

AMOREPACIFIC GROUP

2013 2Q Earnings Release

AMOREPACIFIC GROUP Investor Relations

6. August 2013

- Contents -

1. 1H 2013 Earnings Summary
2. 2Q 2013 Earnings Summary
3. Earnings by Subsidiary
 - 3.1 Cosmetics
 - 3.2 Non Cosmetics
4. Financial Summary

As a note, it is suggested to use this material only as a reference, as it contains information and data that are subject to changes without prior notice due to uncertainties, changes in the organizational structure, redefinition of accounting policies, etc., and may cause the actual results to differ from those stated or implied in this material.

AMOREPACIFIC Group has adopted the K-IFRS since 2011.

1. 1H 2013 Earnings Summary

Sales up 13.7% to KRW 2,004.3bn, OP down 1.5% to KRW 298.1bn

- Sales reached KRW 2trn, Greatest 1H results delivered by the robust performance of cosmetics affiliates and aggressive overseas business expansion
- Decrease in the amount of operating loss thanks to the solid earning growth of Innisfree and AMOS

Sales and Profits

[KRW bn]

	2012 1H	(%)	2013 1H	(%)	YoY (%)
Sales	1,763.3	100.0%	2,004.3	100.0%	13.7%
Cosmetics*	1,613.4	91.5%	1,865.9	93.1%	15.7%
Non-Cosmetics	149.9	8.5%	138.4	6.9%	-7.7%
Operating Profit	302.8	17.2%	298.1	14.9%	-1.5%
Cosmetics	297.3	18.4%	292.3	15.7%	-1.7%
Non-Cosmetics	5.5	3.7%	5.8	4.2%	4.2%
Consolidated Net Profit	228.6	13.0%	220.0	11.0%	-3.8%

* Intercompany transaction is included in Cosmetics subsidiaries

2. 2Q 2013 Earnings Summary

Sales up 16.8% to KRW 1,024.1bn, OP up 2.6% to KRW 124.4bn

- Strong sales growth throughout all cosmetics affiliates delivered by the balanced distribution channel portfolio, active launches of innovative products and expanded overseas business
- Recovered profit growth thanks to the strong earnings of cosmetics affiliates

Sales and Profits

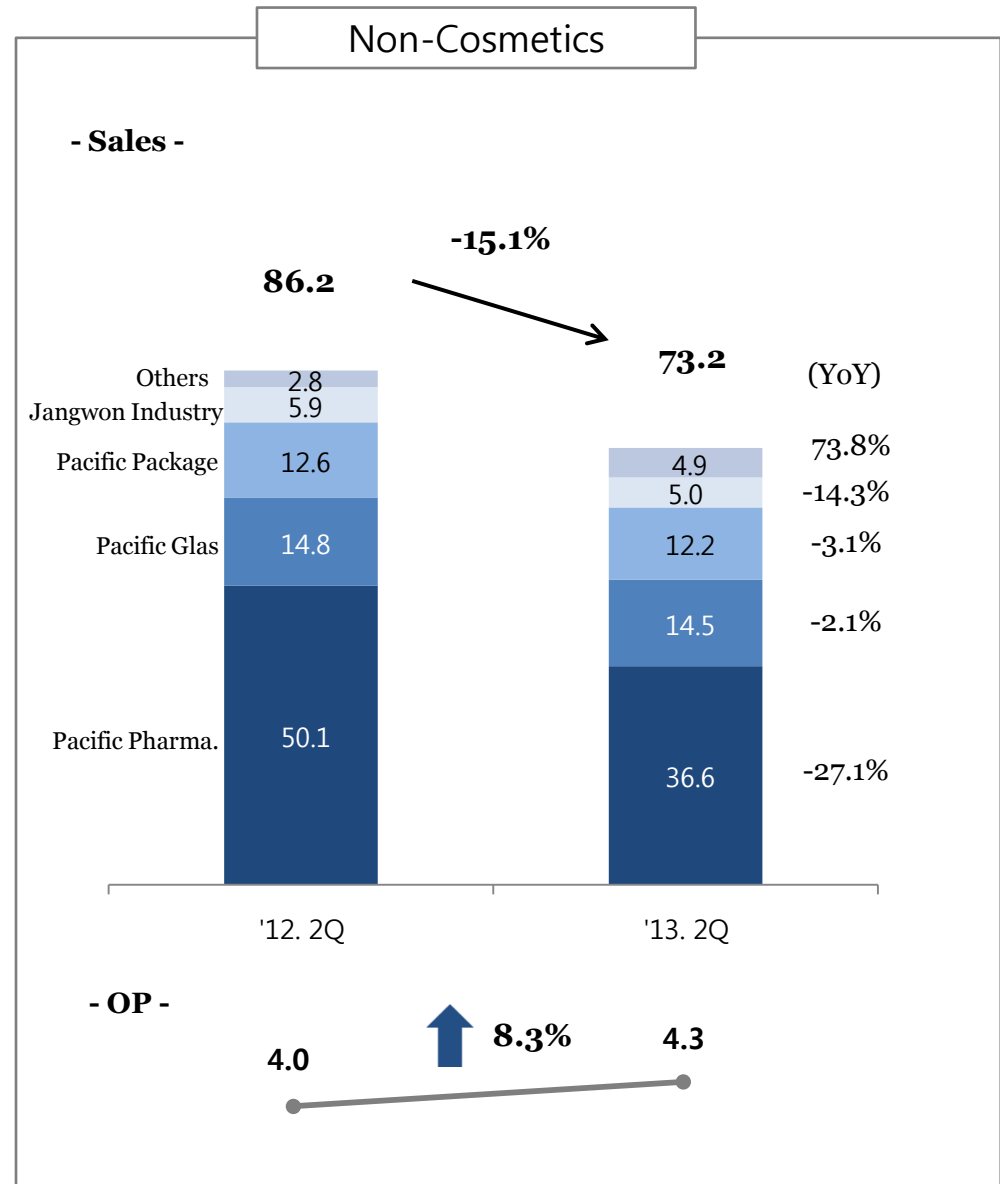
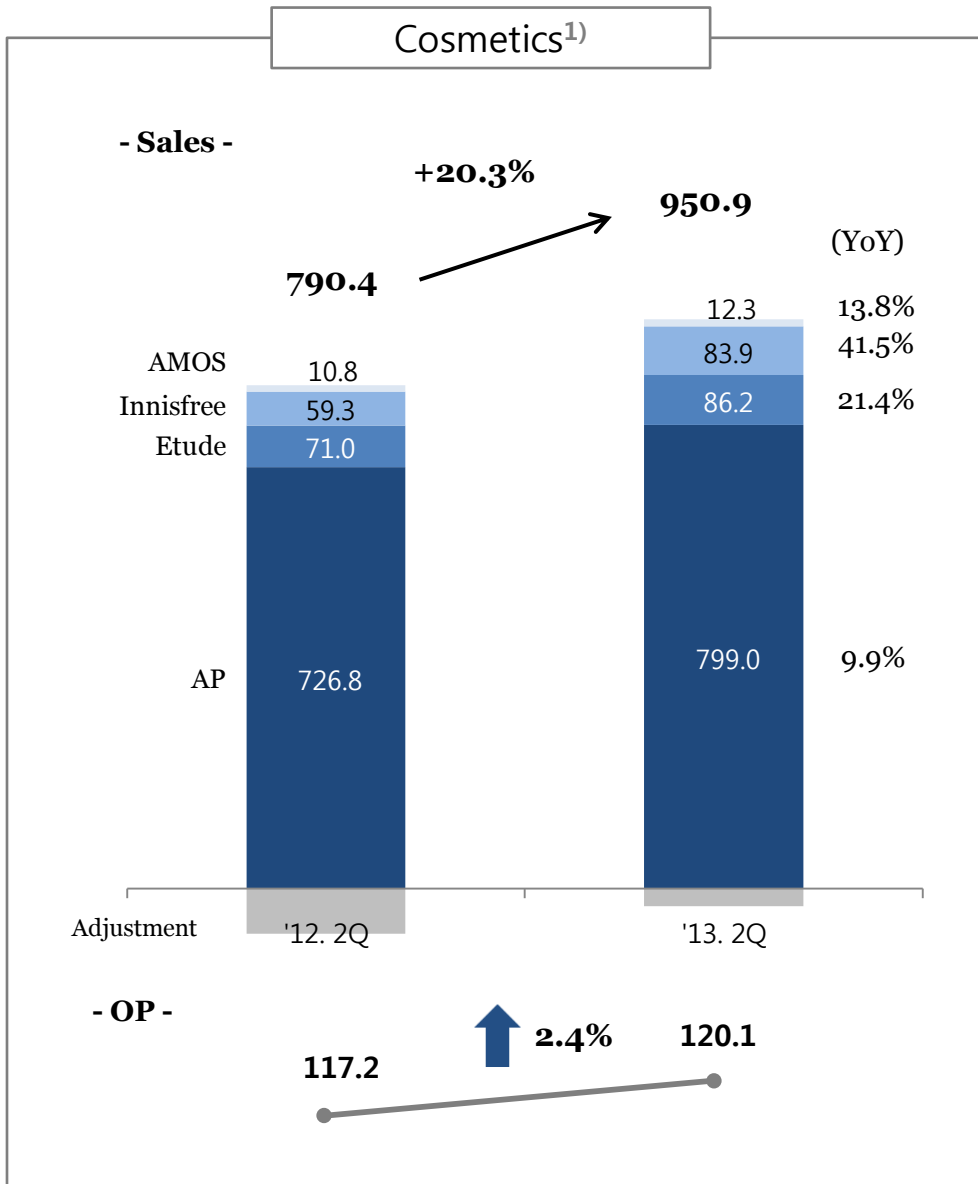
[KRW bn]

	2012 2Q	(%)	2013 2Q	(%)	YoY (%)
Sales	876.6	100.0%	1,024.1	100.0%	16.8%
Cosmetics*	790.4	90.2%	950.9	92.9%	20.3%
Non-Cosmetics	86.2	9.8%	73.2	7.1%	-15.1%
Operating Profit	121.2	13.8%	124.4	12.1%	2.6%
Cosmetics	117.2	14.8%	120.1	12.6%	2.4%
Non-Cosmetics	4.0	4.6%	4.3	5.9%	8.3%
Consolidated Net Profit	86.3	9.8%	103.0	10.1%	19.4%

* Intercompany transactions are included under Cosmetics subsidiaries

3. Earnings by Subsidiary (1/3)

[KRW bn / %YoY]



* Intercompany transactions are included under Cosmetics subsidiaries

3. Earnings by Subsidiary _ Cosmetics (2/3)

[KRW bn]

	AMOREPACIFIC Consolidated		Etude	
	'12.2Q	'13.2Q	'12.2Q	'13.2Q
Sales	726.8	799.0	71.0	86.2
GP	520.8	569.0	40.5	47.5
SG&A	422.4	474.3	34.2	40.4
OP	98.4	94.7	6.3	7.1

	Innisfree		AMOS Professional	
	'12.2Q	'13.2Q	'12.2Q	'13.2Q
Sales	59.3	83.9	10.8	12.3
GP	41.8	57.9	5.9	6.7
SG&A	32.1	45.7	3.3	3.5
OP	9.8	12.2	2.6	3.2

[Amorepacific] Sales +10%, OP -4%

Domestic Business

- Strong growth in Specialty store, Digital and Duty-free channels with profitability improvement
- Increased market share in department stores thanks to the strong performance of 'Hera' and 'Primera' (16% → 18%)
- Decreased OP due to the slowdown in Door-to-door channel and luxury brands

Overseas business

- Launch of new brands/products and aggressive expansion into new channels resulted in strong sales growth (+40%)
- Decreased OP due to store expansion and marketing activities to accelerate the business

Mass & Sulloc

- Gained market share backed by increased sales of major Hair Cosmetic products and new product launches
- Robust sales of Fermented tea/Blending tea bag led to increased premium portion and inflow of new customers

[Etude] Sales +21%, OP +12%

- Improved store efficiency and increased sales of hit products led to solid sales growth throughout all channels such as Roadshops, Hypermarkets, Online and 'Espoir'
- Increased sales from overseas business thanks to the store expansion (+35)
- Despite the increase in promotion and personnel expenses, positive profit growth recovered thanks to the efficient SG&A management

[Innisfree] Sales +42%, OP +25%

- Solid growth through all channels backed by increased sales of major products, launch of new products (Fermentation Bean/Minimum Lines) and increase in new customers
- Domestic : Continued store expansion (+185) and improved same store sales growth
- Overseas : Store expansion (+21) in China and Hong Kong, tapping into Japan through Online channel

[AMOS Professional] Sales +14%, OP +21%

- Robust growth through all channels backed by increased sales of major products (Green tea Shampoo/ Curling Essence)
- Reinforced market leadership through launch of new products (Luminator, Troubleless) and increase in point of sales

3. Earnings by Subsidiary _ Non Cosmetics (3/3)

[KRW bn]

	Pacific Pharma.		Pacific Glas	
	'12.2Q	'13.2Q	'12.2Q	'13.2Q
Sales	50.1	36.6	14.8	14.5
GP	13.4	14.0	1.2	1.4
SG&A	11.6	11.4	1.2	1.3
OP	1.8	2.6	0	0.1

[Pacific Pharma.] Sales -27%, OP +47%

- Slowdown in sales due to decreased price of botulinum toxin and orders for functional foods
- Decreased supply price of botulinum toxin and efficient SG&A execution resulted in increased operating profit

[Pacific Glas] Sales -2%, OP +142%

- Despite the increase in exports caused by new product launches to oversea market such as US, Europe and Japan, total sales decreased due to the slowdown in sales to affiliates
- Turned to black by improved rate of COGS backed by enhanced production efficiency

	Pacific Package		Jangwon Industry	
	'12.2Q	'13.2Q	'12.2Q	'13.2Q
Sales	12.6	12.2	5.9	5.0
GP	2.2	1.4	1.7	1.2
SG&A	1.0	1.1	0.7	0.6
OP	1.2	0.3	1.0	0.6

[Pacific Package] Sales -3%, OP -78%

- Sales decreased due to the increase in pre-order in the 1st quarter but the total sales for the 1st half increased in line with the company's plan
- Increased rate of COGS temporarily due to the change of recognition timing for inventory obsolescence and loss from inventory shrinkages

[Jangwon Industry] Sales -14%, OP -34%

- Despite of sales increase in green tea exports and new business (ginseng), total sales decreased due to the suspension of landscaping business
- Increased ratio of COGS due to the expanded portion of ginseng business causing higher COGS and shipping expenses resulted in decreased operating profit

4. Financial Summary

Income Statement

	2012 2Q		2013 2Q	
Sales	876.6	100.0%	1,024.1	100.0%
Gross Profit	627.7	71.6%	700.0	68.3%
SG&A expenses	506.5	57.8%	575.6	56.2%
Operating profit¹⁾	121.2	13.8%	124.4	12.1%
Non-operating ²⁾ Profit/Expenses	1.9		11.8	
Profit before tax	123.1	14.0%	136.2	13.3%
Consolidated net income	86.3	9.8%	103.0	10.1%

Statements of Financial Position

[KRW bn]

	2012. 12	2013.06
Assets	4,516.0	4,763.3
Current assets	1,378.6	1,549.0
Non-current assets	3,137.3	3,214.3
Liabilities	881.7	964.4
Current liabilities	528.7	597.8
Non-current liabilities	353.0	366.6
Shareholder's Equity	3,634.2	3,798.8
Capital stock	44.5	44.5
Additional paid-in capital	673.1	673.0
Capital surplus	7.4	21.8
Other components of equity	-134.5	-130.7
Accumulated other comprehensive income	-2.5	0
Retained earnings	1,390.5	1,470.1
Non-controlling interest	1,655.7	1,720.1

1) 2012 numbers have been adjusted to reflect the change of K-IFRS 1019, the 'Employee Benefits' clause