

AMOREPACIFIC Corporation

3Q 2013 Earnings Release

AMOREPACIFIC Investor Relations

12. November 2013

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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. 3Q YTD 2013 Earnings Summary

Sales up 8.8% to KRW 2,395.6bn, OP down 5.6% to KRW 320.4bn

- Solid sales growth in a depressed market delivered by strengthened distribution portfolio and products responding to the customer needs and expansion of overseas business
- Decreased OP due to the slowdown in Door-to-door channel, increase in expenses caused by the construction of new infrastructures and expansion of overseas markets

Sales & OP

[KRWbn]

	'12 3Q YTD	(%of Sales, OPM)	'13 3Q YTD	(%of Sales, OPM)	YoY (%)
Sales	2,201.6	100.0%	2,395.6	100.0%	8.8%
Cosmetics	1,838.6	83.5%	2,012.7	84.0%	9.5%
Domestic	1,538.2	69.9%	1,601.1	66.8%	4.1%
Overseas	300.3	13.6%	411.6	17.2%	37.0%
Mass & Sulloc	363.0	16.5%	382.9	16.0%	5.5%
Operating Profit	339.4	15.4%	320.4	13.4%	-5.6%
Cosmetics	284.2	15.5%	270.1	13.4%	-5.0%
Domestic	281.4	18.3%	271.4	16.9%	-3.6%
Overseas	2.8	0.9%	-1.3	-0.3%	Turned to red
Mass & Sulloc	55.2	15.2%	50.4	13.2%	-8.8%
Net Profit	243.2	11.0%	230.5	9.6%	-5.2%

2. 3Q 2013 Earnings Summary

Sales up 8.1% to KRW 792.8bn, OP down 5.3% to KRW 85.6bn

- Sales growth backed by strong growth of new rising channels such as Digital and Duty-free and overseas business
- Decreased OP due to the slowdown in Door-to-door channel, recognition timing difference of Chuseok gift sets sales and investment in store expansion and brand in overseas markets

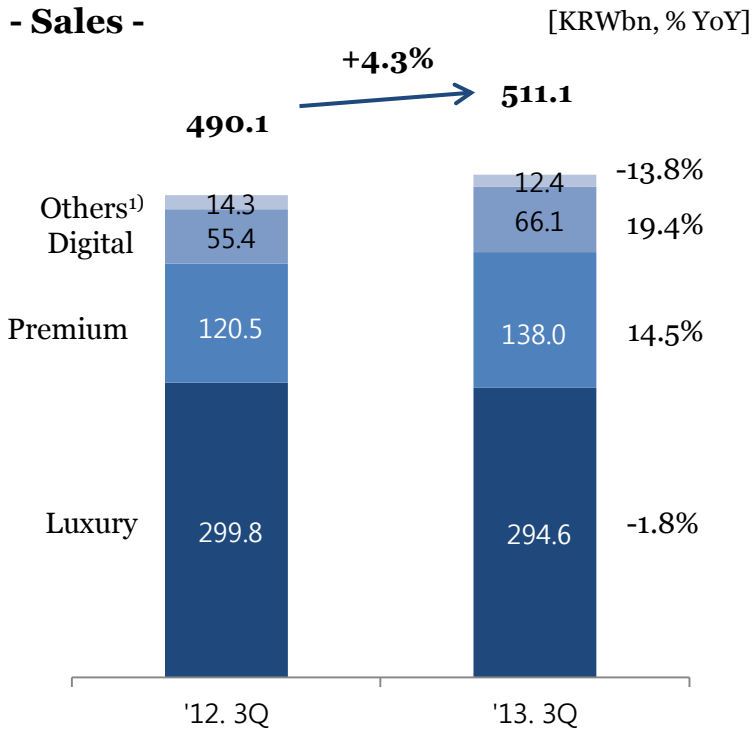
Sales & OP

[KRWbn]

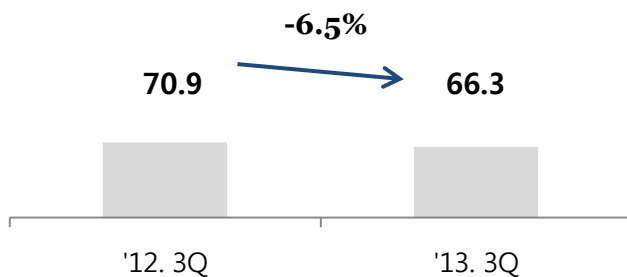
	'12 3Q	(%of Sales, OPM)	'13 3Q	(%of Sales, OPM)	YoY (%)
Sales	733.3	100.0%	792.8	100.0%	8.1%
Cosmetics	593.3	80.9%	648.6	81.8%	9.3%
Domestic	490.1	66.8%	511.1	64.5%	4.3%
Overseas	103.2	14.1%	137.5	17.3%	33.3%
Mass & Sulloc	140.0	19.1%	144.2	18.2%	3.0%
Operating Profit	90.4	12.3%	85.6	10.8%	-5.3%
Cosmetics	64.5	10.9%	63.5	9.8%	-1.6%
Domestic	70.9	14.5%	66.3	13.0%	-6.5%
Overseas	-6.4	-6.2%	-2.8	-2.0%	Decreased losses
Mass & Sulloc	25.9	18.5%	22.1	15.3%	-14.8%
Net Profit	69.8	9.5%	62.6	7.9%	-10.2%

3.1 Cosmetics business – Domestic

- Sales -



- Operating Profit -



1) Lirikos and OEM

Luxury Division

[Door-to-Door] Continued decrease in sales due to the channel slowdown and trading-down trend

- Decreased sales of luxury products due to the weaker demand for the high end
- Slowdown in sales caused by inventory adjustment to secure the visibility within the channel

[Dep. store] Increased market share thanks to the differentiated product portfolio with diverse price range

- Despite the channel slowdown, increased sales of Hera and Primera resulted in strengthened market leadership (M/S 16.3% → 18.2%)
- Continued growth of entry premium brand, Primera responding to the trading-down

[Duty-free] Increased sales of foreign travelers and expanded overseas business resulted in continued strong growth

- Solid growth due to the increased purchase amount of Chinese travelers (+141% yoy)
- Continued store expansion and new brand penetration to expand the Duty-free business in Asia region

Premium Division

[Aritaum] Increased sales and improved same store sales growth thanks to the solid sales of major brands and trendy products

- Robust sales growth delivered by successful new product launch(Iope 'Super vital cream bio intensive') and increased sales of hit products(Laneige 'BB Cushion', 'Water bank essence')
- Strengthened trendy product category (Tint, Nail) and make-up products and reinforced promotions resulted in inflow of new customers

[Hypermarket] Accelerated growth thanks to the increased sales of 'Mamonde' and 'IOPE'

- Improved performance of 'Mamonde Shop' thanks to the engine products ('First Energy Serum', 'Extra moisture line')
- Increased sales of major products under Iope ('Bio Essence', 'Men Bio', 'Super vital cream')

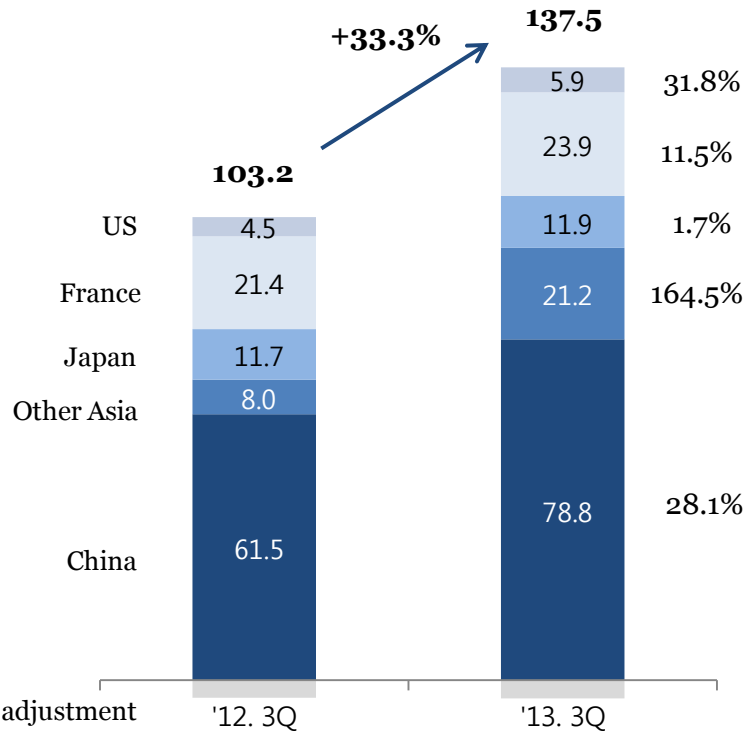
Digital Division Robust growth through all channels with profitability improvement

- Increase in sales of popular make-up products (Cushion/Lipstick category), beauty device (Hera 'Biosonic cleansing enhancer') and inflow of new customers resulted in strong growth of all channels within Digital division

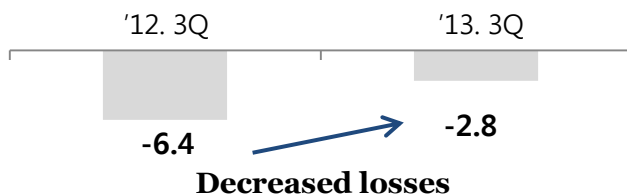
3.2 Cosmetics business – Overseas

- Sales -

[KRWbn, % YoY]



- Operating Profit -



[China] Continued growth delivered by new channel penetration, increase in sales of hit products and marketing efforts

- **Laneige:** Increased sales of engine products ('BB Cushion', 'Water bank Essence') and enhanced marketing activities resulted in improved same store sales, Solid brand performance also backed by new channel penetration and store expansion
- **Mamonde:** Temporary slowdown in sales due to the restructuring to secure the channel visibility, Continued marketing efforts(TV, Magazine, etc) to improve brand awareness
- **Sulwhasoo:** Solid sales of major products ('First care Serum', 'Concentrated Ginseng Cream') resulted in continued improvement of existing store growth, Reinforced brand awareness through advertising(Online, Magazine) and VIP marketing activities
- **Innisfree:** Strengthened product portfolio through launch of make-up products and new skin care line, Reinforced communication with customers through digital marketing and expanded no. of stores resulted in solid growth

[Asia] Strong growth delivered by increase in sales of 'Laneige' hit products and new channel penetration

- **Japan (+2%):** (Etude) Continued sales growth and store expansion, (AP) Increased inflow of new customers through 'CC Cushion', (Iope) Solid sales of 'Air Cushion' within Home-shopping
- **Singapore (+95%):** (Laneige) Solid growth of stand alone shops
- **Malaysia (+46%):** (Laneige) Profitable growth backed by solid performance within Dep. store and additional expansion into Sephora
- **Thailand (+349%):** (Sulwhasoo) Strong growth of newly opened stores, (Laneige) Improved same store sales growth, (Mamonde) Penetration into new channel(Boots)
- **HK:** Achieved profitable growth thanks to the store expansion of Etude and strong performance of Innisfree

[France] Turned to positive growth thanks to the new product launch

- Launch of new product (Elle L'aime) under Lolita Lempicka and increase in exports to the US and Asia region resulted in positive sales growth
- Operating loss due to the marketing activities related to the new product launch

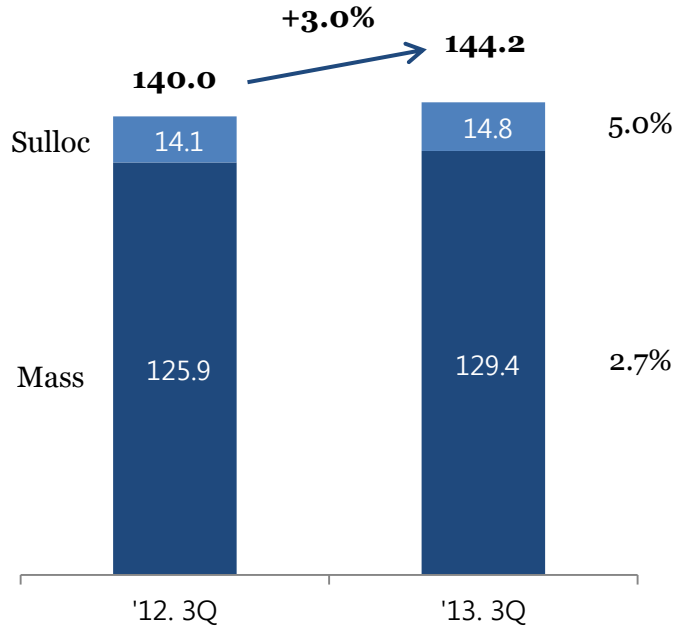
[US] Strong growth through all channels with operating loss reduction

- **AP:** Achieved high growth through all channels such as Sephora, Dep. store channels by solid sales of AP 'CC Cushion' and 'TR Eye Cream'
- **AMORE Shop:** Robust sales growth of hit products (Iope 'Air Cushion', 'Bio Essence')

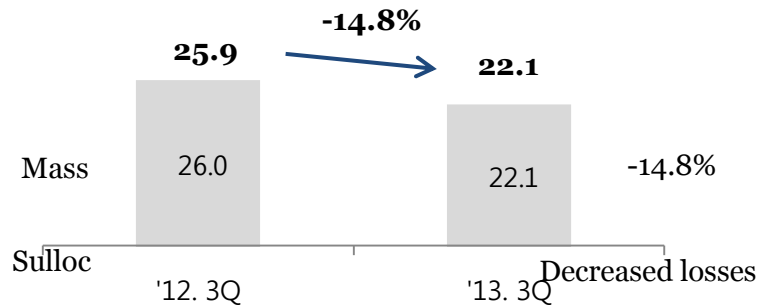
4. Mass & Sulloc business

- Sales -

[KRWbn, % YoY]



- Operating Profit -



Mass Division

-Weaker growth due to the sales recognition timing difference of Chuseok gift sets

[Hair care]

- **Mis-en-scene** Increased sales of washing lines('Red', 'Purple'), high functional product ('Perfect Serum') and demand for hair tonic category resulted in solid growth with gained market share (13.5% → 15.3%)
- **Ryoe** : Strengthened growth momentum thanks to the increased sales of functional line and launch of new products within hair restoration category

[Body care]

- **Happy Bath** : Solid growth backed by increased sales of moisturizing products and various perfume lines responding to the customer needs

[Oral care]

- **Median**: Strong sales of functional lines thanks to the strengthened customer communication

Sulloc Division

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

- Solid sales through Dep. store and Tea House resulted in increased sales contribution of premium products (60% → 68%)
- Strong sales within the Online channel (Osulloc.com, etc.) behind by increased inflow of new customers

5. Financial Summary

Income Statement

[KRWbn]

	2012 3Q		2013 3Q	
Sales	733.3	100.0%	792.8	100.0%
Gross Profit	504.2	68.8%	546.3	68.9%
SG&A expenses ¹⁾	413.9	56.4%	460.8	58.1%
Operating profit	90.4	12.3%	85.6	10.8%
Non-operating Profit/Expenses	1.8		-1.7	
Profit before tax	92.2	12.6%	83.9	10.6%
Consolidated net income	69.8	9.5%	62.6	7.9%

Statements of Financial Position

[KRWbn]

	2012. 12	2013.09
Assets	3,026.2	3,268.6
Current assets	804.2	929.3
Non-current assets	2,222.0	2,339.3
Liabilities	682.4	736.5
Current liabilities	417.2	473.8
Non-current liabilities	265.2	262.7
Shareholder's Equity	2,343.8	2,532.1
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	-11.4
Retained earnings	1,592.4	1,777.8
Non-controlling interest	10.2	12.5

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