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AMOREPACIFIC  
GROUP

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## AMOREPACIFIC GROUP 3Q 2014 Earnings Release

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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.

Sales up 18% to KRW 3,525.5bn, OP up 39% to KRW 560.1bn

### Sales & OP by Division

KRW bn

|                             | 3QYTD 2013     | % of sales   | 3QYTD 2014     | % of sales   | YoY(%)        |
|-----------------------------|----------------|--------------|----------------|--------------|---------------|
| <b>Sales</b>                | <b>2,995.6</b> | <b>100.0</b> | <b>3,525.5</b> | <b>100.0</b> | <b>17.7</b>   |
| Cosmetics <sup>1)</sup>     | 2,791.2        | 93.2         | 3,342.5        | 94.8         | 19.8          |
| Non-cosmetics <sup>2)</sup> | 204.3          | 6.8          | 183.1          | 5.2          | -10.4         |
|                             | 3QYTD 2013     | OPM          | 3QYTD 2014     | OPM          | YoY(%)        |
| <b>Operating Profit</b>     | <b>403.8</b>   | <b>13.5</b>  | <b>560.1</b>   | <b>15.9</b>  | <b>38.7</b>   |
| Cosmetics                   | 396.8          | 14.2         | 562.4          | 16.8         | 41.7          |
| Non-cosmetics               | 7.0            | 3.4          | (2.3)          | (1.3)        | Turned to red |
| <b>Net Profit</b>           | <b>304.9</b>   | <b>10.2</b>  | <b>445.6</b>   | <b>12.6</b>  | <b>46.2</b>   |

1) Cosmetics: AMOREPACIFIC, Etude, Innisfree, Amos Professional, Adjustment

2) Non-cosmetics: AMOREPACIFIC Group, Pacific Pharma., Pacific Glas, Pacific Package, Jangwon Industry

Sales up 22% to KRW 1,209.0bn, OP up 56% to KRW 173.9bn

### Sales & OP by Division

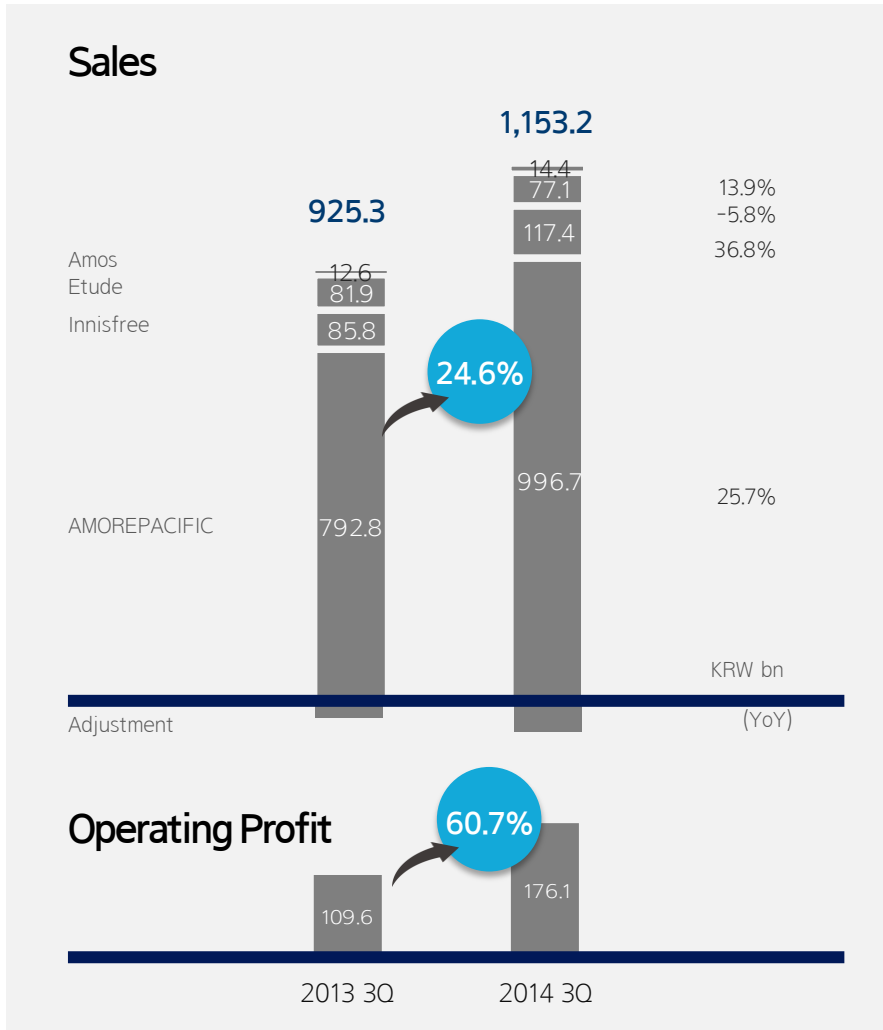
KRW bn

|                         | 3Q 2013      | % of sales   | 3Q 2014        | % of sales   | YoY(%)        |
|-------------------------|--------------|--------------|----------------|--------------|---------------|
| <b>Sales</b>            | <b>991.2</b> | <b>100.0</b> | <b>1,209.0</b> | <b>100.0</b> | <b>22.0</b>   |
| Cosmetics1)             | 925.3        | 93.4         | 1,153.2        | 95.4         | 24.6          |
| Non-cosmetics2)         | 65.9         | 6.6          | 55.8           | 4.6          | -15.3         |
|                         | 3Q 2013      | OPM          | 3Q 2014        | OPM          | YoY(%)        |
| <b>Operating Profit</b> | <b>111.2</b> | <b>11.2</b>  | <b>173.9</b>   | <b>14.4</b>  | <b>56.4</b>   |
| Cosmetics               | 109.6        | 11.8         | 176.1          | 15.3         | 60.7          |
| Non-cosmetics           | 1.5          | 2.3          | (2.3)          | (4.0)        | Turned to red |
| <b>Net Profit</b>       | <b>89.0</b>  | <b>9.0</b>   | <b>126.2</b>   | <b>10.4</b>  | <b>41.7</b>   |

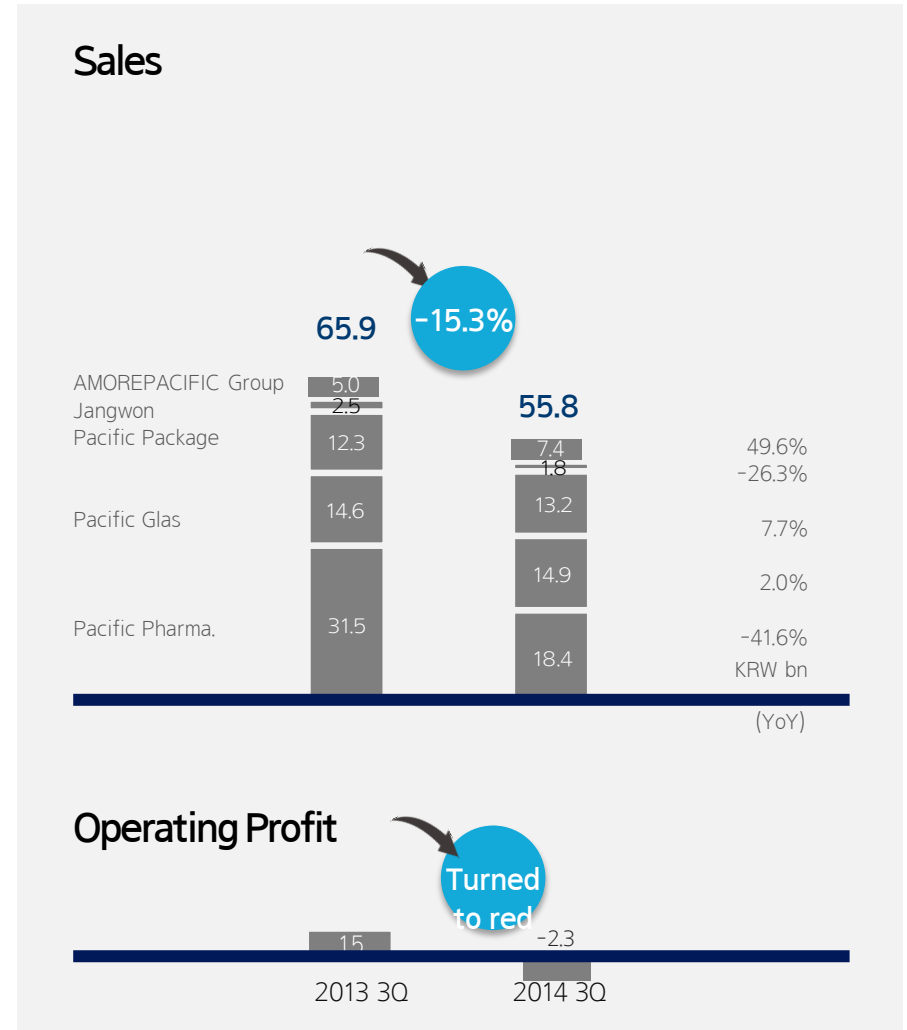
1) Cosmetics: AMOREPACIFIC, Etude, Innisfree, Amos Professional, Adjustment

2) Non-cosmetics: AMOREPACIFIC Group, Pacific Pharma., Pacific Glas, Pacific Package, Jangwon Industry

## Cosmetics



## Non-cosmetics



**AMOREAPCIFIC: Sales +26%, OP +65%**

Domestic

- (Luxury) Continued strong growth of Travel retail on the back of increased sales to foreign travelers, Turned to positive growth of Door-to-door behind by improved channel visibility
- (Premium) Solid growth of Specialty store delivered by reinforced competitiveness of products, channel and customer service, Robust growth of Digital channel through enhanced brand power and diversified product category

Mass & Sulloc

- (Mass) Decreased sales due to impact of weak performance of hypermarket channels, Expanded premium business backed by strong sales of cosmetic category
- (Sulloc) Continuous profitable growth backed by premiumization of OSULLOC brand

Overseas

- (Growth markets) Robust profitable growth backed by reinforced brand power, diversified distribution channels and improved same store sales growth
- (Developed markets) Profitable growth in US by strong sales throughout all channels / Decreased sales in France due to depressed European economy and weakened export sales/ Decreased sales in Japan due to rearrangement of brand and channel portfolio

**Innisfree: Sales +37%, OP +65%**

- Solid profitable growth across all channels in domestic market delivered by increased sales in major categories (Essence, Cleansing, Cream, etc.)
- Increased export sales on the back of accelerated expansion of overseas business, Strong growth of travel retail channel behind by increased foreign travelers

**Etude: Sales -6%, OP -61%**

- Weakened growth due to reduced discount policy and realignment of hypermarket channel in domestic market, Decreased export sales due to cuts in transaction with overseas agents
- Continued efforts including reestablishment of brand story and renovation of store design to strengthen brand power

|               | 3Q 2013                     | 3Q 2014 |
|---------------|-----------------------------|---------|
|               | AMOREPACIFIC _ Consolidated |         |
| Sales         | 792.8                       | 996.7   |
| GP            | 546.3                       | 722.6   |
| SG&A expenses | 456.9                       | 574.9   |
| OP            | 89.4                        | 147.7   |
|               | Innisfree                   |         |
| Sales         | 85.8                        | 117.4   |
| GP            | 59.3                        | 83.8    |
| SG&A expenses | 46.8                        | 63.2    |
| OP            | 12.5                        | 20.5    |
|               | Etude                       |         |
| Sales         | 81.9                        | 77.1    |
| GP            | 45.9                        | 43.1    |
| SG&A expenses | 41.6                        | 41.5    |
| OP            | 4.3                         | 1.7     |

**Amos Professional: Sales +14%, OP +12%**

- Continued solid growth delivered by increased sales in hair tonic, colorants and cleansing categories
- Increased commission caused by increased sales contribution of travel retail channel

**Pacific Pharma.: Sales -42%, OP -126%**

- Posted double-digit growth of Medical beauty division on the back of increased sales of major products such as ATObarrier and Cleviel
- Decreased sales and OP resulted from the impact of transfer of pharmaceutical business

**Pacific Glas: Sales +2%, OP Decrease in losses**

- Growth backed by increased sales to affiliates and non-affiliates

|                 | 3Q 2013           | 3Q 2014 |
|-----------------|-------------------|---------|
|                 | Amos Professional |         |
| Sales           | 12.6              | 14.4    |
| GP              | 7.2               | 7.3     |
| SG&A expenses   | 4.3               | 4.1     |
| OP              | 2.9               | 3.2     |
| Pacific Pharma. |                   |         |
| Sales           | 31.5              | 18.4    |
| GP              | 12.4              | 4.9     |
| SG&A expenses   | 11.1              | 5.3     |
| OP              | 1.3               | -0.4    |
| Pacific Glas    |                   |         |
| Sales           | 14.6              | 14.9    |
| GP              | -0.1              | 1.2     |
| SG&A expenses   | 1.2               | 1.3     |
| OP              | -1.3              | -0.1    |

## Income statement

KRW bn

|                               | 3Q 2013 |        | 3Q 2014 |        |
|-------------------------------|---------|--------|---------|--------|
|                               |         |        |         |        |
| Sales                         | 991.2   | 100.0% | 1,209.0 | 100.0% |
| Gross profit                  | 672.8   | 67.9%  | 867.4   | 71.7%  |
| SG&A expenses                 | 561.6   | 56.7%  | 693.5   | 57.4%  |
| Operating profit              | 111.2   | 11.2%  | 173.9   | 14.4%  |
| Non-operating profit/expenses | 8.4     |        | -1.8    |        |
| Profit before tax             | 119.6   | 12.1%  | 172.1   | 14.2%  |
| Consolidated net income       | 89.0    | 9.0%   | 126.2   | 10.4%  |

## Statements of Financial Position

KRW bn

|  | 2013.12 | 2014.09 |
|--|---------|---------|
| Assets                                 | 4,921.9 | 5,405.0 |
| Current assets                         | 1,552.3 | 1,886.3 |
| Non-current assets                     | 3,369.6 | 3,518.7 |
| Liabilities                            | 1,012.9 | 1,118.9 |
| Current liabilities                    | 644.3   | 700.5   |
| Non-current liabilities                | 368.6   | 418.4   |
| Shareholder's Equity                   | 3,908.9 | 4,286.0 |
| Capital stock                          | 44.5    | 44.5    |
| Additional paid-in capital             | 673.0   | 673.0   |
| Capital surplus                        | 22.6    | 22.6    |
| Other components of equity             | (140.8) | (143.8) |
| Accumulated other comprehensive income | (7.3)   | (8.4)   |
| Retained earnings                      | 1,533.7 | 1,714.1 |
| Non-controlling interest               | 1,783.3 | 1,984.0 |

\* 2013 3Q SG&A and OP adjusted due to the release of a new accounting standard on the recognition timing of the tax expense.