

AMOREPACIFIC Corporation

2013 1Q Earnings Release

AMOREPACIFIC Group IR

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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.

1. 1Q Earnings Summary

Sales up 8.4% to KRW 803.8bn, OP down 6.9% to KRW 140.2bn

- Strong Sales growth thanks to the new product launches and accelerated overseas business expansion
- Slightly decreased OP due to 1) decreased demand for luxury products 2) increased marketing expenses 3) investments in overseas markets expansion

Sales and OP

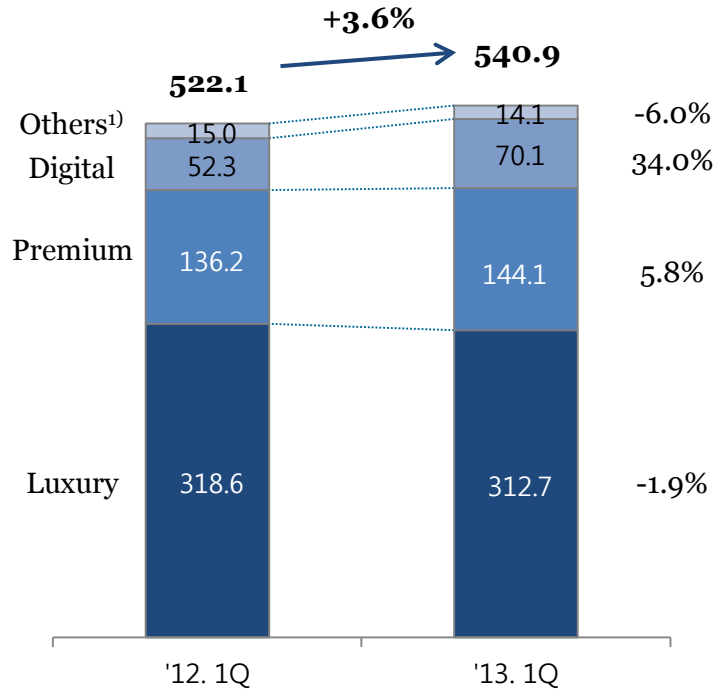
[KRWbn]

	2012 1Q	(%)	2013 1Q	(%)	YoY (%)
Sales	741.5	100.0%	803.8	100.0%	8.4%
Domestic business	648.7	87.5%	676.9	84.2%	4.3%
Cosmetics	522.1	70.4%	540.9	67.3%	3.6%
Mass & Sulloc	126.6	17.1%	135.9	16.9%	7.4%
Overseas business	92.8	12.5%	126.9	15.8%	36.8%
Operating Profit	150.6	20.3%	140.2	17.4%	-6.9%
Domestic business	145.4	22.4%	139.4	20.6%	-4.1%
Cosmetics	123.8	23.7%	118.5	21.9%	-4.3%
Mass & Sulloc	21.5	17.0%	20.9	15.4%	-2.9%
Overseas business	5.3	5.7%	0.8	0.7%	-84.4%
Consolidated Net Profit	114.2	15.4%	90.7	11.3%	-20.6%

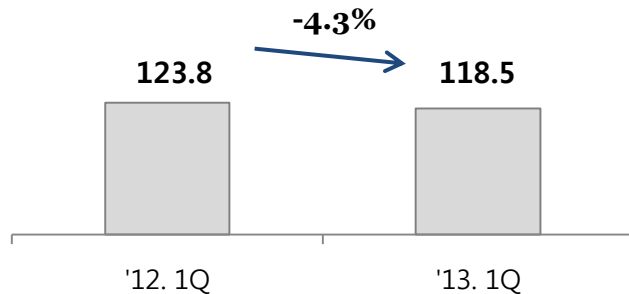
2. Domestic business - Cosmetics

- Sales -

[KRWbn,%YoY]



- Operating Profit -



Luxury Division

[Door-to-door] Continued economic recession and Trading Down trend resulted in weaker growth

- Increased inflow of new customers and balanced growth thanks to the new product launches such as VB Program (Meta Green), Hera (Rouge Holic)
- Introduction of cost reduction initiatives such as promotion and set product reduction, efficient SKU management

[Dep. store] Gained market share on the strength of launching reasonable priced products and increasing hit products sales

- Increased customer base and gained M/S on the back of 3 strong products (UV Mist Cushion, CC Cream, Rouge Holic) under 'Hera'
- Expanded coverage in natural cosmetics market through store expansions for our 'Primera' (+8)

[Duty-free] Solid growth backed by continued inflow of foreign travelers and expanded overseas duty-free business

- **(Domestic)** Increased no. of Chinese shoppers
- **(Overseas)** Store expansion in China and Asean markets (+15)

Premium Division

[Specialty store] Strengthened Same store sales growth through increased inflow of new and young customers

- Increased inflow of new customers in their 20s through launching trendy product (Cushion Tint)
- Launching new hit products under existing brands such as IOPE (Bio Activator), Laneige (White Plus Renew Original Essence)

[Hypermarket] Government regulation / Market saturation / traffic decrease resulted in weaker growth

Digital Division Robust growth throughout all channels with profitability improvement

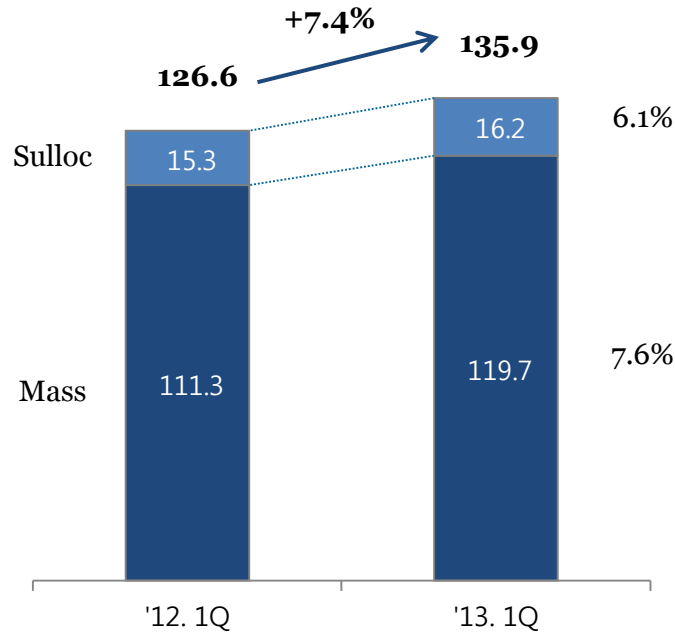
- Home-shopping: Continued launching hit product within 'IOPE' and increased sales of 'Verite' product
- ecommerce: Solid growth within external channels such as Open market/Dep. store website and internal channels such as Direc mall and Mobile

1) Lirikos and OEM

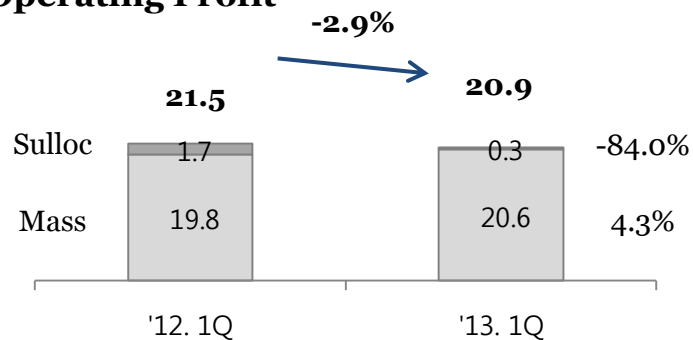
2. Domestic business- Mass & Sulloc

- Sales -

[KRWbn,%YoY]



-Operating Profit -



Mass

[Hair care]

- **'Mis-en-scene'** (+6%) : Strong growth in new category, Hair cosmetics (Bubble colorant /Serums/Treatment) resulted in strengthened market leadership
- **'Ryoe'** (14%) : New product launches targeting for younger customers and reinforced new channel portfolio (Online, CVS) delivered footfall increase within oriental herbal medicine category

[Body care]

- **'Happy Bath'** : Introduction of new category (Perfume body mist)
- **'illi'**: Increased M/S in Body care segment through introduction of traditional herbal medicine category

[Oral care]

- **'Median'** : Strong sales of functional lines (Dental IQ, +21%) targeting for customers with high-involvement in oral care category

Sulloc

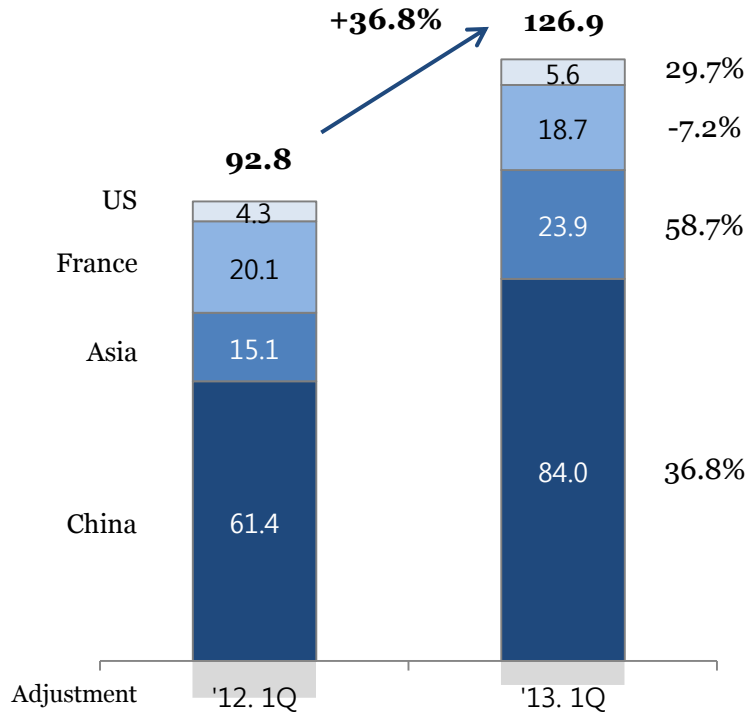
Increased sales of premium products and differentiated category led to footfall increase

- New product launches(blending tea bag) and hit product sales(Latte, Plus line) resulted in diversified product portfolio and increased premium portion
- Giving Differentiated customer experience with relation to culture festival in O'Sulloc Tea House Café resulted in increased footfall
- Online channel showed strong growth through the strengthened connection between On and Off line

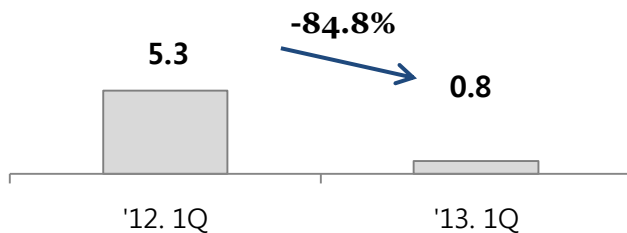
3. Overseas business

- Sales -

[KRW bn / %YoY]



- Operating Profit -



[China] Balanced growth of existing/new brands through increase in new products launches and point of sales

- **Laneige:** Increase in number of new customers and re-purchasing rate due to strong sales of BB cushion and White Original Essence
- **Mamonde:** Increase in same store sales growth in department stores driven by new product launches (Flower First Serum) and aggressive expansion into new growth channels such as online
- **Sulhwassoo:** Increased efficiency of existing stores by expanding number of SKUs and strengthening the product portfolio (skincare, functional, men's)
- **Innisfree:** Diversified product category by launching color make up. Increased point of sales by opening new road shops (+5, total of 8) and by expanding presence in the online channel (Taobao)

[Asia] Created opportunities for growth by launching new products and entering into new channels

- **Japan(+3%):** Aggressive expansion into new channels (JPY +25%) such as TV Home shopping(Iope Air Cushion/Retinol) and Drugstores(Ryoe, finalized contract to enter 1,426 new stores)
- **Taiwan(+59%):** High growth through successful launch in the TV home shopping channel (Ryoe, sold out all 3 times) and introduction of new products (BB Cushion, White Original Essence)
- **Singapore(+241%):** Expansion into channels other department stores by opening 4 new Laneige FSSs. Strengthened luxury positioning by focusing on PR activities such as Sulhwassoo media tours
- **Thailand(231%):** Strong same store sales growth and continued opening of Sulhwassoo counters (+1, total of 3)
- **Indonesia:** Entered market by opening a Laneige counter in department stores

[France] Although sales decreased due to the economic recession in Europe, turned around the business achieved operating profits as a result of streamlining of operations

[US] High growth in all channels driven by new product launches and continued store expansion

- Achieved high growth and increased customer base by successfully launching new products such as AP CC Cushion and Sulhwassoo Ginseng Renewing Eye Cream

4. Financial Summary

Income Statement

[KRWbn]	2012 1Q		2013 1Q	
Sales	741.5	100.0%	803.8	100.0%
Gross Profit	528.8	71.3%	569.3	70.8%
SG&A expenses	378.2	51.0%	429.1	53.4%
Operating profit¹⁾	150.6	20.3%	140.2	17.4%
Non-operating ²⁾ Profit/Expenses	5.3		-11.6	
Profit before tax	155.9	21.0%	128.6	16.0%
Consolidated net income	114.2	15.4%	90.7	11.3%

Statements of Financial Position

[KRWbn]	2012. 12	2013.03
Assets	3,026.2	3,175.2
Current assets	8,04.2	919.0
Non-current assets	2,222.0	2,256.2
Liabilities	682.4	782.1
Current liabilities	417.2	512.8
Non-current liabilities	265.2	269.3
Shareholder's Equity	2,343.8	2,393.1
Capital stock	34.5	34.5
Additional paid-in capital	712.7	712.7
Capital surplus	7.8	7.8
Other components of equity	-1.8	-1.8
Accumulated other comprehensive income	-12.0	-8.5
Retained earnings	1,592.4	1,637.9
Non-controlling interest	10.2	10.5

1) 2012 numbers adjusted to reflect the change of K-IFRS 1019, 'Employee Benefits'

2) Tangible assets loss on impairment of around KRW 14.7bn