



AMOREPACIFIC GROUP 2Q 2017 Earnings Release

- 1 1H 2017 Earnings Summary
- 2 2Q 2017 Earnings Summary
- 3 Earnings by Subsidiary
- 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.

Sales down 6.1% to 3,268.3 billion, OP down 30.2% to 508.9 billion

Sales & OP by Division

KRW bn

	2016 1H	2017 1H	YoY(%)
Sales	3,479.0	3,268.3	-6.1
Beauty Subsidiaries 1)	3,610.5	3,397.0	-5.9
Non-Beauty Subsidiaries 2)	93.8	78.0	-16.8
Others 3)	-225.3	-206.7	
	2016 1H	2017 1H	YoY(%)
Operating Profit (OPM)	728.8 (20.9%)	508.9 (15.6%)	-30.2
Beauty Subsidiaries (OPM)	731.6 (20.3%)	510.3 (15.0%)	-30.3
Non-Beauty Subsidiaries (OPM)	9.8 (10.5%)	-3.4 (-4.4%)	Turned to Red
Others	-12.6	2.0	
Net profit (Margin)	572.1 (16.4%)	366.2 (11.2%)	-36.0

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 down 17.8% to 1,413.0 billion, OP down 57.9% to 130.4 billion

Sales & OP by Division

KRW bn

	2016 2Q	2017 2Q	YoY(%)
Sales	1,719.7	1,413.0	-17.8
Beauty Subsidiaries 1)	1,802.9	1,482.3	-17.8
Non-Beauty Subsidiaries 2)	46.1	33.5	-27.4
Others 3)	-129.3	-102.9	
	2016 2Q	2017 2Q	YoY(%)
Operating Profit (OPM)	309.7 (18.0%)	130.4 (9.2%)	-57.9
Beauty Subsidiaries (OPM)	323.3 (17.9%)	129.4 (8.7%)	-60.0
Non-Beauty Subsidiaries (OPM)	4.0 (8.7%)	-0.2 (-0.7%)	Turned to Red
Others	-17.6	1.2	
Net profit (Margin)	246.7 (14.3%)	100.0 (7.1%)	-59.5

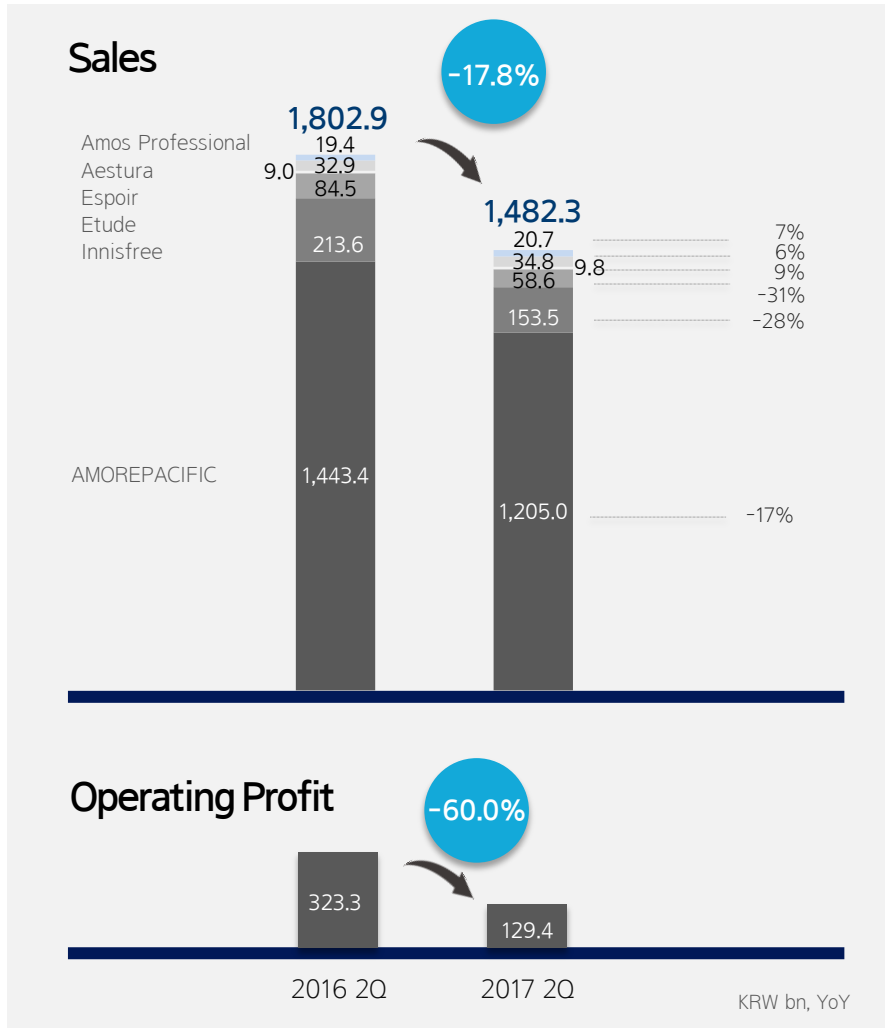
1) Beauty subsidiaries: AMOREPACIFIC, Innisfree, Etude, Espoir, Aestura, Amos Professional

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

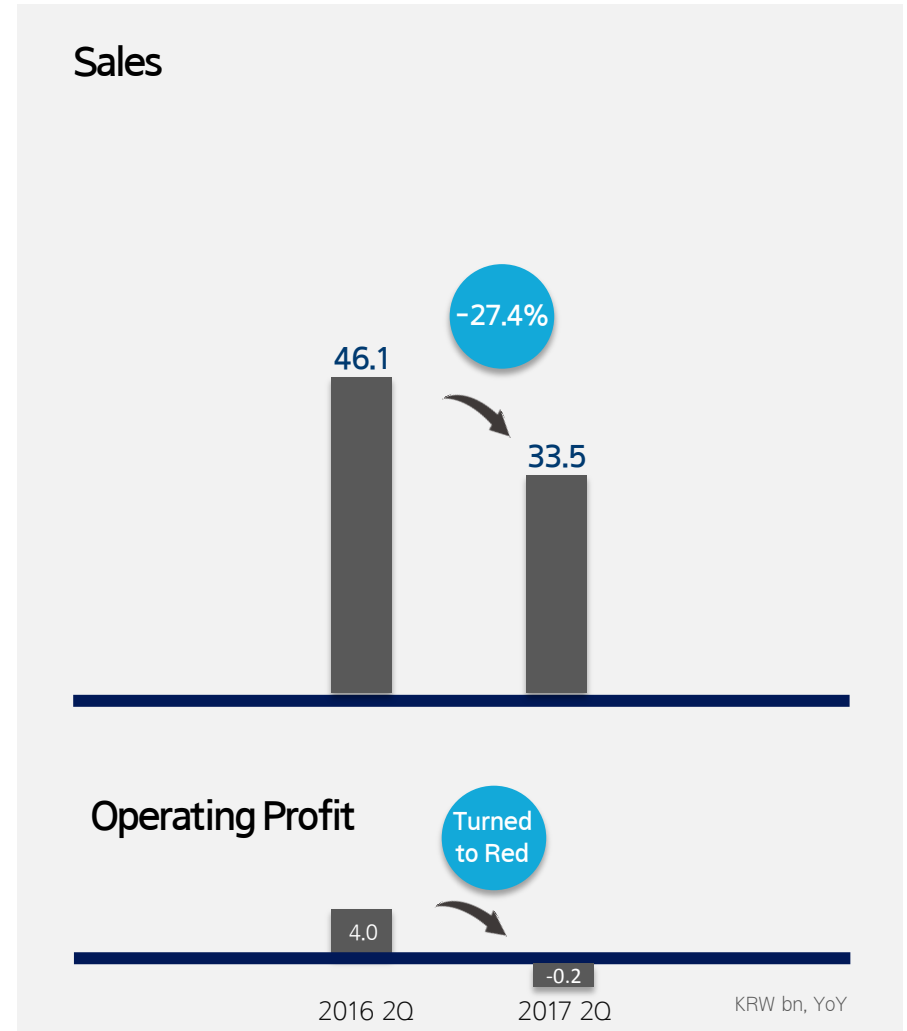
OSulloc Farm*: Former Jangwon Industry

3) Others: Including intercompany transaction

Beauty subsidiaries



Non-Beauty subsidiaries



AMOREPACIFIC Sales -17%, OP -58%**Domestic Cosmetics**

- (Luxury) Revenue decreased for key luxury brands from slowdown in travel retail channel, enhanced brand appeal through diversified product portfolio and new product launches, offered differentiated customer experience through diverse offline services and digital contents
- (Premium) Revenue decreased due to decline in number of tourists affecting key commercial areas and travel retail channel, nurtured representative categories through new product launches of key brands, strengthened make-up portfolio, improved retail environment by expanding brand and customer

Mass & OSulloc

- (Mass) Revenue decreased from slowdown of large distribution channels in key commercial areas, enhanced brand appeal through new product launches
- (OSulloc) Revenue decreased from decline in gift set sales, established experiential space within stores to enhance customer interaction

Overseas Business

- Asia region showed slowdown in revenue growth as a result of geopolitical uncertainties
- North America business revenue and profit decreased as a result of increased investment in brands and restructuring of channel portfolio
- Europe business revenue and profit decreased from termination of Lolita Lempicka license

Innisfree Sales -28%, OP -65%

- Revenue declined within the duty free channel and roadshops in commercial areas due to decrease in tourists inflow
- Opened Jeju Innisfree forest 'My Secret Forest,' promoted brand value by opening Seoul's 'Green Upcycle Store' which is made from recycled materials
- Expanded Innisfree's green lounge (powder room to experience products), strengthened online exclusive products and increased investment to enhance on/offline customer experience

Etude Sales -31%, Turned to Red

- Revenue declined at duty free stores and roadshops in commercial areas
- Opened first customer-centric flagship store and developed 'Sweet Dream' brand story
- Strengthened brand appeal through new product launches ('Any Cushion All Day Perfect,' 'Soon Jung line') and make-up runway show 'Pink Play Concert'

	AMOREPACIFIC (Consolidated)		
	2016 2Q	2017 2Q	YoY
Sales	1,443.4	1,205.0	-17%
GP	1,069.1	882.1	-17%
SG&A expenses	828.5	780.6	-6%
OP	240.6	101.6	-58%
	Innisfree		
Sales	213.6	153.5	-28%
GP	152.7	101.6	-33%
SG&A expenses	89.9	79.4	-12%
OP	62.8	22.2	-65%
	Etude		
Sales	84.5	58.6	-31%
GP	52.0	32.7	-37%
SG&A expenses	39.9	33.3	-17%
OP	12.1	-0.5	Turned to Red

Espoir Sales +9%, Turned to Red

- Increased revenue through stronger online and duty free channel sales
- Strengthened competitiveness as professional make-up brand through new brand campaigns 'BELIEVE YOU, BEYOND YOU' and 'Signature 7 LOOKS'

Aestura Sales +6%, OP -5%

- Increased revenue through stronger inner-beauty product and medical-beauty brand sales ('Regederm^{RX}', 'Aestura Atobarrier')
- Launched new products with reduced skin irritation properties ('Atobarrier DermaON Sun Cream,' 'Regederm^{RX} Dual Sun Cream')

Amos Professional Sales +7%, OP -9%

- Increased revenue through stronger sales of representative products ('Colorgenic True Sync S,' 'Feel the Green Tea')
- Led professional hair trends by showcasing various hair fashion styles and colors ('Spring Hippie Look,' 'Festival Hippie Look,' '2017 Sun-Kissed Look')

	Espoir		
	2016 2Q	2017 2Q	YoY
Sales	9.0	9.8	9%
GP	7.4	7.9	6%
SG&A expenses	7.4	8.9	21%
OP	0.0	-1.0	Turned to Red
Aestura (Pacific Pharma.)			
Sales	32.9	34.8	6%
GP	8.0	7.8	-2%
SG&A expenses	5.0	5.0	-1%
OP	3.0	2.8	-5%
Amos Professional			
Sales	19.4	20.7	7%
GP	11.6	11.7	1%
SG&A expenses	6.8	7.4	9%
OP	4.8	4.4	-9%

Income Statement

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	2016 2Q		2017 2Q	
Sales	1,719.7	100.0%	1,413.0	100.0%
Gross Profit	1,284.7	74.7%	1,015.5	71.9%
SG&A expenses	975.1	56.7%	885.1	62.6%
Operating Profit	309.7	18.0%	130.4	9.2%
Non-operating Profit/Expenses	1.7		11.1	
Profit before tax	311.4	18.1%	141.5	10.0%
Consolidated net income	246.7	14.3%	100.0	7.1%

Statements of Financial Position

KRW bn

	2016.12	2017.06
Assets	7,088.4	7,158.4
Current assets	2,942.6	2,833.7
Non-current assets	4,145.8	4,324.6
Liabilities	1,521.5	1,354.7
Current liabilities	1,321.1	1,155.6
Non-current liabilities	200.4	199.1
Shareholder's Equity	5,566.9	5,803.7
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	-11.9	-13.6
Retained earnings	2,251.0	2,362.8
Non-controlling interest	2,733.6	2,860.3