

AMOREPACIFIC Corporation

2013 2Q Earnings Release

AMOREPACIFIC Investor Relations

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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. 1H 2013 Earnings Summary

Sales up 9.2% to KRW 1,602.8bn, OP down 5.7% to KRW 234.9bn

- Despite the economic downturn, strong sales growth delivered by competitive distribution structure and accelerated overseas business expansion
- Decreased OP due to 1) the slowdown in luxury channels caused by the trading down trend, 2) increased expenses caused by the construction of new infrastructures and 3) investments in overseas markets expansion

Sales and OP

[KRWbn]

	2012 1H	(%of Sales, OPM)	2013 1H	(%of Sales, OPM)	YoY (%)
Sales	1,468.3	100.0%	1,602.8	100.0%	9.2%
Domestic business	1,271.2	<i>86.6%</i>	1,328.7	<i>82.9%</i>	4.5%
Cosmetics	1,048.2	<i>71.4%</i>	1,090.0	<i>68.0%</i>	4.0%
Mass & Sulloc	223.0	<i>15.2%</i>	238.7	<i>14.9%</i>	7.1%
Overseas business	197.1	<i>13.4%</i>	274.1	<i>17.1%</i>	39.0%
Operating Profit	249.1	17.0%	234.9	14.7%	-5.7%
Domestic business	239.9	<i>18.9%</i>	233.4	<i>17.6%</i>	-2.7%
Cosmetics	210.5	<i>20.1%</i>	206.0	<i>18.9%</i>	-2.1%
Mass & Sulloc	29.4	<i>13.2%</i>	27.4	<i>11.5%</i>	-6.8%
Overseas business	9.2	<i>4.7%</i>	1.5	<i>0.5%</i>	-84.0%
Consolidated Net Profit	173.5	11.8%	167.9	10.5%	-3.2%

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

2. 2Q 2013 Earnings Summary

Sales up 9.9% to KRW 799.0bn, OP down 3.8% to KRW 94.7bn

- Solid sales growth in the tough market environment thanks to new product launches backed by a well-balanced distribution channel portfolio
- Weakened profitability due to a slowdown in Door to Door channel and increase in investments to diversify brand/channel portfolio in overseas markets

Sales and OP

[KRWbn]

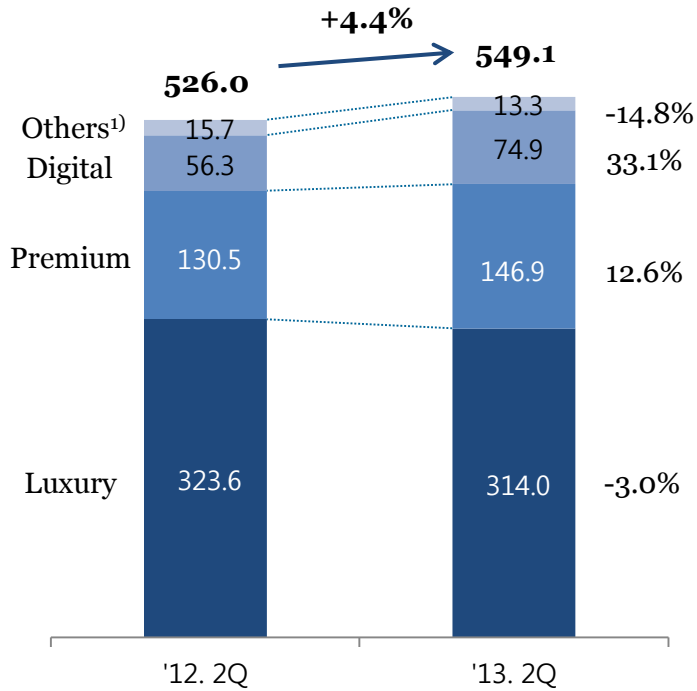
	2012 2Q	(% of Sales, OPM)	2013 2Q	(% of Sales, OPM)	YoY (%)
Sales	726.8	100.0%	799.0	100.0%	9.9%
Domestic business	622.4	<i>85.6%</i>	651.9	<i>81.6%</i>	4.7%
Cosmetics	526.0	<i>72.4%</i>	549.1	<i>68.7%</i>	4.4%
Mass & Sulloc	96.4	<i>13.3%</i>	102.8	<i>12.9%</i>	6.6%
Overseas business	104.3	<i>14.4%</i>	147.1	<i>18.4%</i>	41.0%
Operating Profit	98.4	13.5%	94.7	11.9%	-3.8%
Domestic business	94.4	<i>15.2%</i>	94.0	<i>14.4%</i>	-0.4%
Cosmetics	86.6	<i>16.5%</i>	86.6	<i>15.0%</i>	-0.1%
Mass & Sulloc	7.8	<i>8.1%</i>	7.4	<i>7.2%</i>	-1.9%
Overseas business	3.9	<i>3.8%</i>	0.7	<i>0.4%</i>	-83.4%
Consolidated Net Profit	59.3	8.2%	77.2	9.7%	30.2%

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

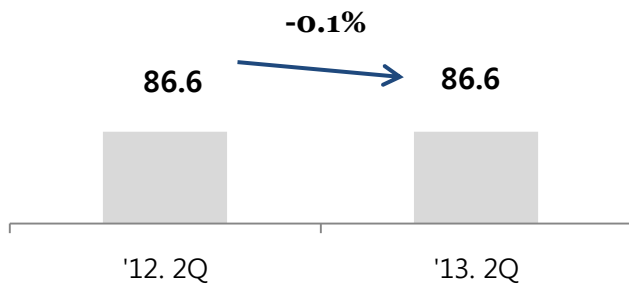
3.1 Domestic Business - Cosmetics

- Sales -

[KRWbn, %YoY]



- Operating Profit -



1) Lirikos and OEM

Luxury Division

[Door to door] Continued negative growth due to the channel slowdown and trading down trend

- Declined demand for luxury products resulted in weakened sales of major products within luxury brands and decreased no. of sales ladies
- Strong sales of 'VB program' and opening of 'VB Diet Lab' caused reinforced brand awareness and diversified product portfolio within the channel

[Dep. store] Gained market share on the strength of new product launches responsive to the customer needs

- Creating a new category through launching innovative new products such as 'Luminature Essential Finisher' and 'Microdeep Intensive Filling Cream' within 'Sulwhasoo' resulted in increased inflow of new customers and market share (16.2% → 18.1%)
- 'Primera' showed strong sales growth responding to the trading down demand

[Duty-free] Solid growth thanks to the increased foreign travelers and accelerated overseas expansion

- **(Domestic)** Strong growth thanks to the increased amount of the purchase (+75% yoy) by Chinese customers
- **(Overseas)** Continued new brand launches and store expansion to strengthen the business in Asia market

Premium Division

[Aritaum] Improved same store sales growth and increased footfall thanks to the strong sales of Trendy products

- A well balanced growth and increased inflow of new customers led by solid sales of make-up products ('Aritaum' MODI nail/Mono eyes/Cushion Tint), and health supplementary food ('O garden')
- Increased inflow of young customers delivered same store sales growth improvement

[Hypermarket] Recovered positive growth thanks to the good growth of 'IOPE'

- Strong sales of hit products of 'IOPE' and store expansion of 'Mamonde Shop' within the channel resulted in positive growth

Digital Division

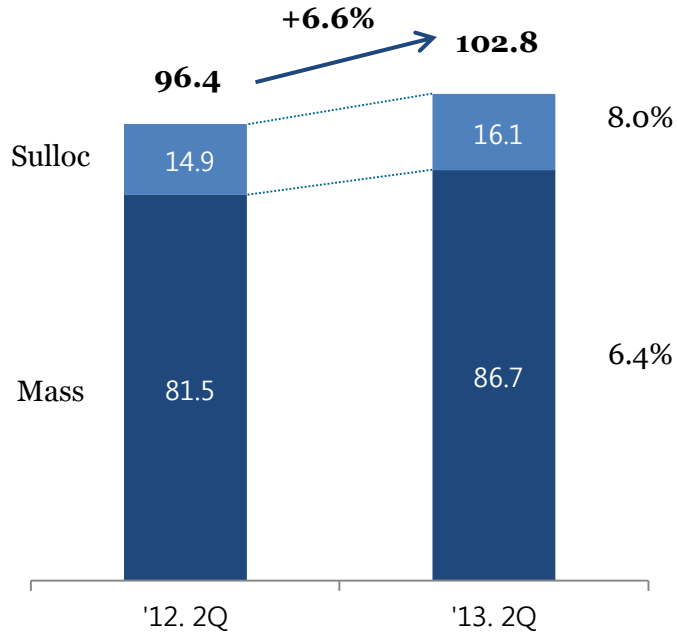
[Digital] Robust growth through all channels with profitability improvement

- Home-shopping: Continued solid growth behind by increased sales of hit product ('IOPE' Air Cushion) and new product ('Verite' Multi Cushion)
- E-commerce: Reinforced the business through renewal of Direct mall and opening of 'Laneige' mall

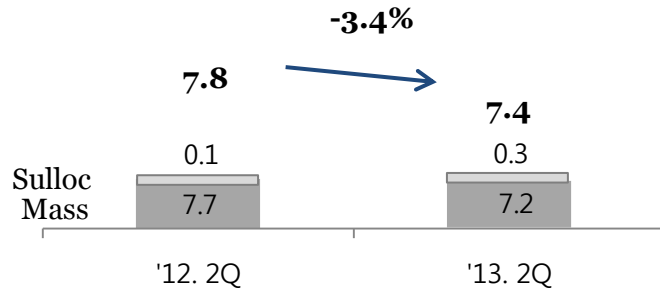
3.2 Domestic Business - Mass & Sulloc

- Sales -

[KRWbn, %YoY]



- Operating Profit -



Mass Division

[Hair care]

- **Mis-en-scene** : Strong growth of major products (Hello Bubble/Perfect Serums) in Hair cosmetics category and sales expansion into new channel (Drugstore) resulted in increased market share (12.7% → 14.2%)
- **Ryoe** : Gained market share and increased inflow of younger customers in oriental herbal medicine category thanks to the good sales of new products (10.9% → 11.6%)

[Body care]

- **Happy Bath** : Reinforced product portfolio (Aqua Cooling Gel) for the summer and expanded product category (Sum Spray/ Sum Mist) resulted in increased market share (22.8% → 23.1%)
- **illi** : Product expansion into new category such as Wash, Lotion, Cleansing, etc within traditional herbal medicine body care segment

[Oral care]

- **Median** : Strong sales of functional lines (Dental IQ, Tartar) targeting customers with high-involvement in the oral care category

Sulloc Division

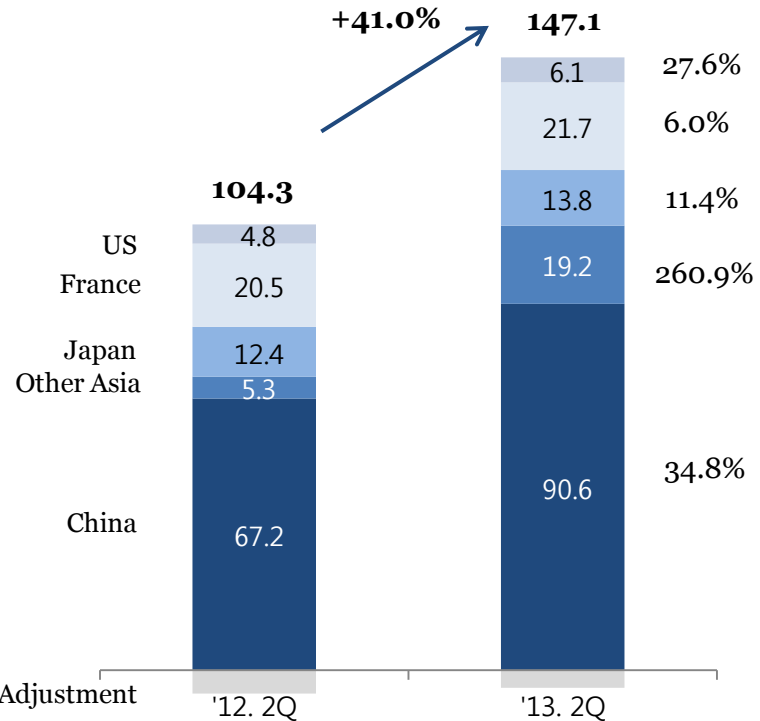
Robust sales growth behind by Omni channel strategy and increased portion of premium products

- Strong sales of Fermented tea/Blending tea bag resulted in increased premium portion (48% → 62%)
- Increased inflow of new customers within Teashop/Tea house/Osulloc.com (No. of customers: 190,000 → 280,000)
- Strong sales within the Online channel behind by securing new channels, reinforcing contents within Osulloc.com and launching mobile site (+50%)
- OP reached KRW1.03bn excluding the impact of indirect cost allocation

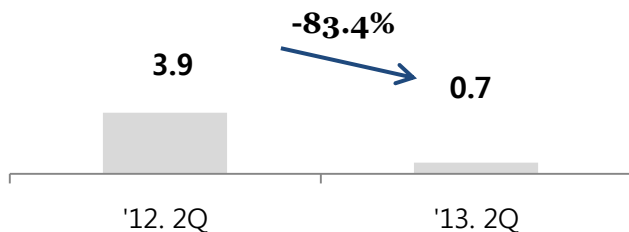
4. Overseas business

- Sales -

[KRWbn, %YoY]



- Operating Profit -



[China] Strengthened brand equity and response to new channels led to solid sales growth

- **Laneige:** Increased sales portion of new channels such as Internet and Home-shopping contributed to distribution channel diversification
- **Mamonde:** Increase in same store sales growth with continued marketing activities such as TV, Magazine, Online etc. to reinforce the brand awareness
- **Sulwhasoo:** Focus on promotions using Celebrity/Noise marketing to reinforce the Dep. store counters in Tier 1 cities such as Shanghai and Beijing, Reinforced brand awareness
- **Innisfree:** Enlarged customer base thanks to the accelerated store expansion

[Asia] Aggressive business expansion and store expansion resulted in increased sales and expenses

- **Japan(+11%):** Continued growth of 'Etude' through strengthened brand awareness, Tapping into new channels (Home shopping – 'IOPE'/'Ryoe', Online – 'Innisfree') resulted in enlarged customer base
- **Singapore(+227%):** Good growth within new 'Laneige' FSS¹⁾ and increased sales within SEPHORA
- **Malaysia (+65%):** Solid growth on the strength of increased footfall and improved efficiency of existing 'Laneige' stores
- **Thailand (+275%):** Improved same store sales growth of 'Laneige', Store expansion of 'Sulwhasoo' to reinforce the response to luxury market
- **Hong Kong:** Increased brand portfolio backed by launch new brand 'Innisfree'

[France] Weaker sales due to the slowdown in local perfume market

- Increased operating loss due to the increased advertising expenses caused by a new product launch (Eau Jolie) of 'Lolita Lempicka'

[US] Strong growth through all channels with operating loss reduction

- **AP:** Achieved high growth by solid sales of 'AP'CC Cushion within SEPHORA and Dep. store channels
- **AMORE Shop:** Strengthened product portfolio through successful launch of new products such as 'IOPE' Bio Essence

1) FSS: Free standing store

5. Financial Summary

Income Statement

	2012 2Q		2013 2Q	
Sales	726.8	100.0%	799.0	100.0%
Gross Profit	520.8	71.7%	569.0	71.2%
SG&A expenses ¹⁾	422.4	58.1%	474.3	59.4%
Operating profit	98.4	13.5%	94.7	11.9%
Non-operating Profit/Expenses	-10.6		7.0	
Profit before tax	87.8	12.1%	101.7	12.7%
Consolidated net income	59.3	8.2%	77.2	9.7%

Statements of Financial Position

[KRWbn]

	2012. 12	2013.06
Assets	3,026.2	3,247.1
Current assets	804.2	955.7
Non-current assets	2,222.0	2,291.4
Liabilities	682.4	767.2
Current liabilities	417.2	494.5
Non-current liabilities	265.2	272.6
Shareholder's Equity	2,343.8	2,479.9
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	-1.9
Retained earnings	1,592.4	1,714.5
Non-controlling interest	10.2	14.1

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