

AMOREPACIFIC Corporation

2012 Earnings Release

AMOREPACIFIC Group IR

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AMOREPACIFIC Corp. has adopted the K-IFRS since 2011.

1. 2012 Earnings Summary

Sales up 12% to KRW 2,849.5bn, OP down 2% to KRW 364.3bn

- Strong sales growth delivered by innovative 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 Profits

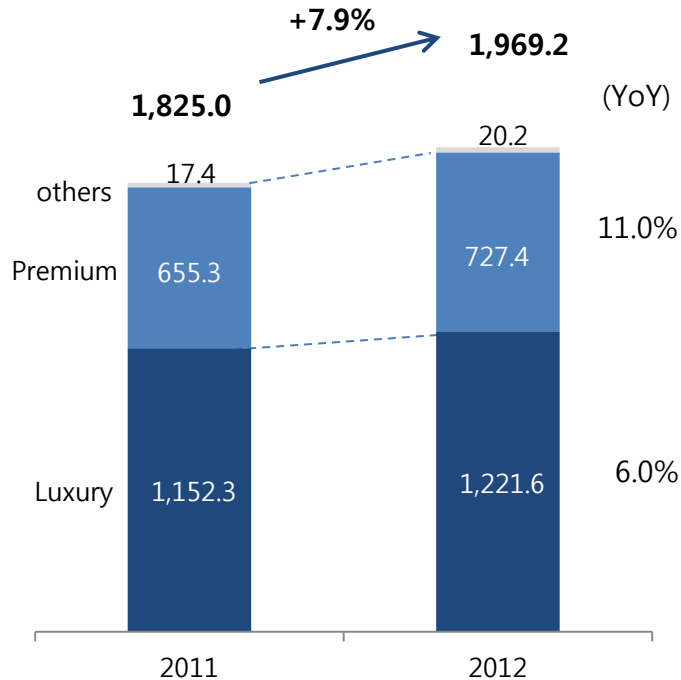
[KRWbn]

	2011	(%)	2012	(%)	Y on Y (%)
Sales	2,554.7	(100.0)	2,849.5	(100.0)	11.5
Cosmetics (Domestic)	1,825.0	(71.4)	1,969.2	(69.1)	7.9
Cosmetics (Overseas)	327.2	(12.8)	442.8	(15.5)	35.3
MC&S	402.5	(15.8)	437.5	(15.4)	8.7
Operating Profit	372.9	(14.6)	364.3	(12.8)	-2.3
Cosmetics (Domestic)	329.6	(18.1)	334.7	(17.0)	1.5
Cosmetics (Overseas)	3.0	(0.9)	-9.5	(-2.2)	-418.6
MC&S	40.2	(10.0)	39.1	(8.9)	-2.9
Consolidated Net Profit	327.3	(12.8)	268.4	(9.4)	-18.0

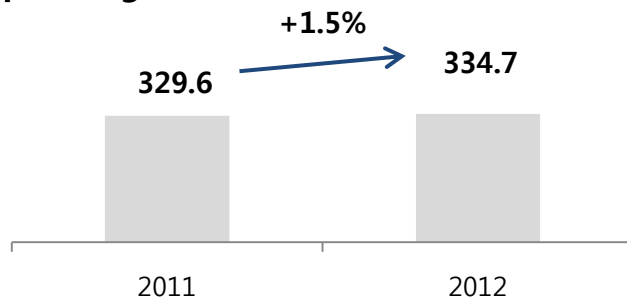
2. Earnings by Division _ Domestic Cosmetics (1/3)

- Sales -

[KRWbn,%YoY]



- Operating Profit -



Sales of KRW 1,969.2bn (+8%), OP of KRW334.7bn (+2%)

Solid sales performance thanks to the new products responsive to the customer needs

[Luxury] Increased inflow of new customers behind new product launch (Cushion type) / Strong sales growth in Duty-free backed by increased purchasing by foreign travelers

- **D2D:** Weaker sales growth due to the economic downturn and intensified competition
- **Duty-free:** Solid growth backed by continued inflow of foreign travelers and duty-free exclusive product launches / Completion of new brand launch (Mamonde) and expanded counter space thanks to strengthened bargaining power
- **Domestic Dep. store:** Strengthened market position in the base makeup category and increased market share backed by increased inflow of young customers behind new product launch (Hera UV Mist Cushion) / Expanded coverage in natural cosmetics market through store expansions for our 'Primer' brand

[Premium] Gained market share and continued solid growth on the strength of launching reasonable priced products and hit products

- **Specialty store:** Increased inflow of new customers and robust sales growth delivered by strong sales of hit products (Air Cushion), new products (Bio Essence) and entry-level products (MODI nail) / Strengthened store efficiency through store renewals and differentiated operational strategies for different sales districts
- **Hypermarket:** Increased sales volume thanks to new products targeting trading down demand ('Hanyul' Optimized Serum, 'IOPE' Bio Essence etc)
- **On-line:** Robust growth throughout all channels thanks to the differentiation of products by distributor and the increased sales of hit products

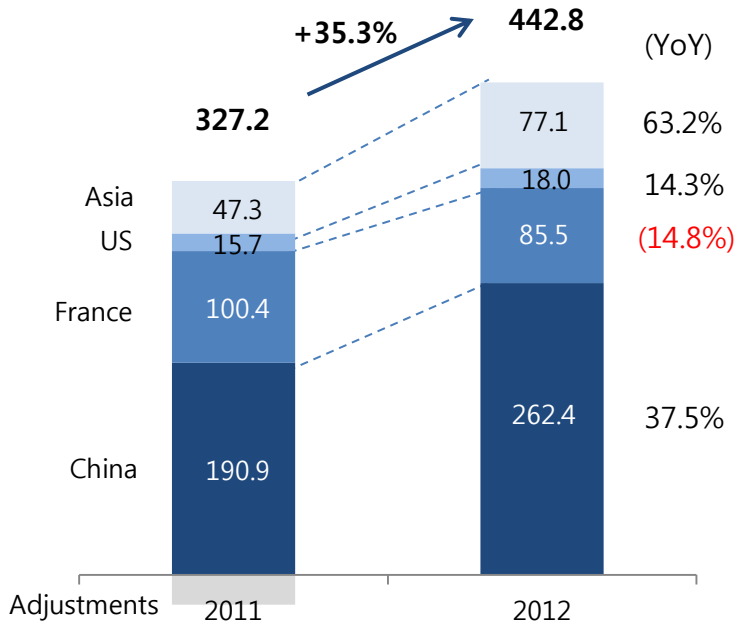
[Operating Profit] Slightly increased OP due to the weakened consumption and increased investments

- Decreased sales of luxury brands and increased sales of lower margin products (Cushion, vibratory machines etc)
- Increased marketing expenses to reinforce the brand awareness and to strengthen our position in new categories
- Larger depreciation charges due to increased investments in facilities
- Increase in distribution commissions due to the strong growth of the DFS and On-line channels

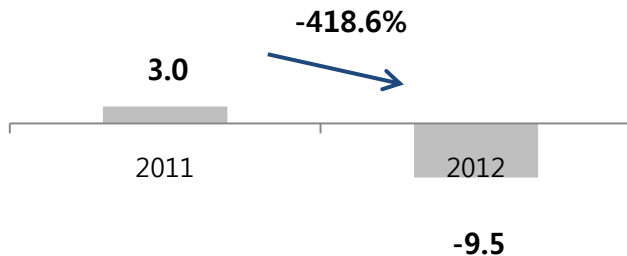
2. Earnings by Division _ Overseas Cosmetics (2/3)

- Sales -

[KRWbn,%YoY]



- Operating Profit -



Sales of KRW 442.8bn (+35%), OP of KRW -9.5bn(-419%)

Expanded coverage in growth markets(China, Asean) and developed markets(US, Japan) resulted in strong performance of overseas business

[China] Strengthened marketing activities and channel/brand portfolio resulted in solid sales growth

- **Mamonde:** Accelerated store expansion and increased sales of hit products(BB cream) led to an expanded customer base and brand experiences / Tapping on new channels(Home shopping, Internet etc)
- **Laneige:** Reinforced brand concept through store renewals and marketing activities / Improved store efficiency and strengthened profitability through strong sales growth of hit products and penetration into new channels
- **Sulwhasoo:** On-line/magazine advertising and VIP marketing resulted in strengthened brand recognition / Sales growth behind opening new counters and launching new lines
- **Innisfree:** Accelerated growth through marketing activities and successful store expansion

[France] Decreased sales due to the economic downturn / Operating loss due to one off cost related to the restructuring of organization and distribution channel (KRW 11bn)

[US] Expanded coverage of distribution channel and district led to solid sales growth with profitability improvement

- **AP:** Increased volume growth thanks to the improved same store sales growth, Store expansion (Nordstrom) and penetration into online channel
- **Amore shop:** Extended business to new regions such as China town / Continued sales growth thanks to the improved same store sales growth

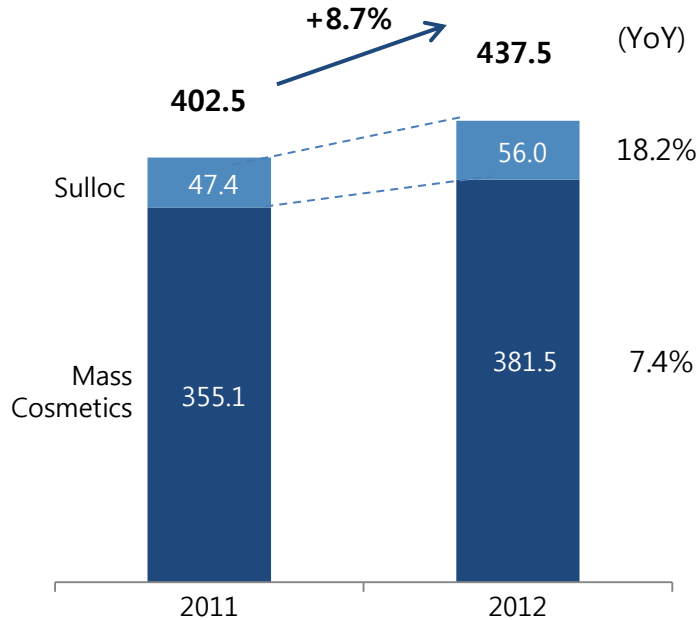
[Asia] Secured growth of drivers through new brand launches and store expansion

- Launching 'Sulwhasoo' brand targeting luxury segment(Singapore, Taiwan, Thailand)
- Expanded Hong Kong business with 'Etude' brand
- Improved brand awareness through TV advertising/ Increased same store sales growth driven by strong sales of hit products and store expansion of 'Laneige' brand (Malaysia +64%, Singapore +111%, Taiwan +21%)
- Strong sales growth(+50%) in Japan behind by solid performance of 'Etude brand and penetration into new channels such as CVS, Drugstore and Home shopping / Improved efficiency of existing business

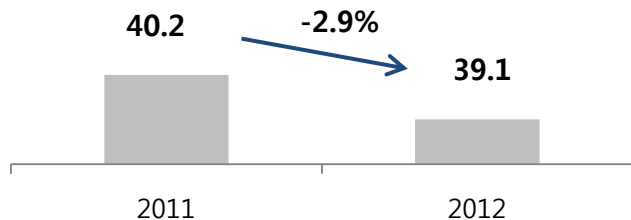
2. Earnings by Division _ MC&S (3/3)

- Sales -

[KRWbn,%YoY]



- Operating Profit -



Sales of KRW 437.5bn (+9%), OP of KRW 39.1bn (-3%)

Increased sales of premium products and successful launch of functional new products led to strengthened market leadership

[MC] Robust sales growth thanks to new line launches and increased sales of hit products

- Expanded Premium functional product lines ('Mis-en-scene' Hello Bubble Foam Color, 'Ryoe' Jinsaengbo, 'Happy Bath' Perfume line) led to increased market share in the hair/body category
- Launch of channel exclusive product in CVS and Drugstore channel to meet customer demands('Mis-en-scene' Style Kiss for drugstore)
- Introduced a traditional herbal medicine brand, 'illi', that targets the premium body care segment

[Sulloc] Successful launch of premium functional products and strengthened customer interaction led to solid sales growth

- Solid sales growth of blended tea(O'Sulloc Blend) and functional products(Plus line)
- Rapid sale growth in Department stores and tea house cafes on the strength of increased brand awareness which was achieved by increasing exposure to the Sulloc brand experience

[Operating Profit] Increased investments in launching a new brand and new lines resulted in decreased operating profits

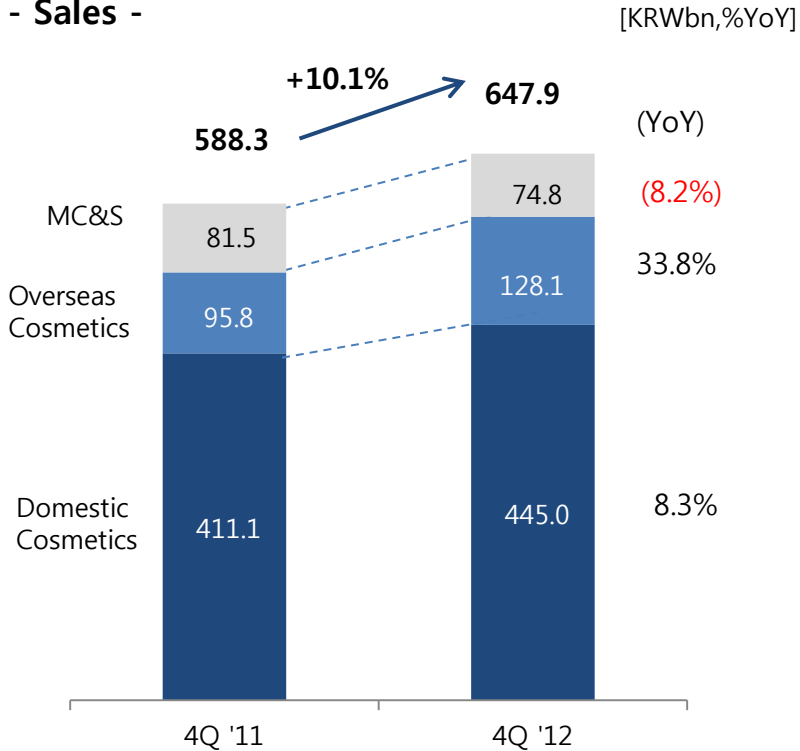
- Increased promotion costs due to intensified competition
- Investments in new brand('illi') and baby category caused an increase in marketing expenses

[Major brands performance]

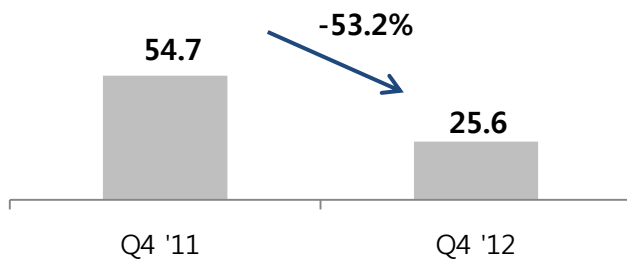


3. 4Q Earnings Summary

- Sales -



- Operating Profit -



Sales of KRW 647.9bn (+10%), OP of KRW 25.6bn (-53%)

Solid sales growth driven by diversified distribution channels and a balanced brand portfolio / Decreased operating profit due to the increased SG&A costs

[Domestic Cosmetics] Robust sales growth behind strong performance in Duty-free and On-line channels

- Due to the slow domestic economy and trading down trend, luxury channels (D2D and domestic Dep. store) showed slower growth
- Opening new counters for 'Mamonde' and 'Hera' brand in Duty-free channel / Launch of 'Verite' UV Multi Cushion in major Home shopping distributors led to strong sales growth of the On-line channel
- Weaker sales growth of luxury channel/ Increased ratio of cost of sales due to the strong sales of make-up products / Increased distribution commission resulted in weaker operating profit growth

[Overseas Cosmetics] Continued store expansion and brand introduction led to increased sales and enabled us to secure mid to long term growth momentum

- **China:** Solid sales growth continued through store expansion(+84) and improved store efficiency of the 'Laneige' brand but increased investments in new business(D2D, 'Innisfree', 'Sulwhasoo') decreased operating profits
- **Asean:** Launched 'Sulwhasoo' in Thailand (2) and 'Etude' in Hong Kong (1), Robust sales growth in Singapore backed by completion of equity acquisition of the 'Etude' brand (Malaysia +50%, Singapore +190%, Japan +46%)
- **France:** Increased one off costs due to the restructuring and inventory clearance

[MC&S] Decreased sales and operating profit due to the holiday season time lag, expenses carried forward and increased marketing investments

- **MC:** Decreased sales due to the government regulation on Hypermarket channel / Decreased operating profit due to increased promotions and advertising for 'illi' brand and costs carried forward in October
- **Sulloc:** Launch of 'Holiday Collection' and increased sales of premium products led to strong sales growth / Increased operating losses due to increased marketing activities on O'Sulloc tea house and new products

4. Financial Summary

Income Statement

[KRWbn]	2011		2012	
		%		%
Sales	2,554.7	100.0	2,849.5	100.0
Gross Profit	1,780.1	69.7	2,002.3	70.3
SG&A expenses	1,407.2	55.1	1,638.0	57.5
Operating profit	372.9	14.6	364.3	12.8
Non-operating Profit/Expenses	56.8		-3.6	
Profit before tax	429.6	16.8	360.6	12.7
Consolidated net income	327.3	12.8	268.4	9.4

Statements of Financial Position

[KRWbn]	2011. 12	2012.12
Assets	2,815.4	3,026.2
Current assets	753.7	8,04.2
Non-current assets	2,061.7	2,222.0
Liabilities	677.1	682.4
Current liabilities	426.0	4,17.2
Non-current liabilities	251.1	265.2
Shareholder's Equity	2,138.3	2,343.8
Capital stock	34.5	34.5
Additional paid-in capital	712.7	712.7
Capital surplus	7.7	7.8
Other components of equity	-1.8	-1.8
Accumulated other comprehensive income	-2.4	-12.0
Retained earnings	1,377.4	1,592.4
Non-controlling interest	10.2	10.2