,396
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.) (*)	40.08%	82,157,362	103,376,440	97,947,333
		₩ 101,138,620	₩ 89,220,091	₩ 109,765,551

(*) The Company acquired 18,854,308 shares (40.08% equity interest) of Saehan Industries, Inc. for a purchase consideration of ₩81,073,524,400 on January 15, 2008 and it became a subsidiary of the Company.

(Korean won In thousands)

	2007			
	Ownership(%)	Acquisition cost	Proportionate net asset (liability) value	Book value
Coway Japan Corporation	49.00%	₩ 4,345,364	₩ -	₩ 1
Woong Jin USA, Inc.	35.00%	395,176	-	1
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	100.00%	5,970,197	5,791,080	5,651,572
Woong Jin Coway (Thailand) Co., Ltd.	99.99%	886,986	-	1
Woong Jin Coway (M) Sdn. Bhd.	70.00%	906,885	-	1
Woong Jin Coway USA, Inc.	100.00%	6,476,650	4,094,821	3,951,388
		₩ 18,981,258	₩ 9,885,901	₩ 9,602,964

The summary of financial position of the investees as of December 31, 2008 and 2007, and the results of their operations for the year then ended, is presented as follows :

(Korean won In thousands)

	2008			
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation	₩ 11,783,894	₩ 46,250,201	₩ 7,423,926	₩ (8,754,091)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	25,421,505	14,763,009	20,983,169	2,378,493
Woong Jin Coway (Thailand) Co.,Ltd.	3,461,046	9,229,068	4,216,065	(1,772,922)
Woong Jin Coway (M) Sdn. Bhd.	12,750,755	17,739,061	6,726,413	(2,339,764)
Woong Jin Coway USA, Inc.	11,142,999	9,809,518	6,069,165	(3,629,032)
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)	581,733,001	323,832,253	850,267,309	2,188,321
	₩ 646,293,200	₩ 421,623,110	₩ 895,686,047	₩ (11,928,995)

(Korean won In thousands)

	2007			
	Total assets	Total liabilities	Sales	Net income (loss)
Coway Japan Corporation	₩ 6,162,095	₩ 18,823,148	₩ 4,750,092	₩ (8,666,478)
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	12,575,960	6,784,880	7,582,495	183,245
Woong Jin Coway (Thailand) Co., Ltd.	2,493,788	6,171,709	2,281,980	(1,598,225)
Woong Jin Coway (M) Sdn. Bhd.	4,155,196	6,025,017	1,144,515	(2,141,611)
Woong Jin Coway USA, Inc.	7,199,453	3,104,632	2,067,669	(2,448,782)
	₩ 32,586,492	₩ 40,909,386	₩ 17,826,751	₩ (14,671,851)

Notes to Financial Statements

December 31, 2008 and 2007

Audited financial statements of these investees were not available as of the Company's audit report date and therefore unaudited financial statements signed by the investees' management were used in applying the equity method.

The changes in carrying amount of negative goodwill for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008			
	Jan.1, 2008	Additions/ (disposals)	Amortization	Dec.31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.(*1)	₩ (345,918)	₩ 345,918	₩ -	₩ -
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)(*2)	-	(6,803,021)	1,449,881	(5,353,140)
	₩ (345,918)	₩ (6,457,103)	₩ 1,449,881	₩ (5,353,140)

(*1) The beginning balance of negative goodwill was derecognized due to an adjusting event that should have been adjusted in the prior year and consequently, no amortization was recorded in 2008.

(*2) Woongjin Chemical Co., Ltd. was acquired by the Company during the current year. However, the Company assumed the date of acquisition of the investee as December 31, 2007 for the purpose of applying the equity method on the investment.

(Korean won In thousands)

	2007			
	Jan.1, 2007	Additions/ (disposals)	Amortization	Dec.31, 2007
Coway Japan Corporation	₩ 185,473	₩ -	₩ (185,473)	₩ -
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(462,919)	-	117,001	(345,918)
Woong Jin Coway (Thailand) Co., Ltd.	193,142	-	(193,142)	-
	₩ (84,304)	₩ -	₩ (261,614)	₩ (345,918)

The elimination of unrealized gains (losses) arising from inter-company transactions for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		
	Inventories	Provisions	Total
Coway Japan Corporation	₩ (318,783)	₩ 1,269,834	₩ 951,051
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(1,014,984)	742,306	(272,678)
Woong Jin Coway (Thailand) Co., Ltd.	(422,942)	-	(422,942)
Woong Jin Coway (M) Sdn. Bhd.	-	-	-
Woong Jin Coway USA, Inc.	(977,624)	1,076,540	98,916
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)	(75,966)	-	(75,966)
	₩ (2,810,299)	₩ 3,088,680	₩ 278,381

(Korean won In thousands)

	2007					
	Inventories		Provisions		Total	
Coway Japan Corporation	₩	(74,652)	₩	1,269,834	₩	1,195,182
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.		(84,962)		291,372		206,410
Woong Jin Coway (Thailand) Co., Ltd.		(88,690)		-		(88,690)
Woong Jin Coway (M) Sdn. Bhd.		-		-		-
Woong Jin Coway USA, Inc.		(143,433)		-		(143,433)
	₩	(391,737)	₩	1,561,206	₩	1,169,469

The details of changes in carrying amount of equity method investments for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	Jan. 1, 2008	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	Dec. 31, 2008	
Coway Japan Corporation	₩ 1	₩ -	₩ -	₩ -	₩ 1	
Woong Jin USA, Inc.	1	-	-	-	1	
Woong Jin Coway (Shenyang) Living Goods Co., Ltd. (*1)	5,651,572	-	1,897,199	2,837,047	10,385,818	
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1	
Woong Jin Coway (M) Sdn. Bhd. (*2)	1	-	-	-	1	
Woong Jin Coway USA, Inc.	3,951,388	-	(3,398,564)	879,572	1,432,396	
Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.)	-	82,157,362	2,251,077	13,538,894	97,947,333	
	₩ 9,602,964	₩ 82,157,362	₩ 749,712	₩ 17,255,513	₩ 109,765,551	

(*1) Due to the adjusting event that should have been reflected in the prior year financial statements of the investee, the financial statements of the investee were restated and the effects of this restatement were included in the current year equity in earnings and others amounting to ₩171,207 thousand and ₩73,190 thousand respectively.

(*2) As the carrying amount of investment in Woong Jin Coway (M) Sdn. Bhd. fell below zero, the Company recognized the further share at losses as an allowance in long-term loans receivable of Woong Jin Coway (M) Sdn. Bhd. amounting to ₩3,491,815 thousand as of December 31, 2008 (₩2,108,572 thousand in current year).

Notes to Financial Statements

December 31, 2008 and 2007

(Korean won In thousands)

	2007				
	Jan. 1, 2007	Acquisition (disposals)	Equity in earnings (loss) of investee	Others	Dec. 31, 2007
Coway Japan Corporation	₩ 1	₩ -	₩ -	₩ -	₩ 1
Woong Jin USA, Inc.	1	-	-	-	1
Platinum Media co., Ltd.	1	(1)	-	-	-
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	4,475,288	474,153	414,031	288,100	5,651,572
Woong Jin Coway (Thailand) Co., Ltd.	1	-	-	-	1
Woong Jin Coway (M) Sdn. Bhd.	248,286	-	(197,486)	(50,799)	1
Woongjin Energy Co., Ltd.	6,349,637	(4,632,163)	(1,717,474)	-	-
Woong Jin Coway USA, Inc.	-	6,476,650	(2,592,213)	66,951	3,951,388
	₩ 11,073,215	₩ 2,318,639	₩ (4,093,142)	₩ 304,252	₩ 9,602,964

The details of changes in equity adjustment arising from equity method investments for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		
	Jan. 1, 2008	Increase/ (decrease)	Dec. 31, 2008
Coway Japan Corporation	₩ 86,574	₩ -	₩ 86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	259,930	2,837,047	3,096,977
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn. Bhd.	(46,754)	(530,233)	(576,987)
Woong Jin Coway USA, Inc.	66,952	879,572	946,524
Woongjin Chemical Co., Ltd. (*1) (formerly, Saehan Industries, Inc.)	-	(1,132,308)	(1,132,308)
	₩ 383,988	₩ 2,054,078	₩ 2,438,066

(*1) The deferred income tax effect of ₩319,369 thousand was deducted from the current year adjustment.

(Korean won In thousands)

	2007		
	Jan. 1, 2007	Increase/(decrease)	Dec. 31, 2007
Coway Japan Corporation	₩ 86,574	₩ -	₩ 86,574
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	(55,314)	315,244	259,930
Woong Jin Coway (Thailand) Co., Ltd.	17,286	-	17,286
Woong Jin Coway (M) Sdn. Bhd.	4,045	(50,799)	(46,754)
Woong Jin Coway USA, Inc.	-	66,952	66,952
	₩ 52,591	₩ 331,397	₩ 383,988

The details of changes in capital surplus adjustment arising from equity method investments for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		
	Jan. 1, 2008	Increase/ (decrease)	Dec. 31, 2008
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ (27,145)	₩ -	₩ (27,145)
Woongjin Chemical Co., Ltd. (*1) (formerly, Saehan Industries, Inc.)	-	11,692,645	11,692,645
	₩ (27,145)	₩ 11,692,645	₩ 11,665,500

(*1) The deferred income tax effect of ₩3,297,926 thousand was deducted from the current year adjustment.

(Korean won In thousands)

	2007		
	Jan. 1, 2007	Increase/ (decrease)	Dec. 31, 2007
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	₩ -	₩ (27,145)	₩ (27,145)

As of December 31, 2008 and 2007, the respective accumulated losses of the investees from which the application of the equity method of accounting has been suspended are as follows :

(Korean won In thousands)

	2008	2007
Coway Japan Corporation	₩ (15,937,440)	₩ (5,135,345)
Woong Jin Coway (Thailand) Co., Ltd.	(6,190,965)	(3,766,612)
Woong Jin Coway (M) Sdn. Bhd.	1	(455,866)
	₩ (22,128,404)	₩ (9,357,823)

The market value of investment in an investee as of December 31, 2008 is as follows :

(Korean won In thousands)

	2008	
	Market value	Book value
Woongjin Chemical Co., Ltd.	₩ 113,314,391	₩ 97,947,333

Notes to Financial Statements

December 31, 2008 and 2007

7. Government posted value of land owned

The book value of the Company-owned land and the value of land officially announced by the Korean government for tax administration purposes as of December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

Land included in:	Book value		Publicly announced value	
	2008	2007	2008	2007
Property, plant and equipment				
Factory site in Yoo-gu	₩ 6,577,670	₩ 4,773,328	₩ 3,197,269	₩ 3,879,493
Rental building land in Ga-san	7,878,788	7,878,788	7,918,200	7,390,320
	₩ 14,456,458	₩ 12,652,116	₩ 11,115,469	₩ 11,269,813

8. Property, plant and equipment

Changes in the net book value of property, plant and equipment for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	Jan. 1, 2008	Additions	Disposals/ Impairment losses	Depreciation	Transfers	Dec. 31, 2008
Land	₩ 12,652,116	₩ 244,155	₩ -	₩ -	₩ 1,560,188	₩ 14,456,459
Buildings	22,716,388	-	(11,569,594)	(503,607)	-	10,643,187
Structures	3,961,026	-	(1,804,181)	(415,437)	(1,560,188)	181,220
Machinery and equipment	13,512,759	657,382	(7,869,553)	(1,358,372)	1,058,825	6,001,040
Tools	17,482,774	11,460,414	(41,135)	(6,841,198)	4,027,137	26,087,992
(Government subsidy)	-	(82,000)	-	12,300	-	(69,700)
Research facility	1,761,249	1,484,645	(41,088)	(1,479,972)	1,593,692	3,318,526
Rental assets	291,591,620	147,944,553	(52,620,753)	(108,463,732)	-	278,451,687
Furniture and fixtures	23,523,491	2,492,537	(2,825,337)	(7,365,436)	86,000	15,911,255
Vehicles	53,411	375,000	(6,329)	(83,621)	-	338,461
Construction-in-progress	1,453,961	6,402,487	-	-	(6,765,654)	1,090,794
	₩388,708,795	₩170,979,173	₩(76,777,970)	₩ (126,499,075)	₩ -	₩356,410,921

(Korean won In thousands)

	2007					
	Jan. 1, 2007	Additions	Disposals/ Impairment losses	Depreciation	Transfers	Dec. 31, 2007
Land	₩ 12,652,116	₩ -	₩ -	₩ -	₩ -	₩ 12,652,116
Buildings	11,360,932	25,000	-	(429,544)	11,760,000	22,716,388
Structures	423,844	1,198,509	-	(353,450)	2,692,123	3,961,026
Machinery and equipment	5,276,248	1,589,944	-	(1,223,274)	7,869,841	13,512,759
Tools	11,101,360	7,748,504	-	(4,833,345)	3,466,255	17,482,774
Research facility	1,495,016	704,034	-	(724,390)	286,589	1,761,249
Rental assets	295,075,550	164,960,768	(53,768,104)	(114,676,594)	-	291,591,620
Furniture and fixtures	24,896,021	4,214,484	(577,654)	(10,489,654)	5,480,294	23,523,491
Vehicles	82,899	-	(2,297)	(27,191)	-	53,411
Construction-in-progress	11,801,162	48,360,282	-	-	(58,707,483)	1,453,961
	₩374,165,148	₩228,801,525	₩(54,348,055)	₩(132,757,442)	₩(27,152,381)	₩388,708,795

9. Intangible assets

Details of intangible assets as of December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		
	Cost	Accumulated amortization	Net book value
Goodwill	₩ 47,739,290	₩ (23,107,856)	₩ 24,631,434
Industrial property rights	212,572	(123,532)	89,040
Others	50,895,586	(10,758,869)	40,136,717
Construction-in-progress	-	-	-
	₩ 98,847,448	₩ (33,990,257)	₩ 64,857,191

(Korean won In thousands)

	2007		
	Cost	Accumulated amortization	Net book value
Goodwill	₩ 46,782,279	₩ (13,749,818)	₩ 33,032,461
Industrial property rights	212,615	(93,430)	119,185
Others	45,714,678	(5,484,724)	40,229,954
Construction-in-progress	682,200	-	682,200
	₩ 93,391,772	₩ (19,327,972)	₩ 74,063,800

Notes to Financial Statements

December 31, 2008 and 2007

Changes in the net book value of intangible assets for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					Dec. 31, 2008
	Jan. 1, 2008	Additions	Disposals	Amortization	Transfers	
Goodwill (*1)	₩ 33,032,461	₩ 957,011	₩ -	₩ (9,358,038)	₩ -	₩ 24,631,434
Industrial property rights	119,185	-	(20)	(30,125)	-	89,040
Others	40,229,954	4,530,458	(12,500)	(5,293,395)	682,200	40,136,717
Construction-in-progress	682,200	-	-	-	(682,200)	-
	₩ 74,063,800	₩ 5,487,469	₩ (12,520)	₩ (14,681,558)	₩ -	₩ 64,857,191

(*1) Goodwill amounting to ₩20,123,300 thousand arising from the acquisition of a Water Treatment Business unit from Woongjin Chemical Co., Ltd. (formerly, Saehan Industries Inc.) was offset by capital surplus (paid-in capital in excess of par value).

(Korean won In thousands)

	2007					Dec. 31, 2007
	Jan. 1, 2007	Additions	Disposals	Depreciation	Transfers	
Goodwill	₩ 15,670,866	₩ 22,840,682	₩ -	₩ (5,479,087)	₩ -	₩ 33,032,461
Industrial property rights	150,902	-	-	(31,717)	-	119,185
Others	11,715,948	2,719,799	-	(3,323,135)	29,117,342	40,229,954
Construction-in-progress	626,660	2,020,501	-	-	(1,964,961)	682,200
	₩ 28,164,376	₩ 27,580,982	₩ -	₩ (8,833,939)	₩ 27,152,381	₩ 74,063,800

10. Research and development costs

Research and development costs incurred and charged to operations for the years ended December 31, 2008 and 2007 amounted to ₩7,320,324 thousand and ₩7,569,383 thousand, respectively.

11. Borrowings

Short-term borrowings as of December 31, 2008 and 2007 consist of the following :

					(Korean won In thousands)
Financial institution	Description	Annual interest rate as of Dec. 31, 2008	2008	2007	
Kookmin Bank	Purchase loans	7.02%	₩ 15,095,521	₩ -	
Shinhan Bank	Purchase loans	6.25%	29,962,067	52,373,390	
Woori Bank	Purchase loans	6.63%	34,083,271	28,650,737	
Hana Bank	Purchase loans	7.83%	8,704,936	10,989,280	
Korea Development Bank	Working capital loans	5.88%	20,000,000	-	
			₩ 107,845,795	₩ 92,013,407	

Long-term loans of the Company as of December 31, 2008 and 2007 are as follows :

						(Korean won In thousands)
Financial institution	Description	Annual interest rate in 2008	2008	2007	Repayment term	
Korea Development Bank	Working capital loan	6.02%	₩ 30,000,000	₩ -	Bullet repayment in 2010	
Korea Development Bank	Working capital loan	6.16%	30,000,000	-	Bullet repayment in 2011	
			60,000,000	-		
Less current portion			-	-		
			₩ 60,000,000	₩ -		

12. Reserve for agent losses

In accordance with the contract between the Company and its sales agents, the Company provides a reserve by deducting a certain portion of commission fees payable to its sales agents to account for any unfavorable events that may result in losses to be absorbed by the Company due to the business conduct of the sales agents. All actual losses incurred are deducted against the reserve originally recognized.

Notes to Financial Statements

December 31, 2008 and 2007

13. Assets denominated in foreign currencies

Assets denominated in foreign currencies as of December 31, 2008 and 2007 are as follows:

	(Korean won In thousands)			
	2008		2007	
	Foreign currencies	Korean won equivalent (in thousands)	Foreign currencies	Korean won equivalent (in thousands)
Assets:				
Cash and cash equivalents	USD 1,137,988	₩ 1,431,019	USD -	₩ -
	EUR 104,009	184,743	EUR -	-
	JPY 653	9	JPY -	-
Short-term loans receivable	USD 2,610,000	3,282,075	USD -	-
	JPY 170,000,000	2,369,613	JPY -	-
Trade accounts receivable	USD 24,291,378	30,546,408	USD 9,295,057	8,720,623
	JPY 486,008,984	6,774,431	JPY 289,410,191	2,411,742
	THB 141,307,303	5,102,607	THB 144,051,384	4,513,130
	EUR 480,536	853,538	EUR -	-
Other accounts receivable	USD 517,860	651,209	USD -	-
	EUR 48,900	86,857	EUR -	-
Long-term loans receivable	USD 3,768,370	4,738,726	USD -	-
Total	USD 32,325,596		USD 9,295,057	
	EUR 633,445		EUR -	
	JPY 656,008,984		JPY 289,410,191	
	THB 141,307,303	₩ 56,021,235	THB 144,051,384	₩ 15,645,495

Gain of foreign currency translation for the years ended December 31, 2008 and 2007 amounted to ₩10,754,048 thousand and ₩930,010 thousand, respectively. Loss of foreign currency translation for the years ended December 31, 2008 and 2007 amounted to ₩111,274 thousand and ₩19,788 thousand, respectively.

14. Severance and retirement benefits

Changes in net carrying amount of severance and retirement benefits for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
As of January 1,	21,889,736		16,231,371	
Payments during the year	(6,673,030)		(7,897,160)	
Provision during the year	12,134,753		13,555,525	
	27,351,459		21,889,736	
Presented net of:				
Insurance deposits	(18,328,692)		(14,175,489)	
Accumulated prepayments to the NPS	(31,204)		(30,558)	
As of December 31,	₩ 8,991,563		₩ 7,683,689	

(Korean won In thousands)

15. Provisions

Changes in the carrying amount of provisions for the year ended December 31, 2008 are as follows :

Provision for:	As of Jan. 1, 2008		Provision	Utilization/Reversal	As of Dec. 31, 2008	
	₩				₩	
Product warranties (*1)	2,828,542		-	(1,417,030)	₩	1,411,512
Return of goods sold	91,859		316,577	-		408,436
Construction warranties (*2)	-		161,603	-		161,603
	₩ 2,920,401		₩ 478,180	₩ (1,417,030)	₩	1,981,551

(Korean won In thousands)

(*1) The Company recognizes the estimated liability to repair or provide after-sales service for its products sold with warranty at the balance sheet date. It is expected that all of these costs will be incurred within 1 year from the balance sheet date.

(*2) The provision for construction warranties was recognized as a result of the acquisition of Water Treatment Business unit from Woongjin Chemical Co., Ltd. (formerly, Saehan Industries, Inc.) in 2008.

16. Capital stock

Details of capital stock of the Company as of December 31, 2008 and 2007 are as follows:

- Number of shares authorized: 200,000,000 shares
- Par value per share: ₩500
- Number of common shares issued: 78,631,993 shares in 2008 and 2007
- Number of common shares outstanding: 74,431,993 shares in 2008 and 2007

Notes to Financial Statements

December 31, 2008 and 2007

There is no change in capital stock of the Company during the year ended December 31, 2008 and details of changes in capital stock of the Company during the year ended December 31, 2007 are as follows :

	(Korean won In thousands)		
	Number of shares issued	Common stock	Paid-in capital in excess of par value
As of January 1, 2007	74,375,593	₩ 39,287,797	₩ 80,610,136
Exercise of stock options on April 6, 2007	56,400	28,200	152,280
As of December 31, 2007	74,431,993	₩ 39,315,997	₩ 80,762,416

The Company had previously retired 4,200,000 shares of treasury stock through the appropriation of retained earnings. As a result, the number of shares common stock outstanding amounting to 74,431,993 shares with a face value of ₩37,216 million differs from the face value and number of shares issued as recorded in the balance sheet as of December 31, 2008.

17. Retained earnings

Appropriated retained earnings of the Company as of December 31, 2008 and 2007 are as follows :

	(Korean won In thousands)	
	2008	2007
Appropriated:		
Legal reserve (*1)	₩ 15,255,427	₩ 9,255,427
Business development reserve (*2)	1,570,000	1,570,000
Business rationalization reserve	16,228	16,228
Voluntary reserve	295,059,807	242,859,807
	₩ 311,901,462	₩ 253,701,462

(*1) In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

(*2) In accordance with the Korean Corporate Income Tax Law, the amount appropriated at the annual ordinary stockholders' meeting as a business development reserve can be deducted in the calculation of excess retained earnings for corporate income tax reporting purposes. The reserve may only be used to offset a deficit, if any, or may be transferred to capital without a reversal of the tax benefit. Effective from December 2001, such reserve is no longer required by the revised Tax Incentives Limitation Law ("TILL").

18. Related party disclosures

The related parties of the Company and nature of their relationship with the Company are as follows:

(Korean won In thousands)		
Company name	Parent company	Relationship with the Company
Woongjin Holdings Co., Ltd.	N/A	Ultimate parent
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	The Company	Subsidiary
Woong Jin Coway USA, Inc.	The Company	Subsidiary
Woongjin Chemical Co., Ltd.	The Company	Subsidiary

Significant transactions with related parties for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	Sales and other income	Purchases and other expenses	Sales and other income	Purchases and other expenses
Woongjin Holdings Co., Ltd.	₩ 18,199	₩ 18,006,314	₩ 3,112,388	₩ 18,460,526
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	3,601,060	-	3,081,978	-
Woong jin Coway USA, Inc.	5,370,413	-	2,847,556	-
Woongjin Chemical Co., Ltd.	22,189,871	36,007,151	-	-
Coway Japan Corporation	2,223,360	-	1,439,269	-
Woong Jin Coway (Thailand) Co., Ltd.	1,802,761	-	703,275	-
Woong Jin Coway (M) Sdn. Bhd.	5,398,514	-	1,568,136	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,381,758	-	-	-
Woongjin Energy Co., Ltd.	111,265	-	4,326	-
Woongjin Thinkbig Co., Ltd.	113,967	919,636	158,019	973,565
Woongjin Capital Co., Ltd.	2,876	-	3,480	-
Woongjin Happyall Co., Ltd.	253,027	131,011,320	421,874	119,401,929
Rexfield Country Club	18,446	378,360	16,762	275,494
Woongjin Foods Co., Ltd.	46,205	3,853,103	54,496	3,619,158
Woongjin Cuchen Co., Ltd.	1,362,879	62,583,458	5,480,535	93,231,773
Booxen Co., Ltd.	11,153	21,033,748	10,525	19,634,196
Woongjin ST Co., Ltd.	2,569	376,837	-	-
Kukdong Construction Co., Ltd. (*1)	1,911,470	3,014,080	49,441	29,603,445
Woongjin Passone Co., Ltd.	36,074	-	13,257	-
Woongjin Polysilicon Co., Ltd.	1,572	-	-	-
	₩ 45,857,439	₩ 277,184,007	₩ 18,965,317	₩ 285,200,086

Notes to Financial Statements

December 31, 2008 and 2007

Outstanding balances with related parties as of December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008		2007	
	Receivables	Payables	Receivables	Payables
Woongjin Holdings Co., Ltd.	₩ 6,817	₩ 3,147,232	₩ 247,800	₩ 1,139,095
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	7,216,374	-	3,143,602	-
Woong jin Coway USA, Inc.	8,971,166	-	2,839,526	-
Woongjin Chemical Co., Ltd.	39,979	1,723,348	-	-
Coway Japan Corporation	9,601,380	-	2,690,548	-
Woong Jin Coway (Thailand) Co., Ltd.	7,042,263	-	4,556,293	-
Woong Jin Coway (M) Sdn. Bhd.	17,150,232	-	5,283,885	-
Woong Jin Coway (Hongkong) Co., Ltd.	1,781,271	-	-	-
Woongjin Energy Co., Ltd.	326,681	-	-	-
Woongjin Thinkbig Co., Ltd.	11,869	68,843	6,875	198,699
Woongjin Happyall Co., Ltd.	55,889,544	12,825,073	638,545	11,560,685
Rexfield Country Club	1,637	46,200	4,305,036	27,500
Woongjin Foods Co., Ltd.	1,500	316,880	21,164	342,302
Woongjin Cuchen Co., Ltd.	752,148	5,819,690	1,800,704	6,684,472
Booxen Co., Ltd.	-	2,027,664	-	1,720,986
Kukdong Construction Co., Ltd. (*1)	2,070,529	-	12,177	10,000
Woongjin ST Co., Ltd.	-	36,168	-	-
	₩ 110,863,390	₩ 26,011,098	₩ 25,546,155	₩ 21,683,739

(*1) As Kukdong Construction Co., Ltd. acquired Woongjin Ceramic Co., Ltd. and Woongjin Construction Co., Ltd., all their related transactions and amounts of receivables and payables were included in the amounts disclosed.

Short-term loans receivable from directors and employees as of December 31, 2008 and 2007 amounted to ₩250,000 and ₩338,966 thousand, respectively.

Allowance for doubtful accounts recognized related to all receivables from related parties amounted to ₩14,650,847 thousand as of December 31, 2008.

As of December 31, 2008, there are not any guarantees provided by related parties to the Company. Details of guarantee provided to related parties as of December 31, 2008 are as follows :

			(Korean won In thousands)
Guarantee provided to		Guaranteed amount	Description of guarantee
Woong Jin Coway (Shenyang) Living Goods Co., Ltd.	USD	3,250,000	General loan
Woong Jin Coway(Thailand) Co., Ltd.	USD	2,000,000	General loan
Coway Japan Corporation	JPY	3,200,000,000	General loan
Woong Jin Coway (M) Sdn. Bhd.	USD	940,000	General loan
Woongjin Cuchen Co., Ltd.	₩	62,400,000	Purchase loan
Woongjin Coway Employee Stock Ownership Association	₩	94,426,190	Association member loan
	USD	6,190,000	
	JPY	3,200,000,000	
	₩	156,826,190	

There are no assets pledged as collateral by the Company on behalf of related parties as of December 31, 2008

Compensation for key management personnel for the years ended December 31, 2008 and 2007 is as follows :

			(Korean won In thousands)	
		2008		2007
Salaries	₩	2,021,244	₩	1,592,413
Severance and retirement benefits (*1)		859,906		572,161
Stock options (*2)		4,670,707		4,026,067
	₩	7,551,857	₩	6,190,641

Key management personnel include standing directors and outside directors who have the authority and responsibilities for planning, operation and control of the business of the Company.

(*1) For standing directors and outside directors as of December 31, 2008, total accrued costs of severance and retirement benefits for these directors as of December 31, 2008 and 2007 amounted to ₩287,746 and ₩296,274 thousand, respectively.

(*2) Stock options include cumulative compensation expenses for stock options granted to management as of December 31, 2008. During 2008 and 2007, total compensation expenses for stock options granted to management amounted to ₩287,746 and ₩296,274 thousand, respectively.

Notes to Financial Statements

December 31, 2008 and 2007

19. Income taxes

For the financial year ended December 31, 2008, the Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 12.1% on taxable income of up to ₩200,000 thousand (2007: 14.3% on taxable income of up to ₩100,000 thousand) and 27.5% on taxable income in excess of ₩200,000 thousand (2007: 27.5% on taxable income in excess of ₩100,000 thousand). The aggregate tax rate will be reduced to 24.2% from 2009 and 22% from 2010 and thereafter on taxable income in excess of ₩200,000 thousand.

The major components of provision for income taxes for the years ended December 31, 2008 and 2007 are as follows :

	(Korean won In thousands)	
	2008	2007
Current income taxes	₩ 42,564,556	₩ 38,992,319
Change in deferred income tax arising from temporary differences	11,773,078	306,493
Current and deferred income taxes recognized directly to equity	1,382,943	117,532
Provision for income taxes	₩ 55,720,577	₩ 39,416,344

A reconciliation of provision for income taxes applicable to income before income taxes at the Korea statutory tax rate to provision for income taxes at the effective income tax rate of the Company is as follows :

	(Korean won In thousands)	
	2008	2007
Income before income taxes	₩ 184,785,247	₩ 155,691,788
Tax at the statutory income tax rate of 12.1% and 27.5% (2007: 14.3% and 27.5%)	50,785,143	42,802,042
Adjustments:		
Income not subject to tax	-	(117,532)
Expenses not deductible for tax purposes	799,873	1,010,362
Deferred tax assets not recognized	1,667,336	528,003
Tax credit	(638,042)	(4,285,177)
Special tax for rural development	12,668	80,844
Adjustment to opening balance of temporary differences (*1)	(487,470)	(4,982)
Additional payment of income taxes	2,858,917	-
Others (*2)	722,152	(597,216)
Income tax expense at the effective income tax rate of 30.15% (2007: 25.32%)	₩ 55,720,577	₩ 39,416,344

(*1) The opening balance of temporary differences was adjusted as tax adjustments were made after the issuance of prior year financial statements.

(*2) The effects on changes in the statutory income tax rates and judgment made on recognition of deferred income tax were reflected in others.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes. Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008					
	As of Jan. 1, 2008 (*1)	Net increase (decrease)	As of Dec. 31, 2008	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	₩ 54,825	₩ 15,485	₩ 70,310	₩ -	₩ -	₩ -
Accrued interest income	1,438	-	1,438	-	-	-
Advanced receipts	118,145,989	(17,367,374)	100,778,615	24,388,425	24,388,425	-
Inventory reserve	5,150,646	524,172	5,674,818	1,373,306	1,373,306	-
Accrued expenses	3,839,957	1,298,158	5,138,115	1,243,424	1,243,424	-
Provision for return of goods sold	91,859	316,578	408,437	98,842	98,842	-
Provision for warranties	2,828,542	(1,417,030)	1,411,512	341,586	341,586	-
Allowances for doubtful accounts	58,054,262	10,580,751	68,635,013	16,609,673	16,609,673	-
Loss of foreign currency translation	-	111,274	111,274	26,928	26,928	-
Government subsidy (current)	-	61,138	61,138	14,795	14,795	-
Bad debt expenses	6,023,906	(5,170,086)	853,820	206,624	206,624	-
Depreciation (Rental assets)	1,102,377	(275,433)	826,944	181,928	181,928	-
Depreciation (General)	2,570	-	2,570	-	-	-
Impairment losses on rental assets	10,440,625	(2,656,129)	7,784,495	1,712,589	1,712,589	-
Intangible assets	603,756	(334,908)	268,848	59,147	-	59,147
Severance and retirement benefits	14,571,349	4,725,323	19,296,672	4,245,268	-	4,245,268
Equity method investments	13,942,406	(2,215,253)	11,727,153	-	-	-
Long-term Investment securities	4,276,768	1,607,220	5,883,988	769,097	-	769,097
Allowances for doubtful accounts (Loss on valuation of equity method investments)	1,080,150	2,638,806	3,718,955	-	-	-
Goodwill (Water Treatment Business Unit)	-	18,217,776	18,217,776	4,007,911	-	4,007,911
Government subsidy (non-current)	-	69,700	69,700	15,334	-	15,334
Provision for repair of defects	-	161,603	161,603	35,553	-	35,553
Deferred assets	29,048	-	29,048	-	-	-
Miscellaneous Losses	54,521	-	54,521	-	-	-
Others	26,650	(22,450)	4,200	1,016	1,016	-
	₩240,321,644	₩ 10,869,319	₩251,190,964	₩ 55,331,446	₩ 44,304,620	₩ 11,026,826

(Continued)

Notes to Financial Statements

December 31, 2008 and 2007

(Korean won In thousands)

	2008					
	As of Jan. 1, 2008 (*1)	Net increase (decrease)	As of Dec. 31, 2008	Deferred income taxes recognized	Current	Non-current
< Taxable temporary differences >						
Accrued interest income	₩ 44,270	₩ (44,270)	₩ -	₩ -	₩ -	₩ -
Prepaid expenses	150,624,404	5,654,362	156,278,766	37,819,461	37,819,461	-
Gain of foreign currency translation	-	10,754,048	10,754,048	2,602,480	2,602,480	-
Equity method investments	-	15,789,971	15,789,971	3,473,794	-	3,473,794
Appropriated retained earnings for treasury stock	3,230,000	-	3,230,000	781,660	781,660	-
Provision for temporary depreciation	-	69,700	69,700	15,334	-	15,334
Insurance deposits	14,108,807	4,219,885	18,328,692	4,032,312	-	4,032,312
Goodwill	8,712,038	(2,453,103)	6,258,934	-	-	-
	₩176,719,519	₩ 33,990,592	₩210,710,111	₩ 48,725,041	₩ 41,203,601	₩ 7,521,440
Deferred income taxes recognized:						
Deferred income tax assets, net	₩ 18,379,483			₩ 6,606,405	₩ 3,101,019	₩ 3,505,386

(Korean won In thousands)

	2007					
	As of Jan. 1, 2007 (*1)	Net increase (decrease)	As of Dec. 31, 2007	Deferred income taxes recognized	Current	Non-current
< Deductible temporary differences >						
Short-term investment assets	₩ 129,220	₩ (74,395)	₩ 54,825	₩ 15,077	₩ 15,077	₩ -
Advanced receipts	106,166,794	11,979,194	118,145,988	32,490,147	32,490,147	-
Inventory reserve	5,129,030	21,616	5,150,646	1,416,428	1,416,428	-
Accrued expenses	4,539,589	(699,633)	3,839,956	1,055,988	1,055,988	-
Provision for return of goods sold	91,859	-	91,859	25,261	25,261	-
Provision for warranties	373,742	2,454,800	2,828,542	777,849	777,849	-
Allowances for doubtful accounts	76,733,735	(18,613,400)	58,120,335	15,983,092	15,983,092	-
Bad debt expenses	664,118	18,613,145	19,277,263	4,347,481	4,123,284	224,196
Depreciation (Rental assets)	1,247,057	(144,680)	1,102,377	303,154	-	303,154
Depreciation (General)	2,570	-	2,570	707	-	707
Impairment losses on rental assets	12,898,370	(2,267,344)	10,631,026	2,923,532	-	2,923,532
Intangible assets	554,335	(294,449)	259,886	71,469	-	71,469
Equity method investments	11,651,091	2,291,315	13,942,406	-	-	-
Long-term Investment securities	7,940,413	(3,606,960)	4,333,453	1,191,700	-	1,191,700
Others	54,339	306,894	361,233	99,339	-	99,339
	₩228,176,262	₩ 9,966,103	₩238,142,365	₩ 60,701,223	₩ 55,887,126	₩ 4,814,096

(Continued)

(Korean won In thousands)

	2007					
	As of Jan. 1, 2007 (*1)	Net increase (decrease)	As of Dec. 31, 2007	Deferred income taxes recognized	Current	Non-current
< Taxable temporary differences >						
Accrued interest income	₩ 352,110	₩ (309,279)	₩ 42,831	₩ 11,779	₩ 11,779	₩ -
Prepaid expenses	138,279,273	12,345,130	150,624,403	41,421,711	41,421,711	-
Appropriated retained earnings for treasury stock	3,230,000	-	3,230,000	888,250	-	888,250
Goodwill	8,334,592	377,445	8,712,037	-	-	-
	₩150,195,975	₩ 12,413,296	₩162,609,271	₩ 42,321,739	₩ 41,433,489	₩ 888,250
Deferred income taxes recognized:						
Deferred income tax assets, net	₩ 19,751,894		₩ 18,379,483	₩ 18,379,483	₩ 14,453,637	₩ 3,925,846

(*1) The opening balance of temporary differences was changed as tax adjustments were made after the issuance of prior year financial statements.

The Company recognized fully the deferred income tax assets for all the deductible temporary differences as the aggregate amount of the total of taxable temporary differences and the expected future taxable income before reflecting tax adjustment items exceeds the total of all the deductible temporary differences.

Details of the amount of unrecognized deferred income tax assets (liabilities) arising from temporary difference as of December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Gain on valuation of equity method investments (*1)	₩	11,727,153	₩	13,942,406
Allowances for doubtful accounts (Loss on valuation of equity method investments) (*1)		3,718,955		1,080,150
Goodwill (*2)		(6,258,934)		(8,712,038)
Long-term investment securities (*1)		2,388,092		2,388,092
Others (*1)		157,888		-
	₩	11,733,153	₩	8,698,610

(*1) Deferred income tax assets arising from deductible temporary differences from equity method investments, long-term investment securities and other related items were not recognized as it is not probable that the Company will be able to realize those deductible temporary differences in future periods.

(*2) The Company did not recognize the related deferred income tax, as the amortization expense is not deductible according to the Corporate Income Tax Law.

Notes to Financial Statements

December 31, 2008 and 2007

Details of deferred income taxes charged directly to equity for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008			2007		
	Pre-tax amount	Tax effect	Deferred income tax assets (liabilities)	Pre-tax amount	Tax effect	Deferred income tax assets (liabilities)
Capital in excess of par value	₩(18,217,776)	₩ (4,007,911)	₩ 4,007,911	₩ -	₩ -	₩ -
Capital surplus from equity method	14,990,571	3,297,926	(3,297,926)	-	-	-
Gain(Loss) on valuation of long-term investment securities	(1,607,220)	(353,588)	292,079	214,013	58,853	(61,509)
Loss on valuation of equity securities accounted for using the equity method	(1,451,677)	(319,369)	319,369	-	-	-
	₩ (6,286,102)	₩ (1,382,943)	₩ 1,321,433	₩ 214,013	₩ 58,853	₩ (61,509)

20. Per share amounts

The Company's per share amounts for the years ended December 31, 2008 and 2007 are computed as follows:

Earnings per share

(Korean won In thousands)

	2008	2007
Net income	₩ 129,064,669,441	₩ 116,275,444,543
Weighted-average number of shares of common stock outstanding (*)	74,431,993	74,280,257
Earnings per share	₩ 1,734	₩ 1,565

(*) As there is no change in the number of shares during 2008, weighted-average number of shares of common stock outstanding as of December 31, 2008 is equal to the number of common shares issued. Calculation of weighted-average number of shares of common stock outstanding as of December 31, 2007 is as follows:

(Korean won In thousands)

Financial institution	2007		
	Number of shares outstanding	Weighted average	Cumulative number of shares outstanding
Beginning of the year	74,375,593	65	4,834,413,545
Acquisition of treasury stock	72,577,683	1~17	2,479,308,432
Exercise of stock warrants	72,634,083	3	217,902,249
Acquisition of treasury stock	71,431,993	1~50	5,587,705,984
Disposal of treasury stock	74,404,113	9	669,637,017
Disposal of treasury stock	74,431,993	179	13,323,326,747
Total		365	27,112,293,974
Weighted-average number of shares of common stock outstanding			107,845,795

Diluted earnings per share for the years ended December 31, 2008 and 2007 are not presented as the Company's potential dilutive shares are anti-dilutive.

21. Dividends

The 2007 dividends were approved at the ordinary stockholders' meeting held on March 21, 2008 and the 2008 dividends will be proposed for shareholders' approval at the annual ordinary stockholders' meeting to be held on March 20, 2009.

Details of dividends declared for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
			(Korean won In thousands)	
Number of shares (A)		74,431,993		74,431,993
Dividend per share (B)	₩	870	₩	780
Dividends (A x B)	₩	64,755,834	₩	58,056,955

The dividend payout ratio for the years ended December 31, 2008 and 2007 are as follows:

	2008		2007	
			(Korean won In thousands)	
Dividends (A)	₩	64,755,834	₩	58,056,955
Net income (B)	₩	129,064,669	₩	116,275,445
Dividend payout ratio (A/B)		50.17%		49.93%

The dividend yield ratio for the years ended December 31, 2008 and 2007 are as follows:

	2008		2007	
			(Korean won In thousands)	
Dividend per share (A)	₩	870	₩	780
Market value per share at balance sheet date (B)	₩	26,650	₩	30,500
Dividend yield ratio (A/B)		3.26%		2.56%

Notes to Financial Statements

December 31, 2008 and 2007

22. Comprehensive income

The details of comprehensive income for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Net income	₩	129,064,669	₩	116,275,445
Other comprehensive income (loss):				
Gain (loss) on valuation of available-for-sale securities (Income tax effect: current year ₩353,588 thousand, prior year: ₩ (58,853) thousand)		(1,253,632)		152,503
Gain on valuation of equity method investments		3,716,619		274,330
Gain (loss) on valuation of equity method investments (Income tax effect: current year ₩319,369 thousand)		(1,662,541)		29,922
Comprehensive income	₩	129,865,115	₩	116,732,200

(Korean won In thousands)

23. Supplementary cash flow information

Significant transactions not involving cash flows for the years ended December 31, 2008 and 2007 are as follows :

	2008		2007	
	₩		₩	
Increase in capital surplus of equity method investments	₩	14,990,571	₩	-
Fair value adjustments of available-for-sale securities		1,607,220		214,013
Reclassification of construction-in-progress to other property, plant and equipment		6,765,654		58,707,483
Transfer short-term loans receivable to long-term loans receivable		-		590,955
Loss on disposal of treasury stock offset by other capital surplus		-		309,858
Transfer between stock option compensation expense and capital surplus		-		427,390

(Korean won In thousands)

24. Insurance

Details of insured inventories and property, plant and equipment as of December 31, 2008 are as follows :

Description	Insured assets	Insurance company	Coverage amount	
Fire and other insurance	Buildings and others	Samsung Marins & Fire Insurance Co., Ltd.	₩	110,813,338

(Korean won In thousands)

In addition, the Company maintains product liability insurance, employee's group insurance, fidelity insurance and vehicle insurance.

25. Commitments and contingencies

As of December 31, 2008, the Company has 11 pending lawsuits with total claims against the Company amounting to approximately ₩1,511,470 thousand. The outcomes of the pending lawsuits cannot presently be determined.

As of December 31, 2008, the details of available credit lines of the Company with various banks and financial institutions are as follows :

(Korean won In thousands)			
Banks		Limits	Description of commitments
Shinhan and 2 other banks	₩	145,000,000	Purchase loan
Hana and 2 other financial institutions	₩	70,000,000	Commercial paper
Korea Development Bank	₩	80,000,000	General borrowing
Korea Exchange Bank	₩	10,000,000	Electronic promissory note
Kook-Min and 2 other banks	USD	10,000,000	Lines of credit (SIGHT)

The Company has provided two blank promissory notes issued to Korea Development Bank as security in connection with a refinancing borrowing arrangement of Woongjin Chemical Co., Ltd.

26. Share-based payment transactions

The details of stock options granted by the Company are as follows:

	1st grant	2nd grant	3rd grant	4th grant
Granted share options	440,000	150,000	50,000	185,000
Remaining share options	440,000	150,000	50,000	185,000
Grant date	2006.03.13	2006.08.01	2006.09.28	2008.03.21
Exercise price	₩ 27,050	₩ 20,780	₩ 22,970	₩ 28,690
Exercisable condition	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 2 years	Remain in service for a period of 2 years
Exercisable period	2008.3.13~2013.3.12	2008.8.1~2013.7.31	2008.9.28~2013.9.27	2012.3.21~2017.3.20

Notes to Financial Statements

December 31, 2008 and 2007

	1st grant		2nd grant		3rd grant		4th grant	
	2008	2007	2008	2007	2008	2007	2008	2007
Outstanding as of January 1,	440,000	440,000	150,000	150,000	50,000	50,000	-	-
Granted during the year	-	-	-	-	-	-	185,000	-
Outstanding as of December 31,	440,000	440,000	150,000	150,000	50,000	50,000	185,000	-
Exercisable as of December 31,	-	-	-	-	-	-	-	-

The fair value of share options is estimated at the date of grant by using the Black-Scholes option pricing model. The assumptions used under the Black-Scholes option pricing model for all grants made during the year ended December 31, 2008 are as follows:

	1st grant		2nd grant		3rd grant		4th grant	
Stock price	₩	28,500	₩	21,700	₩	22,800	₩	23,594
Exercise price	₩	27,050	₩	20,780	₩	22,970	₩	28,690
Expected volatility		34.39%		33.35%		32.86%		44.66%
Expected life of option		5 years		5 years		5 years		5 years
Expected dividend per share	₩	208	₩	208	₩	208	₩	780
Risk-free interest rate		5.12%		4.86%		4.67%		5.23%

The share-based payment expenses recognized for the year ended December 31, 2008 are as follows:

	1st grant		2nd grant		3rd grant		4th grant	
Cumulative compensation expense								
Beginning balance	₩	3,953,654	₩	738,328	₩	224,707	₩	-
Current compensation expense		359,423		304,017		112,353		488,492
Unrecognized compensation expense		-		-		-		1,270,080
Total compensation expense	₩	4,313,077	₩	1,042,345	₩	337,060	₩	1,758,572

27. Value added information

In accordance with SKAS 21 Preparation and Presentation of Financial Statements, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the years ended December 31, 2008 and 2007, are as follows :

(Korean won In thousands)

	Cost of sales		Selling and administrative expenses		Depreciation of rental assets		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Labor costs	₩13,945,623	₩ 8,984,917	₩123,248,054	₩121,810,323	₩ -	₩ -	₩137,193,677	₩130,795,240
Severance and retirement benefits	1,191,601	900,287	10,943,152	12,721,521	-	-	12,134,753	13,621,808
Employee benefits	1,740,458	1,706,181	20,565,913	18,959,830	-	-	22,306,371	20,666,011
Rental expense	36,570	10,580	32,540,787	31,764,625	-	-	32,577,357	31,775,205
Depreciation	4,501,882	3,928,384	13,533,462	14,155,851	108,463,731	114,676,594	126,499,075	132,760,829
Taxes and dues	36,570	56,134	1,623,635	986,756	-	-	1,660,205	1,042,890
	₩21,452,704	₩15,586,483	₩202,455,003	₩200,398,906	₩108,463,731	₩114,676,594	₩332,371,438	₩330,661,983

28. Selling and administrative expenses

Selling and administrative expenses recognized for the years ended December 31, 2008 and 2007 are as follows :

(Korean won In thousands)

	2008	2007
Salary related expenses	₩ 156,021,405	₩ 156,337,915
Travel	3,479,622	3,247,159
Communications	10,207,493	10,135,714
Entertainment	789,011	646,129
Education and training	8,628,476	8,542,299
Supplies	18,063,147	18,190,347
Books and publishing	1,141,967	956,926
Advertisements	38,152,345	30,676,889
Rent	32,540,787	31,764,625
Taxes and dues	1,623,635	986,756
Insurance	390,664	591,088
Transportation	2,568,484	1,242,379
Sales promotion	20,126,514	14,377,521
Sales warranties	-	2,454,800
Sales commissions	258,064,162	246,111,031
Fees and commissions	₩ 61,956,850	₩ 47,203,278

(Continued)

Notes to Financial Statements

December 31, 2008 and 2007

(Korean won In thousands)

	2008	2007
Repairs and maintenance	₩ 4,264,301	₩ 2,886,528
Ordinary research and development	6,905,324	7,231,442
Depreciation	13,533,462	14,155,851
Amortization	14,677,864	8,830,552
Bad debt expense	15,954,392	13,880,665
Impairment loss on rental assets	44,710,986	44,131,162
Others	3,294,505	2,542,861
	₩ 717,095,399	₩ 667,123,918

29. Segment information

The Company has two main reportable business segments - rental division and product sales division. The following table presents the financial information of the Company by business segments for the years ended December 31, 2008 and 2007 :

(Korean won In thousands)

	2008			2007		
	Rental	Product sales	Others	Rental	Product sales	Others
Sales	₩1,156,275,579	₩ 129,268,834	₩ 28,858,513	₩1,102,143,856	₩ 91,175,966	₩ 19,770,350
Cost of sales	323,271,122	71,675,350	12,212,103	333,858,571	44,798,405	6,013,166
Gross profit	₩ 833,004,457	₩ 57,593,484	₩ 16,646,410	₩ 768,285,285	₩ 46,377,561	₩ 13,757,184

30. Sales and cost of sales

The sales and cost of sales for the years ended December 31, 2008 and 2007 are made up of the following :

(Korean won In thousands)

	2008		2007	
	Cost of merchandise sold	Cost of finished goods sold	Cost of merchandise sold	Cost of finished goods sold
Beginning inventories	₩ 37,535,385	₩ 12,535,164	₩ 60,709,530	₩ 13,303,537
Cost of finished goods or merchandise purchased	112,385,788	190,548,157	126,256,028	168,019,375
Transfer from other accounts	233,477,421	335,504,564	245,575,358	240,301,453
Total	383,398,594	538,587,886	432,540,916	421,624,365
Transfer to other accounts	(315,812,622)	(482,261,409)	(374,142,913)	(385,153,414)
Ending inventories	(32,564,595)	(19,672,503)	(37,535,385)	(12,535,164)
Cost of goods sold	₩ 35,021,377	₩ 36,653,974	₩ 20,862,618	₩ 23,935,787

31. Acquisition and transfer of business

On June 30, 2008, the Company acquired the Water Treatment Business unit from Woongjin Chemical Co., Ltd. The summarized of the balance sheet of the acquired business unit as of June 30, 2008 are as follows :

		(Korean won In thousands)	
		June 30, 2008	
Assets			
Current assets	₩	4,993,659	
Quick assets		4,993,659	
Non-current assets		176,825	
Property, plant and equipment		176,825	
Total assets		5,170,483	
Liabilities			
Current liabilities		5,262,260	
Non-current liabilities		233,479	
Total liabilities		5,495,739	
Net liabilities	₩	(325,256)	

The assets acquired and liabilities assumed were measured at the recorded book value of the consolidated financial statements of Woongjin Chemical Co., Ltd. at the date of acquisition on June 30, 2008.

The purchase consideration the Company paid to acquire the division was ₩19,798,044 thousand. The difference between the purchase consideration and net liabilities assumed amounting to ₩20,123,300 thousand was offset by capital surplus (paid-in capital in excess of par value).

On June 30, 2008, the Company transferred its filter business unit (net assets: ₩21,411,540 thousand) at the Yu-gu site factory to Woongjin Chemical Co., Ltd. for a sales consideration of ₩20,914,779 thousand. The difference between sales consideration and book value of net assets transferred amounting to ₩496,761 thousand was offset by capital surplus (paid-in capital in excess of par value).

On July 31, 2008, the Company acquired the R&D business division from Arterre Cosmetics Co., Ltd.

Notes to Financial Statements

December 31, 2008 and 2007

The summarized balance sheet of the acquired business unit as of July 31, 2008 is as follows :

	(Korean won In thousands)	
	July 31, 2008	
Assets		
Current assets	₩	-
Non-current assets		662,429
Property, plant and equipment		200,974
Intangible assets		416,455
Other non-current assets		45,000
Total assets		662,429
Liabilities		
Current liabilities		-
Non-current liabilities		275,957
Total liabilities		275,957
Net assets	₩	386,472

The purchase consideration was ₩927,028 thousand. Goodwill arising from the difference between the purchase consideration and net assets acquired amounted to ₩540,557 thousand and development costs acquired amounting to ₩416,455 is amortized by the straight-line method over 5 years.

32. Operating results of the final interim period (unaudited)

Summary of operating results for the three months ended December 31, 2008 and 2007 are as follows :

	(Korean won In thousands except per share amounts)			
	(Unaudited) Three months ended December 31,			
	2008		2007	
Sales	₩	340,263,231	₩	313,680,445
Cost of sales		109,458,581		96,713,615
Gross profit		230,804,650		216,966,830
Operating income		48,192,431		43,196,917
Income before income taxes		55,055,287		46,782,239
Net income		37,633,128		37,754,665
Basic earnings per share		506		507

33. Significant events after the balance sheet date

(1) Acquisition of business

The Company acquired the CS.DR business unit from Woongjin Happyall Co., Ltd. on January 1, 2009. The CS.DR business unit's principal activities are installation of water purifier, food waste treatment system, bidets and provision of the related after-sales services.

The summarized balance sheet of the acquired business unit as of January 1, 2009 is as follows :

		(Korean won In thousands)	
		January 1, 2009	
Assets			
Current assets		₩	724,686
Quick Assets			575,914
Inventories			148,772
Non-current assets			5,021,047
Property, plant and equipment			4,043,758
Other non-current assets			977,289
Total assets			5,745,733
Liabilities			
Current liabilities			193,041
Non-current liabilities			12,654,561
Total liabilities			12,847,601
Net liabilities		₩	(7,101,868)

The assets acquired and liabilities assumed were measured at the recorded book value of the consolidated financial statements of Woongjin Happyall Co., Ltd. as of January 1, 2009.

The purchase consideration of the business unit amounted to ₩56,037,683 thousand (without value added tax). The difference between the purchase consideration and net liabilities assumed amounting to ₩63,139,551 thousand was offset by capital surplus (paid-in capital in excess of par value).

(2) Lapse of share put options

The share put options held by the creditors committee of Woongjin Chemical Co., Ltd. in which the Company granted the creditors committee the right to sell 8,904,087 shares of common stock of Woongjin Chemical Co., Ltd. to the Company lapsed on January 22, 2009. The creditors committee did not exercise any of their put options up to the expiry date and no shares were sold back to the Company.

Notes to Financial Statements

December 31, 2008 and 2007

34. Normal business operating cycle and liquidity classification

The Company classifies its account receivables and account payables in accordance with its normal business operating cycle. Receivables with maturities of more than one year from the balance sheet date which were classified as current assets as of December 31, 2008 are as follows :

	Within one year		Over one year		Description
Prepaid expenses	₩	13,036,466	₩	9,986,061	Cost of rental
		71,697,229		60,514,515	Sales commissions
		2,542,338		5,132,642	Others
Trade account receivables		4,651,404		5,997,004	Export sales
	₩	91,927,437	₩	111,630,222	

(Korean won In thousands)

35. Financial statement approval

The financial statements of the Company for the year ended December 31, 2008 was approved by the Board of directors on February 26, 2009.

Internal Control over Financial Reporting Review Report

The Chief Executive Officer

Woongjin Coway Co., Ltd.

We have reviewed the accompanying management's report on the operations of the internal control over financial reporting ("ICFR") of Woongjin Coway Co., Ltd. (the "Company") as of December 31, 2008. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "Based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2008, in all material respects, in accordance with the ICFR standard."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

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

We conducted our review of the ICFR in place as of December 31, 2008, and we did not review the ICFR subsequent to December 31, 2008. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Stock Companies, and may not be appropriate for other purposes or for other users.

March 5, 2009

This report is annexed in relation to the audit of the financial statements as of December 31, 2008 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Report on the Operations of the Internal Control over Financial Reporting

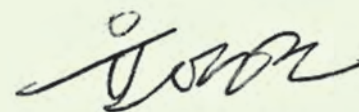
The Board of Directors and internal auditor (Audit Committee) of Woongjin Coway Co., Ltd.

I, as the internal control over financial reporting officer ("ICFR Officer") of Woongjin Coway Co., Ltd. ("the Company"), assessed the status of the design and operations of the Company's internal control over financial reporting ("ICFR") for the year ended December 31, 2008.

The Company's management including the ICFR Officer is responsible for the design and operations of its ICFR. I, as the ICFR Officer, assessed whether the ICFR has been effectively designed and has operated to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes. I, as the ICFR Officer, applied the ICFR standards for the assessment of design and operations of the ICFR.

Based on the assessment of the operations of the ICFR, the Company's ICFR has been effectively designed and has operated as of December 31, 2008, in all material respects, in accordance with the ICFR standard.

February 26, 2009



Young-Keun, Yoon
Internal Control over Financial Reporting Officer



Joon-Kee, Hong
President

Reader Feedback Survey

Woongjin Coway 2008 Sustainability Report was published to deliver our outcome and activities in regard of environment, society and economy transparently. Please tell us what you think about 2008 Sustainability Report. Your opinion will be reflected in our improvement of our future sustainability reports.

1. To which of the following groups do you belong?

- | | | | |
|---|--------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> Employee | <input type="checkbox"/> Shareholder | <input type="checkbox"/> Financial institution | <input type="checkbox"/> Customer |
| <input type="checkbox"/> Business partner | <input type="checkbox"/> NGO | <input type="checkbox"/> Local resident | <input type="checkbox"/> Academia |
| <input type="checkbox"/> Public officer | <input type="checkbox"/> Media | <input type="checkbox"/> Other () | |

2. What is your purpose to use this report?

- | | |
|--|---|
| <input type="checkbox"/> Woongjin Coway & Sustainability | <input type="checkbox"/> Company Profile |
| <input type="checkbox"/> CEO Message | <input type="checkbox"/> Sustainability Management System |
| <input type="checkbox"/> Ethics Management | |
| <input type="checkbox"/> 2008 Sustainability Highlights | |

3. What are your major areas of interest?

- | | |
|--|---|
| <input type="checkbox"/> Woongjin Coway & Stakeholders | <input type="checkbox"/> Customers |
| <input type="checkbox"/> Stakeholder Communication | <input type="checkbox"/> Shareholders |
| <input type="checkbox"/> Employees | <input type="checkbox"/> Social Contribution |
| <input type="checkbox"/> Business Partners | |
| <input type="checkbox"/> Woongjin Coway & The Planet | <input type="checkbox"/> Environmental Activities and Performance |
| <input type="checkbox"/> Environmental Leadership | |
| <input type="checkbox"/> 2009 Eco-friendly Management Strategy | |

4. How would you rate this Report on the following aspect? Please rate them on a scale of 1 to 5.

- | | |
|--|---|
| a. Terminologies are clear and easy to understand | ▶ Unsatisfactory ① ② ③ ④ ⑤ Satisfactory ▶ |
| b. Sufficient and useful information is provided on important issues | ▶ Unsatisfactory ① ② ③ ④ ⑤ Satisfactory ▶ |
| c. Contents are reliable | ▶ Unsatisfactory ① ② ③ ④ ⑤ Satisfactory ▶ |
| d. Design is good | ▶ Unsatisfactory ① ② ③ ④ ⑤ Satisfactory ▶ |

5. If you have any additional opinions, please specify.

Thank you for responding
to the questionnaire.

Corporate Communication Team, Woongjin Coway Co., Ltd. Naewei Bldg., 10F, 6, Euljiro-2Ga, Jung-Gu, Seoul, Korea

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Contact information

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Woongjin Coway strives to provide stakeholders with accurate information on our sustainability activities. Various departments of Woongjin Coway contributed to preparing this report. Led by Corporate Communication Team, departments such as Strategy Plan, Managerial Support, Sales, and CS assisted with the report. Woongjin Coway will continue with efforts to provide accurate information on our sustainability management activities via the sustainability report. We look forward to feedback from all our stakeholders.

Please send all comments on this report via the contact details provided below.

●
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