2018 2nd Quarter Results

2018.8.9

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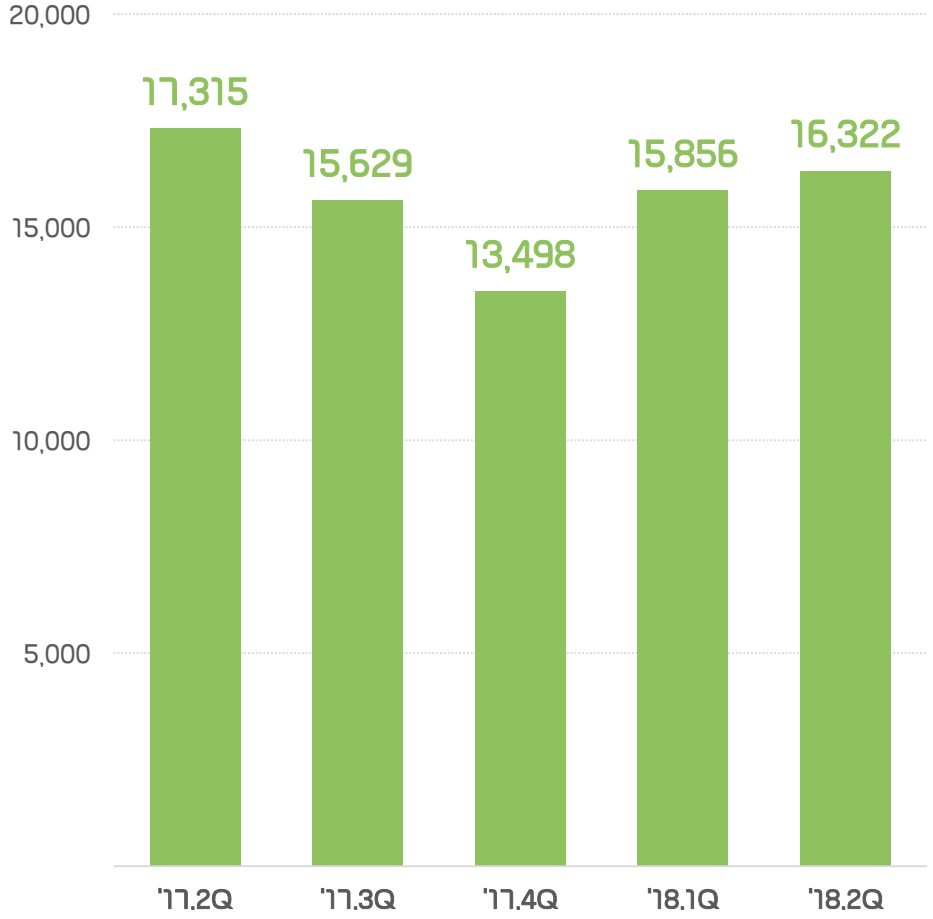
Financial Highlights

Business Update

Income Statement (Consolidated)

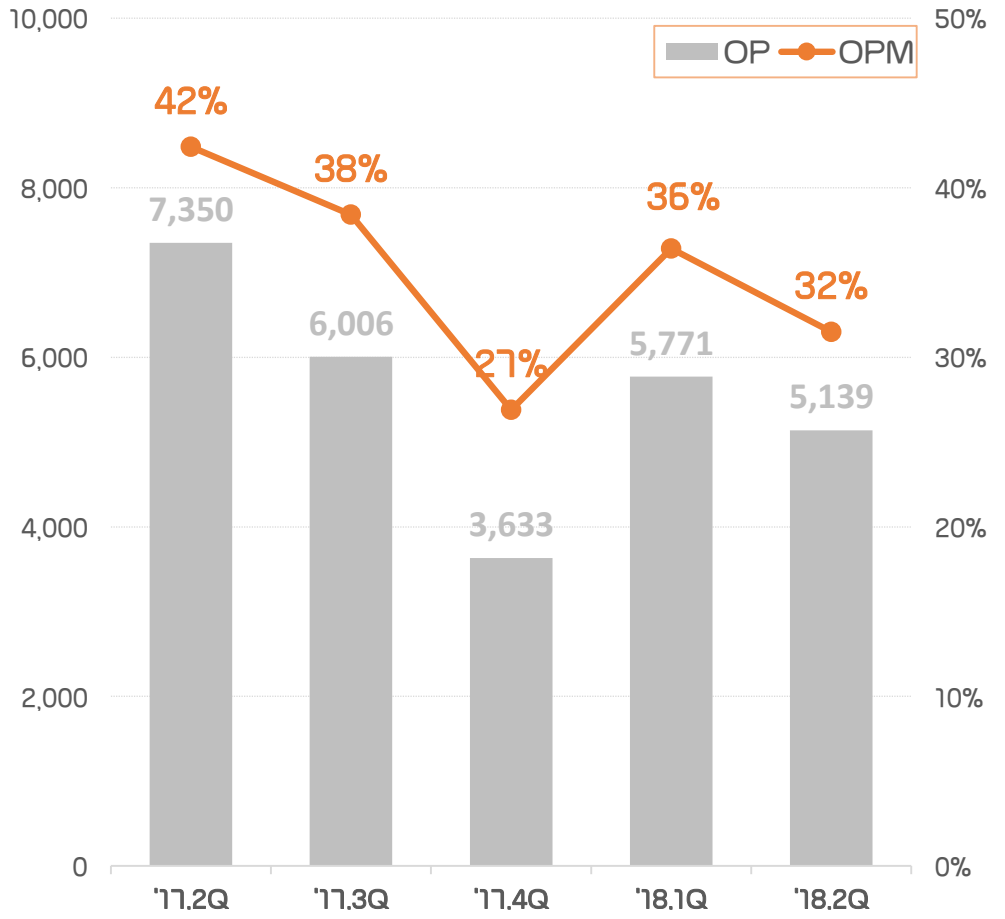
- Sales: Increased 2.9% QoQ thanks to overseas growth led by Europe. (-5.7% YoY)
- Operating Income: Increased marketing expenses(+1 bil. Won YoY) related to local TV Commercials lowered the margin

(Revenue)



(Operating Income)

(Unit: KRW Million)



Balance Sheet (Consolidated)

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- Maintained debt ratio below 10% and recorded net cash of KRW 63.2 billion

(KRW million)	'18.2Q	'18.1Q	QoQ	'17.2Q	YoY
Current Asset	76,084	71,653	6.2%	65,200	16.7%
Non-Current Asset	27,026	25,874	4.5%	24,811	8.9%
Total Asset	103,110	97,527	5.7%	90,011	14.6%
Current Liabilities	6,487	6,222	4.3%	7,349	-11.7%
Non-Current Liabilities	28	21	33.3%	21	33.3%
Total Liabilities	6,515	6,243	4.4%	7,370	-11.6%
Total Shareholders' Equity	96,595	91,284	5.8%	82,641	16.9%
Debt Ratio	6.7%	6.8%	-0.1%p	8.9%	-2.2%p
Net Debt*	-63,165	-61,104	3.4%	-49,847	26.7%

* Debt – Cashable Asset (Cash and cash equivalent, financial asset (current and non-current), Short-term Investment)

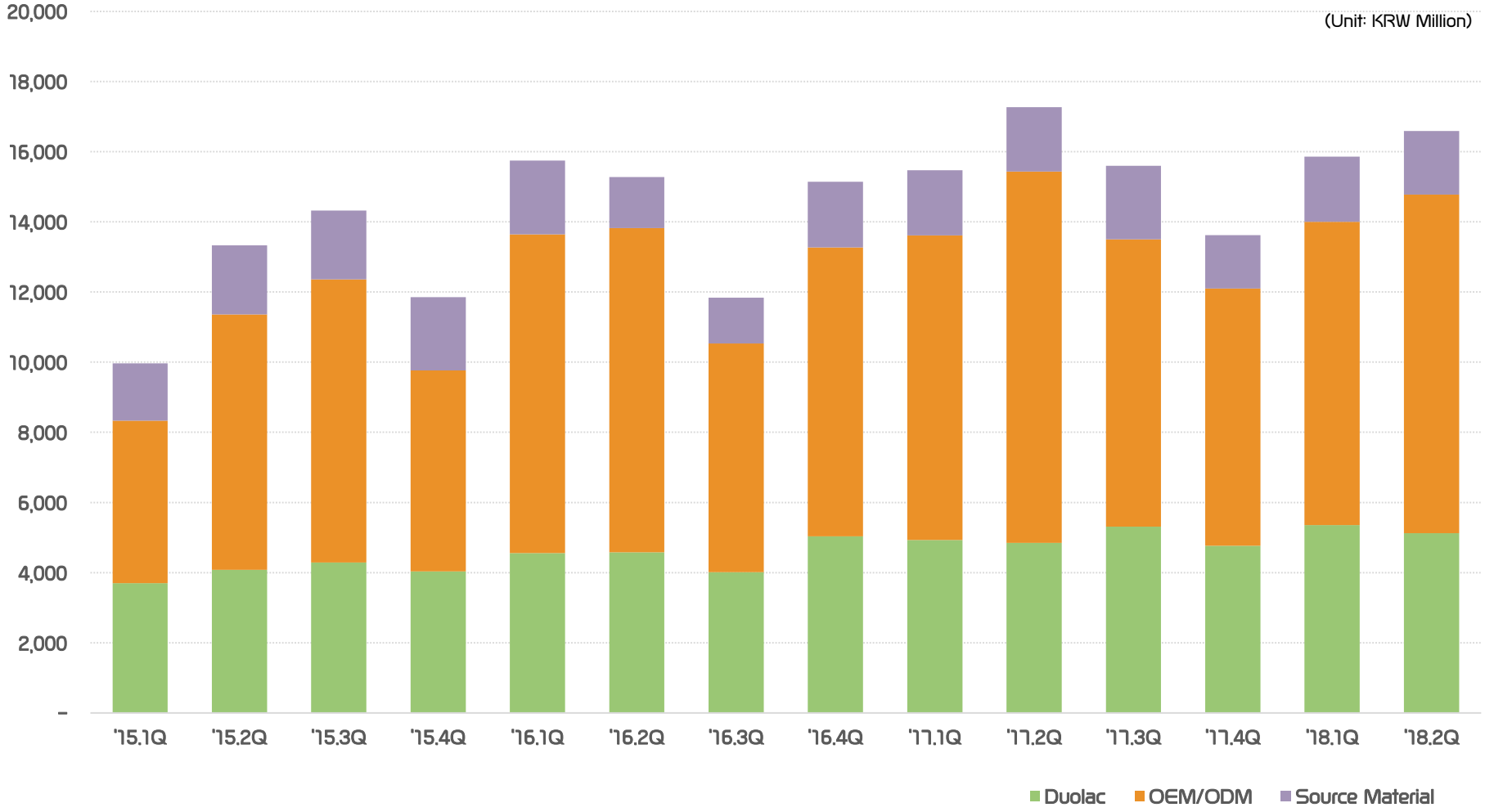
Financial Highlights

Business Update

Sales Trend by Product Type

- Duolac sales recorded stable growth thanks to sales channel expansion including duty free shops and convenient stores
- OEM/ODM sales also recorded stable growth but YoY growth was weak due to high base effect

(Sales Trend by Product Type, Quarterly)



2nd Quarter Update and Plan

(Diversifying Domestic Sales Channel)

- Began to offer Duolac hangover product, 'Stomach, Intestine, Liver Care' to 7-11 Korea.
- Entered major duty free shops with Nutra Duolac product lines (Total 17 stores: 5 Lotte, 4 Shilla, 3 Shinsegae, 2 Doota, 2 HDC-Shilla, 1 Tax Free)

Nutra Duolac product lines for duty free stores (9 SKU)

(New Domestic Products)

- 'Duolac Pure Probiotics Powder 100%' : 2 Types
- 'Duolac Chewable Family '
- 'Duolac Yam Yam Plus'

Duolac
Pure Probiotics
Powder 100%

Duolac
Chewable Family

Duolac
Yam Yam Plus

(Overseas Business)

- Launch OEM/ODM business to Russia (3Q)
- Expand to emerging markets in South East Asia such as Myanmar

2nd Quarter Update and Plan

(Cosmetics)

- Lactoclear
  - Jan. 2018: Hand cream launched
  - 2Q 2018: Cream, Gel foam, Mask pack launched
  - 4Q 2018 ~ 1Q 2019: Mist, Essence, Sunblock, Deep cleanser, BB cream to be released

Lactoclear Skinflora

(New Domestic Marketing Campaign)

- Launch 2 new TV Commercials for terrestrial and cable TV

(R&D)

- Acquired patent, "probiotic composite assisting alcohol metabolism" (Duolac Stomach, Intestine, Liver Care)
- Cancer Drug Development
  - Pre-clinical trial in progress supported by outside GLP labs.
  - Selected as one of companies receiving consulting service until IND application by MFDS* (In-depth Consulting Program for High-tech Biomedicine Development)

New marketing campaign

*MFDS: Ministry of Food and Drug Safety

Appendix –Income Statement(Consolidated)

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(KRW Million)	'16.2Q	'16.3Q	'16.4Q	'17.1Q	'17.2Q	'17.3Q	'17.4Q	'18.1Q	'18.2Q
Sales	15,528	11,859	15,145	14,618	17,315	15,629	13,498	15,856	16,322
Cost of Sales	3,169	2,827	3,223	2,992	3,483	3,147	3,005	3,377	3,501
Gross Income	12,359	9,032	11,922	11,626	13,832	12,482	10,493	12,479	12,821
SG&A	5,178	5,014	7,341	5,979	6,482	6,476	6,861	6,708	7,682
Operating Income	7,181	4,019	4,581	5,647	7,350	6,006	3,633	5,771	5,139
Margin (%)	46.2%	33.9%	30.2%	38.6%	42.4%	38.4%	26.9%	36.4%	31.5%
Non-OP gain/loss	138	-800	1,500	-1,398	1,239	632	-387	495	941
OP Income before tax	7,319	3,219	6,081	4,248	8,589	6,638	3,246	6,266	6,080
Net Income	5,900	2,578	5,135	3,459	6,918	5,243	2,626	5,062	4,891
Margin (%)	38.0%	21.7%	33.9%	23.7%	40.0%	33.5%	19.5%	31.9%	30.0%

Appendix – Balance Sheet (Consolidated)

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(KRW Million)	'16.2Q	'16.3Q	'16.4Q	'17.1Q	'17.2Q	'17.3Q	'17.4Q	'18.1Q	'18.2Q
Current Asset	61,142	63,070	69,268	59,661	65,200	70,247	70,869	71,653	76,084
Non-Current Asset	21,233	21,428	21,262	21,365	24,811	25,225	25,608	25,874	27,026
Total Asset	82,375	84,498	90,529	81,026	90,011	95,472	96,477	97,527	103,110
Current Liabilities	5,919	5,459	6,361	5,293	7,349	7,617	6,259	6,222	6,487
Non-Current Liabilities	15	15	15	21	21	21	21	21	28
Total Liabilities	5,935	5,475	6,376	5,314	7,370	7,638	6,280	6,243	6,515
Total Shareholders' Equity	76,440	79,023	84,153	75,712	82,641	87,834	90,196	91,284	96,595
Debt Ratio	7.8%	6.9%	7.6%	7.0%	8.9%	8.7%	7.0%	6.8%	6.7%
Net Debt*	-46,942	-51,487	-55,798	-46,732	-49,847	-52,972	-59,613	-61,104	-63,165

* Debt – Cashable Asset (Cash and cash equivalent, financial asset (current and non-current), Short-term Investment)

E.O.D.