

1Q'13 Earnings release

coway

you
meet
heart®
service



Disclaimer

This presentation contains historical information of the company which should not be regarded as an indication of the future performance or results.

This presentation also contains forward-looking statements that are, by the nature, subject to significant risks and uncertainties.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance or results.

Actual results may differ materially from information contained in the forward-looking statements as a results of a number of factors beyond our control.

Contents

1. 1Q'13 Earnings release

- Revenue / profits

2. Division results and strategies

- Domestic home appliance business
- Overseas business
- Cosmetics business

3. Consolidated earnings results

- Revenue / profits

4. Appendix

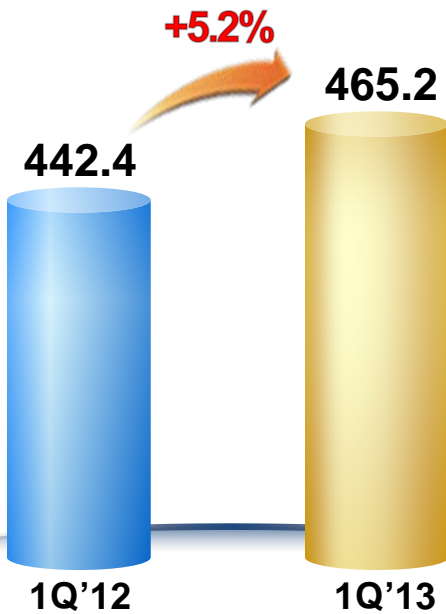
- Revenue and profits
- Revenue breakdown
- Cost of goods sold
- SGnA
- Balance sheet
- Rental and lump-sum sales volume
- Rental and Membership accounts
- Subsidiary results
- Consolidated financial reports

1. Revenue and Profits

Revenue of **KW465.2 bn** (+5.2%, YoY), Operating profit of **KW69.2 bn** (+7.9%, YoY) and adjusted net profit of **KW 46.2 bn** (+12.1%, YoY)

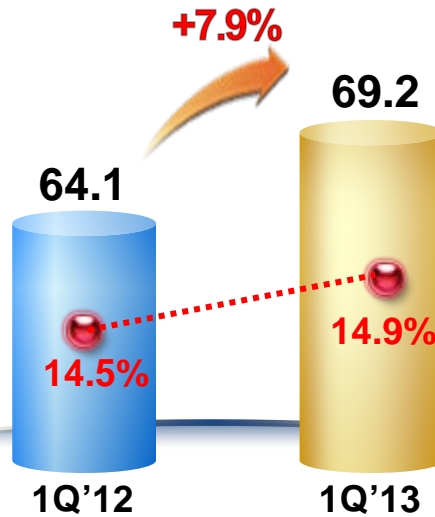
Revenue

[Unit: KW bn]



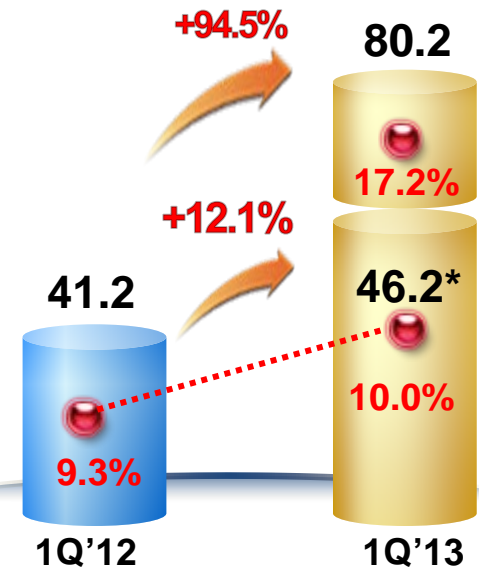
Operating profit

[Unit: KW bn/ Margin]



Net profit

[Unit: KW bn]

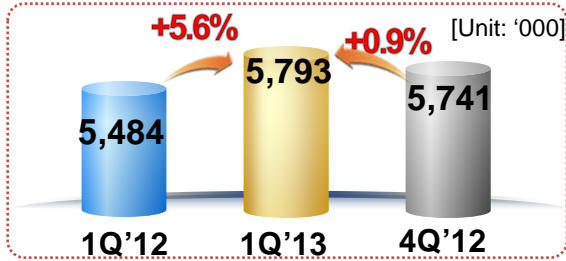


[Non-consolidated and based on K-IFRS]

[*Adjusted net profit : normalized net profit excluding one-off gains from Woongjin Chemical stake selling]

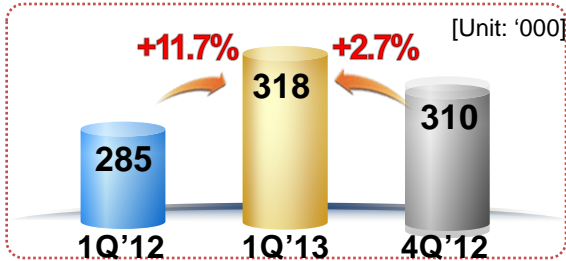
2-1. Domestic home appliance business

Reaching 5.8mn accounts in total
Rental sales +11.7% and Lump-sum sales +11.9%, YoY



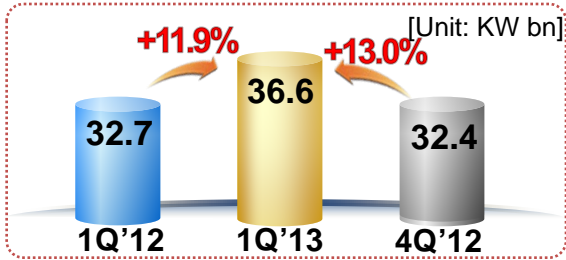
1 Net accounts

- Total accounts recorded 5,793K in 1Q'13/ 53K net account increase in 1Q'13 (32k net account addition in 1Q'12)
- Core product net addition by 50K (18.5K WP, 14.1K Bidet, and 10K AP)



2 Rental sales

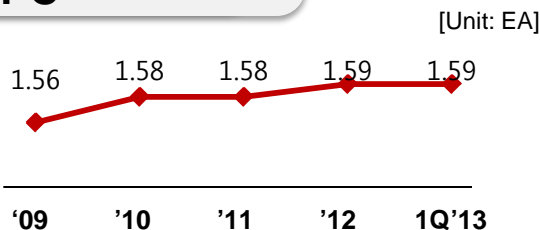
- Solid rental sales in 1Q'13 due to advanced demands in March before price hike
- Sales growth: Water purifier (+10%, YoY), Air purifier(+13%, YoY), Bidet(+18%, YoY)



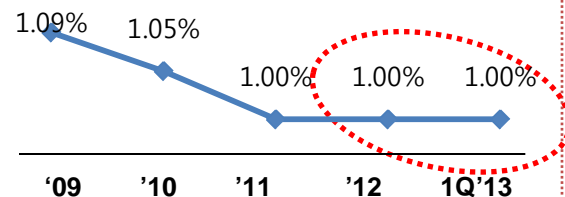
3 Lump-sum sales

- Lump-sum sales increased by +11.9%, YoY
- Steady sales of core products and outsourced items such as mattress, massage chair, and MD products.

4 PPC

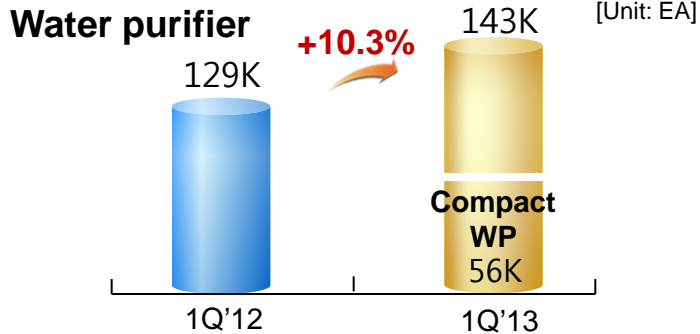


5 Churn rate

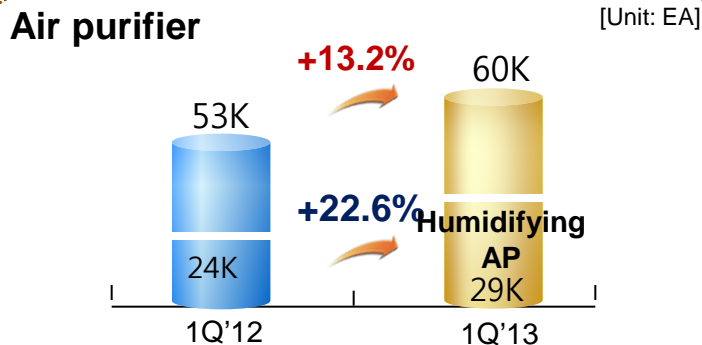


2-1. Domestic home appliance business-Rental sales

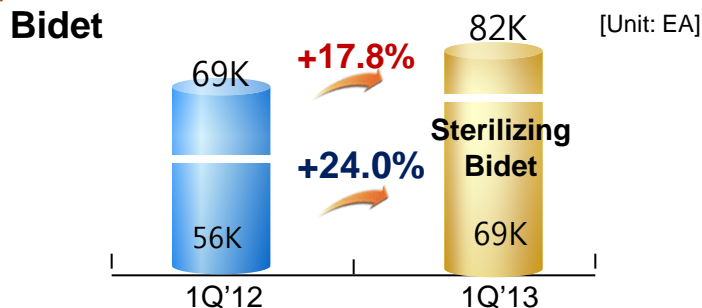
Solid sales of core products : Water purifier +10.3%, Air purifier +13.2%, Bidet +17.8%, YoY



- Strong water purifier sales in 1Q'13
- Driven by strong sales of compact water purifier (WP sales contribution : 26% ('12) → 39% (1Q'13))
- Monthly rental fee : KW31,500
(Blend ARPU of water purifier : KW27,800 as of 2012)



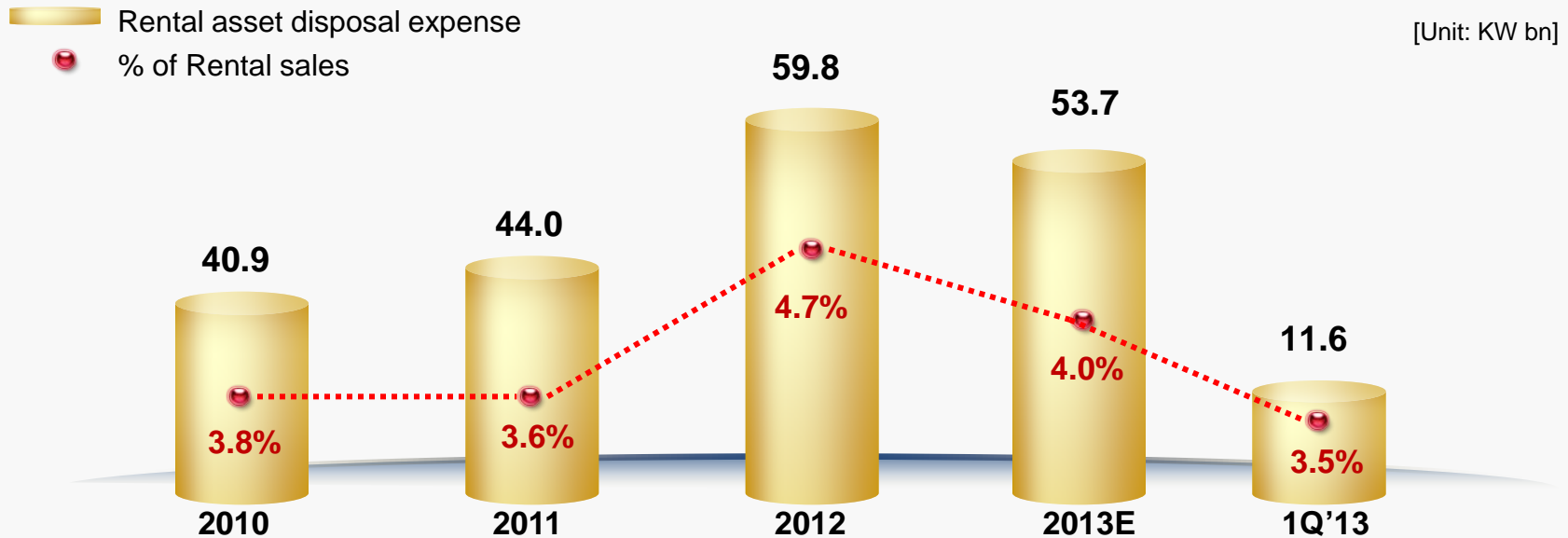
- Strong sales of humidifying air purifier in dry season (AP sales contribution : 45%)
- Fast sales growth in multi-functional APs compared to conventional APs due to increasing customer preference
- Monthly rental fee : KW33,560
(Blended ARPU of air purifier : KW21,900 as of 2012)



- Sterilizing bidet accounts for 84% of total bidet sales in 1Q'13
- Market preferred enhanced hygiene function added products
- Monthly rental fee : KW22,566
(Blended ARPU of bidet : KW17,300 as of 2012)

2-1. Domestic home appliance business-Rental asset disposal

Reduced rental asset disposal expense through product quality and service improvement



⊙ What is rental asset disposal?

- In the event of rental subscribers' cancellation, exchange, or returns of existing items, the company write-offs remaining amounts of rental asset depreciation at once causing direct effect on operating profit variation

⊙ Reduced due to decrease of early returns and exchange

- 3.5% of rental revenue in 1Q'13 / 2013 target : 4% of rental revenue
- Quality improvement and enhanced service contributed to reduction of rental asset disposal costs

2-1. Domestic home appliance business-New product release

Ongoing functional product introduction to meet consumers' needs

Water purifier



⦿ Alkali ion water purifier

- Providing alkali ion water as well as cold / hot water
- Auto sanitization function equipped
- 20% size reduction compared to existing water purifier

Air purifier



⦿ Dehumidifiers for summer season

- Rapid growing market due to hot and humid summer
- Various models depending on function and capacity
- Lump-sum sales only (ASP: KW490,000)

Bidet



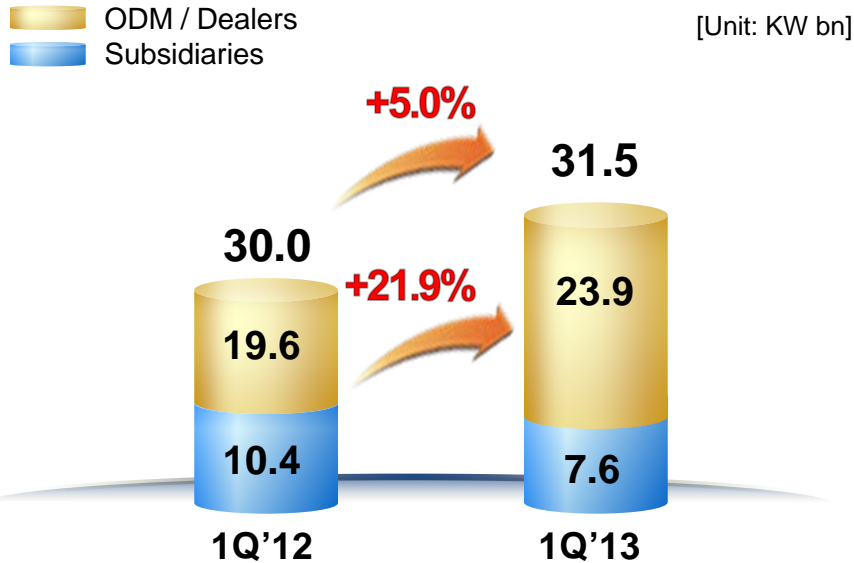
⦿ Sterilizing bidet

- Enhanced hygiene for nozzle and body with self-sterilization
- Removing germs through electrolysis sterilization system

2-2. Overseas business

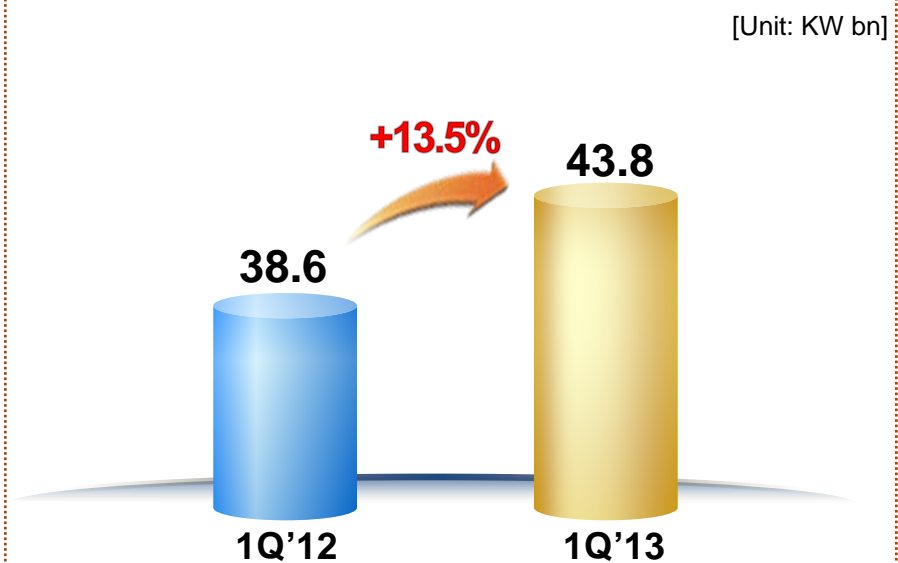
Export revenue (+5.0% ,YoY) , Overseas subsidiary revenue (+13.5%, YoY)

Overseas revenue(Export)



- Strong revenue growth driven by ODM
- ODM sales growth : +21.9%, YoY
- Sales growth to PHILIPS China, occurring from air pollution issues, contributed to ODM growth

Subsidiary revenue



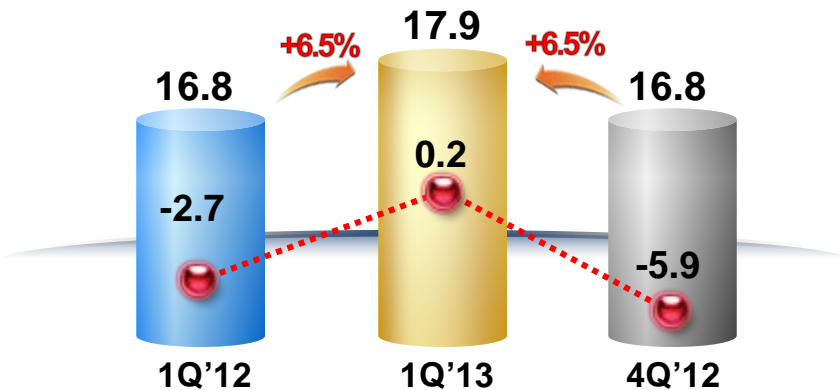
- Malaysia : KW15.3 bn revenue, +36% ,YoY
- driven by promotion in lump-sum sales
- U.S. : KW9.0 bn revenue , +33%, YoY
- Strong accounts growth of 1Q'13
(1Q'13: 62K, +46%,YoY)

2-3. Cosmetics

Cosmetics revenue increased by **+6.5%, YoY**/ Operating profit turnaround

Revenue / Operating profit

[Unit: KW bn]



© Revenue +6.5%, YoY and QoQ

- Sales productivity increased
: No. of Beauty Planners : 2,970, '12 → 2,234, 1Q'13
- Product category expansion
: Expanding health functional food sales and strategic product sales to drive repurchase

© Operating profit turnaround

- Efficient organization management / Better than expected results

Business Strategy

● Brand renewal of health functional food

- Brand : 'healthygru'
- Launch : Mar. 1st, 2013
- Line-up : 13 products such as 'Balance Omega3', etc.
- Sales of health functional food in 1Q'13 record KW 4.6 bn (+58.6%, YoY)

healthygru:

● Enhancing Re:NK brand awareness

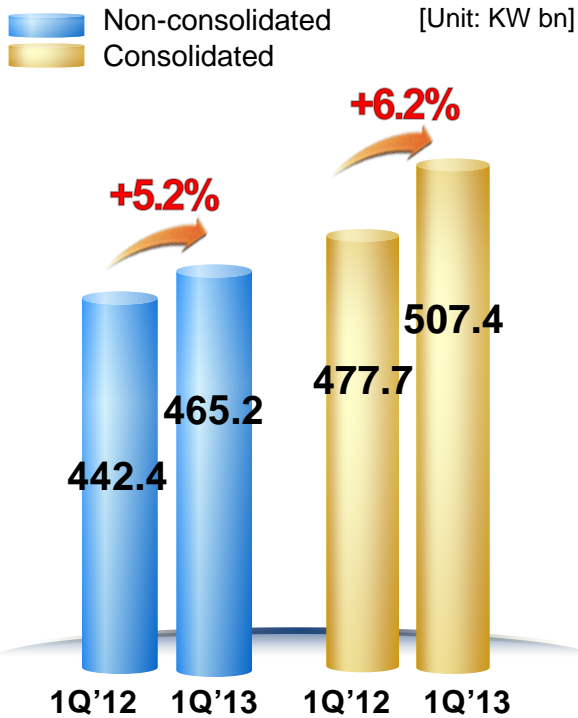
- Launched K-Line collaboration on home shopping channel
- Re:NK color cream Released



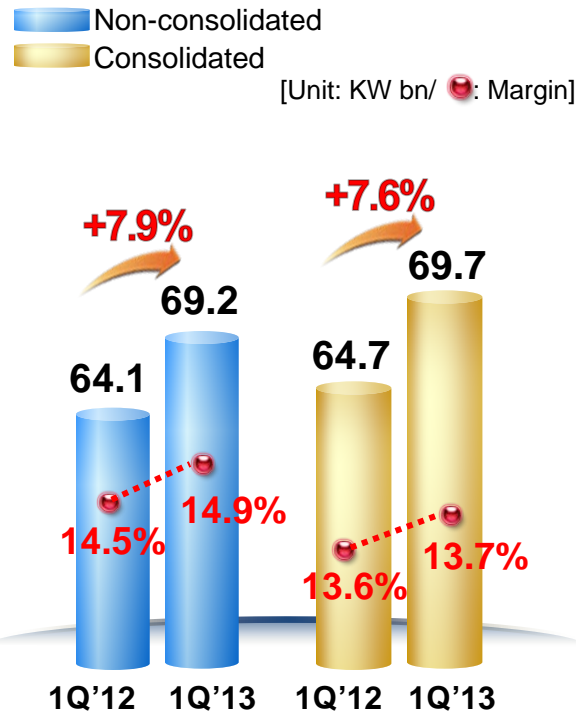
3. Consolidated earnings results-revenue and profits

Revenue of KW 507.4 bn (+6.2%, YoY), Operating profit of KW 69.7 bn (+7.6%, YoY), Adjusted net profit of KW 57.4 bn (+25.0%, YoY)

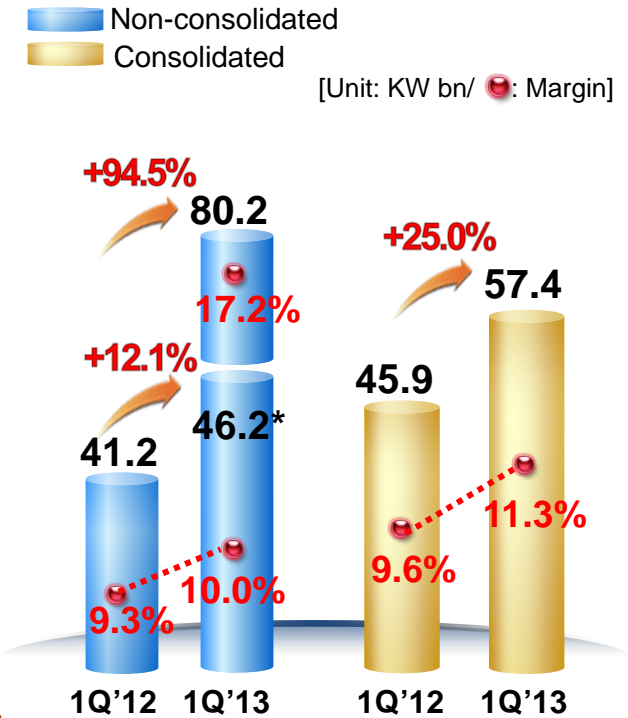
Revenue



Operating profit



Net profit



*Excluding of profit gain from disposal of Woongjin chemical stake

Appendix

- Revenue and Profits
- Revenue breakdown
- Cost of goods sold
- SGnA expenses
- Balance sheet
- Rental and lump-sum sales volume
- Rental and membership accounts
- Subsidiary results
- Consolidated financial statements

Revenue and Profits

[Appendix]

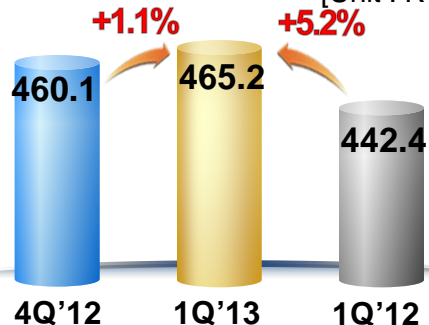
[Unit : KW bn]

Accounts	1Q'13	4Q'12	QoQ	1Q'12	YoY
Revenue	465.2	460.1	1.1%	442.4	5.2%
Operating profits	69.2	35.6	94.2%	64.1	7.9%
Margin	14.9%	7.7%		14.5%	2.6%
Recurring Profits	115.0	31.7	262.2%	55.6	106.7%
Margin	24.7%	6.9%		12.6%	96.6%
Net Income	80.2	21.6	271.4%	41.2	94.5%
Margin	17.2%	4.7%		9.3%	84.9%
*EBITDA	126.6	96.2	31.6%	119.2	6.2%
Margin	27.2%	20.9%		27.0%	

* EBITDA : Cash flow basis

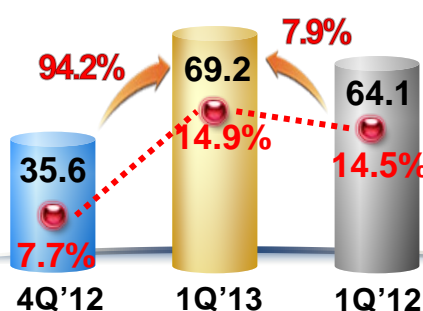
Revenue

[Unit : KW bn]



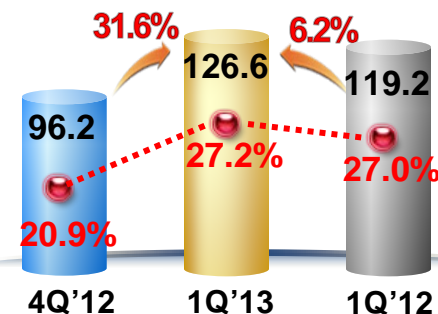
Operating profits

[Unit: KW bn/ Margin]



EBITDA

[Unit: KW bn/ Margin]



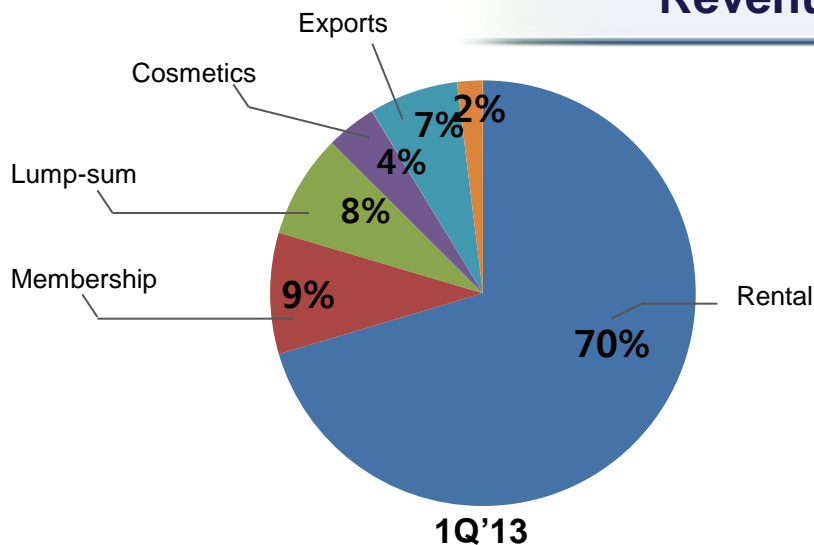
Revenue breakdown

[Appendix]

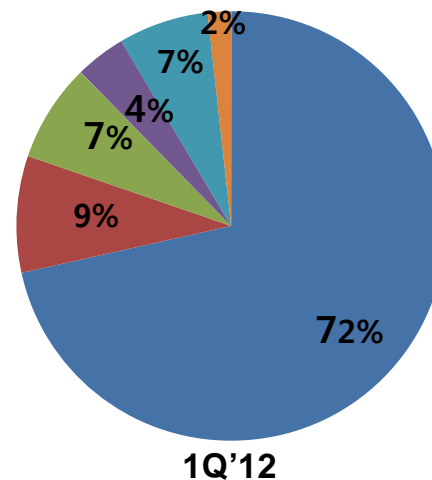
[Unit : KW bn]

Revenue	1Q'13	4Q'12	QoQ	1Q'12	YoY
Rental related	370.2	369.6	0.2%	355.1	4.3%
Rental	327.4	327.3	0.0%	316.3	3.5%
Membership	42.8	42.3	1.2%	38.8	10.4%
Lump-sum	36.6	32.4	12.9%	32.7	11.9%
Cosmetics	17.9	16.8	6.4%	16.8	6.3%
Exports	31.5	30.5	3.1%	30.0	5.0%
Others	9.1	10.7	-15.2%	7.8	16.1%
Total	465.2	460.1	1.1%	442.4	5.2%

Revenue contribution (YoY)



-14-



Cost of goods sold

[Appendix]

[Unit : KW bn]

COGS	1Q'13	4Q'12	QoQ	1Q'12	YoY
Rental related	107.1	108.9	-1.6%	101.5	5.6%
Rental	93.1	95.4	-2.5%	89.1	4.4%
(% of Revenue)	28.4%	29.2%		28.2%	
Membership	14.1	13.4	4.7%	12.3	14.0%
(% of Revenue)	32.9%	31.8%		31.8%	
Lump-sum	14.0	23.2	-39.8%	12.9	7.9%
Cosmetics	2.7	3.0	-11.4%	2.7	0.0%
Exports	25.3	25.5	-0.7%	23.6	7.2%
Others	5.5	5.7	-2.4%	4.7	17.6%
Total	154.7	166.3	-7.0%	145.4	6.3%
(% of Revenue)	33.2%	36.1%		32.9%	

COGS Analysis(YoY)

COGS rate : 33.2% (+0.3%P)

1) A mild increase of 0.3%P, YoY

1. Rental related(+5.6%)

1) Rental (+4.4%)

: Rental asset depreciation increased by 13.3%

: Mainly due to expensive items release in '12

[Unit : KRW bn]

	1Q'13	1Q'12	YoY
Installation	4.0	4.1	-3.7%
Maintenance Commissions	32.4	33.3	-2.5%
Rental Depreciation	35.9	31.7	13.3%
Filters and parts	20.8	20.0	3.6%
Total	93.1	89.1	4.4%

2) Membership(+14.0%)

[Unit : KRW bn]

	1Q'13	1Q'12	YoY
Maintenance Commissions	9.3	8.2	13.6%
Filters and parts	4.7	4.1	14.8%
Total	14.1	12.3	14.0%

2. Lump-sum(+7.9%)

1) Lump-sum revenue increased by +11.9%

3. Exports(+7.2%)

1) Slightly increased due to KRW appreciation

: KRW1,112/USD 1 1Q'13 VS KRW1,137.8, 1Q'12

SGnA expenses

[Appendix]

[Unit : KW bn]

SGnA		1Q'13	4Q'12	QoQ	1Q'12	YoY
SGnA	Salary related	62.9	69.4	-9.4%	52.2	20.6%
	Welfare expenses	8.7	9.6	-9.1%	10.1	-13.5%
	Sales commissions	76.9	77.8	-1.2%	77.2	-0.3%
	Advertisements	11.1	12.6	-11.8%	11.0	1.2%
	Fees & commissions	21.3	22.4	-4.9%	20.6	3.2%
	Disposal loss of rental asset	11.6	15.7	-26.5%	14.1	-17.8%
	Others	48.8	50.5	-3.4%	47.6	2.4%
	Total	241.3	258.1	-6.5%	232.8	3.7%
<i>(% of Revenue)</i>		51.9%	56.1%		52.6%	

SGnA Analysis(YoY)

SGnA rate : 51.9%(-0.7%P)

1. Salary and Welfare

- 1) 4% annual increase and hired more employees + Allowance for year-end bonus

2. Sales Commissions

- 1) Slightly decreased due to deferred sales commission of March sales to April

3. Rental asset disposal

- 1) Reduced returns of 2012 released items due to enhanced quality and service
- 2) Decreased by KRW2.5 bn, YoY
- 3) 2013 target : KRW4-5 bn reduction, YOY

Balance sheet

[Appendix]

[Unit : KW bn]

Balance sheet	Mar. '13	Dec. '12
<Assets>	1,639.3	1,701.5
Current Assets	624.7	691.3
Cash and cash equivalents	189.0	118.9
Accounts receivable	324.6	318.9
Inventories	37.6	41.3
Non-current Assets	1,014.6	1,010.2
PPE	599.6	594.2
Affiliates and subsidiaries	101.7	101.7
Intangible assets	155.0	157.5
<Liabilities>	755.4	898.8
Current liabilities	612.2	719.6
Short-term borrowings	141.0	295.7
Debenture (Less than 1 year)	105.6	49.9
Debenture (More than 1 year)	60.0	60.0
Non-current liabilities	143.2	179.2
Long-term borrowings	30.0	30.0
Bonds	66.7	117.8
<Stockholder's Equity>	883.9	802.7
Liability / Equity	85.5%	112.0%
Net debt / Equity	24.2%	54.1%

Current Asset

1. Cash and cash equivalent
: Cash inflow of KRW178.2 bn occurring from WJ Chemical stake disposal
2. Inventory
: Reduced due to more than expected sales in March

Current Debt

1. Paid KRW99 bn short-term borrowings with cash inflow from WJ Chemical stake disposal

Net debt

1. Decreased by KRW220 bn / KRW214 bn, 1Q'13
2. 24.2% net-debt ratio(13% excl. treasury shares)
3. Expect lower net-debt ratio due to operating cash inflow going forward

1) Debt and Net debt / Equity
(Considering treasury shares) : 68.7%, 13%

Rental and lump-sum sales volume

[Appendix]

[Unit: EA]

Rental	1Q'13	4Q'12	QoQ	1Q'12	YoY
Water purifier	142,608	129,297	10.3%	129,290	10.3%
Air purifier	59,705	69,812	-14.5%	52,729	13.2%
Bidet	81,780	76,743	6.6%	69,398	17.8%
Water softener	21,907	20,436	7.2%	20,963	4.5%
Food waste disposer	3,091	2,996	3.2%	2,261	36.7%
Mattress	8,934	10,291	-13.2%	10,102	-11.6%
Others	-	-	-	-	-
Total	318,025	309,575	2.7%	284,743	11.7%

[Unit: EA]

Lump-sum	1Q'13	4Q'12	QoQ	1Q'12	YoY
Water purifier	4,553	4,519	0.8%	6,212	-26.7%
Air purifier	10,580	9,405	12.5%	8,441	25.3%
Bidet	8,349	11,251	-25.8%	8,619	-3.1%
Water softener	4,980	1,434	247.3%	1,868	166.6%
Food waste disposer	838	824	1.7%	1,087	-22.9%
Mattress	2,088	2,347	-11.0%	1,780	17.3%
Others	29,806	22,584	32.0%	22,435	32.9%
Total	61,194	52,364	16.9%	50,442	21.3%

Rental and Membership accounts

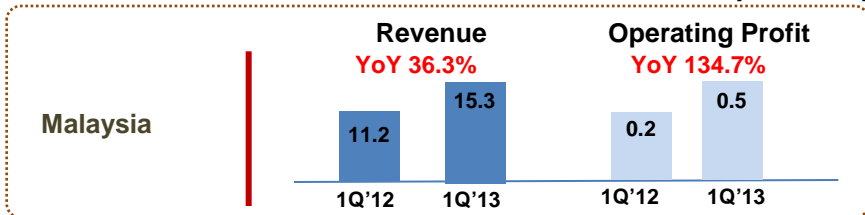
[Appendix]

[Unit: accounts]

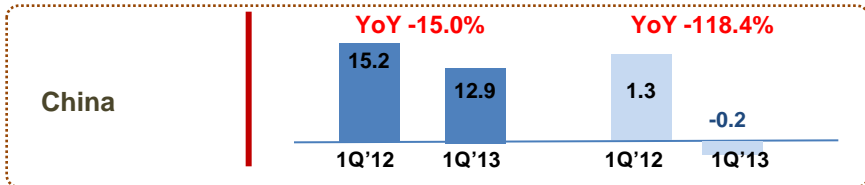
Accounts	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11	2Q11	1Q11	QoQ	YoY
Rental	4,657,832	4,607,420	4,551,249	4,517,595	4,479,979	4,450,003	4,376,626	4,321,185	4,233,969	1.1%	4.0%
Water purifier	2,277,170	2,258,632	2,245,982	2,230,045	2,214,387	2,215,652	2,192,123	2,156,756	2,109,582	0.8%	2.8%
Air purifier	782,164	771,736	749,160	756,509	760,227	755,757	735,584	738,422	721,181	1.4%	2.9%
Bidet	1,195,272	1,181,177	1,168,865	1,156,459	1,144,508	1,128,310	1,105,905	1,085,185	1,064,508	1.2%	4.4%
Water softener	311,072	313,019	314,717	315,693	316,422	315,338	315,218	314,558	312,274	-0.6%	-1.7%
Food waste disposer	34,465	33,633	33,287	30,081	27,243	27,571	27,615	26,073	26,208	2.5%	26.5%
Mattress	57,592	49,116	39,114	28,673	17,040	7,208	-	-	-	17.3%	238.0%
Others	97	107	124	135	152	167	181	191	216	-9.3%	-36.2%
Membership	1,135,254	1,133,108	1,118,451	1,082,111	1,003,644	1,002,006	1,034,407	1,011,455	966,986	0.2%	13.1%
Water purifier	722,581	727,766	729,106	712,359	688,761	695,135	732,894	720,467	699,664	-0.7%	4.9%
Air purifier	147,980	145,387	141,586	141,803	132,674	128,651	125,367	120,438	108,832	1.8%	11.5%
Bidet	129,836	122,611	111,381	107,666	103,199	99,384	95,119	89,289	79,920	5.9%	25.8%
Water softener	66,917	67,239	67,666	68,850	69,711	71,857	74,728	75,344	73,872	-0.5%	-4.0%
Food waste disposer	3,049	3,074	3,144	3,191	3,322	3,571	3,592	3,773	4,094	-0.8%	-8.2%
Mattress	62,399	64,501	63,020	45,343	3,215	616	-	-	-	-3.3%	1840.9%
Others	2,492	2,530	2,548	2,899	2,762	2,792	2,707	2,144	604	-1.5%	-9.8%
Total accounts	5,793,086	5,740,528	5,669,700	5,599,706	5,483,623	5,452,009	5,411,033	5,332,640	5,200,955	0.9%	5.6%
Net accounts	52,558	70,828	69,994	116,083	31,614	40,976	78,393	131,685	118,208	-25.8%	66.2%

Subsidiary results – 6 entities (5 overseas subsidiaries and ‘Green Entech)

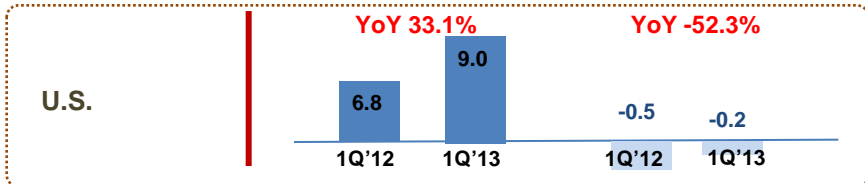
[Unit : KW bn]



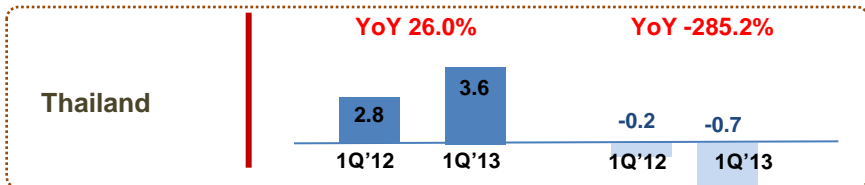
- Revenue breakdown (Rental 76%, Lump-sum 24%)
- No. of home appliance item sold : 13,094 units (+1.7%, YoY)
- No. of total accounts : 130,144 accounts (+34.9%, YoY)



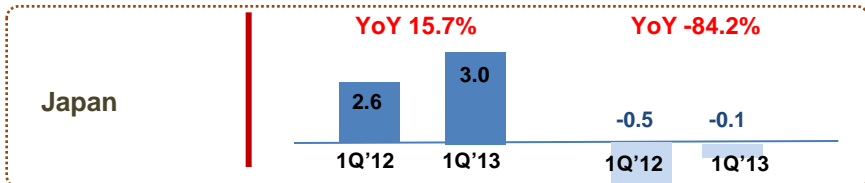
- Revenue breakdown (Cosmetics 50%, Lump-sum 43%, Rental 7%)
- No. of home appliance item sold : 3,876 units (+43.7%, YoY)
- No. of total accounts : 13,043 accounts (+24.5%, YoY)



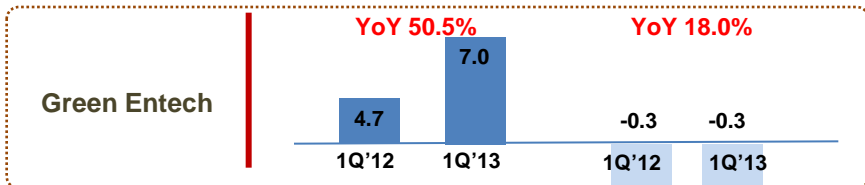
- Revenue breakdown (Rental 73%, Lump-sum 27%)
- No. of home appliance item sold : 7,610 units (+17.9%, YoY)
- No. of total accounts : 62,238 accounts (+45.7%, YoY)



- Revenue breakdown (Rental 78%, Lump-sum 22%)
- No. of home appliance item sold : 4,962 units (+7.3%, YoY)
- No. of total accounts : 16,096 accounts (+64.5%, YoY)



- Revenue breakdown (Lump-sum 67%, Rental 29%, Others 4%)
- No. of home appliance item sold : 4,686 units (+110.3%, YoY)
- No. of total accounts : 6,570 accounts (+15.4%, YoY)



- Revenue breakdown (Construction 96%, Service 4%)
- Details
 - Water treatment equipment providing – MBR filters, etc.

Consolidated financial statements

[Appendix]

Balance sheet

[Unit : KW bn]

Accounts	Mar.'13	Dec.'12
<Assets>	1,654.8	1,755.1
Current Assets	669.8	779.2
Cash and cash equivalents	219.3	152.4
Accounts receivable	260.2	233.0
Inventories	68.9	71.7
Non-current Assets	985.1	975.9
PPE	637.3	630.4
Affiliates and subsidiaries	181.2	183.7
<Liabilities>	802.0	970.0
Current Liabilities	640.2	759.2
Short-term borrowings	173.6	330.1
Debenture (Less than 1 year)	105.6	49.9
Debenture (More than 1 year)	60.3	60.5
Non-current liabilities	161.8	210.9
Long-term borrowings	30.1	30.1
Bonds	66.7	117.8
<Stockholder's Equity>	852.8	785.1
Liability / Equity	94.0%	123.6%
Net debt / Equity	25.5%	55.5%

Income statement

[Unit : KW bn]

Accounts	1Q'13	1Q'12	YoY
Revenue	507.4	477.7	6.2%
COGS	167.5	156.3	7.2%
Gross profits	339.9	321.4	5.7%
SGnA	270.1	256.7	5.2%
Operating profit	69.7	64.7	7.7%
Margin(%)	13.7%	13.6%	1.1%p
Other income	13.4	6.6	103.1%
Other expenses	8.9	6.6	35.4%
Financial income	0.6	0.9	-31.2%
Financial expense	6.0	8.4	-28.3%
Investments in jointly controlled entities	6.6	4.9	35.7%
Profit before income tax	75.3	62.1	21.4%
Corporate tax expenses	17.9	16.1	11.1%
Income for the year	57.4	45.9	25.0%
Margin(%)	11.3%	9.6%	1.7%p
Net income attributable to controlling interest	57.4	45.9	25.0%
Other cumulative comprehensive income	1.4	0.2	625.9%
Total comprehensive income for the year	58.8	46.1	27.5%