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AMOREPACIFIC  
GROUP

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## AMOREPACIFIC GROUP 2Q 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 Group has adopted the K-IFRS since 2011.

Sales down 1.5% to KRW 3.2 trillion, Operation Profit down 11.9% to KRW 448.4 billion

### Sales & Operating Profit by Division

Unit: KRW bn

	2017 1H	2018 1H	YoY(%)
<b>Sales</b>	<b>3,268.3</b>	<b>3,217.9</b>	<b>-1.5</b>
Beauty Subsidiaries <sup>1)</sup>	3,397.0	3,348.0	-1.4
Non-Beauty Subsidiaries <sup>2)</sup>	78.0	82.6	5.8
Others <sup>3)</sup>	-206.7	-212.6	
	2017 1H	2018 1H	YoY(%)
<b>Operating Profit (OPM)</b>	<b>508.9 (15.6%)</b>	<b>448.4 (13.9%)</b>	<b>-11.9</b>
Beauty Subsidiaries (OPM)	510.3 (15.0%)	448.9 (13.4%)	-12.0
Non-Beauty Subsidiaries (OPM)	-3.4 (-4.4%)	-1.1 (-1.3%)	Mitigated Losses
Others <sup>3)</sup>	2.0	0.6	
<b>Net profit (Margin)</b>	<b>366.2 (11.2%)</b>	<b>342.9 (10.7%)</b>	<b>-6.4</b>

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 10.0% to KRW 1.6 trillion, Operating Profit up 30.6% to KRW 170.3 billion

### Sales & Operating Profit by Division

Unit: KRW bn

	2017 2Q	2018 2Q	YoY(%)
<b>Sales</b>	<b>1,413.0</b>	<b>1,553.7</b>	<b>10.0</b>
Beauty Subsidiaries <sup>1)</sup>	1,482.3	1,622.3	9.4
Non-Beauty Subsidiaries <sup>2)</sup>	33.5	41.0	22.5
Others <sup>3)</sup>	-102.9	-109.7	
	2017 2Q	2018 2Q	YoY(%)
<b>Operating Profit (OPM)</b>	<b>130.4 (9.2%)</b>	<b>170.3 (11.0%)</b>	<b>30.6</b>
Beauty Subsidiaries (OPM)	129.4 (8.7%)	172.8 (10.6%)	33.5
Non-Beauty Subsidiaries (OPM)	-0.2 (-0.7%)	0.2 (0.6%)	Turned to black
Others <sup>3)</sup>	1.2	-2.7	
<b>Net profit (Margin)</b>	<b>100.0 (7.1%)</b>	<b>126.9 (8.2%)</b>	<b>27.0</b>

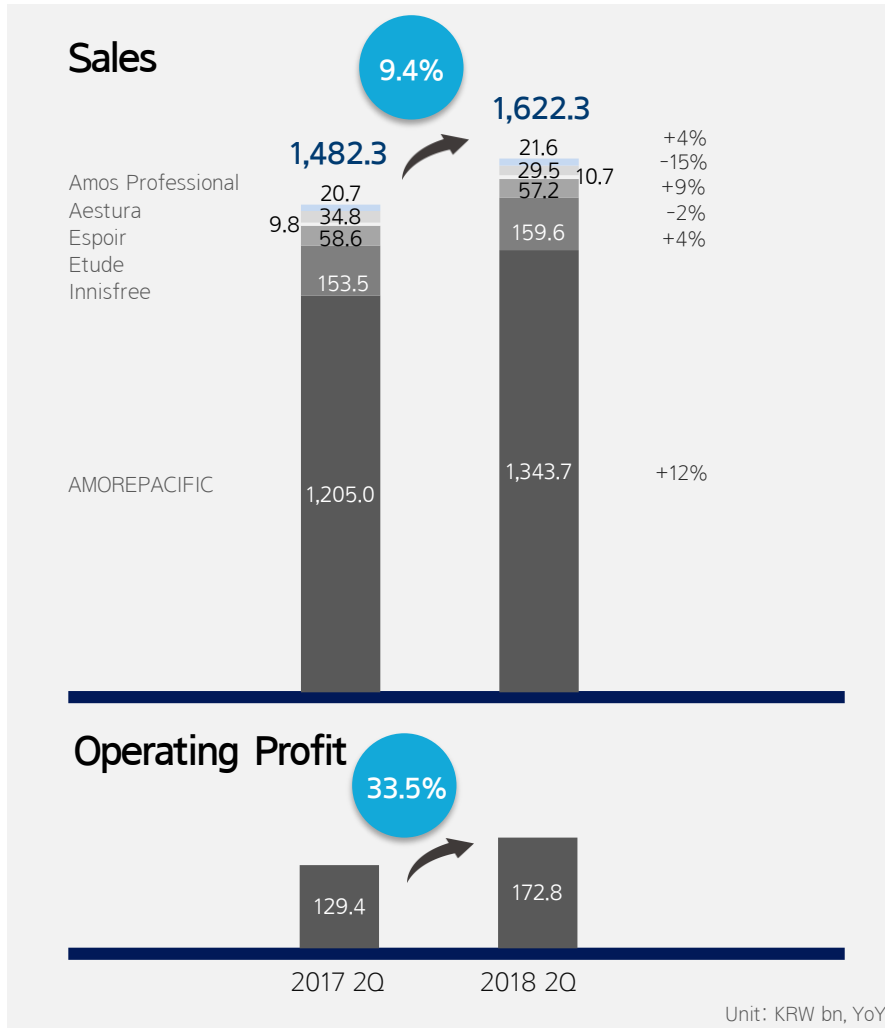
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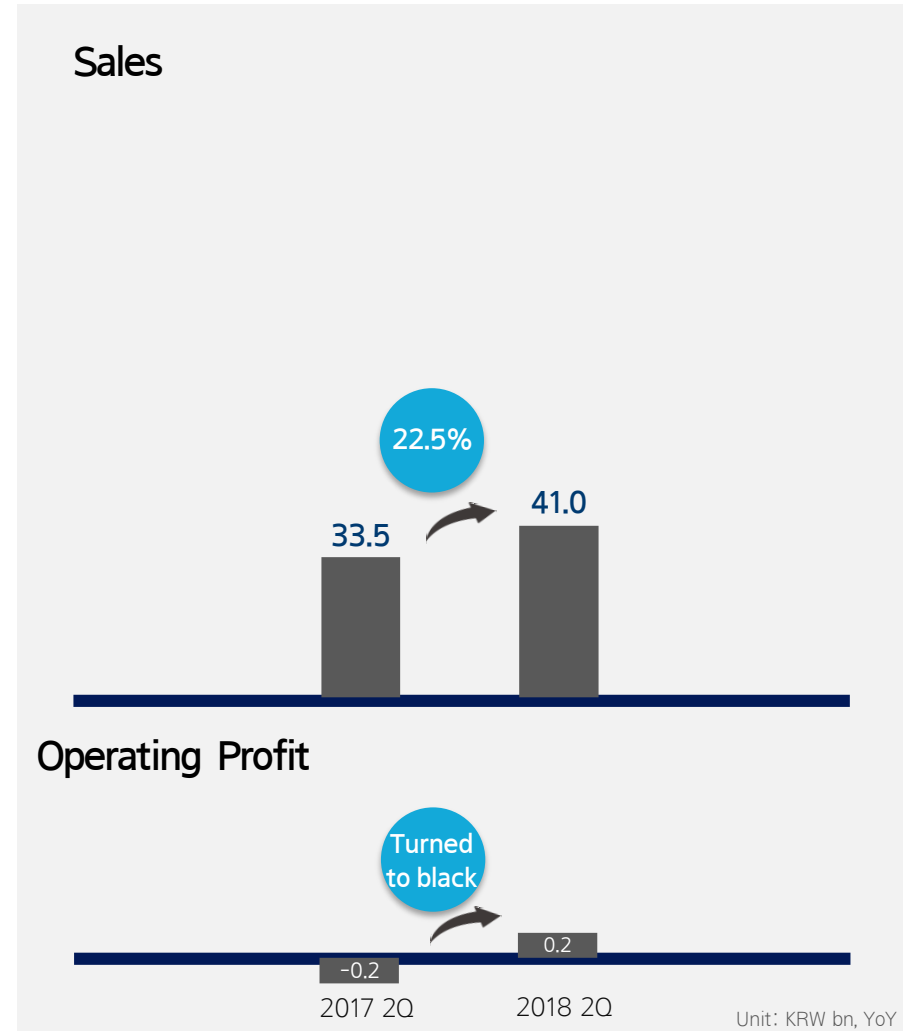
OSulloc Farm\*: Former Jangwon Industry

3) Others: Including intercompany transaction

## Beauty subsidiaries



## Non-Beauty subsidiaries



## AMOREPACIFIC Sales +12%, Operating Profit +44%

### Domestic

- (Luxury) Revenue increased through steady sales of skin care category. Strengthened product portfolio through launch of diverse new products. Travel retail channel's revenue grew due to increase in foreign tourist traffic.
- (Premium) Decline in revenue due to adjustments in home shopping channel's brand portfolio. Diversified make-up category through launch of new differentiated products. Promoted brand story by strengthening brand experiential space and offline marketing activities.

### Daily Beauty & OSulloc

- (Daily Beauty) Increase in revenue through steady sales of hair care products. Digital revenue for key brands increased through strengthened online contents and customized marketing activities for each platform.
- (OSulloc) Revenue grew through stronger premium product sales and increased sales at Tea Museum and Tea Houses.

### Overseas

- (Asia) Accelerated its business expansion and strengthened competitiveness centered on five global brands.
- (North America) Continued solid growth through expansion of brand and channel portfolio.
- (Europe) Delivered quality growth through rebranding and global expansion of perfume business('Goutal Paris').

## Innisfree Sales +4%, Operating Profit +21%

- Improved profitability through increased revenue of travel retail channel and e-commerce
- Enhanced brand appeal through launch of new products('AA Band,' 'My Makeup Cleanser,' etc.)and differentiated events('Project Sold Out,' 'Eco Hankie,' etc.)
- Heightened customer experience by diversifying brand experiential space('My Foundation TO GO BAR' pop up store)

## Etude Sales-2%, Continued losses

- Continued losses due to revenue decline of roadshops as a result of store reduction
- Promoted make-up trends by hosting make-up runway show 'Pink Play Concert' which showcased 'Etude House Make-Up Looks'
- Strengthened channel competitiveness through roadshop renewals and expansion of customer experiential space (personal color consultation, etc.)

	AMOREPACIFIC (Consolidated)		
	2017 2Q	2018 2Q	YoY
Sales	1,205.0	1,343.7	12%
GP	882.1	984.8	12%
SG&A expenses	780.6	839.0	7%
OP	101.6	145.8	44%
Innisfree			
Sales	153.5	159.6	4%
GP	101.6	109.1	7%
SG&A expenses	79.4	82.2	4%
OP	22.2	26.9	21%
Etude			
Sales	58.6	57.2	-2%
GP	32.7	31.4	-4%
SG&A expenses	33.3	37.5	13%
OP	-0.5	-6.1	Continued losses

Unit: KRW bn

**Espoir Sales +9%, Mitigated losses**

- Online revenue increased sharply by proactively responding to millennial customers
- Improved brand accessibility by operating a pop-up store within a key commercial area and entering additional multi-brand shops

**Aestura Sales -15%, Operating Profit -16%**

- Despite increased inner-beauty category sales, total revenue decreased due to sales decline of medical aesthetic products
- Strengthened medical beauty product line by launching a hypoallergenic whitening cosmetic product ('White 736')

**Amos Professional Sales +4%, Operating Profit -2%**

- Enhanced competitiveness as a professional hair care brand by launching new products('Perfect Renew Green Tea Active') and showcasing summer hair styles('PLAY SUMMER PLAY COLOR')
- Strengthened digital marketing by utilizing social media and expanded customer communication with millennials

	Espoir		
	2017 2Q	2018 2Q	YoY
Sales	9.8	10.7	9%
GP	7.9	8.5	8%
SG&A expenses	8.9	9.0	1%
OP	-1.0	-0.5	Mitigated Losses
	Aestura		
Sales	34.8	29.5	-15%
GP	7.8	5.7	-27%
SG&A expenses	5.0	3.4	-32%
OP	2.8	2.4	-16%
	Amos Professional		
Sales	20.7	21.6	4%
GP	11.7	13.2	12%
SG&A expenses	7.4	8.9	20%
OP	4.4	4.3	-2%

Unit: KRW bn

## Income Statement

Unit: KRW bn

	2017 2Q		2018 2Q	
Sales	1,413.0	100.0%	1,553.7	100.0%
Gross Profit	1,015.5	71.9%	1,147.6	73.9%
SG&A expenses	885.1	62.6%	977.3	62.9%
Operating Profit	130.4	9.2%	170.3	11.0%
Non-operating Profit/Expenses	11.1		3.9	
Profit before tax	141.5	10.0%	174.2	11.2%
Consolidated net income	100.0	7.1%	126.9	8.2%

## Statements of Financial Position

Unit: KRW bn

	2017.12	2018.06
Assets	7,335.2	7,568.2
Current assets	2,526.0	2,750.8
Non-current assets	4,809.2	4,817.4
Liabilities	1,403.3	1,368.2
Current liabilities	1,170.8	1,141.7
Non-current liabilities	232.4	226.5
Shareholder's Equity	5,932.0	6,200.0
Capital stock	44.5	44.5
Additional paid-in capital	673.0	673.0
Capital surplus	22.6	22.6
Other components of equity	-146.0	-146.0
Accumulated other comprehensive income	-19.4	-16.5
Retained earnings	2,422.6	2,533.2
Non-controlling interest	2,934.7	3,089.2