



AMOREPACIFIC
GROUP

AMOREPACIFIC GROUP 3Q 2018 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 Corp. has adopted the K-IFRS since 2011.

Sales slightly down to KRW 4.7 trillion, Operating Profit down 16.9% to KRW 533.1 billion

Sales & Operating Profit by Division

Unit: KRW bn

	3Q YTD 2017	3Q YTD 2018	YoY(%)
Sales	4,687.0	4,680.5	-0.1
Beauty Subsidiaries ¹⁾	4,866.9	4,872.5	0.1
Non-Beauty Subsidiaries ²⁾	114.8	121.0	5.4
Others ³⁾	-294.7	-313.0	
	3Q YTD 2017	3Q YTD 2018	YoY(%)
Operating Profit (OPM)	641.2 (13.7%)	533.1 (11.4%)	-16.9
Beauty Subsidiaries (OPM)	635.5 (13.1%)	532.8 (10.9%)	-16.2
Non-Beauty Subsidiaries (OPM)	-4.9 (-4.3%)	-1.4 (-1.1%)	Mitigated Losses
Others ³⁾	10.7	1.6	
Net profit (Margin)	468.6 (10.0%)	396.7 (8.5%)	-15.3

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

Sales up 3.1% to KRW 1.5 trillion, Operating Profit down 36.0% to KRW 84.7 billion

Sales & Operating Profit by Division

Unit: KRW bn

	3Q 2017	3Q 2018	YoY(%)
Sales	1,418.7	1,462.6	3.1
Beauty Subsidiaries ¹⁾	1,469.9	1,524.5	3.7
Non-Beauty Subsidiaries ²⁾	36.8	38.5	4.6
Others ³⁾	-88.1	-100.3	
	3Q 2017	3Q 2018	YoY(%)
Operating Profit (OPM)	132.4 (9.3%)	84.7 (5.8%)	-36.0
Beauty Subsidiaries (OPM)	125.2 (8.5%)	83.9 (5.5%)	-33.0
Non-Beauty Subsidiaries (OPM)	-1.5 (-4.1%)	-0.3 (-0.7%)	Mitigated Losses
Others ³⁾	8.7	1.0	
Net profit (Margin)	102.5 (7.2%)	53.8 (3.7%)	-47.4

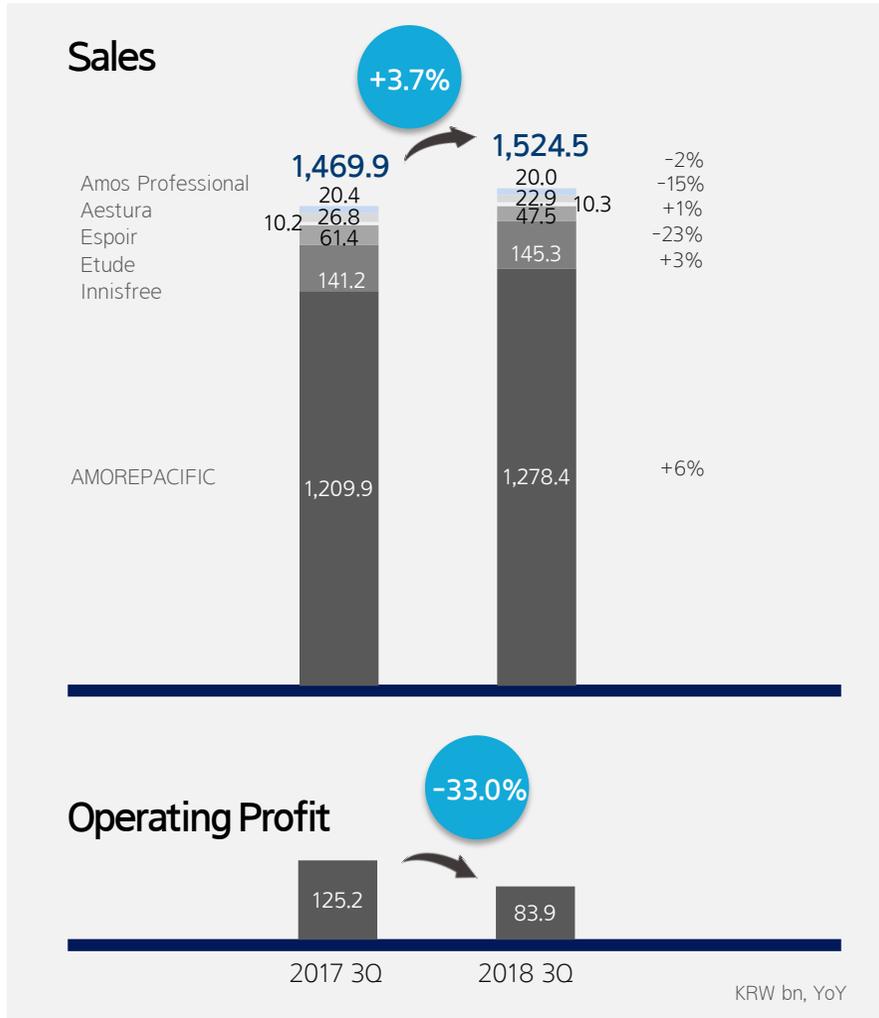
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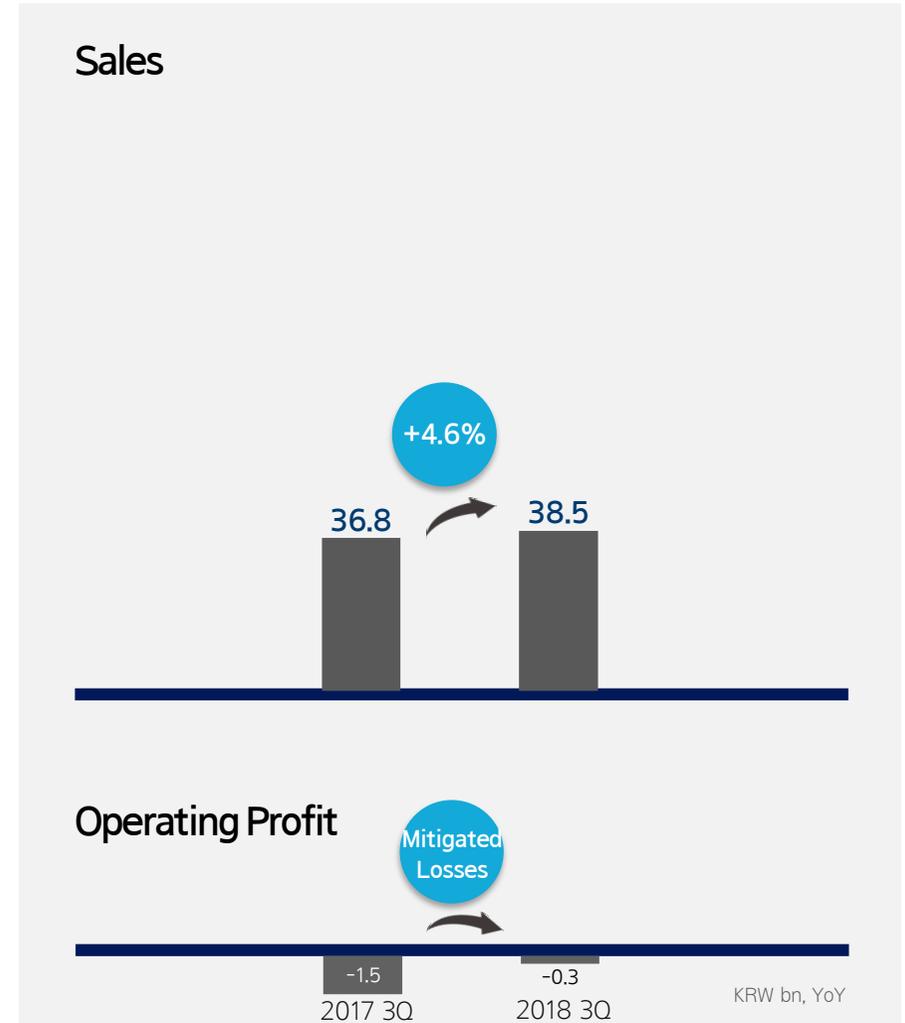
OSulloc Farm*: Former Jangwon Industry

3) Others: Including intercompany transaction

Beauty subsidiaries



Non-Beauty subsidiaries



AMOREPACIFIC Sales +6%, Operating Profit -24%

Domestic

- (Luxury) Luxury revenue increased through skin care category sales growth and stronger travel retail channel revenue due to the rise in Chinese tourist traffic. Strengthened key products lines within brands and heightened customer experience through new product launches. Enhanced brand appeal and promoted brand story by expanding brand experiential space
- (Premium) Make-up category revenue increased through launch of new products and 'Color Autumn' campaign. Enhanced customer experience through differentiated brand experience event. Launched next generation multi-brand shop 'Aritaum Live Gangnam'

Daily Beauty & OSulloc

- (Daily Beauty) Achieved steady sales of Ryo's premium products and strengthened brand heritage through its 10th anniversary celebration scalp science conference. Enhanced brand appeal of key brands through increased new product launches
- (OSulloc) Revenue grew through stronger sales of premium products and increased sales of key channels (OSulloc Tea House). Renewed direct e-commerce mall and diversified digital marketing in order to strengthen digital competitiveness and expand customer base

(Domestic Operating Business) Operating profit declined due to increased SG&A as a result of one-off personnel expense

Overseas

- (Asia) Strengthened brand competitiveness and accelerated business expansion by expanding point of sales
- (North America) Continued solid growth through increased brand investment and diversification of channel portfolio
- (Europe) Sales decreased within key roadshops and department stores for 'Goutal Paris' due to tourist traffic decline. Continued brand reorganization

(Overseas Operating Profit) Operating profit declined due to increased advertising expense in efforts to strengthen brand appeal and continued investment in new channels

Innisfree Sales +3%, Operating Profit -29%

- Increased sales of travel retail and e-commerce channel led total revenue growth
- Delivered eco-friendly brand value through 'Play Green' festival and CSR activities ('Jeju Daumi', 'Oreum Camp', etc.)
- Proactively responded to millennial customers by offering differentiated customer experience ('Fact-check your skin' campaign, etc.) and implementing new membership program
- Operating profit declined due to increased personnel and marketing expense

Etude Sales -23%, Continued losses

- Losses increased due to decline in revenue mostly for roadshops
- Strengthened product portfolio through diverse new product launches('Play 101 Stick Contour Duo', 'Double Lasting Serum Foundation', etc.)
- Expanded viral marketing through digital channel by launching brand model featured 'Shine Chic Lip Lacquer Song'

	AMOREPACIFIC (Consolidated)		
	2017 3Q	2018 3Q	YoY
Sales	1,209.9	1,278.4	6%
GP	855.5	931.1	9%
SG&A expenses	754.4	854.6	13%
OP	101.1	76.5	-24%
Innisfree			
Sales	141.2	145.3	3%
GP	94.4	96.5	2%
SG&A expenses	73.9	81.9	11%
OP	20.5	14.6	-29%
Etude			
Sales	61.4	47.5	-23%
GP	34.7	25.7	-26%
SG&A expenses	35.4	35.0	-1%
OP	-0.7	-9.2	Continued Losses

Unit: KRW bn

Espoir Sales +1%, Mitigated Losses

- Diversified point of sales by expanding entry into multi-brand shop channel
- Heightened competitiveness as professional make-up brand and enhanced brand appeal through launch of new products ('Lipstick No Wear Lip Topper', 'Youth Vibe Eye Shadow', 'Face Magnet Fitting Stick', etc.)

Aestura Sales -15%, Turned to red

- Sales and operating profit declined due to sale of Cleviel business and reduced production of medical products
- Newly entered multi-brand shop channel by launching new brand line ('Aestura 365')

Amos Professional Sales -2%, Operating Profit -30%

- Revenue slightly declined due to distribution channel adjustments in efforts to strengthen inventory control
- Led professional hair trend by showcasing fall hair trend themes ('Love myself')
- Operating profit decline due to increased marketing expenses related to social media

	Espoir		
	2017 3Q	2018 3Q	YoY
Sales	10.2	10.3	1%
GP	8.1	8.3	3%
SG&A expenses	8.6	8.7	1%
OP	-0.6	-0.4	Mitigated Losses
	Aestura		
Sales	26.8	22.9	-15%
GP	5.2	2.9	-45%
SG&A expenses	4.9	3.6	-26%
OP	0.3	-0.7	Turned to red
	Amos Professional		
Sales	20.4	20.0	-2%
GP	12.5	12.3	-2%
SG&A expenses	7.9	9.1	15%
OP	4.6	3.2	-30%

Unit: KRW bn

Income Statement

Unit: KRW bn

	2017 3Q		2018 3Q	
Sales	1,418.7	100.0%	1,462.6	100.0%
Gross Profit	1,016.1	71.6%	1,071.6	73.3%
SG&A expenses	883.7	62.3%	986.9	67.5%
Operating Profit	132.4	9.3%	84.7	5.8%
Non-operating Profit/Expenses	8.0		-5.3	
Profit before tax	140.4	9.9%	79.4	5.4%
Consolidated net income	102.5	7.2%	53.8	3.7%

Statements of Financial Position

Unit: KRW bn

	2017.12	2018.09
Assets	7,335.2	7,340.3
Current assets	2,526.0	2,507.3
Non-current assets	4,809.2	4,833.0
Liabilities	1,403.3	1,089.6
Current liabilities	1,170.8	857.4
Non-current liabilities	232.4	232.2
Shareholder's Equity	5,932.0	6,250.7
Capital stock	44.5	44.5
Additional paid-in capital	673.0	673.0
Capital surplus	22.6	22.6
Other components of equity	-146.0	-146.0
Accumulated other comprehensive income	-19.4	-21.9
Retained earnings	2,422.6	2,560.8
Non-controlling interest	2,934.7	3,117.8