

NOROO

NOROO Paint & Coatings

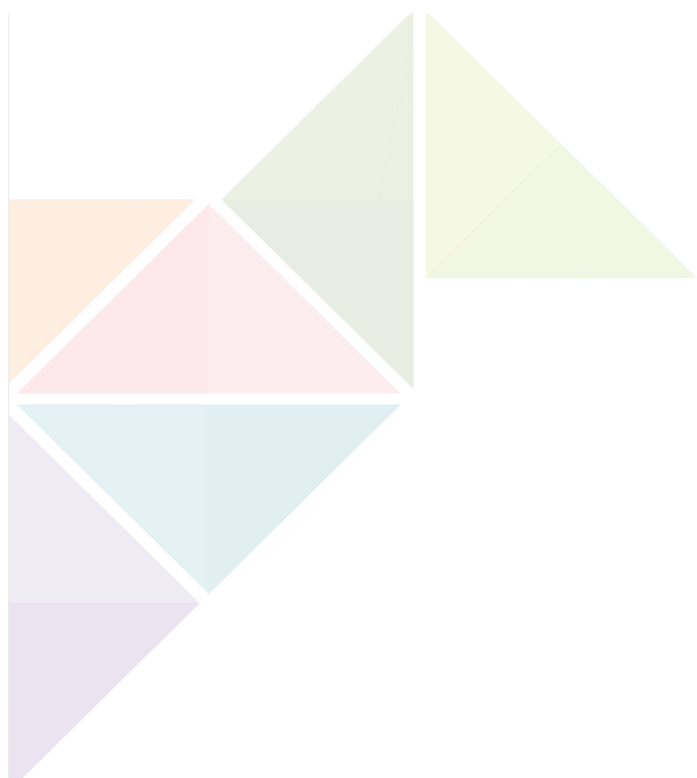


12th Annual Report (Brief)
[2017.1.1 ~ 2017.12.31]

NOROO Paint & Coatings Co., Ltd.



12th Annual Report (Brief) [2017.1.1 ~ 2017.12.31]



CONTENTS

| | |
|----|---|
| 03 | CEO Message |
| 04 | Our Business & Companies |
| | Company Overview |
| 09 | Business Scope |
| 11 | Company Financial Highlights |
| 12 | Holding Company and Subsidiary Companies Business Consolidation |
| 13 | Sales Result in Three Years and Property Status |
| 14 | Board of Directors and Audit Inspectors |
| 14 | Major Shareholders |
| 14 | Investment for company, company and Subsidiary or Subsidiary`s investment for other company |
| | Financial Statements |
| 15 | Balance Sheet |
| 16 | Income Statemaent |
| | Auditor's Report |
| 17 | External Audi Report |

NOMAD NOROO! Leading market and seizing a chance!

Dear valuable shareholders of Noroo Paint and Coatings!

Thank you very much for your unwavering love and interest in the past year. Thank you again for attending today the 12th ordinary general meeting of shareholders for the company.

Last year's industry is assessed as having uncertainty higher than ever in the worsening business environment caused by rising global prices of oil and raw materials. Nevertheless, we made every effort to fulfill the passion and enthusiasm of our younger employees under the group management slogan "Young NOROO! Create opportunities by leading the market." As a result, we achieved sales of KRW 479.8 billion which is an 11% increase from the previous year's, an operating profit of KRW 23.4 billion, and an ordinary profit of KRW 27 billion. We believe that this is a result of successfully implementing the company's management strategies, namely "future management," "technological management," and "substantial management," on top of fulfilling the group management slogan. We would like to thank you again for your support, and assure you that we will endeavor to become a more advanced global company through executing more systematic strategies.

Shareholders!

Although the global economy is expected to gradually move into a recovery phase centering mainly on the theme of the fourth industrial revolution this year,

we will see continuance of the U.S.'s expanding trade protectionism, China's economic slowdown, and Korea's sluggish domestic growth. Moreover, the rising prices of crude oil and basic materials and the changes in labor policies can be burdens for management, which causes us to expect a year that could be difficult than ever before. In order to overcome this situation, Noroo Group has set its management slogan for this year to be "Nomad NOROO! Create opportunities by leading the market." The slogan implicitly expresses the Noroo people's will to open up new horizons through creative thinking. We will lead the market at a faster pace and with higher precision to prudently strengthen the groundwork for a top-notch company.

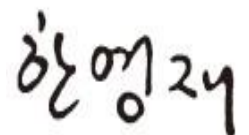
Shareholders!

Your support is always a big energy to our bold march. We hope you will continue to give us your unwavering attention and affection, and we will strive for raising the share price and pursue the high dividend policy based on our differentiated outcomes, in order to share the fruits with you all.

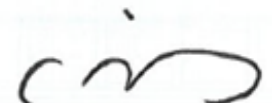
We also hope you will accomplish all your goals as planned this year, and wish you and your families everlasting peace and happiness.

Thank you.

Representative
Han Young-jae, President



Representative
Jin Myung-ho, Vice President





Global NOROO is Seeking a Larger Presence in the Global Stage

NOROO has developed in the industries of paint, ink and resin with the world as its stage. NOROO will become a world leader with more than 70 years of technical expertise and trust.



► NOROO Paint & Coatings Co., Ltd.

NOROO Paint & Coatings produces more than 10,000 kinds of paint products that have the colors of nature from architectural, home-appliances, PCM, heavy-duty, automotive refinish coatings to resins, which are the basis for the paint manufacturing. Also, having developed various highly functional paints including environment-related paints, NOROO Paint guarantees the best quality paint with perfect colors, durability, weatherability and gloss.



► NOROO Coil Coatings Co., Ltd.

NOROO Coil Coatings is a company making paints for PCM(pre-coated metal) and the first to develop and manufacture paints for colored steel sheets and surface treatments for plated steel sheets applying to construction material and appliances. The company has developed paints for super-high speed coating and universal undercoats to supply to all the steel manufacturers in Korea. By doing continuous research and development, it keeps trying to be the leader of PCM market which meets the customer's satisfaction.



► NOROO Automotive Coatings Co., Ltd.

NOROO Automotive Coatings Co., Ltd. is a joint venture with Nippon Paint that produces highly-functional, next-generation automotive OEM coatings. NOROO Automotive Coatings (NAC) was established in 1995 as a joint venture company between NOROO Holdings and Nippon Paint, one of the leading paint manufacturers in Japan. As a specialized company for automotive OEM coatings, NAC provides the world-class products with their market-leading technology. In 2008, the company built a state-of-the-art factory and R&D facility in Hwaseong to provide the world-class highly functional, high quality paints to global automobile makers.



► **NOROO Chemical Co., Ltd.**

As they have constructed a paint factory in 1998 and a resin factory in 2002 (with 50,000 and 14,000 tons of annual production capacity respectively), NOROO Chemicals has been able to manufacture and supply a variety of quality products ranging from architectural paints, wood coatings, industrial and heavy-duty coatings to UPR, including 14 kinds of KS products such as KSM-5701 (air-dry alkyd resin enamel).



► **NOROO BEE Chemical Co., Ltd.**

NOROO Bee Chemical Co., Ltd. is a joint venture with Nippon Bee Chemical, which leads Korea's plastic coatings industry. As a joint-venture company with Nippon Bee Chemical, a global plastic coatings manufacturer from Japan, NOROO Bee Chemical produces paints for plastic parts of automobiles, home appliances, vacuum evaporation, etc. As they built a cutting edge R&D facility and factory in Cheonan in 2006, they can produce high technology and quality paints and acquired 'ISO-TS16949' certification to satisfy the US big three automobile makers.



► **International Paint(Korea) Ltd.**

International Paint Korea (IPK) is a joint venture with Akzo Nobel, the internationally renowned Dutch chemical company, and a specialized company for marine and heavy-duty coatings. IPK produces and sells marine and heavy-duty coatings, and provides the optimal solution to the customers based on their abundant experiences in the global market.



The background image features a stylized globe with a grid overlay, set against a light blue background with faint world map outlines and various data visualization icons like bar charts and line graphs. On the right side, there is a 'SOCIAL MEDIA' section with icons for a person, a star, and a speech bubble, and a list of terms: 'CONNECT', 'WORLD', 'GLOBAL', 'MARKET', 'STOCK', 'LINK', 'CONTENT', 'TRENDS'.

Global NOROO is Expanding its Presence Around the World

From China, South East Asia, the Americas to Europe, A new global stage is opening through NOROO's Challenge to become a global leader.



► NOROO Holdings(H.K)Co., Ltd.

NOROO Holdings(H.K.), the specialized company for overseas investment and M&A, is the key to NOROO group's overseas expansion. The company played an important role in setting up independent companies and joint ventures with local partners in China, and keep contributing to developing global markets.



► NOROO Paint(Shanghai) Co., Ltd.

NOROO Paint(Shanghai) was established in December 2002 and finished construction of the repacking factory and research lab in February 2004 to produce paints and boost sales in China. NOROO Paint(Shanghai) is becoming famous while bumping shoulders with the world's top paint companies in Shanghai, China. The factory in Shanghai makes NOROO can compete with the world famous companies and can aim its sales growth and can be successfully localized by keeping on training their employees to provide the best service in the paint market in China .



► NOROO Trading(Shanghai) Co., Ltd.

NOROO Trading(Shanghai) was established in Shanghai Waigaoqiao Free Trade Zone in 2002. Since 2012, it began in earnest as the acting operation center for NOROO HK Holdings' investment plans in the Greater China region, to provide new independent and joint venture business opportunities and M&As; execution, evaluation and modification of the mid-term and long-term development strategies; financial, post management and strategic support of joint venture companies.



Beyond Paints, Going Global

► NOROO HUALUN Advanced Materials Co., Ltd.



NOROO HUALUN Advanced Materials Co., Ltd. is a joint venture company between NOROO group and HUALUN Co., Ltd., a Chinese company which shares 30% of China's solvent market and the biggest company in terms of sales. The JVC was established for the purpose of expanding the market share in the Chinese resin market with their world's top class resin technology. With the resin production facility with the annual production capacity of 20,000 tons, the company is manufacturing polyester, acrylic, alkyd, urethane, epoxy resins and hardeners and supplying to PCM, industrial, architectural, marine and heavy duty coating markets.



► NOROO-NANPAO Paints & Coating(Vietnam) Co., Ltd.

NOROO-NANPAO Paint & Coatings Co., Ltd. was established as a joint venture by NOROO group and a Taiwanese company, NANPAO. The company produces architectural, industrial, auto-refinishes coatings and surface treatment. The company has a manufacturing facility in Dong Nai and sales offices in Ho Chi Minh and Hanoi. Imprinting its name in the Vietnamese market, NOROO-NANPAO is broadening its role as a foothold for the neighborhood markets in Southeast Asian countries.



► NOROO Vina

NOROO Paint established NOROO Vina for rapidly growing Vietnamese mobile coating market in 2012. Based on the strong technology of NOROO Paint, the company is constantly expanding its market share in Vietnam.



► NOROO KOSSAN Paint

NOROO KOSSAN Paint is a 50:50 joint venture between NOROO Paint and KOSSAN Paint, established for the purpose of increasing the sales in the Southeast Asia region. The company is developing markets for industrial coatings and energy saving products, which fit the weather conditions of the target market. Utilizing KOSSAN Paint's network, the JVC is accelerating the development of the Southeast Asian coatings market.



Beyond Paints, Going Global



► NOROO Coil Coatings (Thailand) Co., Ltd.

NOROO Coil Coatings (Thailand) Co., Ltd. has been established for the purpose of expanding its business in Asia area. The company manufactures and sales Pre Coated Metal (PCM) and surface treatment focusing on the coil coating business.



► SHEENLAC-NOROO Coatings India Pvt., Ltd.

SHEENLAC-NOROO Coatings India Private Limited. in India, a joint venture between NOROO and SHEENLAC, has been established for the purpose of increasing the sales in India. The core business of the company is automotive, industrial and architectural coatings.



► NOROO Kayalar Paint

NOROO Kayalar Paint is a joint venture company invested by NOROO Paint and Kayalar Kimya to expand their market share in Turkey and its neighborhoods. Combining NOROO Paint's high quality products and Kayalar Kimya's business network, the company is expanding its market from the industrial coatings to the automotive refinish paint market.

► NOROO FZCO

NOROO FZCO is a joint venture company invested by NOROO Paint and Ahmed K Al Amoudi & Sons Co. to increase the sales of automotive refinish products in the Middle East market. As the sales of Korean automobiles are increasing in the region, NOROO Paint's auto-refinishes products are gaining more popularity throughout the Middle East market.

NOROO FZCO

1. Business Scope

1) Company Outlook

- Manufacturing and sales of paints, synthetic resins, adhesives, pigments and inks
- Manufacturing and sales of waterproof coating products
- Manufacturing and sales of surface treatment coating products
- Manufacturing and sales of machinery for printing material
- Printing Business
- Construction and coating services
- Consignment sales and purchases and its agency
- Import and export
- Real estate development
- Real estate leasing services and warehousing
- E-commerce
- Manufacturing and sales of organic & inorganic products(disinfectant, whitening, deodorant, additives, etc.)
- Provide research and development
- Consulting of color and interior
- Etcetera subsidiary business

2) Major Businesses

We produce more than 30,000 kinds of products that express natural colors, including paints for architecture, household electrical appliances, PCM, heavy-duty coating, and automobile repair, as well as resin which is the basis of paint manufacture. We are also focusing on developing new products with the world market in mind, based on our established core aim of technology-oriented management. In order to establish a global technology-oriented management network, we are actively promoting joint researches on new technologies and eco-friendly products by strengthening cooperation with leading overseas companies, universities, and research institutes. Based on these efforts, we have been selected 14 times as a company with excellent quality competitiveness by Korean Agency for Technology and Standards of the Ministry of Commerce, Industry and Energy and by Korean Standards Association.

In addition, we are establishing ourselves as a company that seeks co-prosperity by contributing to local communities and customers for mutual happiness, going beyond being a simple paints supplier. Mindful of growing together with the society, we have carried out a variety of social contribution activities by participating in the Seobinggo Mural Sharing Project, Busan Rooftop Cool Loop Campaign, and urban renewal projects.

Through “NCTS 2018” (Noroo International Color Trend Show), which is Korea’s representative color and design seminar held for the seventh time after 2011, we could expand our business horizons through predicting the directions of global colors and design, sharing strategic inspirations with global experts, and forecasting the future flow of colors.

Noroo Paint and Coatings, which since 1987 has been operating a color research institute established for the first time in the domestic paint industry and led differentiated color services in various fields such as those of automobiles, home appliances, architecture, and color design, will go beyond being the number one in the domestic market and grow into a global company with international competitiveness, endeavoring to realize our vision of entering the “global top 10” group.

3) Location of Manufacturing Facilities and Branch Offices

| Name | Business | Location |
|---------------------|-------------------------------|---|
| HQ & Anyang Factory | Manufacturing/Sales of paints | 351, Bakdal-ro, Manan-gu, Anyang-si, Gyeonggi-do, Korea |
| Chilseo Factory | Manufacturing paints | 129, Gongdandong-gil, Chilseo-myeon, Haman-gun, Gyeongsangnam-do, Korea |
| Poseung Factory | Manufacturing paints | 314, Pyeongtaekhang-ro, Poseung-eup, Pyeongtaek-si, Gyeonggi-do, Korea |
| Seoul Branch | Sales of paint products | 127, Eulji-ro, Jung-gu, Seoul, Korea (Eulji-ro Bldg. 3rd floor) |
| North Seoul Branch | Sales of paint products | 16, Uijeong-ro, Uijeongbu-si, Gyeonggi-do, Korea (Oseong Bldg. 3rd floor) |
| Incheon Branch | Sales of paint products | 750, Namdong-daero, Namdong-gu, Incheon, Korea (501, Yuyeong Bldg. 5ft floor) |
| Suwon Branch | Sales of paint products | 32, Ingye-ro 94beon-gil, Paldal-gu, Suwon-si, Gyeonggi-do, Korea (Jeongjin Bldg. 3rd floor) |
| Wonju Branch | Sales of paint products | 10, Sicheong-ro, Wonju-si, Gangwon-do, Korea (703, Geumjeong Tower 7th floor) |
| Daejeon Branch | Sales of paint products | 359, Sintanjin-ro, Daedeok-gu, Daejeon, Korea |
| Gwangju Branch | Sales of paint products | 176, Yangil-ro, Buk-gu, Gwangju, Korea |
| Jeonju Branch | Sales of paint products | 319, Yuyeon-ro, Wansan-gu, Jeonju-si, Jeollabuk-do, Korea (Seongsan Bldg. 2nd floor) |
| Daegu Branch | Sales of paint products | 53, 3gongdan-ro, Buk-gu, Daegu, Korea |
| Busan Branch | Sales of paint products | 1663, Jungang-daero, Geumjeong-gu, Busan, Korea |
| Changwon Branch | Sales of paint products | 129, Gongdandong-gil, Chilseo-myeon, Haman-gun, Gyeongsangnam-do, Korea |
| Cheonan Branch | Sales of paint products | Central Plaza 8F, 100, Beonyeong-ro, Seobuk-gu, Cheonan-si, Chungcheongnam-do |
| Ulsan Office | Sales of paint products | Taegyeong 7F, 126, Daehak-ro, Nam-gu, Ulsan-si |
| Gangneung Office | Sales of paint products | 308, Gajak-ro, Gangneung-si, Gangwon-do, Korea |
| Chungju Office | Sales of paint products | 10 Aehang-ro, Chungju-si, Chungcheongbuk-do, Korea (Hyundai Motor Bldg. 5th floor) |
| Jeju Office | Sales of paint products | Hanhwa B/D 6F, Yeonsam-ro, Jeju-si, Jeju-do |
| Pohang Office | Sales of paint products | 54, Jangheung-ro 39beon-gil, Nam-gu, Pohang-si, Gyeongsangbuk-do, Korea |
| Sunsheon Office | Sales of paint products | 20, Daeseok 1-gil, Suncheon-si, Jeollanam-do, Korea (Sanho Bldg. 3rd floor) |

4) Stock Overview

① Issued Stocks

| Type of Stock | Issued Stocks | Equity | Ratio(%) | Remark |
|-----------------|-------------------|-------------------|---------------|--------|
| Common Stock | 20,000,000 | 10,000,000 | 97.74 | |
| Preferred Stock | 463,126 | 231,563 | 2.26 | |
| Total | 20,463,126 | 10,231,563 | 100.00 | |

② Changes in Capital

- No Change

2. Company Financial Highlights

1) Sales Overview

The year 2017 was a year when the spirit, passion, power, and responsibility of our young employees were more prominent than ever, under the group management slogan of "Young NOROO, Create opportunities by leading the market." Despite the deteriorating business environment, we are steadily laying the groundwork for securing future competitiveness by ensuring our discernment capability through the dynamism and differentiation which only the young can provide.

As a result of these management activities, we achieved sales of KRW 479.8 billion, an 11% increase from the previous year's, and an operating profit of KRW 23.4 billion. These efforts and outcomes are a step forward to realizing the vision of entering the "global top 10" group in the future.

In 2018, with the group management slogan of "Nomad NOROO! Create opportunities by leading the market!", we will strive for sustainable growth, armed with a new perspective that is different from what was adopted for the previous management strategies.

By establishing a foundation for future management, enhancing synergy among the group's affiliates, and securing differentiated products with superior competitiveness, we will create results that are greater than in 2017 to further increase the shared values among customers, employees, and shareholders.

2) Major Businesses and Product Manufacturing

[Unit : Ton, 1,000 KRW]

| Production Overview | Production Result | | | |
|---------------------|-------------------|----------------|--------------------|--------------------|
| | Volume | | Sum | |
| | FY 2017 | FY 2016 | FY 2017 | FY 2016 |
| Paint | 130,038 | 119,620 | 254,575,928 | 223,605,787 |
| Total | 130,038 | 119,620 | 254,575,928 | 223,605,787 |

3) Sales Result

[Unit : Ton, 1,000 KRW]

| Sales Overview | Sales Result | | | | |
|----------------|----------------|----------------|----------------|--------------------|--------------------|
| | Sales Division | Volume | | Sum | |
| | | FY 2017 | FY 2016 | FY 2017 | FY 2016 |
| Product | Domestic | 102,664 | 93,956 | 295,837,153 | 275,192,332 |
| | Export | 8,641 | 7,299 | 27,570,187 | 25,404,918 |
| | Total | 111,305 | 101,255 | 323,407,340 | 300,597,250 |
| Goods | Domestic | 39,479 | 33,986 | 131,755,984 | 112,521,145 |
| | Export | 6,357 | 5,359 | 24,604,645 | 18,890,074 |
| | Total | 45,836 | 39,345 | 156,360,629 | 131,411,219 |
| Total | Domestic | 142,143 | 127,942 | 427,593,137 | 387,713,477 |
| | Export | 14,998 | 12,658 | 52,174,832 | 44,294,992 |
| | Total | 157,141 | 140,600 | 479,767,969 | 432,008,469 |

NOROO PAINT & COATINGS COMPANY OVERVIEW

3. Holding Company and Subsidiary Companies Business Consolidation

1) Holding Company

[Unit : Stock, 1,000 KRW]

| | | | |
|----------------|--|----------------------------------|--|
| Name | NOROO Holdings Co., Ltd. | Business Type | Holding company |
| Address | 351, Bakdal-ro, Manan-gu, Anyang-si, Gyeonggi-do | Number of Shares Owned by | 10,100,138(50.50%) |
| Equity | 8,500,201 | Relation | Sales : 272,726 Commissions, etc. : 1,932,949 |

2) Subsidiary Companies

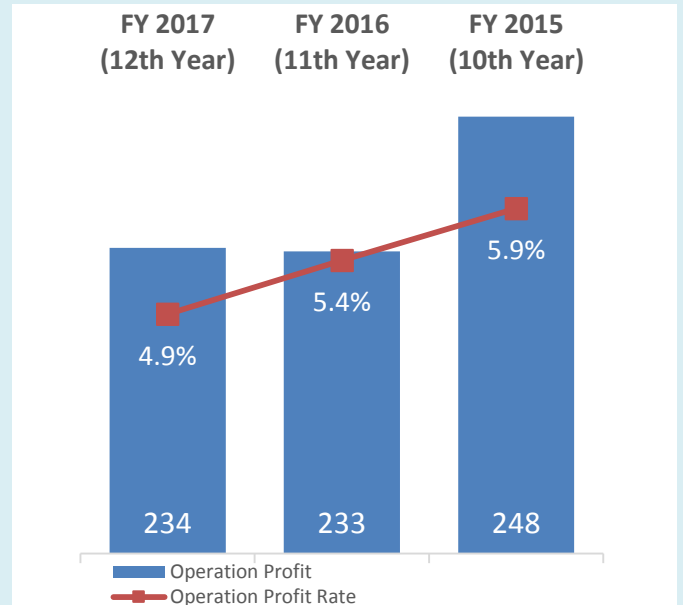
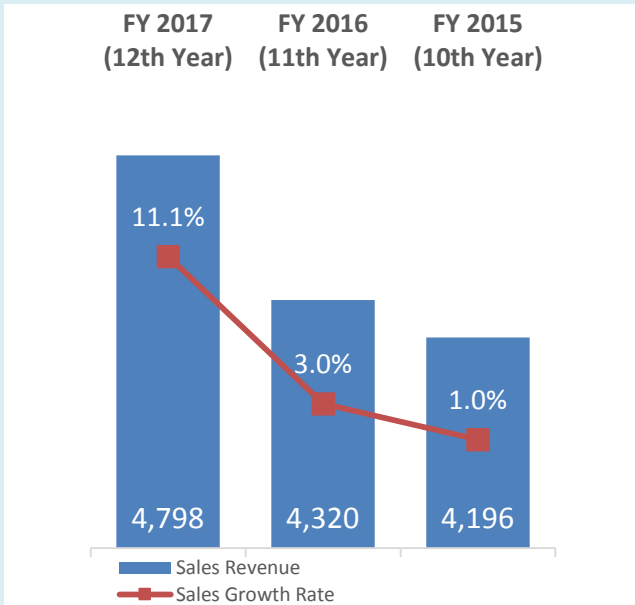
[Unit : Stock, 1,000 KRW]

| Name | Subsidiary Companies | | | | Relation | | |
|---|---|----------------|---|------------------|----------|------------|------------|
| | Address | Equity | Business | Number of Stocks | Ratio(%) | Relation | |
| | | | | | | Sales | Purchasing |
| NOROO Coil Coatings Co., Ltd. | 54, 39Beon-gil, Jangheung-ro, Nam-gu, Pohang-si, Gyeongsangbuk-do | KRW 10,000,000 | Manufacturing & Sales of PCM and other paints | 2,000,000 | 100 | 52,734,315 | 1,028,198 |
| Colormate Co., Ltd. | 658, Nonheon-ro, Gangnam-gu, Seoul | KRW 4,700,000 | Paint Sales | 940,000 | 100 | 2,788,266 | 440,507 |
| NOROO Vina Co., Ltd. | Bac Ninh, Vietnam | VND 41,962,981 | Manufacturing & Sales of Paint | - | 100 | 8,178,783 | - |
| NOROO Paint(Shanghai) Co.,Ltd. | China | CNY 196,649 | Manufacturing & Sales of PCM and other paints | - | 100 | 6,087,031 | 867,251 |
| NOROO Trading (Shanghai) Co.,Ltd. | China | CNY 19,568 | Paint Trading | - | 100 | 0 | - |
| NOROO COIL COATINGS (THAILAND) CO., LTD. | Thailand | THB 131,000 | Manufacturing & Sales of PCM Paint | - | - | 0 | - |

4. Sales Result in Three Years and Property Status

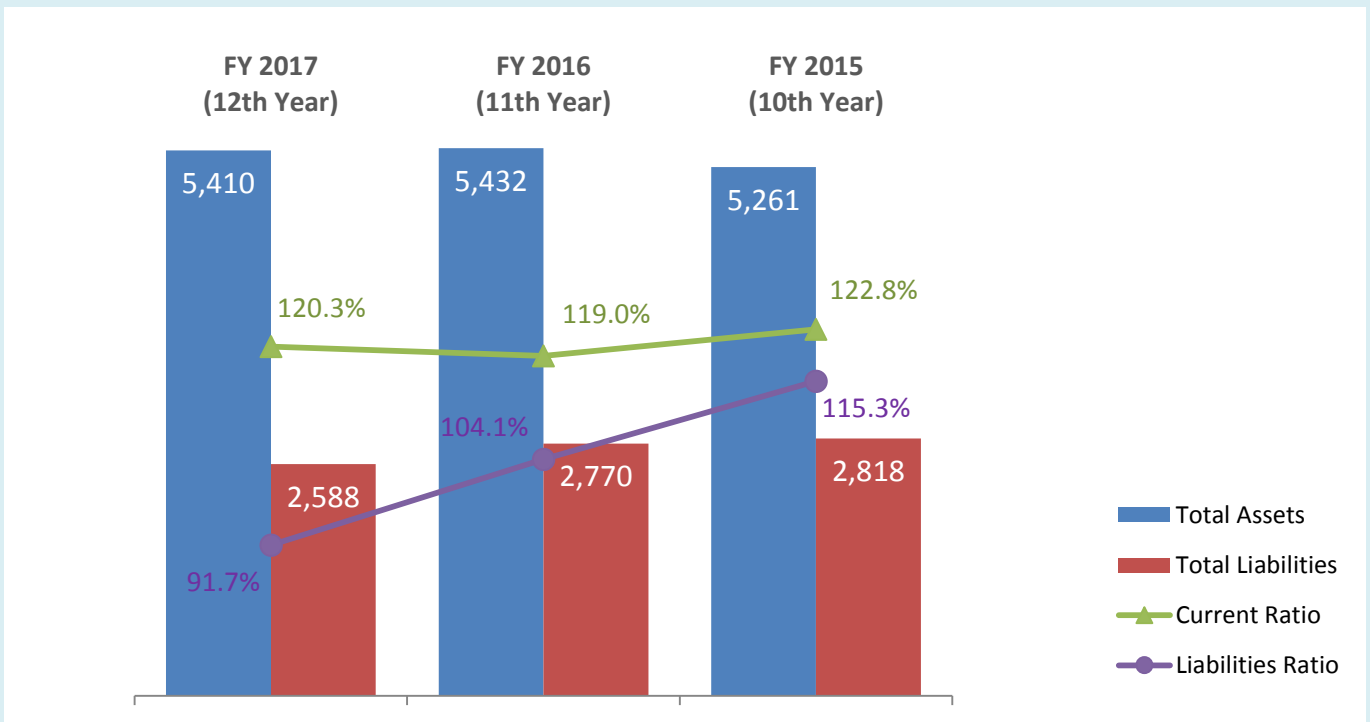
1) Sales Result

[Unit: 100million, KRW]



2) Property Status

[Unit: 100million, KRW]



NOROO PAINT & COATINGS COMPANY OVERVIEW

5. Board of Directors and Audit Inspectors

[As of 31 December 2015]

| Permanent/ Non permanent | Name | Position | Duty | Company Relation | Remark |
|-----------------------------|-----------------|---|-----------------------------|---------------------|--------|
| Permanent | Han Young-jae | Chairman and CEO (Corporate Director) | General Management | - | |
| Permanent | Kim, Yong-kee | Vice Chairman (Corporate Director) | General Management | - | |
| Permanent | Jin, Myung-ho | Vice President and CEO (Corporate Director) | General Management | - | |
| Permanent | Ki, Dong-chun | Executive Director (Corporate Director) | Purchase Department Head | - | |
| Permanent | Kim, Soo-Kyoung | President (Corporate Director) | General Management | - | |
| Permanent | Kim, Tae Hyoung | Auditor | Auditor | - | |
| Non permanent | Kim, Ji-hong | Outside Director | Outside Director | - | |
| Non permanent | Han, Dong | Outside Director | Outside Director | - | |

6. Major Shareholders

[Unit : Stock, 1,000 KRW]

| Name | Number of Stocks | Ratio(%) | Relation | Remark |
|---------------------------|------------------|----------|---|--------|
| NOROO Holdings | 10,732,994 | 53.7 | Sales : 272,726 / Commissions, etc. : 1,932,949 | |
| DB Small Cap Class A | 1,032,350 | 5.2 | - | |
| Samsung Long-term Fund 10 | 405,050 | 2.0 | - | |
| Shinhan Bank | 344,470 | 1.7 | - | |
| IBK (Samsung Active Fund) | 267,226 | 1.3 | - | |

7. Investment for company, company and Subsidiary or Subsidiary's investment for other company

[Unit : Stock, 1,000 KRW]

| Other Company Name | Investment Company | To other Companies | | From other Companies | |
|---|------------------------|--------------------|----------|----------------------|----------|
| | | Number of Stocks | Ratio(%) | Number of Stocks | Ratio(%) |
| NOROO Coil Coatings | NOROO Paint & Coatings | 2,000,000 | 100 | - | - |
| Colormate | NOROO Paint & Coatings | 940,000 | 100 | - | - |
| NOROO Vina | NOROO Paint & Coatings | - | 100 | - | - |
| NOROO Paint(Shanghai) | NOROO Paint & Coatings | - | 100 | - | - |
| NOROO Trading (Shanghai) | NOROO Paint & Coatings | - | 100 | - | - |
| NOROO Holdings (H.K.) | NOROO Paint & Coatings | 12,903,000 | 33 | - | - |
| NOROO KAYALAR Boya Sanayi ve Ticaret.A.S | NOROO Paint & Coatings | 200,000 | 50 | - | - |
| NOROO KOSSAN Paint | NOROO Paint & Coatings | 1,010,895 | 50 | - | - |
| NOROO FZCO | NOROO Paint & Coatings | 3 | 50 | - | - |
| NOROO Middle East | NOROO Paint & Coatings | 1,600 | 40 | - | - |
| SHEENLAC-NOROO Coatings India | NOROO Paint & Coatings | 5,000,000 | 50 | 0 | - |
| NOROO Coil Coatings (Thailand) | NOROO Coil Coatings | 1,310,000 | 100 | 0 | - |
| - | NOROO Holdings | - | - | 10,100,138 | 50.5 |

Balance Sheet

The Twelfth Term As of 31 December 2017

The Eleventh Term As of 31 December 2016

[Unit : KRW]

| Accounts | The Twelfth Term | The Eleventh Term |
|---|------------------------|------------------------|
| Assets | | |
| I. Current Assets | 190,832,785,250 | 197,683,774,489 |
| 1. Cash and Cash Equivalents | 1,401,587,073 | 10,245,896,148 |
| 2. Accounts Receivable | 132,204,102,427 | 132,748,010,636 |
| 3. Other Receivables | 5,596,753,139 | 5,246,295,181 |
| 4. Derivatives Asset | 511,558,353 | 197,168,812 |
| 5. Held-to-Maturity Investments | 11,810,000 | 13,120,000 |
| 6. Inventories | 44,158,207,593 | 40,522,641,587 |
| 7. Other Current Assets | 6,948,766,665 | 8,710,642,125 |
| II. Non-current Assets | 350,184,429,086 | 345,502,961,948 |
| 1. Other Long Term Receivables | 7,161,894,617 | 8,125,557,632 |
| 2. Available-for-Sale Asset | 22,596,000 | 22,596,000 |
| 3. Held-to-Maturity Investments | 85,925,000 | 95,335,000 |
| 4. Investments in Subsidiaries and Associates | 38,901,969,400 | 32,422,424,334 |
| 5. Tangible Assets | 259,693,645,603 | 259,342,926,027 |
| 6. Investments Property | 26,104,323,195 | 26,736,272,313 |
| 7. Intangible Assets | 18,214,075,271 | 18,757,850,642 |
| Total Assets | 541,017,214,336 | 543,186,736,437 |
| Liabilities | | |
| I. Current Liabilities | 158,601,535,111 | 166,122,283,671 |
| 1. Accounts Payable | 88,786,819,369 | 79,810,208,659 |
| 2. Other Payables | 17,135,358,252 | 20,707,638,826 |
| 3. Borrowings | 45,720,299,370 | 54,992,432,244 |
| 4. Derivatives Liabilities | 21,835,533 | 250,387,785 |
| 5. Other Current Financial Liabilities | 21,449,839 | 70,694,471 |
| 6. Income Tax Liability for The Year | 2,239,386,085 | 6,786,831,914 |
| 7. Other Current Liabilities | 4,676,386,663 | 3,504,089,772 |
| II. Non-current Liabilities | 100,234,863,173 | 110,906,422,131 |
| 1. Other Long Term Payables | 426,945,106 | 423,522,821 |
| 2. Borrowings | 57,932,583,575 | 68,886,176,400 |
| 3. Derivatives Liabilities | 0 | 0 |
| 4. Defined Benefit Liabilities | 10,402,008,229 | 10,207,823,575 |
| 5. Liabilities for Employee benefits | 736,884,695 | 668,617,775 |
| 6. Deferred Tax Liabilities | 30,736,441,568 | 30,720,281,560 |
| Total Liabilities | 258,836,398,284 | 277,028,705,802 |
| Shareholders' Equity | | |
| I. Capital Stock | 10,231,563,000 | 10,231,563,000 |
| II. Capital Surplus | 104,673,523,433 | 104,673,523,433 |
| III. Accumulated Other Comprehensive Income | 9,410,341 | -9,859,952 |
| IV. Retained Earnings | 167,266,319,278 | 151,262,804,154 |
| Total Shareholders' Equity | 282,180,816,052 | 266,158,030,635 |
| Total Liabilities and Shareholders' Equity | 541,017,214,336 | 543,186,736,437 |

Income Statement

The Twelfth Term As of 31 December 2017

The Eleventh Term As of 31 December 2016

[Unit : KRW]

| Accounts | The Twelfth Term | The Eleventh Term |
|--|-------------------|-------------------|
| I. Sales Revenue | 479,767,969,419 | 432,008,468,877 |
| II. Cost of Sales | (377,825,938,465) | (328,336,211,942) |
| III. Gross Profit | 101,942,030,954 | 103,672,256,935 |
| IV. Selling and Administrative Expenses | (78,585,113,616) | (80,353,422,627) |
| V. Operation Profit | 23,356,917,338 | 23,318,834,308 |
| VI. Other Revenues | 15,498,782,612 | 29,190,398,575 |
| VII. Other Expenses | (6,354,637,531) | (7,094,653,491) |
| VIII. Financial Revenues | 2,804,679,989 | 2,298,764,076 |
| IX. Financial Expenses | (8,292,028,903) | (8,464,583,352) |
| X. Income Loss Before Income Taxes Expenses | 27,013,713,505 | 39,248,760,116 |
| XI. Income Taxes Expenses | (6,799,013,965) | (13,093,950,824) |
| XII. Net Income | 20,214,699,540 | 26,154,809,292 |
| XIII. Earnings Per Share | | |
| 1. Basic and Diluted Earnings Per Share from Common Stock | 988 | 1,278 |
| 2. Basic and Diluted Earnings Per Share from Preferred Stock | 993 | 1,283 |

Report of Independent Auditors

To the shareholders and Board of Directors of Noroo Paint and Coatings Co., Ltd.

We have audited the attached financial statements of Noroo Paint and Coatings Co., Ltd. These financial statements include the statements of financial position on December 31, 2017, and December 31, 2016, the income statements, comprehensive income statements, statements of changes in equity, and cash flow statements for the two periods each ending on either date, summary of significant accounting policies, and other explanatory information.

Management's responsibilities for financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with K-IFRS, as well as for internal control which has been decided to be necessary in writing financial statements that do not contain critical misstatements resulting from fraud or errors.

Auditor's responsibilities

We are responsible for providing an opinion on these financial statements based on the result of our audit. We have conducted an audit in accordance with Korean auditing standards. These standards require that we plan and perform our audit observing the ethical requirements in order to obtain conviction based on reasons that the financial statements do not contain critical misstatements.

The audit includes execution of procedures to obtain evidence of the amounts and disclosures in the financial statements. The selection of the procedures may vary according to the auditor's judgment based on assessment of the risk of critical misstatements in the financial statements due to fraud or errors as well as on other elements. When assessing these risks, the auditor considers internal control over the preparation and fair presentation of the company's financial statements in order to design audit procedures that are appropriate for the situation. However, this is not intended to express opinions on the effectiveness of internal control. The audit includes assessing not only the overall presentation of the financial statements, but also the adequacy of the accounting policies employed and the reasonableness of the accounting estimates derived by the management in preparing the financial statements.

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


Audit opinion

It is our opinion that the financial statements of Noroo Paint and Coatings Co., Ltd. present the company's financial position on December 31, 2017, and December 31, 2016, as well as the financial result and cash flow of each reported period that comes to an end on either date fairly in accordance with K-IFRS from the perspective of significance.

March 14, 2018

Lee Jung-hee, CEO
Anjin Accounting Corporation
10 Gukjegeumyung-ro,
Yeongdeungpo-gu, Seoul

안진회계법인
대표이사 이정희
이정희



This audit report is effective as of March 14, 2018, the audit report date. Accordingly, since accidents or situations may arise which could significantly affect the company's financial statements between the audit report date and the time of viewing the report, revisions may be made during the period.