



AMOREPACIFIC
GROUP

AMOREPACIFIC GROUP 3Q 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 8.7% to KRW 4.7 trillion, OP down 32.4% to 641.2 billion

Sales & OP by Division

KRW bn

	3Q YTD 2016	3Q YTD 2017	YoY(%)
Sales	5,133.3	4,687.0	-8.7
Beauty Subsidiaries 1)	5,318.8	4,866.9	-8.5
Non-Beauty Subsidiaries 2)	136.1	114.8	-15.6
Others 3)	-321.6	-294.7	
	3Q YTD 2016	3Q YTD 2017	YoY(%)
Operating Profit (OPM)	948.5 (18.5%)	641.2 (13.7%)	-32.4
Beauty Subsidiaries (OPM)	947.6 (17.8%)	635.5 (13.1%)	-32.9
Non-Beauty Subsidiaries (OPM)	11.7 (8.6%)	-4.9 (-4.3%)	Turned to red
Others 3)	-10.8	10.7	
Net profit (Margin)	723.5 (14.1%)	468.6 (10.0%)	-35.2

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 14.2% to KRW 1.4 trillion, OP down 39.7% to 132.4 billion

Sales & OP by Division

KRW bn

	2016 3Q	2017 3Q	YoY(%)
Sales	1,654.3	1,418.7	-14.2
Beauty Subsidiaries 1)	1,708.3	1,469.9	-14.0
Non-Beauty Subsidiaries 2)	42.3	36.8	-12.9
Others 3)	-96.3	-88.1	
	2016 3Q	2017 3Q	YoY(%)
Operating Profit (OPM)	219.7 (13.3%)	132.4 (9.3%)	-39.7
Beauty Subsidiaries (OPM)	216.0 (12.6%)	125.2 (8.5%)	-42.0
Non-Beauty Subsidiaries (OPM)	1.8 (4.3%)	-1.5 (-4.1%)	Turned to red
Others 3)	1.8	8.7	
Net profit (Margin)	151.4 (9.2%)	102.5 (7.2%)	-32.3

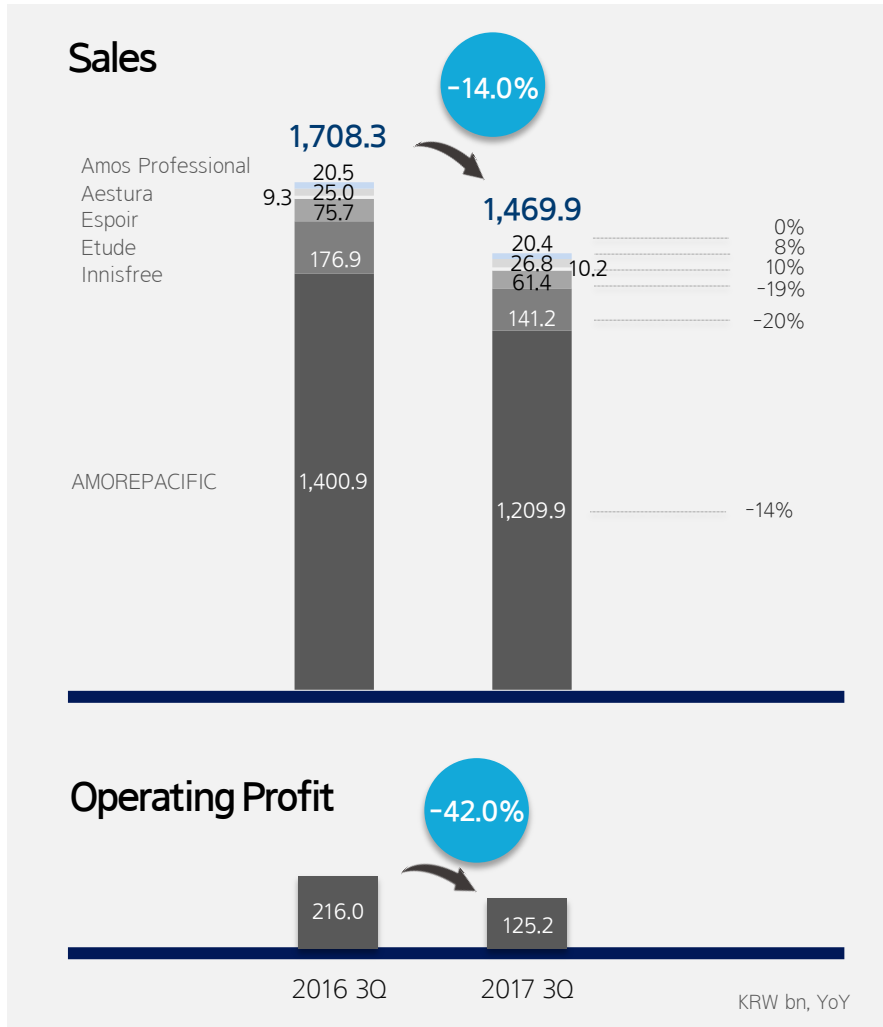
1) Beauty subsidiaries: AMOREPACIFIC, Innisfree, Etude, Espoir, Aestura, Amos Professional

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

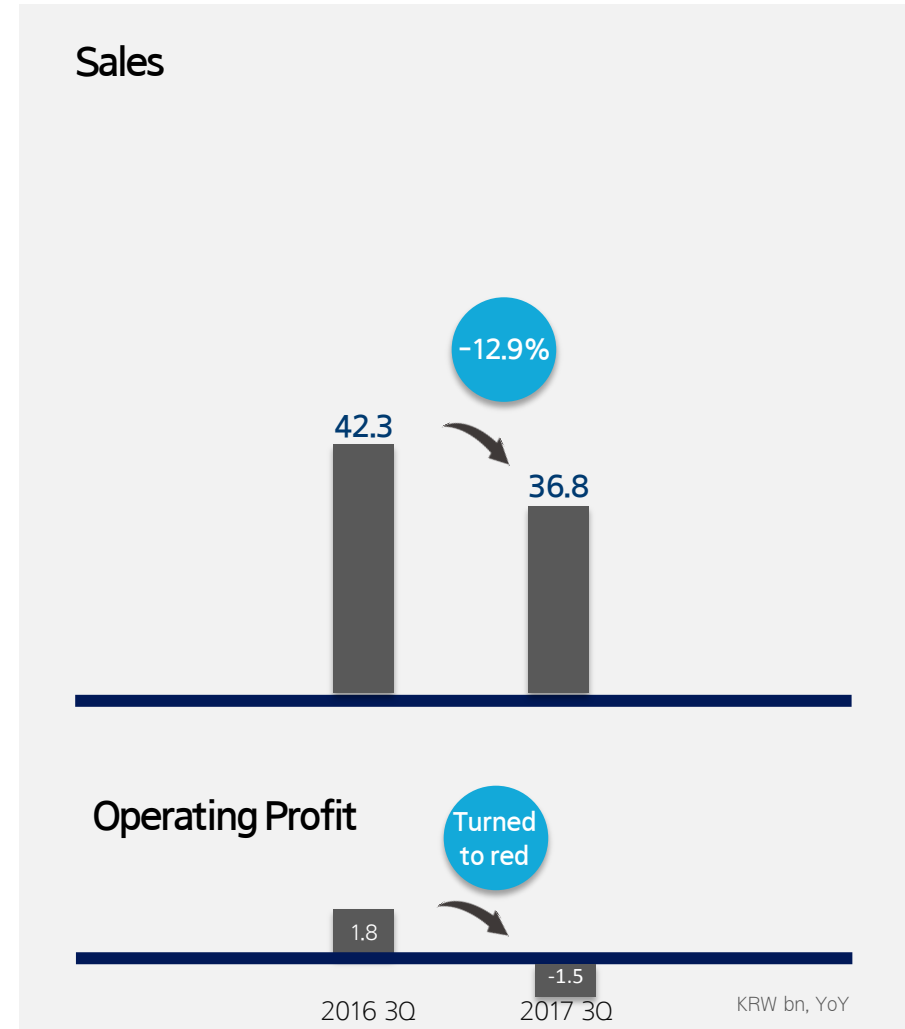
*OSulloc Farm: Former Jangwon Industry

3) Others: Including intercompany transaction

Beauty subsidiaries



Non-Beauty subsidiaries



AMOREPACIFIC Sales -14%, OP -40%**Domestic Cosmetics**

- (Luxury) Revenue decreased for key brands from weaker travel retail channel sales due to decline in number of Chinese tourists. Diversified product portfolio through new product launches. Expanded APmall connected O2O service. Expanded customer base through entry into new multi-brand channel
- (Premium) Revenue decreased due to slowdown in travel retail channel and key tourist attraction areas. Expanded product portfolio of key brands(strengthened derma, anti-aging category, make-up category)

Mass & OSulloc

- (Mass) Launched natural dental care brand 'Pleasia' which contains naturally derived ingredients
- (OSulloc) Achieved solid same store sales growth through enhanced retail competitiveness of key channels (Osulloc Tea Museum, Osulloc Tea House)

Overseas Business

- Asia region enhanced brand equity of its 5 five global champion brands and continued new store expansion
- North America business expanded its brand and channel portfolio by launching Innisfree and introducing Laneige to Sephora
- Europe business revenue and profit decreased from termination of Lolita Lempicka license, Sulwhasoo entered a department stores within France

Innisfree Sales -20%, OP -45%

- Weaker revenue from travel retail channel and stores within tourist attraction areas due to decline in number of tourists
- Expanded brand value through 'Play Green' festival and CSR activities ('My Secret Forest', 'Jeju daumi' and etc.)
- Enhanced digital competitiveness through VR zone experience and expansion of mobile payment service

Etude Sales -19%, Turned to red

- Revenue slowdown for travel retail channel and roadshops within tourist attraction areas
- Strengthened product portfolio through new product launches ('Color in Liquid Lips', 'Play Color Eyes Wine Party')
- Improved store layout allowing customers to receive personal color consultation and experience diverse colors

	AMOREPACIFIC (Consolidated)		
	2016 3Q	2017 3Q	YoY
Sales	1,400.9	1,209.9	-14%
GP	1,038.4	855.5	-18%
SG&A expenses	870.9	754.4	-13%
OP	167.5	101.1	-40%
Innisfree			
Sales	176.9	141.2	-20%
GP	127.2	94.4	-26%
SG&A expenses	90.0	73.9	-18%
OP	37.2	20.5	-45%
Etude			
Sales	75.7	61.4	-19%
GP	46.2	34.7	-25%
SG&A expenses	39.3	35.4	-10%
OP	6.9	-0.7	Turned to red

Espoir Sales +10%, Continued losses

- Increased revenue through stronger sales of online and travel retail
- Expanded customer base through increased number of stores throughout key commercial areas

Aestura Sales +8%, OP -27%

- Increased revenue through stronger sales of medical-beauty brands (Aestura Atobarrier, Naturgel) and inner beauty products
- Enhanced brand awareness by expanding B2C marketing activities

Amos Professional Sales -0%, OP +4%

- Slight decline in revenue as a result of inventory management due to product renewals
- Strengthened digital service by establishing mobile service platform for salon customers

	Espoir		
	2016 3Q	2017 3Q	YoY
Sales	9.3	10.2	10%
GP	7.6	8.1	5%
SG&A expenses	7.9	8.6	9%
OP	-0.3	-0.6	Continued losses
	Aestura		
Sales	25.0	26.8	8%
GP	5.5	5.2	-6%
SG&A expenses	5.1	4.9	-4%
OP	0.4	0.3	-27%
	Amos Professional		
Sales	20.5	20.4	0%
GP	11.7	12.5	7%
SG&A expenses	7.3	7.9	9%
OP	4.4	4.6	4%

Income Statement

KRW bn

	2016 3Q		2017 3Q	
Sales	1,654.3	100.0%	1,418.7	100.0%
Gross Profit	1,235.3	74.7%	1,016.1	71.6%
SG&A expenses	1,015.7	61.4%	883.7	62.3%
Operating Profit	219.7	13.3%	132.4	9.3%
Non-operating Profit/Expenses	-18.1		8.0	
Profit before tax	201.5	12.2%	140.4	9.9%
Consolidated net income	151.4	9.2%	102.5	7.2%

Statements of Financial Position

KRW bn

	2016.12	2017.09
Assets	7,088.4	7,184.4
Current assets	2,942.6	2,726.2
Non-current assets	4,145.8	4,458.1
Liabilities	1,521.5	1,268.1
Current liabilities	1,321.1	1,006.4
Non-current liabilities	200.4	261.7
Shareholder's Equity	5,566.9	5,916.3
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	-11.1
Retained earnings	2,251.0	2,405.0
Non-controlling interest	2,733.6	2,928.2