

IT°S HANBUL 4Q17 Earnings Release

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IT°S HANBUL IR&PR Team



IT'S HANBUL



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1. Summary of 4Q17 earnings(Consolidated FS)

4Q17 sales of KRW 763bn(+37% QoQ, -6% YoY) and OP of KRW 195bn(+135% QoQ, +3% YoY)

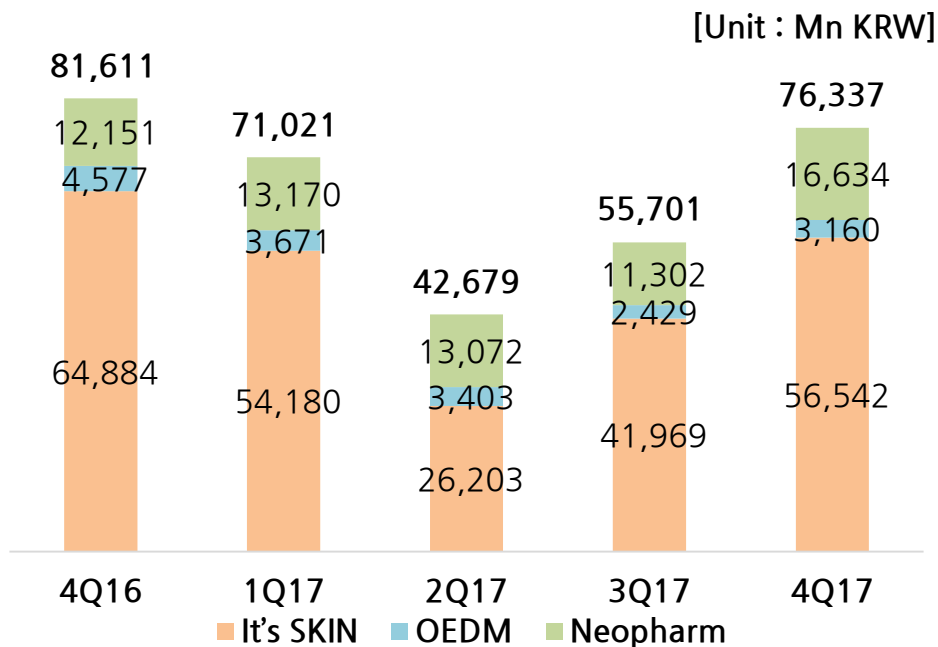
[Unit : Mn KRW]	4Q16 (YoY)		3Q17 (QoQ)		4Q17	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Sales	81,611	100%	55,701	100%	76,337	100%
IT'S SKIN	64,884	80%	41,969	75%	56,542	73%
OEDM	4,577	6%	2,429	4%	3,160	5%
IT'S HANBUL	69,461	85%	44,398	80%	59,702	78%
Neopharm	12,181	15%	11,470	21%	16,049	22%
Internal transaction	(30)	0%	(168)	0%	585	0%
COGS	28,171	35%	22,286	40%	28,294	37%
Growth profit	53,440	65%	33,415	60%	48,043	63%
SG&A	34,593	42%	25,116	45%	28,561	37%
Operating profit	18,847	23%	8,299	15%	19,482	26%
Net income before income tax	19,796	24%	9,226	17%	20,232	27%
Corporate tax	6,594	8%	2,423	4%	(2,294)	-3%
Consolidation adjustment	111	0%	-	0%	-	-
Net income	13,313	16%	6,803	12%	22,526	30%



2. 4Q17 Sales analysis

- In the case of IT'S SKIN, agent-based export to China and duty-free shops are leading the sales growth as the trend of deregulating customs clearance is expected to persist for a while.
- Neopharm is enjoying continued growth as H&B, one its main brands, wins more stores, and sales of its UV blocking products targeting the summer season are growing.
- Major hit trends in the 4thquarter include the continued popularity of new products such as color cosmetics of the Life Color line in commemoration of the year as well as creams of the Power 10 line.
- 2018 is expected to see further sales growth through the activation of the factory in Huzhou, China and full-fledged penetration into online and retail distribution channels in China.

Consolidated sales by business division



4Q17 Major hit products

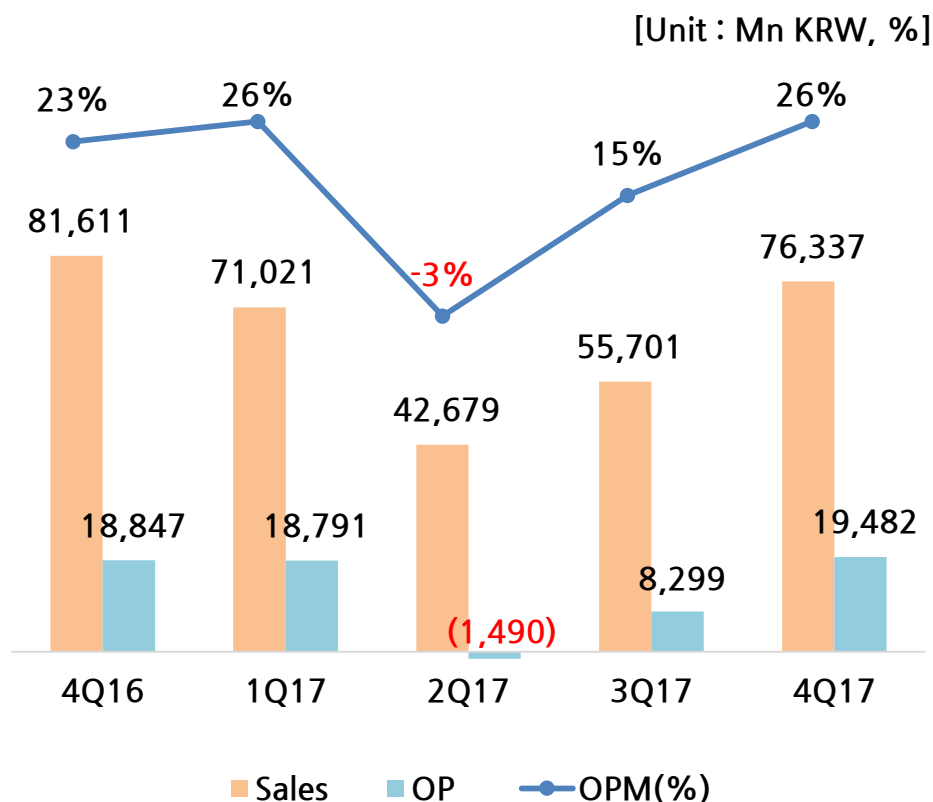




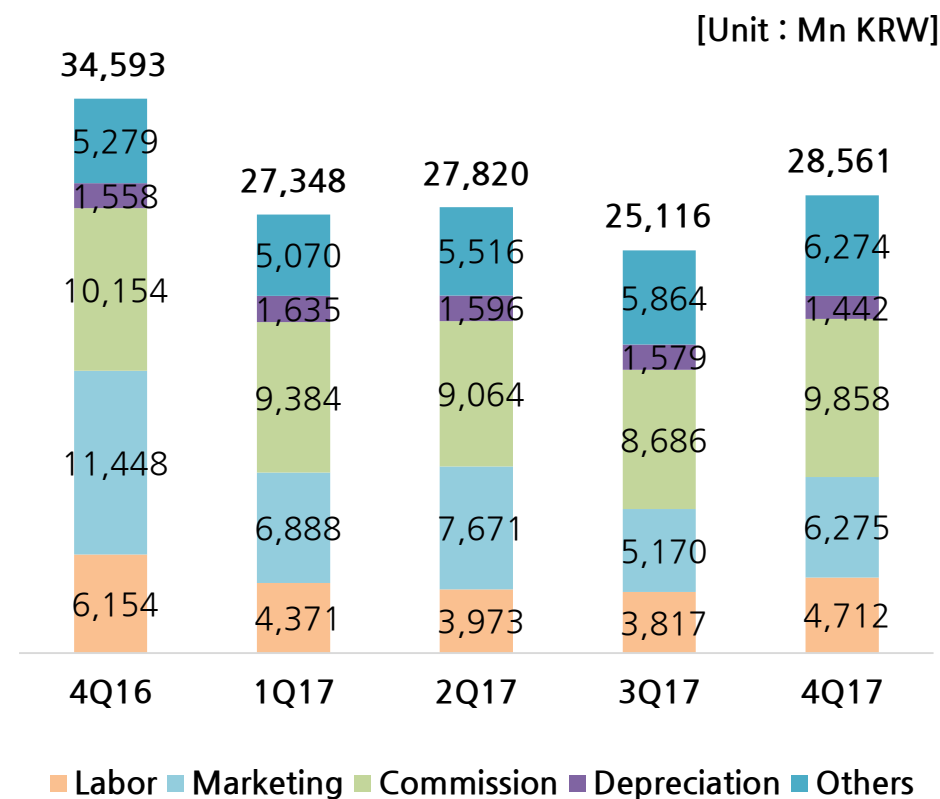
3. 4Q17 Earnings analysis

- SG&A maintained an improved overall profit ratio despite the increased variable cost from sales growth since the burden of fixed cost is removed.
- In terms of non-operation revenue, stable flow of interest income from the current fixed deposit.
- Regarding corporate tax, there was some refund from the cost in the 4th quarter due to tax adjustment of own stock after the merger.

Consolidated earnings trend



Consolidated SG&A trend





4. Summary Consolidated FS

○ Financial Statement

[Unit : Mn KRW]

Account subject	2013	2014	2015	2016	2017
Current assets	11,408	156,254	432,825	414,031	419,775
Non- current assets	14,283	28,009	57,139	125,330	146,841
Total assets	25,691	184,263	489,964	539,361	566,616
Current liabilities	8,210	75,193	102,429	90,947	87,497
Non-current liabilities	282	9,607	1,542	40,290	1,928
Total liabilities	8,492	84,801	103,971	131,237	89,425
Capital	3,385	5,724	5,724	5,724	10,965
Retained earnings	13,814	53,614	93,406	120,220	137,270
Capital surplus	-	9,193	104,956	88,574	296,974
Other equity items	-	(2,297)	6,976	1,224	(925)
Non-controlling interest	-	-	174,931	192,380	32,907
Total equity	17,199	99,462	385,993	408,123	477,191

○ Comprehensive Income Statement

[Unit : Mn KRW]

Account subject	2013	2014	2015	2016	2017
Sales	36,278	260,706	325,413	326,052	245,737
COGS	32,025	99,390	116,066	112,642	91,810
SA&G	3,348	56,051	86,080	122,544	108,845
Operating profit	906	105,264	123,267	90,866	45,082
OPM(%)	2.5%	40.4%	37.9%	27.9%	18.3%
Financial income	30	1,100	4,133	6,695	5,987
Financial cost	98	210	424	1,611	2,729
Equity-method gains	-	(112)	(1,529)	3,137	-
Non-operating income	37	1,062	96	(79)	132
Corporate tax	186	35,318	45,190	27,705	4,266
Consolidation adjustment	-	-	-	(4,637)	-
Net income	690	71,785	80,353	66,667	44,206
NIM(%)	1.9%	27.5%	24.7%	20.4%	18.0%