



AMOREPACIFIC
GROUP

AMOREPACIFIC GROUP 2017 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 down 10.0% to KRW 6.0 trillion, OP down 32.4% to KRW 732 billion

Sales & OP by Division

KRW bn

	2016	2017	YoY(%)
Sales	6,698	6,029	-10.0
Beauty Subsidiaries ¹⁾	6,950	6,266	-9.9
Non-Beauty Subsidiaries ²⁾	183	157	-14.4
Others ³⁾	-436	-394	
	2016	2017	YoY(%)
Operating Profit (OPM)	1,083 (16.2%)	732 (12.1%)	-32.4
Beauty Subsidiaries (OPM)	1,091(15.7%)	728 (11.6%)	-33.3
Non-Beauty Subsidiaries (OPM)	9 (4.9%)	-5 (-3.0%)	Turned to Red
Others ³⁾	-18	9	
Net profit (Margin)	812 (12.1%)	490 (8.1%)	-39.7

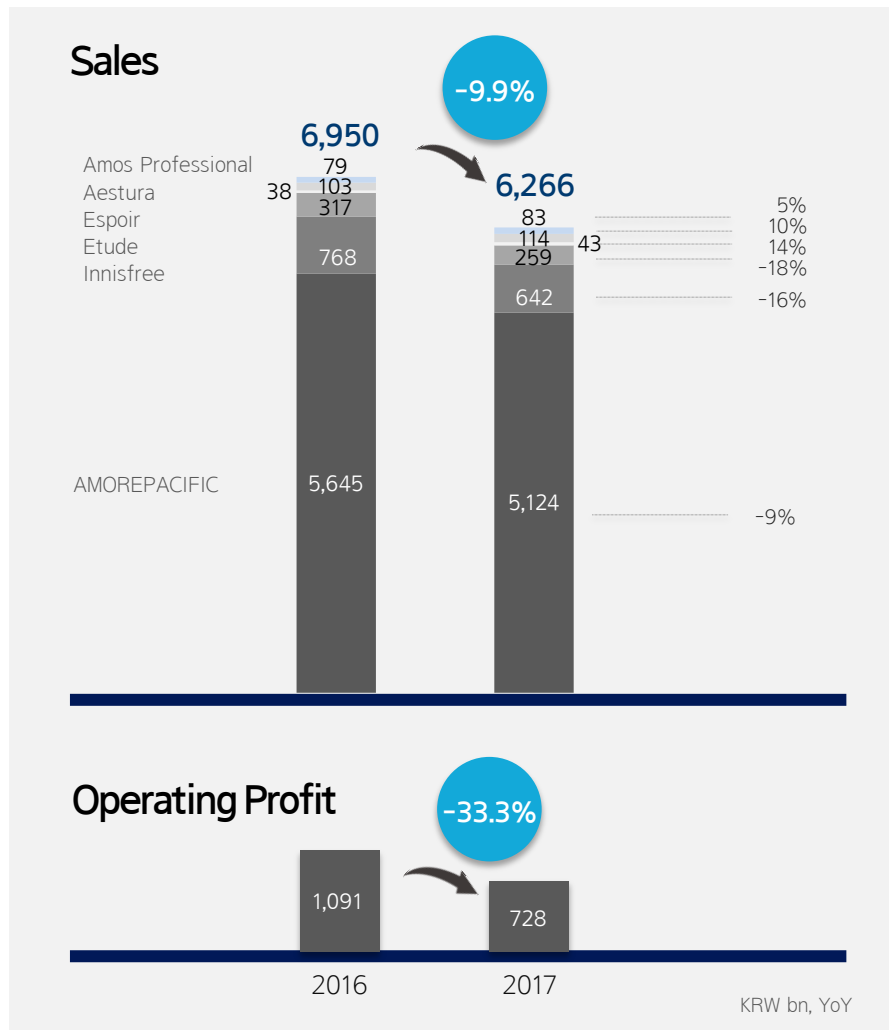
1) Beauty subsidiaries: AMOREPACIFIC, Innisfree, Etude, Espoir, Aestura, Amos Professional

2) Non-beauty Subsidiaries: APG, Pacific Glas, Pacific Package and OSulloc Farm*

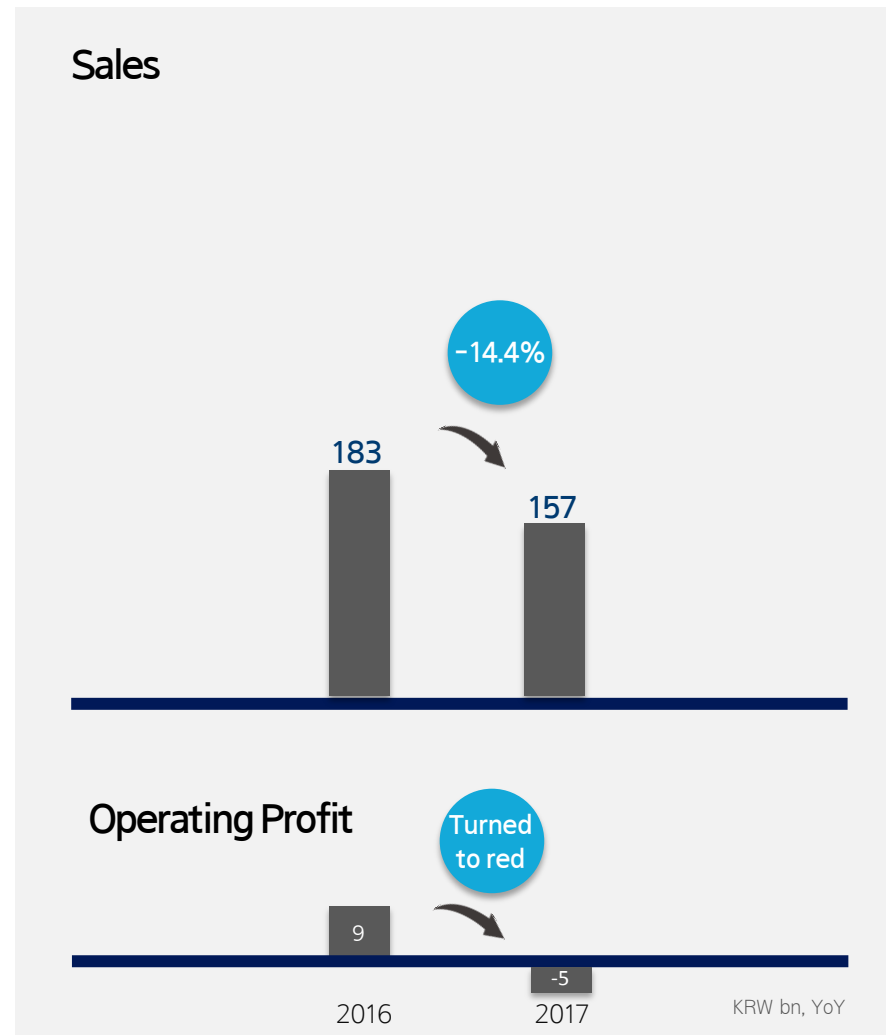
OSulloc Farm*: Former Jangwon Industry

3) Others: Including intercompany transaction

Beauty subsidiaries



Non-Beauty subsidiaries



AMOREPACIFIC Sales +9%, OP -30%

Domestic Cosmetics

- **(Luxury)** Revenue decreased from slowdown of travel retail channel. Strengthened product competitiveness of key brands through diverse new product launches. Diversified point of sales by strengthening digital platform (APmall) and entering into multi-brand channel.
- **(Premium)** Revenue decreased due to slowdown in key tourist attraction areas and travel retail channel. Responded to customers' needs by diversifying product categories and expanding make-up category. Heightened customer experience through improvements in retail environment.

Daily Beauty(Personal Care)& OSulloc

- **(DB)** Strengthened hair care leadership through steady sales of premium products. Launched natural dental care brand 'Pleasia' which contains naturally derived ingredient
- **(OSulloc)** Laid the foundation for quality growth through enhanced retail competitiveness of Osulloc Tea Museum and Osulloc Tea House, and increased sales of premium products

Overseas Business

- **(Asia)** Enhanced brand equity of the 5 global champion brands and continued new store expansion
- **(North America)** Strengthened foundation for growth through restructuring of brand and channel portfolio. Laneige launched within Sephora and Innisfree entered the US market
- **(Europe)** Terminated Lolita Lempicka license, Sulwhasoo entered France's department store and established base for entry in Europe's skin care market

Innisfree Sales +16%, OP -45%

- Revenue slowdown within the travel retail channel and roadshops due to decline in number of tourists
- Enhanced brand appeal and offered differentiated customer experience by opening brand concept store 'Green Upcycle Store' (made from recycled materials), expanding product experience space 'Green Lounge', strengthening VR zone experience, etc.
- Enhanced product competitiveness by strengthening key products ('The Green Tea Seed Serum,' 'Jeju Orchid Enriched Cream,' etc.) and launching new products ('Bija Cica Balm,' 'Real Fit Lipstick,' etc.)

Etude Sales -18%, OP -86%

- Revenue slowdown for travel retail channel and key commercial areas
- Established a customer-centric store with a personal color consultation service area (color factory) and opened a new flagship store
- Strengthened digital customer communication by launching color picking service and chatbot service

	AMOREPACIFIC (Consolidated)		
	2016	2017	YoY
Sales	5,645	5,124	-9%
GP	4,221	3,744	-11%
SG&A expenses	3,373	3,148	-7%
OP	848	596	-30%
	Innisfree		
Sales	768	642	-16%
GP	559	439	-21%
SG&A expenses	363	331	-9%
OP	197	108	-45%
	Etude		
Sales	317	259	-18%
GP	191	149	-22%
SG&A expenses	162	145	-11%
OP	30	4	-86%

Espoir Sales +14%, Continued losses

- Increased sales through online and travel retail channel
- Strengthened competitiveness as a professional make-up brand by opening 'Make Up Pub concept store' and launching diverse brand campaigns such as 'Signature 7 LOOKS'

Aestura Sales +10%, OP +59%

- Increased revenue through stronger sales of medical-beauty brands ('Aestura Atobarrier,' 'RegedermRX') and inner-beauty products
- Improved profitability through efficient cost management

Amos Professional Sales +5%, OP +9%

- Increased revenue and profit through stronger sales of representative products ('Feel the Green Tea,' 'Colorgenic True Sync S')
- Strengthened digital customer service by establishing mobile salon service platform

	Espoir		
	2016	2017	YoY
Sales	38	43	14%
GP	31	35	11%
SG&A expenses	32	36	13%
OP	-1	-2	Continued losses
	Aestura		
Sales	103	114	10%
GP	22	24	7%
SG&A expenses	20	21	1%
OP	2	3	59%
	Amos Professional		
Sales	79	83	5%
GP	46	51	9%
SG&A expenses	30	33	9%
OP	16	18	9%

Sales down 14.2% to 1.3 trillion, OP down 32.8% to 90.3 billion

Sales & OP by Division

KRW bn

	2016 4Q	2017 4Q	YoY(%)
Sales	1,564	1,342	-14.2
Beauty Subsidiaries ¹⁾	1,632	1,399	-14.3
Non-Beauty Subsidiaries ²⁾	47	42	-11.0
Others ³⁾	-115	-99	
	2016 4Q	2017 4Q	YoY(%)
Operating Profit (OPM)	134 (8.6%)	90 (6.7%)	-32.8
Beauty Subsidiaries (OPM)	144 (8.8%)	92 (6.6%)	-36.0
Non-Beauty Subsidiaries (OPM)	-3 (-5.7%)	0.3 (0.6%)	Turned to Black
Others ³⁾	-7	-2	
Net profit (Margin)	88 (5.6%)	21 (1.6%)	-76.2

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2) Non-beauty Subsidiaries: APG, Pacific Glas, Pacific Package and OSulloc Farm*

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Income Statement

KRW bn

	2016		2017	
Sales	6,698	100.0%	6,029	100.0%
Gross Profit	5,057	75.5%	4,415	73.2%
SG&A expenses	3,974	59.3%	3,683	61.1%
Operating Profit	1,083	16.2%	732	12.1%
Non-operating Profit/Expenses	6		-33	
Profit before tax	1,088	16.2%	698	11.6%
Consolidated net income	812	12.1%	490	8.1%

Statements of Financial Position

KRW bn

	2016.12	2017.12
Assets	7,088	7,332
Current assets	2,943	2,526
Non-current assets	4,146	4,801
Liabilities	1,522	1,400
Current liabilities	1,321	1,171
Non-current liabilities	200	229
Shareholder's Equity	5,567	5,932
Capital stock	45	45
Additional paid-in capital	673	673
Capital surplus	23	23
Other components of equity	-146	-146
Accumulated other comprehensive income	-12	-19
Retained earnings	2,251	2,423
Non-controlling interest	2,734	2,935