

IT'S HANBUL

Investor Relations 2017

IT'S HANBUL

2Q18 Earnings Release

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IT'S HANBUL External Cooperation Team



IT'S HANBUL



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1. Summary of 2Q18 earnings(Consolidated FS)

2Q18 Sales of KRW 54.0 bil.(YoY +26.7%) and Operating profit of KRW 3.9 bil.(YoY Return to profit).

[Unit : KRW Mil.]	2Q17 (YoY)		1Q18 (QoQ)		2Q18	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Sales	42,664	100.0%	58,280	100.0%	54,043	100.0%
IT'S HANBUL	29,606	69.4%	41,404	71.0%	36,905	68.3%
Neopharm	13,026	30.5%	16,629	28.5%	16,088	29.8%
E-nature	-	-	694	1.2%	1,245	2.3%
Chinese branches *	-	-	1,798	3.1%	1,022	1.9%
Internal transaction	32	0.1%	-2,246	-3.9%	-1,217	-2.3%
COGS	15,978	37.5%	21,652	37.2%	21,368	39.5%
Growth profit	26,686	62.5%	36,628	62.8%	32,675	60.5%
SG&A	27,844	65.3%	26,151	44.9%	28,748	53.2%
Operating profit	-1,158	-2.7%	10,477	18.0%	3,926	7.3%
IT'S HANBUL	-4,664	-10.9%	4,722	8.1%	462	0.9%
Neopharm & Others	3,506	8.2%	5,755	9.9%	3,464	6.4%
Net income before income tax	479	1.1%	13,647	23.4%	5,416	10.0%
Corporate tax	-1,147	-2.7%	3,451	5.9%	1,361	2.5%
Net income	1,626	3.8%	10,196	17.5%	4,056	7.5%

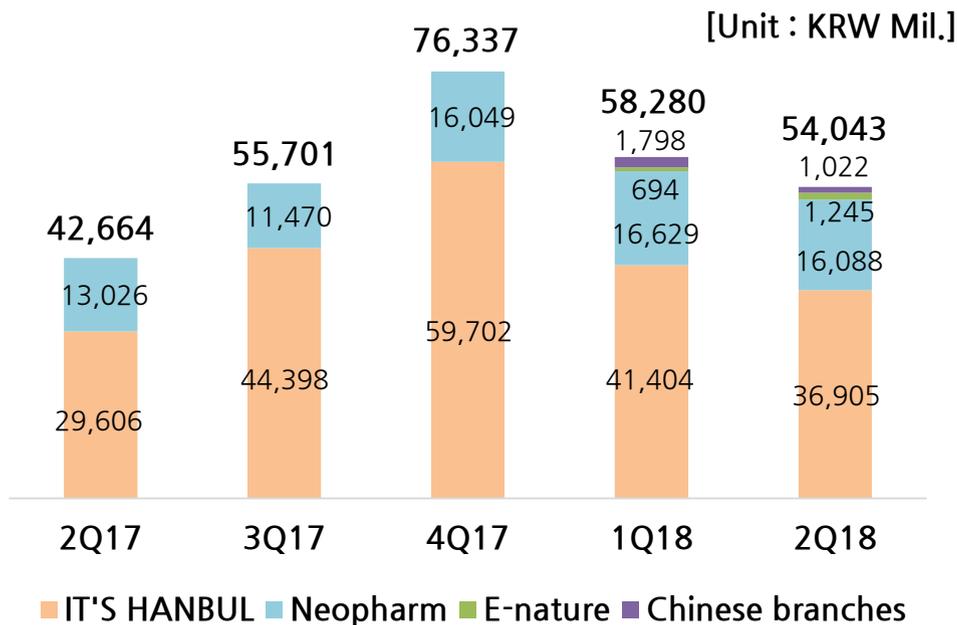
* Chinese branches has recorded the combined results of the Huzhou manufacturing Company and the Shanghai Sales Company.



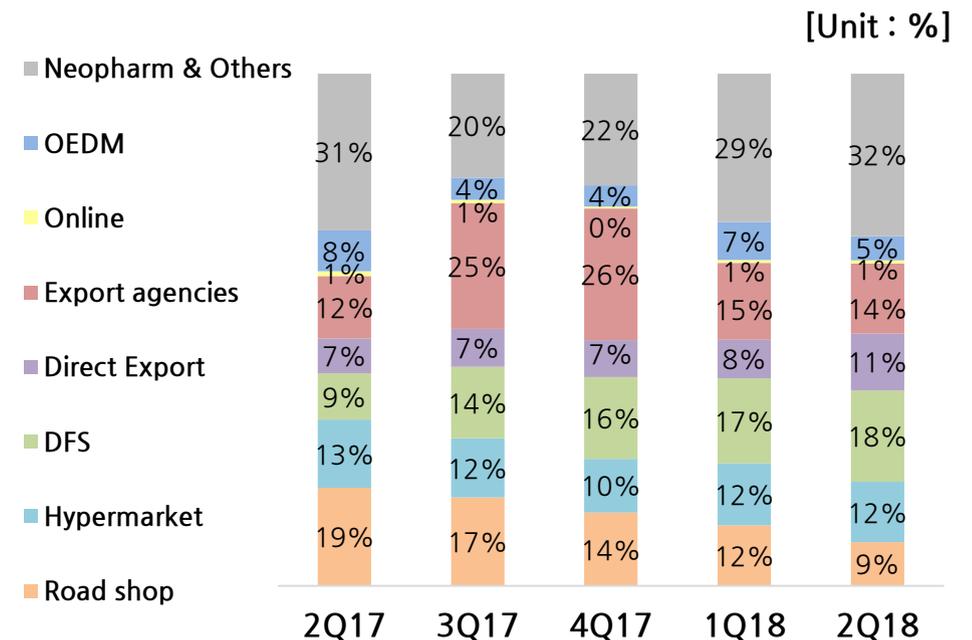
2. 2Q18 Sales analysis

- IT'S HANBUL's external growth is currently stagnant due to the reduction in the summer season demand for the DESCARGOT(snail-line), together with restrictions on wholesale volume in order to maintain the market price, as well as decrease in Korean stores. Sales are anticipated to grow from the fourth quarter with the renewal and normalization of pricing of DESCARGOT.
- Neopharm's earnings are on a steady increase with the steady growth of all online and offline channels and the rise of sales of Zeroid for hospital use, which has grown by 70% in comparison to the previous year.
- E-Nature has maintained a steady growth rate at DFS and online shops while sales have increased by 79%, in comparison to the previous quarter, with the rise in sheet mask exports to China.
- Chinese branches are earning sales primarily through T-mall and H&B offline shops while distribution channels, as well as commercial areas, are expected to expand in the latter half of the year.

Consolidated sales by business division



Consolidated sales ratio by channel

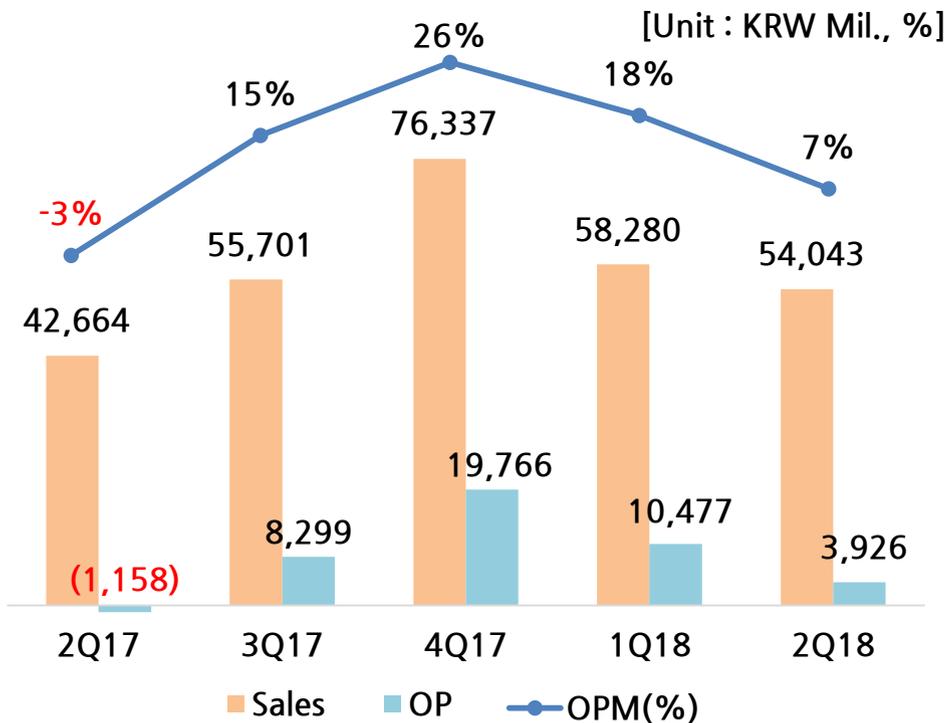




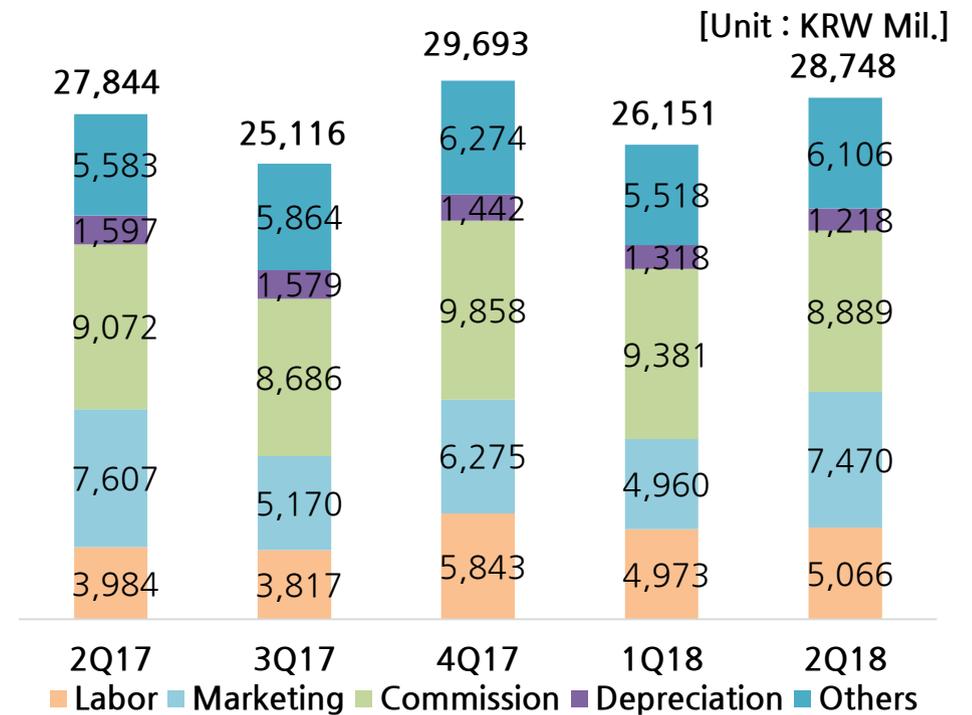
3. 2Q18 Earnings analysis

- COGS has experienced an increase in ratio due to the one-time costs of Neopharm and the reduction of production volume during the summer season (1Q18 37% → 2Q18 40%).
- SG&A marketing costs have increased in comparison to the previous quarter due to marketing investments related to theater advertisements and the changing of models while there was a small decrease in commissions stemming from the reduction of stores to improve store profitability, amid a recorded operating profit of KRW 3.9 bil.
- Non-operating income saw the loss of one-time profit effects following the execution of conversion rights of CB during the first quarter, however, there was a recorded net profit of KRW 4.1 bil. due to the reduction of corporate income tax expenses following a decrease in net profit.

Consolidated earnings trend



Consolidated SG&A trend





4. Summary Consolidated FS

○ Financial Statement

[Unit : KRW Mil.]

Account subject	2014	2015	2016	2017	2018 2Q
Current assets	156,254	432,825	414,031	419,075	385,851
Non-current assets	28,009	57,139	125,330	143,340	140,471
Total assets	184,263	489,964	539,361	562,416	526,323
Current liabilities	75,193	102,429	90,947	91,196	53,522
Non-current liabilities	9,607	1,542	40,290	1,928	1,652
Total liabilities	84,801	103,971	131,237	93,124	55,174
Capital	5,724	5,724	5,724	10,965	10,965
Retained earnings	53,614	93,406	120,220	141,389	139,467
Capital surplus	9,193	104,956	88,574	285,944	285,944
Other equity items	(2,297)	6,976	1,224	(1,032)	(234)
Non-controlling interest	-	174,931	192,380	32,025	35,007
Total equity	99,462	385,993	408,123	469,292	471,149

○ Comprehensive Income Statement

[Unit : KRW Mil.]

Account subject	2014	2015	2016	2017	2018 2Q
Sales	260,706	325,413	326,052	245,737	112,323
COGS	99,390	116,066	112,642	90,395	43,020
SA&G	56,051	86,080	122,544	109,977	54,899
Operating profit	105,264	123,267	90,866	45,366	14,403
OPM(%)	40.4%	37.9%	27.9%	18.5%	12.8%
Financial income	1,100	4,133	6,695	5,870	4,216
Financial cost	210	424	1,611	2,521	1,790
Equity-method gains	(112)	(1,529)	3,137	-	-
Non-operating income	1,062	96	(79)	41	2,234
Corporate tax	35,318	45,190	27,705	6,744	4,812
Consolidation adjustment	-	-	(4,637)	-	-
Net income	71,785	80,353	66,667	42,012	14,252
NIM(%)	27.5%	24.7%	20.4%	17.1%	12.7%