

2Q'13 Earnings release

coway



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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 result of a number of factors beyond our control.

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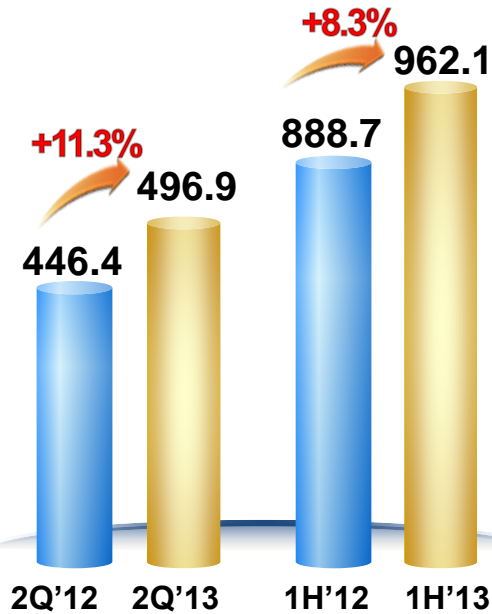
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1. Revenue and Profits

Revenue of **KW 962.1 bn (+8.3%,YoY)**, Operating profit of **KW 148.6bn (+15.0%,YoY)**, Net profit of **KW 140.7 bn (+65.1%,YoY)**

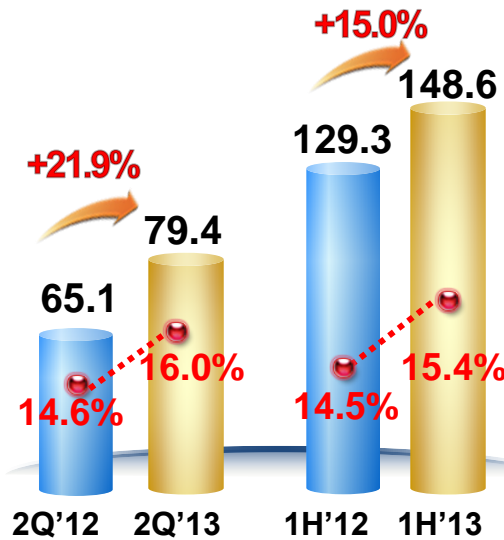
Revenue

[Unit: KW bn]



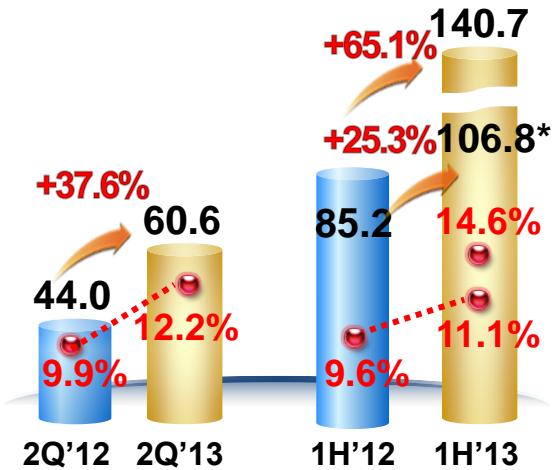
Operating profit

[Unit: KW bn/🔴 : Margin]



Net profit

[Unit: KW bn/🔴 : Margin]



[Non-consolidated and based on K-IFRS]

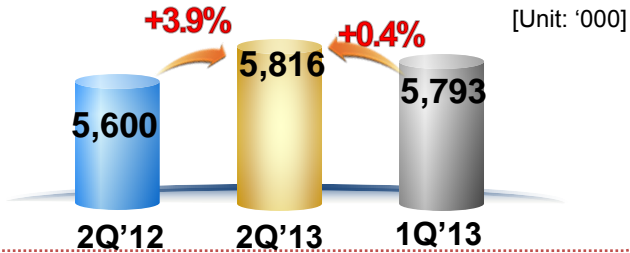
*Adjusted net profit : normalized net profit excluding one-off gains from Woongjin Chemical stake selling

*Interest expense of 1H'13 decreased to KW10.0bn due to net debt reduction (Interest expense of 1H'12: KW 15.1bn)

2-1. Domestic home appliance business

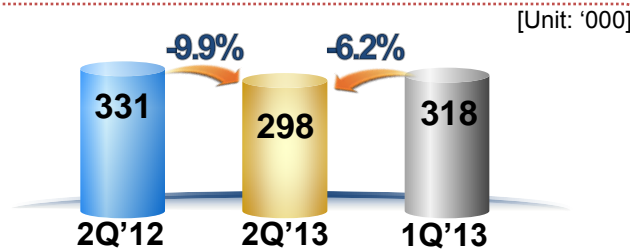
Reaching 5.82mn accounts in total

Total sales(rental + lump-sum) of 1H'13 increased by +2.3%, YoY



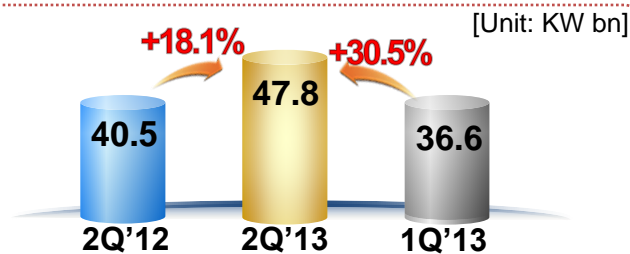
1 Accounts

- Total accounts recorded 5,816K in 1H'13 / 76K net account increase in 2Q'13
- Net accounts in rental recorded 109K in 1H'13 due to strong demand before price hike and re-rental demand



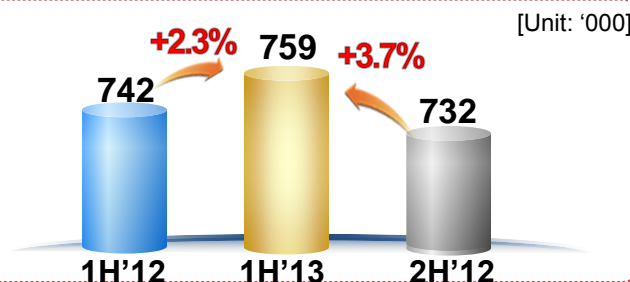
2 Rental sales

- Rental sales decreased in 2Q'13, QoQ due to strong demand before price hike
- Rental sales decreased in 2Q'13, YoY due to high base effects
- Air purifier sales in rental increased by +19.0%, YoY due to strong demand for dehumidifier



3 Lump-sum sales

- Lump-sum sales increased by +18.1%, YoY due to strong sales of dehumidifier (Sales unit of dehumidifier in 2Q'13 : 41,682 EA, 51.1% portion)



4 Total sales

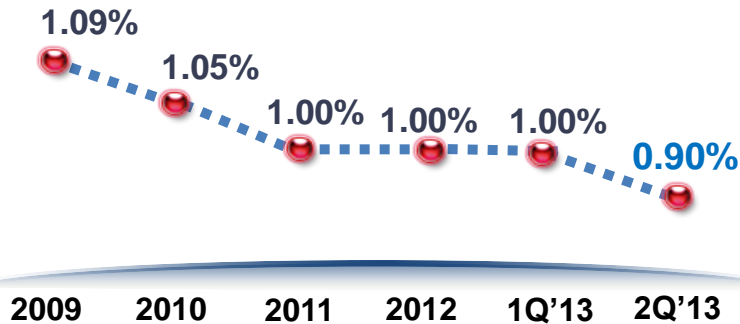
- Total sales in 1H'13 recorded 759K (+2.3%, YoY)
- Keep rising in total sales (rental and lump-sum)

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

Reduced churn rate and rental asset disposal expense through product quality and service improvement

Cancellation trend

● Monthly cancellation rate



● Stable cancellation rate

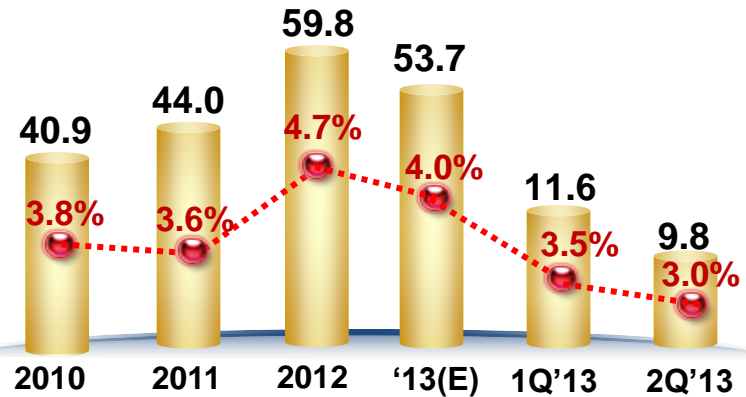
- Maintaining and declining cancellation rate of water purifier and other products (Water purifier: 0.92%, Air purifier (1.45%→1.25%), Bidet (0.7%→0.69%), YoY)

Rental asset disposal expense

[Unit: KW bn]

■ Rental asset disposal expense

● % of Rental sales



● Beyond annual target through product quality enhancement

- 3.0% of rental sales in 2Q'13 / 2013 target : 4% of rental sales
- Quality improvement and enhanced service contributed to reduction of rental asset disposal costs

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

Ongoing introduction of functional products to meet consumer's needs

Water purifier



④ Cold water purifier released

- Advanced water purifier released instead of existing model
- 15% increase in cold water capacity, 20% reduction of size
- Two types of filter launched (Reverse osmosis and Nano-trap)
- Monthly rental fee : KW 33,800 (Type: Nano-trap filter)

Dehumidifier



④ Two types of dehumidifier for summer season

- Full capacity : 24L in a day , two steps of anti-virus filter system
- Energy performance rating : 1st grade , powerful dehumidifying functionality

Air purifier



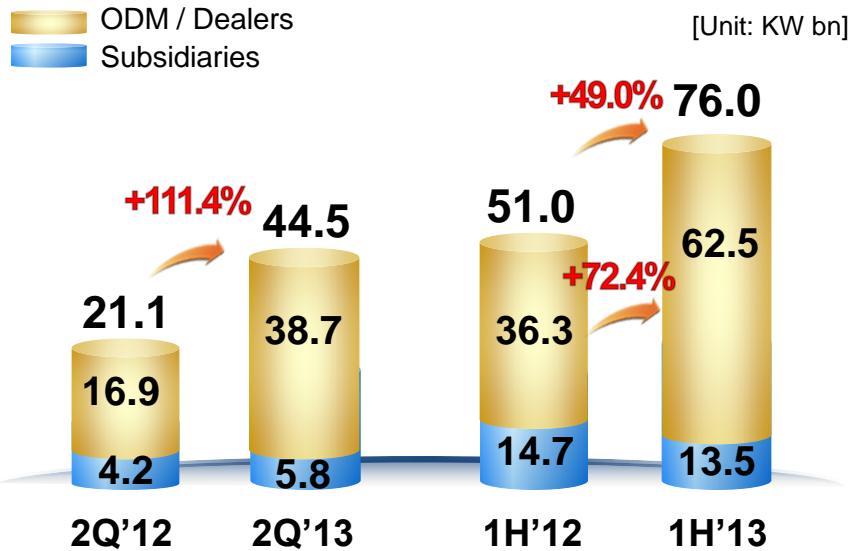
④ Dehumidifier launched

- Released multi-function product (7L per day, Anti-virus filter system)
- 94% electricity savings compared to air conditioner (Energy performance rating: 1st grade)

2-2. Overseas business

Export revenue in 1H'13 (+49.0%, YoY)

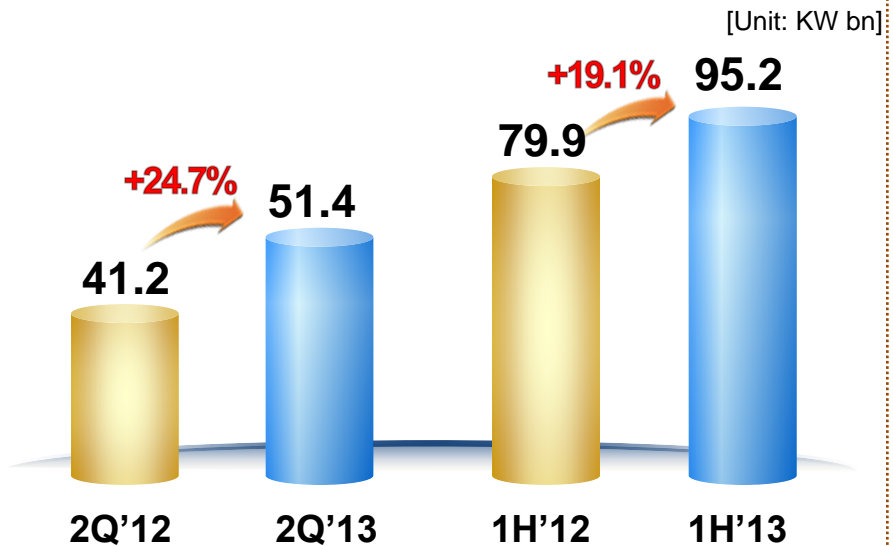
Overseas revenue(Export)



⊙ **Strong revenue growth driven by ODM sales**

- ODM sales growth : +72.4%, YoY,
Subsidiaries sales growth: +49% YoY
- Sales soaring of PHILIPS and SHARP in 1H'13

Subsidiary revenue



⊙ **Exceeding 240K total accounts in overseas**

Malaysia

- '13.2Q: KW 18.7 bn revenue, +37%, YoY
KW 0.9 bn operating profit
- Total accounts : 140K (as of 1H'13), 165K(target of '13)

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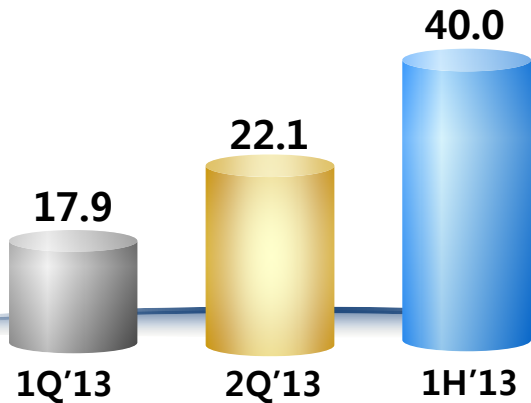
- 'Total accounts: 60K (as of 1H'13), 75K(target of '13)
- '13.2Q: KW 9.4 bn revenue , +34.4%, YoY
- Market expansion from the west to the east and central region

2-3. Cosmetics

Strengthen brand equity and sales organization

Revenue

[Unit: KW bn]



Ⓢ Revenue +35.5%, YoY and +24.0%, QoQ

- Home shopping channel (KW 3.1 bn)
- Healthygru: (KW 56.8 bn)

Ⓢ Target of business performance

- Revenue: KW 75.0 bn, Operating loss: KW -6.0 bn

Strategy for 2H'13

○ Improving brand equity

- Improving brand recognition with marketing and R&D enhancement
- Preparing for RE:NK advertisement in 2H'13

○ Strengthen sales organization

- **Rebuilding the sales team and strengthen the brand equity**
 - : Increasing operation competitiveness through building strategy
 - : Improving efficiency of sales force performance and turnover rate
- **Preparing for increasing sales force in 2H'13**

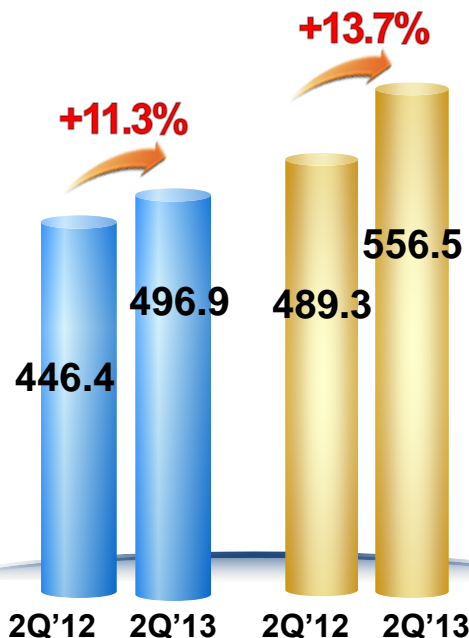
Developing new customer, improving customer loyalty

3.Consolidated earnings results-revenue and profits

Revenue of KW 556.5 bn (+13.7%,YoY), Operating profit of KW 81.9 bn (+27.6%,YoY), Adjusted net profit of KW 59.7 bn (+51.5%,YoY)

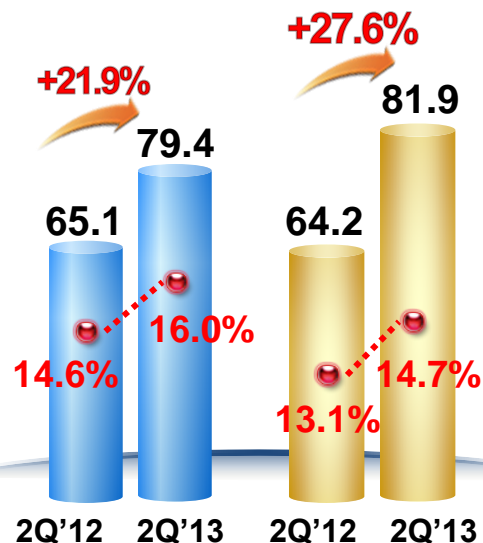
Revenue

Non-consolidated [Unit: KW bn]
Consolidated



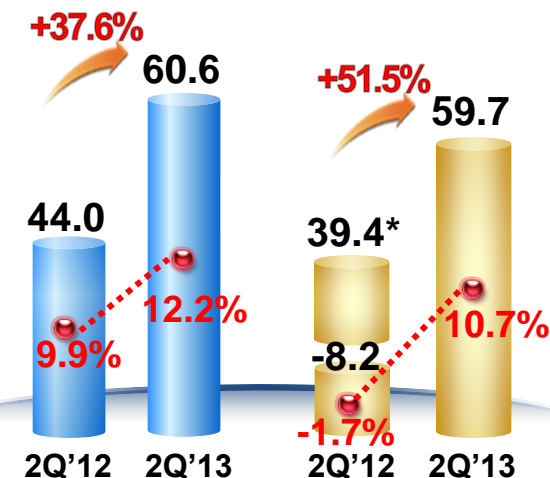
Operating profit

Non-consolidated [Unit: KW bn/⊙ : Margin]
Consolidated



Net profit

Non-consolidated [Unit: KW bn/⊙ : Margin]
Consolidated



* Goodwill impairment loss of Japan subsidiary in 2Q'12 : KW 53.0 bn

*Net profit of KW 39.4 bn in 2Q'12 (Excluding one-off cost)

Appendix

- **Non-consolidated financial reports**
- **Consolidated financial reports**
- **Subsidiary results**

Non-consolidated financial reports

[Appendix]

[Unit : KW bn]

[Unit : KW bn]

Balance sheet	June'13	Dec.'12
<Assets>	1,620.4	1,701.5
Current Assets	606.3	691.3
Cash and cash equivalents	134.8	118.9
Accounts receivable	321.6	318.9
Inventories	41.7	41.3
Non-current Assets	1,014.2	1,010.2
PPE	603.0	594.2
Affiliates and subsidiaries	101.7	101.7
Intangible assets	153.4	157.5
<Liabilities>	749.9	898.8
Current liabilities	698.5	719.6
Short-term borrowings	180.0	295.7
Debenture (Less than 1 year)	176.4	49.9
Debenture (More than 1 year)	30.0	60.0
Non-current liabilities	51.4	179.2
Long-term borrowings	-	30.0
Bonds	-	117.8
<Stockholder's Equity>	870.5	802.7
Liability / Equity	86.1%	112.0%
Net debt / Equity	28.9%	54.1%

Income statement	2Q'13	2Q'12	YoY
Revenue	496.9	446.4	11.3%
COGS	167.9	142.1	18.1%
Gross profit	329.0	304.3	8.1%
SGnA	249.7	239.1	4.4%
Operating profit	79.4	65.1	21.9%
Margin(%)	16.0%	14.6%	
Other income	11.3	2.2	405.6%
Other expenses	6.9	0.4	1513.4%
Financial income	1.3	2.4	-46.4%
Financial expense	4.3	9.3	-53.6%
Investment income from investments in affiliated companies	0.0	-3.6	-
Profit before income tax	80.7	56.4	43.1%
Corporate tax expenses	20.1	12.4	62.6%
Net profit	60.6	44.0	37.6%
Margin(%)	12.2%	9.9%	

Consolidated financial reports

[Appendix]

[Unit : KW bn]

[Unit : KW bn]

Balance sheet	June'13	Dec.'12
<Assets>	1,641.2	1,755.1
Current Assets	651.3	779.2
Cash and cash equivalents	167.8	152.4
Accounts receivable	255.5	233.0
Inventories	71.2	71.7
Non-current Assets	989.9	975.9
PPE	642.4	630.4
Intangible assets	179.1	183.7
<Liabilities>	803.4	970.0
Current liabilities	732.0	759.2
Short-term borrowings	212.3	330.1
Debenture (Less than 1 year)	176.4	49.9
Debenture (More than 1 year)	30.2	60.5
Non-current liabilities	71.4	210.9
Long-term borrowings	0.1	30.1
Bonds	0.0	117.8
<Stockholder's Equity>	837.8	785.1
Liability / Equity	95.9%	123.6%
Net debt / Equity	30.0%	55.5%

Income statement	2Q'13	2Q'12	YoY
Revenue	556.5	489.3	13.7%
COGS	192.8	157.9	22.1%
Gross profit	363.7	331.4	9.7%
SGnA	281.7	267.2	5.4%
Operating profit	81.9	64.2	27.6%
Margin(%)	14.7%	13.1%	
Other income	11.0	3.0	272.2%
Other expenses	8.6	56.9	-84.8%
Financial income	1.3	0.7	100.0%
Financial expense	4.7	7.2	-35.4%
Investment income from investments in affiliated companies	0.0	0.2	-100.0%
Profit before income tax	81.0	4.4	1723.3%
Corporate tax expenses	21.3	12.6	68.7%
Net profit	59.7	-8.2	—
Margin(%)	10.7%	-1.7%	

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

[Unit : KW bn]

Subsidiaries	2Q13	1Q13	2Q12	1Q12	YoY	QoQ
Malaysia						
Revenue	18.7	15.3	13.7	11.2	37.0%	22.7%
Operating profit	0.9	0.5	0.5	0.2	-	-
Margin	4.8%	3.5%	3.7%	2.0%	-	-
U.S.						
Revenue	9.4	9.0	7.0	6.8	34.4%	4.5%
Operating profit	0.01	-0.2	-0.4	-0.5	-	-
Margin	0.1%	-2.5%	-5.9%	-6.9%	-	-
China						
Revenue	17.5	12.9	15.1	15.2	16.1%	35.3%
Operating profit	0.1	-0.2	0.2	1.3	-	-
Margin	0.4%	-1.8%	1.3%	8.4%	-	-
Thailand						
Revenue	3.1	3.6	2.7	2.8	16.0%	-13.9%
Operating profit	-2.4	-0.7	-0.2	-0.2	-	-
Margin	-76.2%	-18.5%	-8.9%	-6.0%	-	-
Japan						
Revenue	2.7	3.0	2.8	2.7	-5.6%	-11.7%
Operating profit	-0.6	-0.1	-0.5	-0.7	-	-
Margin	-24.3%	-2.6%	-18.4%	-27.5%	-	-
Green Entech						
Revenue	14.7	7.0	8.2	4.7	79.5%	108.8%
Operating profit	0.7	-0.3	-1.2	-0.3	-	-
Margin	4.7%	-4.5%	-15.1%	-5.8%	-	-

Malaysia

- . No. of total accounts i: 140K (as of 1H'13)
- . Expansion of sales organization
 - Health Planner: 750, Cody: 500 (as of 1H'13)
- . Targeting on the expansion of sales personnel and accounts
 - '13(e) HP: 1,000, Cody: 750
 - '13(e) :165K accounts

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- . No. of total accounts i: 60K (as of 1H'13)
- . Regional expansion
 - From west to east and central region
- . '13(e): 75K accounts

Others

- . Thai subsidiary – Increase in loss due to accounting error
- . Japan subsidiary – One-off cost occurred
- . China subsidiary – On going process for stabilization
 - ※ 2Q'13 :Cosmetics : KW 9.9bn , Home appliance: KW 7.6bn
- . GreenEntech – Revenue increased due to construction orders