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coway

IR Webzine 2017: November

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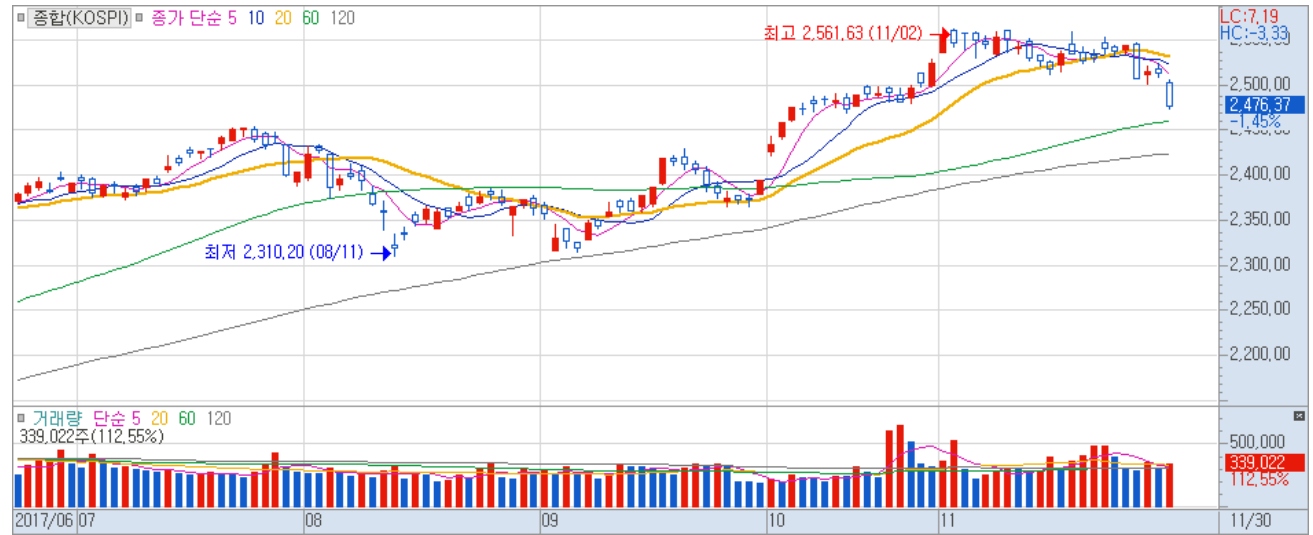
This material includes quarterly development of stock markets, stock prices and related data of Coway, financial status, operating results, and other major issues related to IR. This is aimed to provide a variety of information that could be a reference to shareholders and investors. Therefore, it cannot be the evidential material for legal responsibility regarding investment results of shareholders and investors in any case.

Market Review

Stock Market

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The KOSPI decreased 1.86% from the previous month to 2,476.37 points in November, showing a slowdown after two months of rally. In the technical aspect, a dead cross between short and mid-term moving average lines was brought about with increasing trading volume, which may symbolize a bearish market for a while.

Having climbed to 2,550 points at the beginning of the month, the KOSPI fought a hard battle due to inflated volatility and ensued weak purchasing power since the middle of November. Particularly, despite better-than-expected 3Q earnings season and elevation of profit outlook on major companies, the volatility of IT sector which had led the stock market was expanded due mainly to strong Korean Won and conflicting opinions on semiconductor business cycle. Changes in foreign investors' trading pattern were also a burden. In November, they focused on taking a short position in futures trading and selling IT stocks. Healthcare, hotel/leisure, and distribution sectors were bullish, while shipbuilding, logistics, and semiconductor sectors were bearish.

Whether the long-term moving average line can hold up the KOSPI is crucial in December. It is also expected that high dividend stocks as well as IT and government policy related sectors will appeal to investors. Other major issue includes changes in foreign investors' trading pattern caused by the strong Korean Won trend.

Market Review

Stock Price

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| Classification | % change of COWAY | | | %change of | |
|----------------|-------------------|-----------|--------------|------------|----------|
| | Stock Price | vs. KOSPI | vs. KOSPI200 | KOSPI | KOSPI200 |
| 5 Days | -5.05 | -2.38 | -2.01 | -2.67 | -3.04 |
| 20 Days | -3.23 | -0.04 | 0.78 | -3.19 | -4.01 |
| 60 Days | -2.94 | -7.72 | -8.44 | 4.79 | 5.50 |

The stock price of Coway fell by 1.44% from the previous month to KRW 95,900 in November. In the technical aspect, the stock price has continued up and down pattern between KRW 95,000 and KRW 105,000, accumulating energy for securing a momentum. It is positive in the way that the stock price and moving average lines have converged and trading volume has increased.

Coway achieved excellent operating performances meeting market consensus in the third quarter. This was attributable to increasing number of membership subscribers based on the expansion of product category and continuously growing overseas business guided by Malaysia and US subsidiaries. Coway focuses on proactive shareholder-oriented management activities such as high dividend payout and purchasing and retirement of treasury stocks, which will much appeal to investors in December.

During November, the number of shares held by foreigners decreased 45,395 shares, or 0.1%, compared with the prior month. As of the end of November, they maintained 59.30% ownership. Domestic institutional investors marked net purchasing of 48,672 shares during the same period.

| | | | |
|-------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| 44,368,764 shares (as of November 30, 2017) (59.30%) | Changes in Stock Price in November -1.44% | Changes in Shares Held by Foreigners in November -45,395 Shares (-0.1%) | Net Changes in Shares Held by Institutional Investors in November +48,672 shares |
|-------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|

Make a grand slam of the world's top four design awards

- Reddot & iF (Germany), IDEA (US), and Good Design Award (Japan)
- Water purifiers and "CODY service tool bag" were well received at the Good Design Award.

GOOD DESIGN AWARD 2017



Coway has made a grand slam of the world's top four design awards.

Coway's five entries - water purifiers (including AIS), CODY service tool bag, and water softener - won the design awards at the Good Design Award hosted by JIDPO on November 1.

Particularly, Coway's water purifier series featured its product identity by creating a unity of design even though each product has differences in function and size. The differentiated original function aimed at supplying clean water also contributed to gaining high trust on brand power.

The CODY service tool bag was designed from the perspective of CODYs who use this product directly, helping promote a positive image that they are lifecare specialists as well as improve job efficiency. These advantages were highly recognized.

By winning this award, Coway has made a grand slam of the world's top four design awards – Reddot & iF (International Forum Design) of Germany, IDEA (International Design Excellence Award) of the US, and Good Design Award of Japan – this year. It is Coway's eighth achievement since 2008 when the company had made a grand slam for the first time in the industry.

Sang-wha Lee, the head of Environmental Appliance Design Team, said, "This achievement proved that our design competence attained the world level once again. We will continue to improve our brand value by focusing on developing customer-centered innovative design."

Name to the DJSI World for two consecutive years

- Gained the recognition as one of the top 10% companies in sustainability management
- The only company in the durable goods business sector among 23 Korean DJSI World companies
- Proved world-class competitiveness in the aspects of customer trust, environmental management, and social responsibility



Coway announced that for two consecutive years it has been named to the DJSI World (Dow Jones Sustainability Indices World) which is awarded to top 10% global companies in sustainability management at the international conference for 2017 DJSI Sustainability Index held in Le Meridien Seoul on November 1.

The Dow Jones Sustainability Indices (DJSI) are a family of indices evaluating corporate sustainability which was co-developed by S&P Dow Jones of the US and RobecoSAM of Switzerland. The indices target global top 2,500 companies in market capitalization and winners are selected by comprehensively evaluating economic, social, and environmental responsibilities.

Coway has named to the DJSI World for two consecutive years and the DJSI Asia Pacific for five consecutive years in the durable goods sector, proving its world-class competitiveness in responsible management and corporate sustainability. A total of 23 companies in Korea named to the DJSI World this year and Coway was the only company in the durable goods sector.

Particularly, Coway received the best marks in brand management, customer relationship management, environmental system, and HR competence in the industry.

By putting customer trust first in management activities, Coway established the “Unlimited Liability Committee” and has focused on enhancing quality and service. Moreover, the company has made a concerted effort to reduce GHG emissions, develop eco-friendly products, and share the value of clean water. These activities aimed at creating social and environmental value were highly esteemed by evaluators.

Achieve record high operating performance in 3Q

- 7.0% and 8.9% increase in 3Q sales and operating profit, respectively, on a non-consolidated basis
- Record high exports and mattress rental sales on a quarterly basis

Coway achieved record high performances in both sales and operating profit in the third quarter. The company announced on November 7 that its 3Q sales and operating profit reached KRW 588.9 billion, up 7.0%, and KRW 127.0 billion, up 8.9% year-on-year, respectively, on a K-IFRS non-consolidated basis. Operating margin in 3Q also increased 0.4%p from the previous year to 21.6%.

Consolidated sales and operating profit also rose by 7.9% and 16.1% year-on-year to KRW 629.6 billion and KRW 124.2 billion, respectively.

The company explained that those favorable results were mainly attributable to record high exports, soaring mattress rental sales, stable growth of health appliances business, lower-than-expected churn rate, and progress of cosmetics business.

▲ Highest ever exports

Exports in 3Q marked KRW 68.6 billion, an increase of 42.6% from the previous year, thanks to the growth of sales to overseas subsidiaries. Moreover, Malaysia subsidiary and US subsidiary spearheaded the growth of Coway's overseas business. Two subsidiaries achieved KRW 55.0 billion, up 49.6%, and KRW 15.6 billion, up 13.2% year-on-year, respectively. Particularly, sales of Malaysia subsidiary first exceeded KRW 50 billion on a quarterly basis and the number of accounts also increased 55.2% from the previous year to 602 thousand. US subsidiary also marked 110 thousand accounts, an increase of 9.3% year-on-year.

▲ Soaring mattress rental sales

Mattress rental sales in 3Q rose by 26.5% from the previous year to 36 thousand, the highest ever on a quarterly basis, and the number of accounts also increased 13.1% to 349 thousand. Backed by this, sales from homecare business climbed 4.7% compared with the prior year to KRW 45.6 billion in 3Q.

▲ Stable growth of health appliance business

Sales from health appliance business increased 3.4% year-on-year to KRW 500.9 billion in 3Q. Total number of rental unit sales amounted to 318 thousand, up 11.5% from the previous year, thanks to increasing demands for water purifier, air purifier, and mattress. This favorable sales trend is expected to continue in 4Q as the company will enhance product lineups and launch new premium products.

▲ Lower-than-expected churn rate and progress of cosmetics business

Coway has conducted the "Coway Trust" campaign to restore customer trust since last year, which has contributed to lowering product churn rate. As a result, churn rate has lowered for five consecutive quarters since 3Q, 2016 to 1.00% at the end of 3Q, 2017. Cosmetics business also realized sales of KRW 19.4 billion, up 7.0% year-on-year, backed by the launch of new products and sales growth in the home shopping and special marketing channels.



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Jae-ho Lee, the CFO, said, "The remarkable operating performances in 3Q came from balanced growth in all business sectors based on stable foundation in health appliance business. Our company will continue to grow in 4Q by enhancing product lineups and expanding overseas business."

Win the “CES Innovation Award” for three consecutive years

- Five products including clothes manager and active action air purifier won the CES Innovation Award
- Plan to showcase these products at the “2018 CES” in January 2018



Coway's five products won the "CES Innovation Award" with the "2018 CES (Consumer Electronics Show" which will be held in Las Vegas in January 2018 ahead. This is the third straight yearly winning since 2016 when the company first participated in the CES, demonstrating its innovative technologies and differentiated design capabilities in the world.

The CES Innovation Awards was launched in 1976 and professionals of the CTA (Consumer Technology Association) select best products by evaluating their technology, design, innovativeness, and customer value.

On November 9, the CTA announced that Coway's five products - clothes manager, active action air purifier, smart bed system, beauty platform, and nano tankless water purifier (P-5600N) - won the CES Innovation Awards.

Coway's clothes manager was recognized for its product concept innovation that offers detailed clothes management solutions based on air care technologies which is the core competitiveness of the company.

The active action air purifier boasts stronger air purification function led by an innovative technology that blows wind in all directions and differentiated AI care function based on big data analysis.

The smart bed system provides users with optimal sound sleep solutions by autonomously monitoring and analyzing their space environment and sleep state, helping form right sleep habits.

The beauty platform is an innovative all-in-one product that combines smart mirror and cosmetics cooling functions, which presents users valuable information on skin care and makeup beyond just the function as a small-sized dressing table.

The nano tankless water purifier (P-5600N), launched in September, is appropriate for business use as it has high-capacity nano trap filter. Innovative design of this product helps users fill a cup or a bottle without bending over as the faucet is located on higher position than existing products.

Coway plans to showcase these innovative products at the 2017 CES which will be held in Las Vegas, US, from January 9 to 12, 2018 (local time)."



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Hae-sun Lee, the CEO of Coway, said, "Our efforts aimed at providing customers with daily life value through innovative products have resulted in winning this award. We will display our innovative products and services that can lead the future of health appliances at the 2018 CES."

Hold the "Dongchimi Festival" for love sharing



Coway held the second "Dongchimi Festival" at the KINTEX Exhibition Center located in Ilsan, Gyeonggi-do, on November 22.

This festival is one of Coway's water-related social contribution activities. Under the slogan "Delivering Heart through Clean Water," it was designed to practice love-sharing philosophy and fulfill corporate social responsibility by delivering Dongchimi (water-based radish kimchi) made with clean water to underprivileged people. With the aim of presenting the identity as Korea's representative water business, employees made water-based radish kimchi by using water purified by Coway water purifiers.

About 50 Coway's best customers and more than 250 employees including the CEO Hae-sun Lee participated in the festival. In particular, a kimchi master Ha-yun Lee was invited to this festival to help participants make traditional Korean water-based radish kimchi. Approximately 14,000 liters of kimchi were made at the festival.

Moreover, Coway plans to deliver 10 thousand bottles filled with purified water to earthquake victims in Pohang.

Hae-sun Lee, the CEO of Coway, said, "This festival is very meaningful in the way that we directly make Dongchimi with clean water and share it with the underprivileged. We will continue to expand social contribution activities we do best."

Coway EnTech is selected as an “Excellent Environmental Enterprise”



Water treatment specialty company Coway EnTech was selected as the “2017 Excellent Environmental Enterprise” hosted by the Ministry of Environment and Korea Environmental Industry & Technology Institute on November 24.

The Excellent Environmental Enterprise system, supported by the government, was designed to select excellent companies engaging in environmental business and enhance their corporate brands and competitiveness. It also aims to help them advance into the global market. In 2017, a total of 14 companies were selected in the fields of water quality, air quality, and resource recycling.

Coway EnTech has highly recognized for its technological power and reliability by successfully completing a variety of water treatment projects for large-scale plants at home and abroad. Particularly, the company stood high in evaluation in the aspects of differentiated technology development capability and corporate sustainability.

Major performances include the “Busan Suyoung Bay Sewage Treatment Equipment,” the largest public MBR project in Korea, and “Treated Wastewater Reuse Supply Project in Pohang,” the largest wastewater reuse project, in the field of separation membrane. Additionally, the company implemented the BTO-based “Wastewater Reuse Project in Jangja Industrial Complex of Pocheon” which needed comprehensive water treatment solutions. As a result, Coway EnTech is recognized for competitive edge throughout the value chain of water treatment business.

Coway EnTech, as a subsidiary of Coway, enhances responsibility for managing clean water in every industry, and plays a role as the official SUEZ (former GE Water) membrane supplier to Korea.

Ju-no Jung, the CEO of Coway EnTech, said, “The selection proved our excellent technological power and growth potential as a specialized water treatment plant provider. We will evolve into a global player beyond Korea by continuously enhancing competitiveness.”

Make a presentation on performances at the “Water Purifier Business Council” meeting

- The number of consultations on foreign and off-flavor substances with regard to water purifier decreased 33% year-on-year.
- Provide free water purifier check and cleaning services to 18,383 small businesses

WPAC

정수기사업자정례협의체

Coway made a presentation on performances at the “Water Purifier Business Council” meeting held at the head office located in Jung-gu, Seoul, on November 27.

This presentation was prepared to announce and share major performances of the council which had been launched by 10 domestic water purifier companies with the aim of protect customers and their rights. Officers from nine companies including Coway attended the council.

The council is closely collaborated with the Korea Consumer Agency in order to reduce customer complaints on foreign substances, develop products with easy hygiene control, enhance hygiene control services, and provide consumers with right information.

Major achievements of the council for the year included creating the “Voluntary Safe Agreement for Water Purifier Companies” to upgrade the quality of hygiene control and service and implementing the “Hygiene Safe Campaign” for water purifiers at small businesses.

As a result, the number of consumer complaints on foreign and off-flavor substances decreased 33% from the previous year (1,537 cases in 2016 to 1,029 cases in 2017, between January and September).

Moreover, the council carried out a campaign to check and clean water purifiers installed in 18,383 small business sites for free for three months from July to September in collaboration with the Korea Consumer Agency. The figure exceeded the target (11,140 sites) by 65%. (target: study room, drugstore, restaurant, beauty shop, health center, private hospital, etc., which have three or fewer water purifiers)

The council members pledged to make best effort to enhance hygiene control and realize customer satisfaction services.