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AMORE PACIFIC CORP.

AMOREPACIFIC Corporation 2Q 2020 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.

Revenue down 23.1% to KRW 2.2 trillion, Operating Profit down 65.0% to KRW 96.2 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	1H 2019	% of Revenue	1H 2020	% of Revenue	YoY(%)
Revenue	2,844.5	100.0	2,186.6	100.0	-23.1
Domestic	1,832.7	64.4	1,417.5	64.8	-22.7
Cosmetics	1,561.1	54.9	1,150.0	52.6	-26.3
Daily Beauty & Osulloc ¹⁾	271.5	9.5	267.4	12.2	-1.5 (LFL +9.4) ²⁾
Overseas	1,034.0	36.4	779.3	35.6	-24.6
Others*	-22.2		-10.2		
	1H 2019	OPM(%)	1H 2020	OPM(%)	YoY(%)
Operating Profit	274.4	9.6	96.2	4.4	-65.0
Domestic	203.0	11.1	137.1	9.7	-32.4
Cosmetics	193.6	12.4	117.6	10.2	-39.3
Daily Beauty & Osulloc ¹⁾	9.4	3.5	19.5	7.3	+107.8 (LFL +113.0) ²⁾
Overseas	66.0	6.4	-53.4	-6.9	Turned to Red
Others*	5.3		12.4		
Net Profit	179.3	6.3	73.7	3.4	-58.9

1) Excluded Revenue and OP of Osulloc from 2019.4Q, due to official launch of Osulloc as an independent corporation

2) LFL(Like-for-like): Comparable growth rate excluding impact of Osulloc as an independent corporation

* Others : Intercompany Transaction

Revenue down 24.2% to KRW 1.1 trillion, Operating Profit down 59.9% to KRW 35.2 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	2019 2Q	% of Revenue	2020 2Q	% of Revenue	YoY(%)
Revenue	1,393.1	100.0	1,055.7	100.0	-24.2
Domestic	891.9	64.0	656.7	62.2	-26.4
Cosmetics	771.7	55.4	531.4	50.3	-31.1
Daily Beauty & Osulloc ¹⁾	120.2	8.6	125.3	11.9	+4.2 (LFL +17.4) ²⁾
Overseas	512.1	36.8	405.4	38.4	-20.9
Others*	-10.9		-6.3		
	2019 2Q	OPM(%)	2020 2Q	OPM(%)	YoY(%)
Operating Profit	87.8	6.3	35.2	3.3	-59.9
Domestic	73.6	8.2	50.6	7.7	-31.3
Cosmetics	76.0	9.8	45.2	8.5	-40.5
Daily Beauty & Osulloc ¹⁾	-2.4	-2.0	5.4	4.3	Turned to Profit (LFL Turned to Profit) ²⁾
Overseas	20.1	3.9	-21.0	-5.2	Turned to Red
Others*	-5.9		5.7		
Net Profit	57.1	4.1	6.7	0.6	-88.2

1) Excluded Revenue and OP of Osulloc from 2019.4Q, due to official launch of Osulloc as an independent corporation

2) LFL(Like-for-like): Comparable growth rate excluding impact of Osulloc as an independent corporation

* Others : Intercompany Transaction

[COVID-19 Impact]

- Travel retail channel sales declined more than 40% YoY due to decrease in the international tourist arrivals. Other offline channels sales declined by double-digit
- Online channel continued strong growth and increased sales by 60% YoY

[Revenue and business activities]

Luxury

- Achieved strong online sales growth of 80% YoY. Sales declined in major offline channels such as travel retail, door to door and department stores
- Launched innovative products for key categories in each brand and improved customer responsiveness by launching hygiene and health care products
 - : 'Sulwhasoo' First Care Activating Serum Renewal, 'HERA' Sensual Spicy Nude Line, Youth Activating Cell Serum, I GLOW ME Collection
 - : 'Primera' Clean & Safe Sanitizer, Rolling Peeling Doubling Cleansing Balm, 'Vitalbeautie' Meta Green Slim
- Enhanced digital competency and strengthened e-commerce business by expanding digital platform coverage and increasing online exclusive product launches ('Hera' Sensual Spicy Nude Balm Raspberry Cacao, 'Primera' Rolling Peeling Doubling Cleansing Balm, 'Vitalbeautie' Meta Green Slim)

Premium

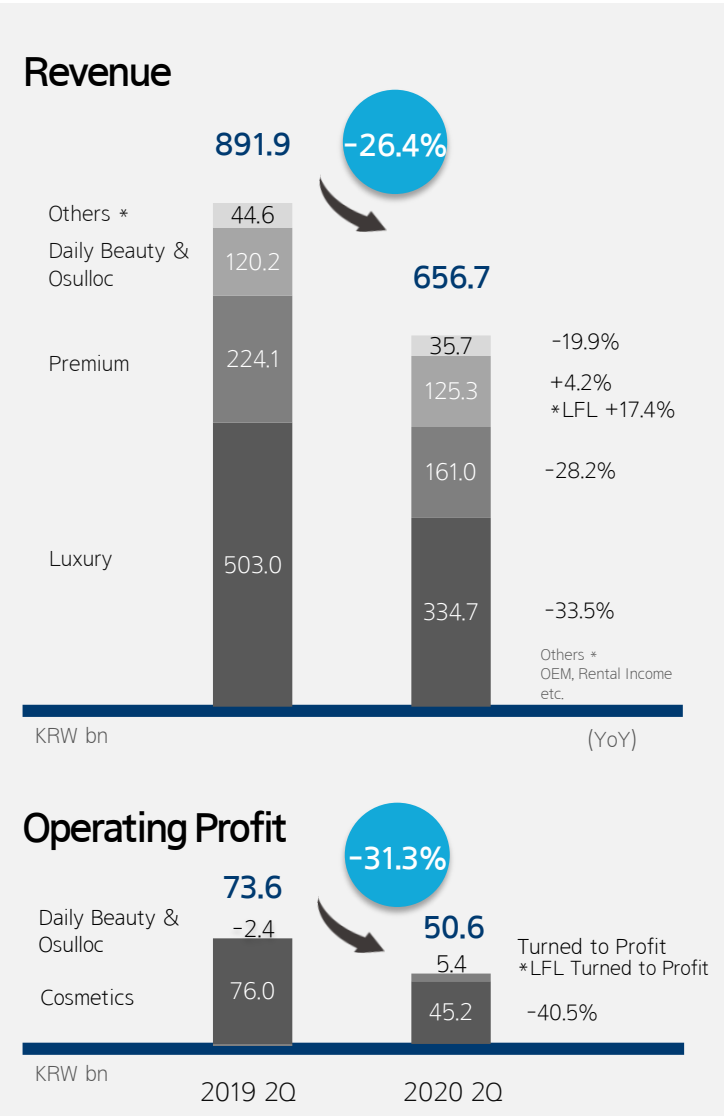
- Strengthened online sales growth and increased presence in multi-brand shop channels. Revenue decline continued for the ARITAUM channel
- Reinforced brand competitiveness by enhancing customer experience and launching innovative products
 - : 'Laneige' Neo Cushion, 'IOPE' Tailored 3D Mask/Serum, 'Mamonde' Blue Chamomile Soothing Repair Cream
 - : Opened future skin research center 'IOPE LAB' which provides personalized solution for customers
- Developed new growth drivers through launch of online exclusive brand 'Enough Project' and strong sales of lean startup brands ('CUBE ME', 'Bro & Tips')

Daily Beauty

- Strong sales growth continued in online channels by improving e-commerce channel competitiveness. Achieved solid sales growth for major brands such as 'Ryo', 'Mise-en-scène', 'Happy Bath'
- Improved customer responsiveness while increasing sales and new product launches of hair dye and cleanser categories
 - *New products: 'Mise-en-scène' Hello Cream, 'Happy Bath' Skin U Line, 'Illiyoon' Ceramide Ato Bubble Wash & Shampoo

[Operating Profit]

- Cosmetics: Declined due to sales decline in travel retail and offline channels
- Daily Beauty: Turned to profit from increased sales based on strong growth in online channel



[COVID-19 Impact]

- China: Less than 5% of offline stores were closed in April. Offline stores started normal operations from May.
- ASEAN: More than 90% of offline stores were closed in April. Malaysia and Thailand reopened stores from mid-May. All regions resumed normal operations except the Philippines as of the end of June
- Japan: More than 95% of offline stores were closed in April. Store closure rate gradually recovered from May and recorded 60% level. Less than 5% of offline stores were closed as of the end of June
- North America: More than 95% of offline stores were closed in April. Store closure rate came down to less than 20% as of the end of June
- Europe: 100% closed in April. Started limited operations from May. All stores resumed operations as of the end of June

[Revenue and business activities]

Asia

Luxury

- Strong online sales growth in China (More than 70%): Achieved solid performance in 618 event by strengthening sales of high-end anti-aging products such as Sulwhasoo 'Concentrated Ginseng Renewing Serum'
- Increased coverage of new growth channels: Sulwhasoo increased presence in Multi-brand shops (China, Thailand, Vietnam), Hera became available on Sephora online platform in Singapore

Premium

- Strengthened e-commerce business: Laneige 'Lazada Superbrand Day' event (ASEAN), Mamonde enhanced marketing contents to target Muslim consumers (Malaysia)
- Reorganized distribution channels: Restructured IOPE/Mamonde department store counters (China), increased presence of Laneige/Mamonde in multi-brand shops (Thailand, Malaysia)

Innisfree & Etude

- Innisfree: Conducted 'Green Tea Seed Serum #Hydrocket' global campaign, continued to restructure offline stores and entered new multi-brand shop platform (Greater China)
- Etude: Launched collaborative products '#HERSHEY's collection' and gained ground for margin improvement by restructuring offline channels in China and Singapore.

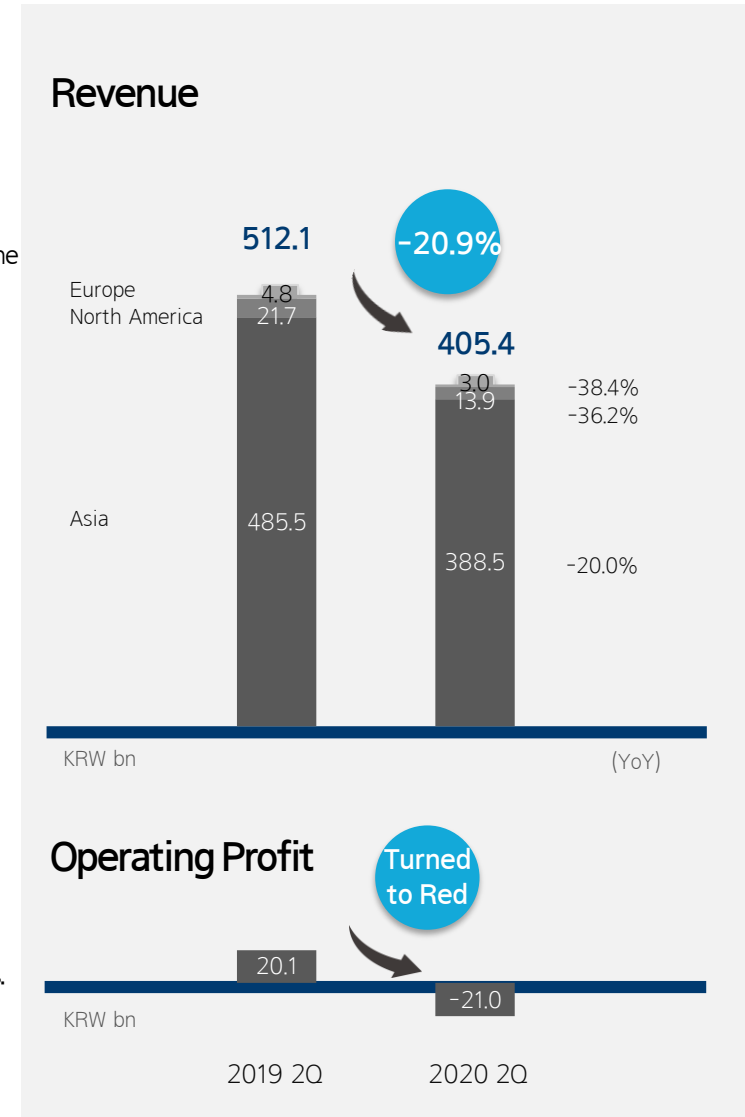
North America

- Despite total revenue decline due to offline store closures, online sales grew from digital centered marketing activities.

Europe

- Although total revenue declined due to temporary closure of offline stores, online sales grew by focusing on digital marketing and collaborating with multi-brand shops.

[Operating Profit] Turned to losses due to revenue decline from temporary closure of offline stores



Income Statement

Unit: KRW bn

	2019 2Q		2020 2Q	
Revenue	1,393.1	100.0%	1,055.7	100.0%
Gross Profit	1,019.7	73.2%	755.6	71.6%
SG&A Expenses	931.9	66.9%	720.4	68.2%
Operating Profit	87.8	6.3%	35.2	3.3%
Non-operating profit/Expenses	-5.6		-16.5	
Profit before Tax	82.2	5.9%	18.7	1.8%
Consolidated Net Income	57.1	4.1%	6.7	0.6%

Statement of Financial Position

Unit: KRW bn

	2019.12	2020.06
	Assets	5,989.0
Current Assets	1,803.1	1,641.4
Non-current Assets	4,185.9	4,148.0
Liabilities	1,490.2	1,278.3
Current Liabilities	1,066.6	912.9
Non-current Liabilities	423.6	365.4
Shareholder's Equity	4,498.8	4,511.2
Capital Stock	34.5	34.5
Additional Paid-in Capital	712.7	712.7
Capital Surplus	10.8	10.8
Other Components of Equity	-117.6	-117.6
Accumulated Other Comprehensive Income	-24.7	-16.3
Retained Earnings	3,873.8	3,886.5
Non-controlling Interest	9.3	0.7