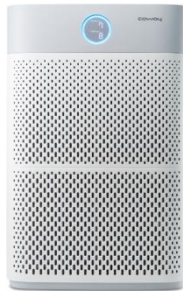


2Q'18 Earnings release

coway



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. 2Q'18 Earnings Release

- Consolidated Revenue / Profits
- Total accounts (domestic & overseas)
- Total rental gross adds / net adds

2. Business Review

- Health appliance business
- Overseas business
- Home-care and Cosmetics business
- New products (domestic & overseas)

3. 1H Review and 2H Plan

- 1H Review and 2H Plan

4. Appendix

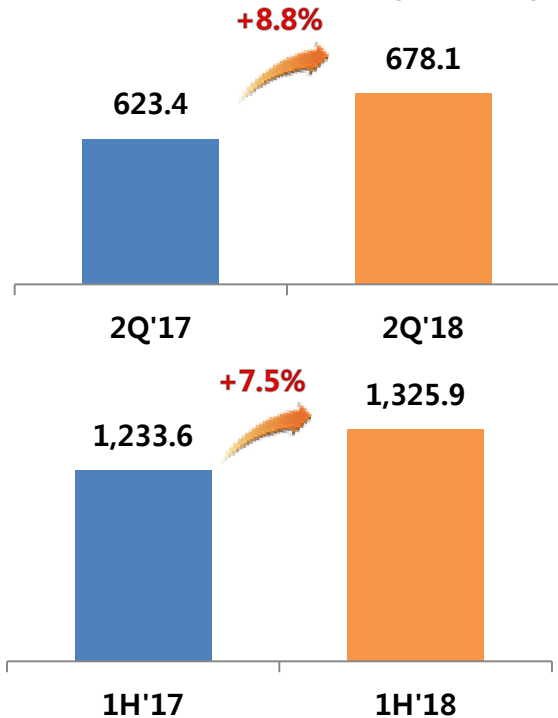
- Consolidated financial reports
- Subsidiary results

1-1. Consolidated Revenue and Profits

2Q'18 Revenue KRW 678.1bn (+8.8% YoY), driven by historical high quarterly rental gross adds (509k)
 Operating Profit KRW 129.3bn (+7.2% YoY), Net Profit KRW 90.7bn (-4.7% YoY),
- Historical High Quarterly Revenue, Historical High 2Q Operating Profit

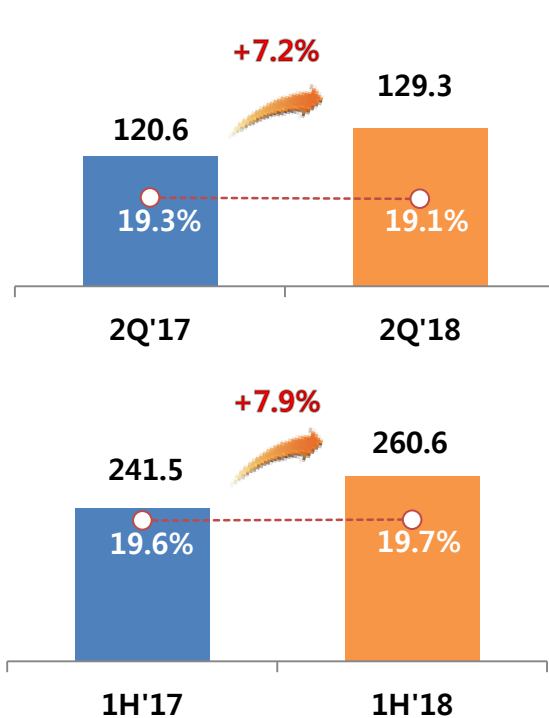
Revenue

[Unit: KRW bn]



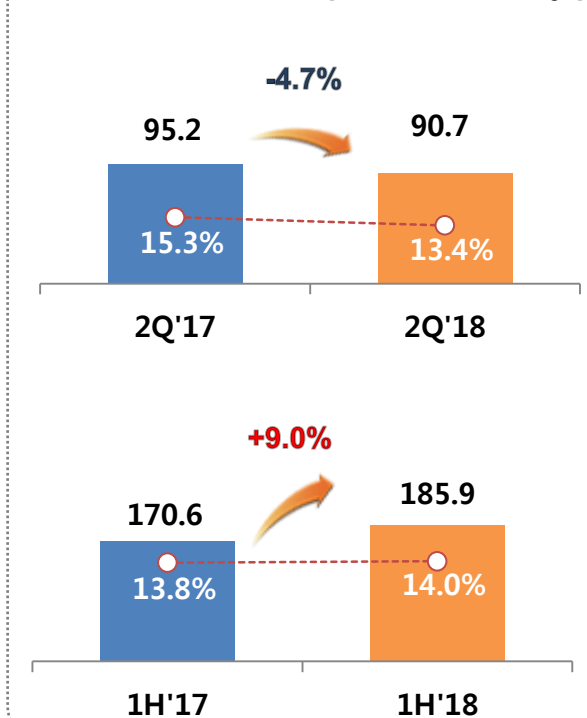
Operating Profit

[Unit: KRW bn / ○: Margin]



Net Profit

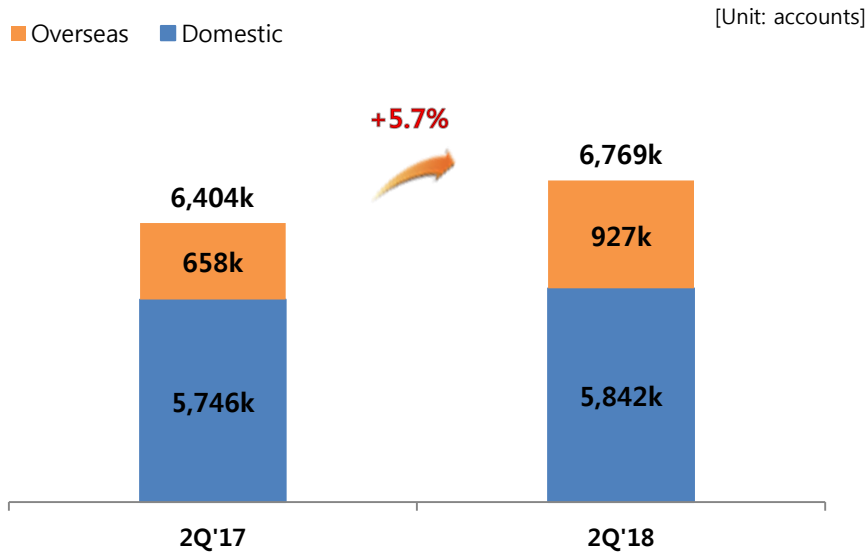
[Unit: KRW bn / ○: Margin]



1-2. Total accounts (domestic & overseas)

2Q'18 Total accounts 6.77mn in 4 countries (Korea, Malaysia, U.S., Thailand)
 - Plan to achieve 7mn accounts by 2018

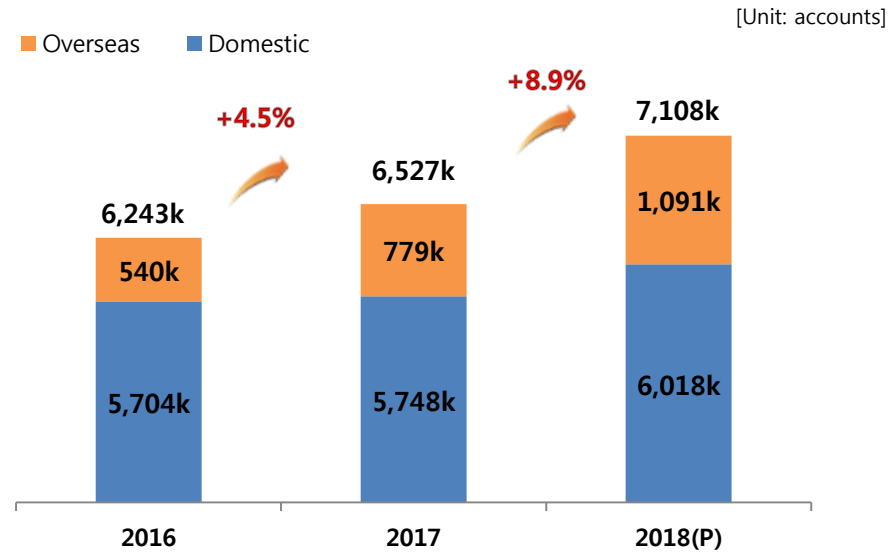
Total accounts (Quarter)



© 2Q'18 total accounts 6.77mn

- Domestic 5.84mn (+1.7% YoY)
- Overseas 927K (+40.8% YoY)
- : Malaysia 796K, U.S. 113K, Thailand 18K

Total accounts (Annual)



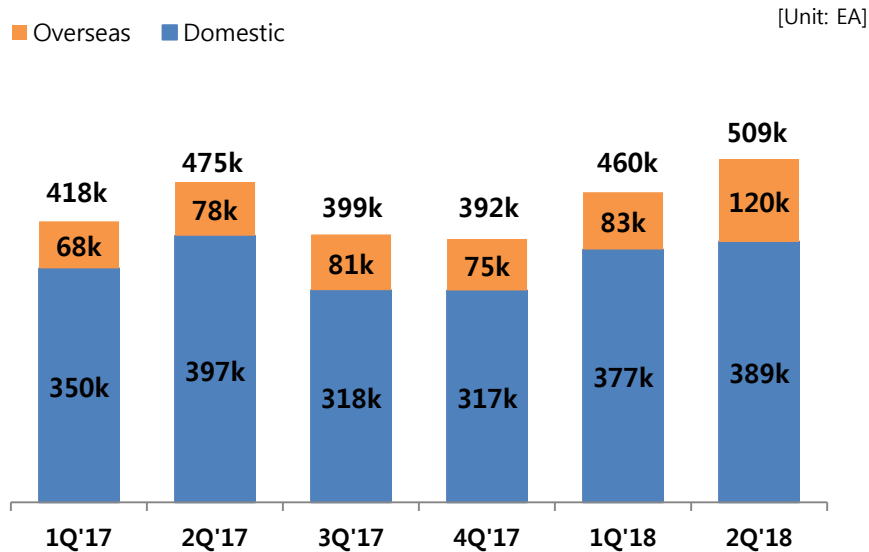
© Plan to achieve total accounts of 7mn by 2018

- 2018(P) 7.11mn
- Domestic 6.02mn (+4.7% YoY)
- Overseas 1.09mn (+40.1% YoY)

1-3. Total rental gross adds / net adds

Historical high quarterly rental gross adds and net adds in the last decade

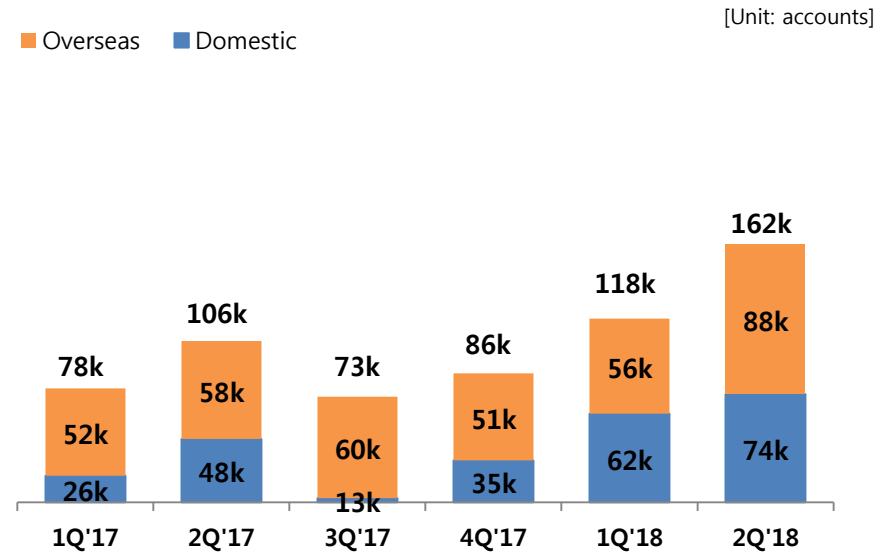
Total rental gross adds



© **2Q total rental gross adds exceeded 500k**

- Domestic 389k (-2.0% YoY)
- Overseas 120k (+52.4% YoY)
- : Malaysia 111k, U.S. 6,919, Thailand 2,195

Total rental net adds



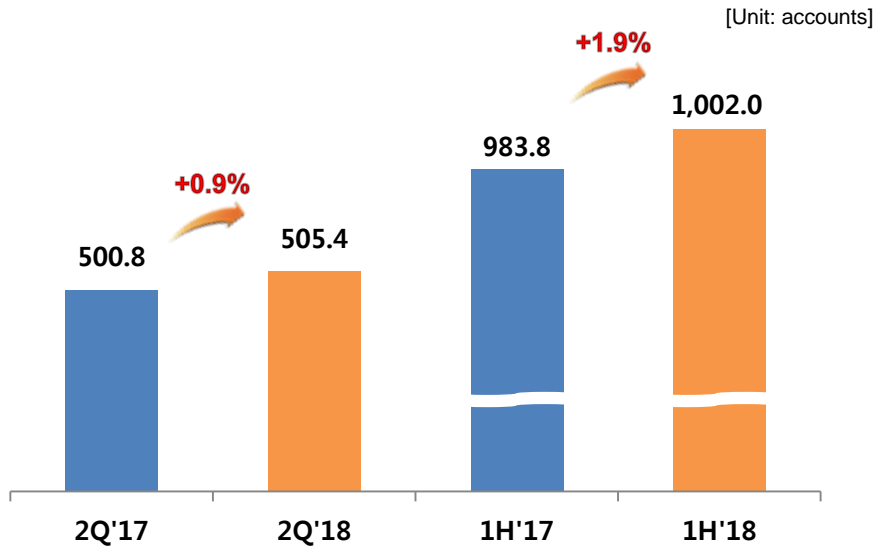
© **Continued growth of total rental net adds**

- Domestic 74k (+55.7% YoY, +26k)
- Overseas 88k (+52.7% YoY, +30k)
- : Malaysia 86k, U.S. 1,027, Thailand 1,418

2-1. Health appliance business

Health appliance revenue KRW 505.4bn (+0.9% YoY)
 Total accounts 584mn (+1.7% YoY)

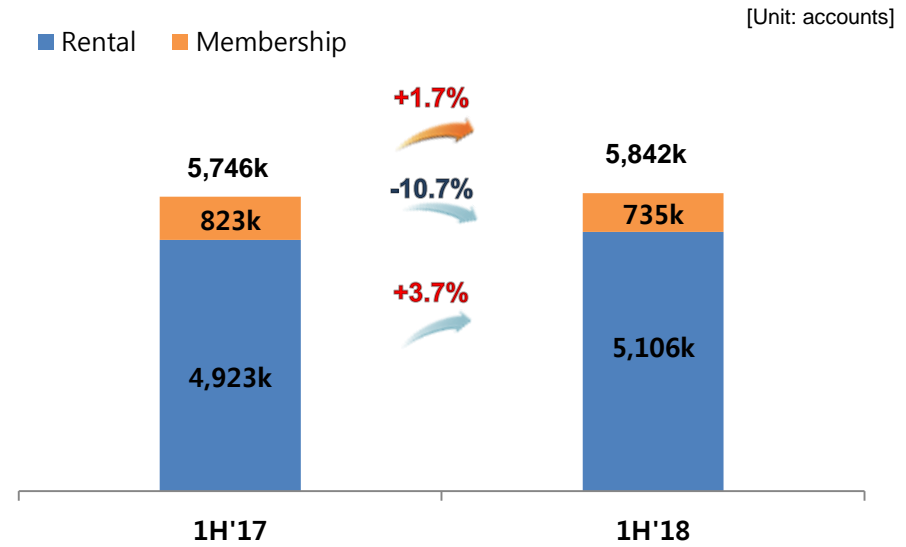
Health Appliance¹⁾



2Q'18 Health appliance revenue KRW 505.4bn

- Rental and financial lease revenue : KRW 423.6bn (+3.4% YoY)
: Driven by continuous account growth from major health appliance products
- Lump-sum and other revenue : KRW 50.7bn (-6.7% YoY)
: Declined due to converting water softener from lump-sum sales to rental sales, but expect to improve in 2H with product line-up expansion and renewals

Accounts²⁾³⁾



2Q'18 Total accounts 5.84mn

- Rental accounts : 5.11mn (+3.7% YoY)
- Membership accounts : 735k (-10.7% YoY)

1) Including other health appliance revenue (A/S, installation and etc.): Applies to all health appliance revenue in this material

2) Excluding non-performing, 5 year maturity pending and free membership accounts: Applies to all accounts in this material

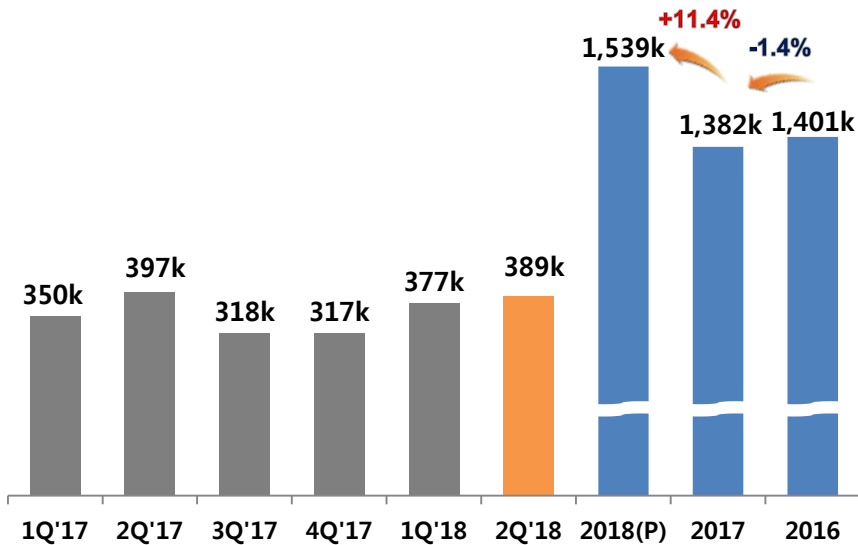
3) Including financial lease accounts: Applies to all accounts in this material

2-1. Health appliance business

Historical high 1H rental gross adds and rental net adds of 74k

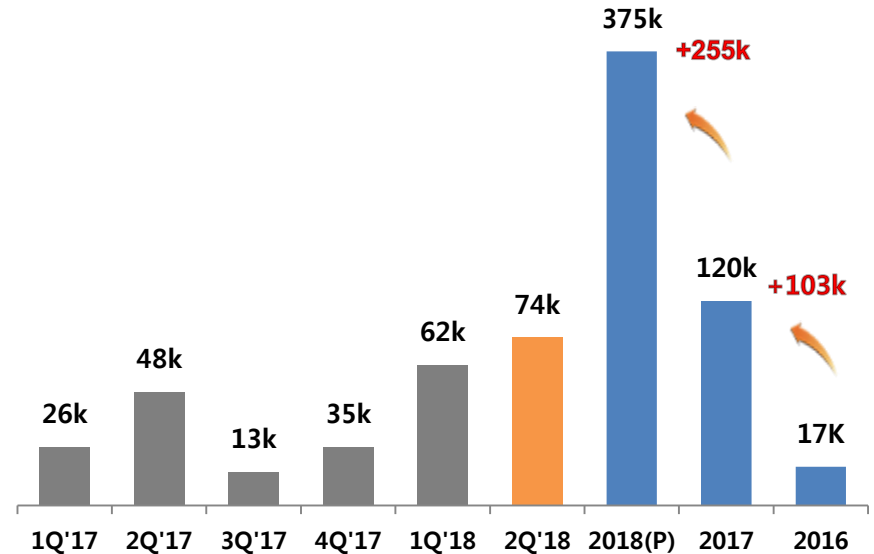
Rental gross adds¹⁾

[Unit: EA]



Rental net adds

[Unit: accounts]



② Historical high 1H rental gross adds

- Rental gross adds 389k (-2.0% YoY, +3.1% QoQ) in 2Q'18 : Rental gross adds 766k in 1H'18 (1H'17 : 746k, +2.6% YoY/ 2H'17 635k, +20.6% HoH)
- Rental gross adds expect to increase in 2H due to newly released products such as CIROO²⁾ direct flow water purifier, clothing air purifier and etc.

② Continued growth of rental net adds

- Rental net adds +74k in 2Q'18 : Rental accounts exceed 5.11mn
- Rental net adds expect to improve with increase of rental gross adds driven by new product sales (such as FWSS³⁾), stabilization of cancellation rate, and diminishing 5 year matured accounts.

1) Including financial lease sales : Applies to all gross adds in this material

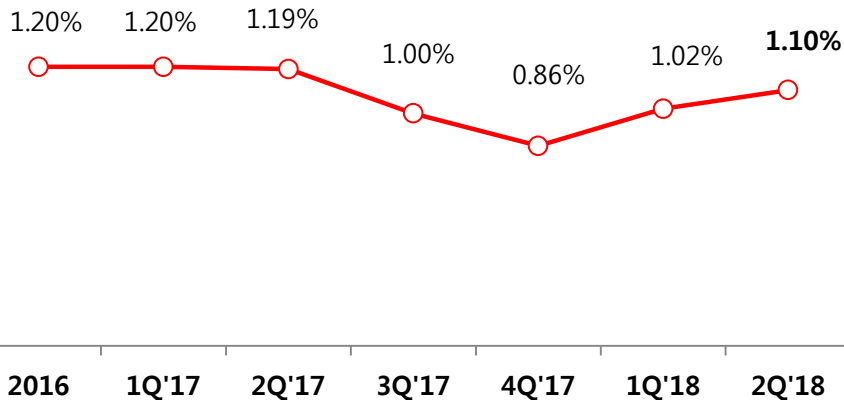
2) CIROO : Coway Intensive Reverse Osmosis filter system

3) FWSS : Fresh Wear Styling System (clothing air purifier)

2-1. Health appliance business

Efforts stressed to stabilize cancellation rate and rental asset disposal expense rate

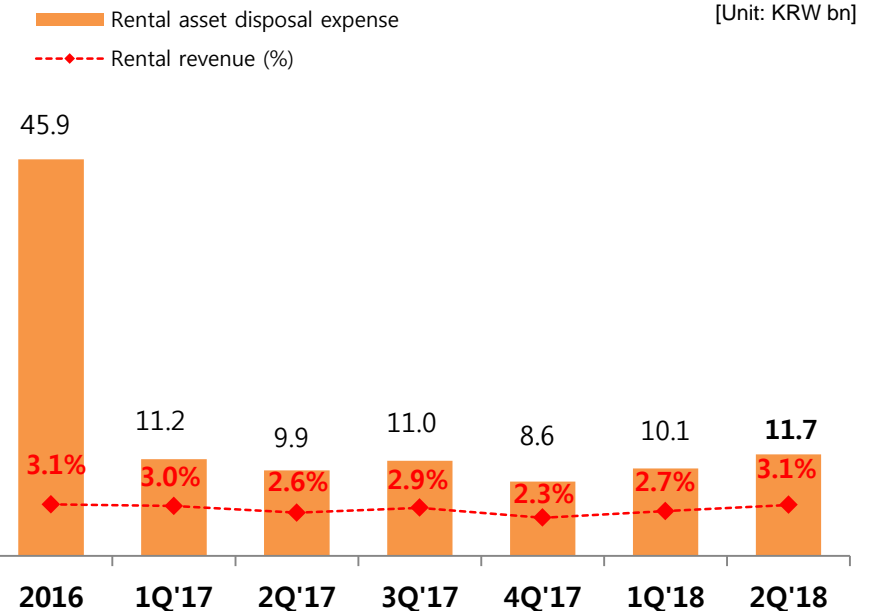
Cancellation rate



④ Further efforts to stabilize cancellation rate

- Cancellation rate 1.10% in 2Q'18
- : Stabilize cancellation rate by improving rental system to benefit long-tem customers

Rental asset disposal expense



④ Making efforts to stabilize rental asset disposal expense rate

- Rental asset disposal expense KRW 11.7bn in 2Q'18
- : 3.1% of rental revenue

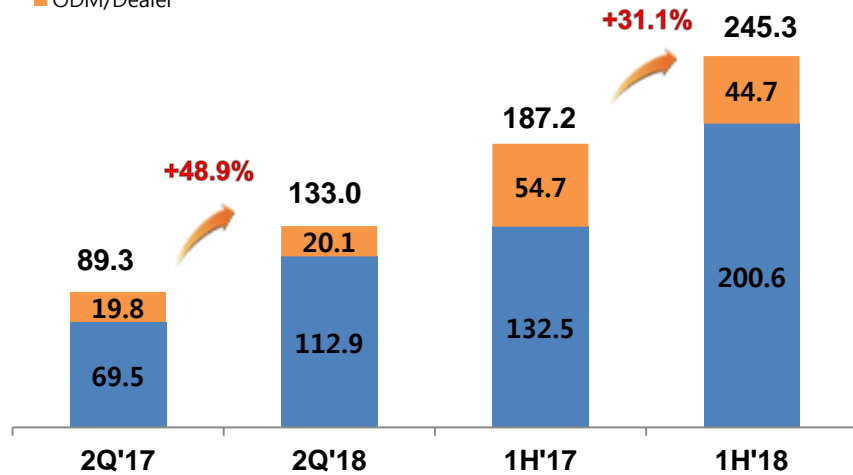
2-2. Overseas business

Overseas revenue KRW 133bn (+48.9% YoY) Continued growth of overseas subsidiaries revenue

Overseas revenue

[Unit: KRW bn]

■ Overseas subsidiaries
■ ODM/Dealer



② 2Q Overseas revenue KRW 133bn

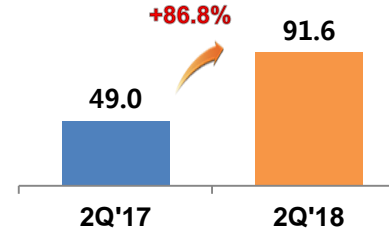
- Overseas subsidiaries revenue KRW 112.9bn (+62.5% YoY)
: Strong growth from Malaysia and U.S. subsidiaries
- ODM/Dealer revenue KRW 20.1bn (+1.3% YoY)
- Revenue should increase due to overseas subsidiaries sales increase, 3 new product launches from China ODM partners and expansion of brand partners

Overseas subsidiaries revenue

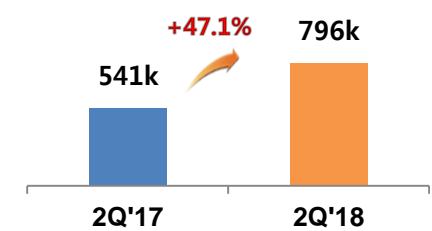
[Unit: KRW bn, accounts]

Malaysia subsidiary

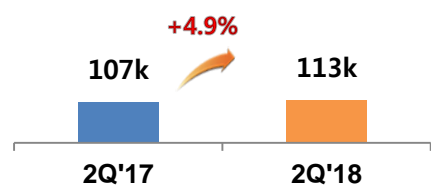
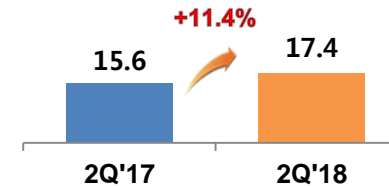
Revenue



Accounts



U.S. Subsidiary



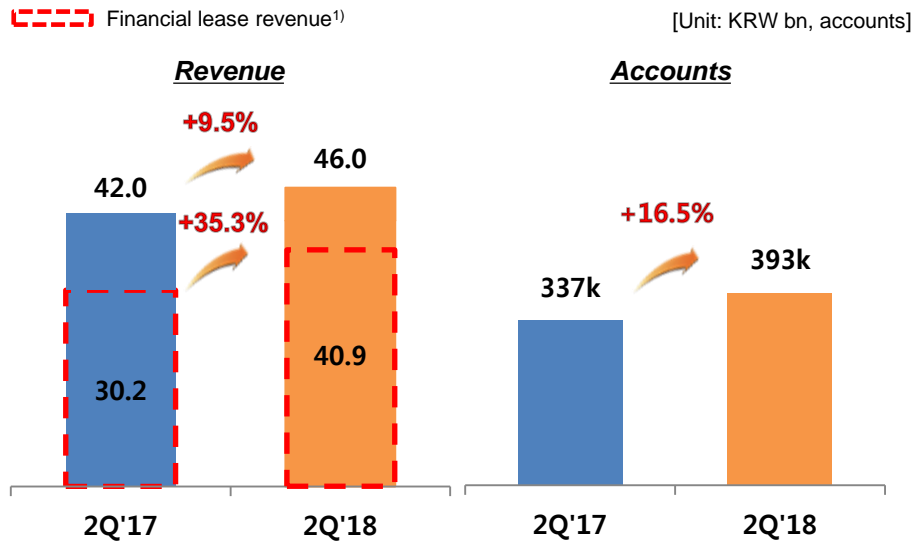
② Continued growth from overseas subsidiaries

- 2Q'18 Malaysia: +78.0% YoY revenue growth in local currency
: Quarterly revenue exceeded KRW 90bn, recorded historical high OPM of 17.4%
- 2Q'18 U.S. +16.7% YoY revenue growth in local currency
: Revenue growth driven by accounts increase in door-to door channel and strong sales of air purifier in retail channel

2-3. Home-care & Cosmetics business

Home-care financial lease revenue KRW 40.9bn (+35.3% YoY)
 Cosmetics revenue KRW 18.6bn (-0.7% YoY)

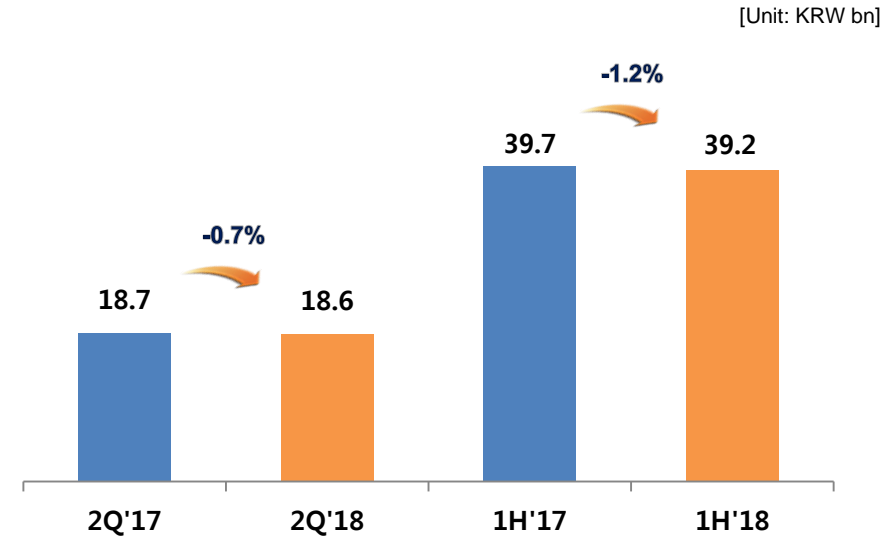
Home-care



Ⓢ **Financial lease revenue growth driven by accounts increase**

- Mattress gross adds 39k in 2Q'18 (+22.2% YoY)
: Historical high quarterly rental gross adds
- Financial lease revenue KRW 40.9bn in 2Q'18 (+35.3% YoY)
: Historical high financial lease revenue due to rental gross adds increase

Cosmetics



Ⓢ **Cosmetics revenue KRW 18.6bn**

- Revenue maintained at 2Q'17 level, but plan to increase revenue through 1) activating door-to-door sales channel by increasing productivity of BP, 2) focusing on cultivating hit products from home shopping

1) Financial lease: Record 5yr/ 6yr revenue at the time of the sales as present value

2-4. New products (domestic and overseas)

Boosting sales by releasing new water purifier, air purifier and clothes dryer

Domestic



Ⓢ **CIROO¹⁾ direct flow water purifier (2Q)**

- First time in Korea to release RO direct flow water purifier to lead direct flow market
- : Dispense cold/ hot/ ambient temperature water directly (w/o tank) with superior filtration performance compared to competitors
- : Dispense water after removing remained water inside the tube to enhance hygiene



Ⓢ **Large-capacity air purifier (2Q)**

- The most suitable air purifier for multi-use facilities to target B2B/ B2G market
- : Strengthen purifying performance by applying Dual Engine and Quattro Air Dynamic system (4x4 filter).
- : Enhanced energy efficiency by acquiring 1st grade of energy



Ⓢ **BOSCH Clothes dryer (2Q)**

- Introduction of clothes dryer to cater changing living environment such as air pollution
- : Improved safety with minimized noise and vibration by applying high-strength side panels
- : Increased dryness and prevents clothes from damaging by applying DuoTronic (temperature, humidity) sensor

Overseas



Ⓢ **The first ice water purifier in Malaysia (3Q)**

- The first company to introduce ice water purifier in Malaysia
- : Preemptive move to pioneer new markets and to maintain market leader position
- Expect to increase sales and improve profitability by introducing new premium product category

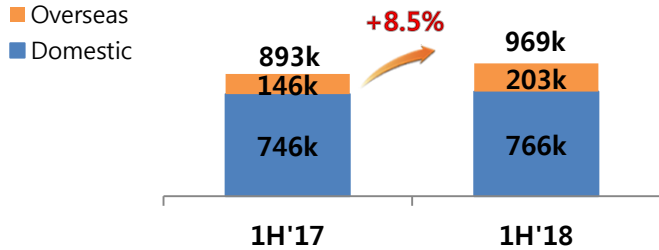
1) CIROO : Coway Intensive Reverse Osmosis filter system

3-1. 1H Review & 2H Plan

1H'18 Review

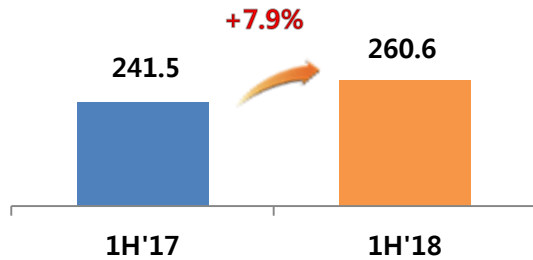
Historical high half year rental gross adds

[Unit: EA]



Historical high half year operating profit

[Unit: KRW bn]



Strong accounts increase from Malaysia

[Unit: EA, accounts]



2H'18 Plan

1 Health appliance business

Increase of new product sales

- Strengthen direct flow water purifier sales by releasing 2 type (B2C/ B2B) CIROO¹⁾ direct-flow water purifiers
- Driving 2H revenue by adopting financial lease for FWSS²⁾ after analyzing customer needs post 2 months pilot testing period
- Improve lump-sum revenue by expanding sales of BOSCH clothes dryer and launching Philips wireless vacuum cleaner

Expansion of B2B/ B2G market

- Elevate bidding process by strengthening dedicated organization
- Secure competitiveness by introducing B2B/B2G exclusive product and pricing policies

2 Overseas business

Expansion of overseas subsidiaries

- Expand Malaysia subsidiary business with additional new rental scheme to expand target customer base
- Review to enter Southeast Asia countries to duplicate the success of Malaysia subsidiary

1) CIROO : Coway Intensive Reverse Osmosis filter system

2) FWSS : Fresh Wear Styling System (clothing air purifier)

APPENDIX

- Consolidated financial reports
- Subsidiary results

Consolidated financial reports

② Balance Sheet

(Unit: KRW bn)	Jun. '18	Dec. '17
<Assets>	2,240.2	2,158.9
Current Assets	776.3	791.5
Cash and cash equivalents	65.0	110.3
Accounts receivable	312.1	314.6
Inventories	102.3	74.9
Non-Current Assets	1,463.9	1,367.4
Fixed assets	752.0	712.4
Intangible assets	182.5	183.9
<Liabilities>	1,197.7	1,176.6
Current Liabilities	1,123.3	1,124.8
ST Borrowings	671.3	670.0
Current portion of bonds	-	-
Current portion of LT borrowings	-	-
Non-Current Liabilities	74.4	51.9
LT Borrowings	10.4	12.3
Corporate bond	-	-
<Shareholders' Equity>	1,042.5	982.3
Debt to Equity Ratio	114.9%	119.8%
Net Debt to Equity Ratio	59.2%	58.2%

② Income Statement

(Unit: KRW bn)	2Q'18	2Q'17	YoY
Revenue	678.1	623.4	8.8%
COGS	218.0	194.9	11.9%
Gross profits	460.0	428.5	7.4%
SG&A	330.7	307.9	7.4%
Operating profits	129.3	120.6	7.2%
Margin(%)	19.1%	19.3%	-0.3%P
Other income	9.9	12.3	-19.4%
Other expenses	12.5	3.8	231.4%
Financial income	0.3	0.2	13.0%
Financial expenses	4.3	3.3	29.0%
Profit before tax	122.7	126.0	-2.6%
Corporate tax	32.0	30.8	3.8%
Net income	90.7	95.2	-4.7%
Margin(%)	13.4%	15.3%	-1.9%P

Subsidiaries results

(Unit: KRW bn)	2Q'18	2Q'17	YoY
Malaysia			
Revenue	91.6	49.0	86.8%
Operating Profit	15.9	3.2	405.0%
Margin	17.4%	6.4%	
U.S.			
Revenue	17.4	15.6	11.4%
Operating Profit	-0.1	0.0	-
Margin	-	0.0%	
China			
Revenue	0.6	1.9	-66.4%
Operating Profit	-0.4	-0.6	-
Margin	-	-	
Thailand			
Revenue	3.3	2.9	13.5%
Operating Profit	-0.2	0.0	-
Margin	-	0.7%	
Coway Entech			
Revenue	21.4	14.9	43.9%
Operating Profit	-0.6	0.2	-
Margin	-	1.2%	

Malaysia

- . 2Q'18 Revenue 91.6bn (+86.8% YoY), OPM 17.4%
- . 2Q'18 accounts 796K (2Q'17 541K, +47.1% YoY)
 - : Revenue +78.0% YoY in local currency
 - : Revenue increase driven by accounts growth and adopting new rental scheme (financial lease)

U.S.

- . 2Q'18 Revenue KRW 17.4bn (+11.4% YoY)
- . 2Q'18 accounts 113K (2Q'17 107K +4.9% YoY)
 - : Revenue +16.7% YoY in local currency
 - : Revenue increase due to accounts growth and increase of retail sales channel

China

- . 2Q'18 Revenue KRW 0.6bn (-66.4% YoY)
- . Revenue decrease due to weak air purifier sales in online channel

Thailand

- . 2Q'18 Revenue KRW 3.3bn (+13.5% YoY)
- . Revenue increase due to air purifier sales volume increase

Coway Entech

- . 2Q'18 Revenue KRW 21.4bn (+43.9% YoY)
- . Revenue increase driven by increase of existing orders