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AMORE PACIFIC CORP.

AMOREPACIFIC Corporation 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 20.6% to KRW 4.4 trillion, Operating Profit down 66.6% to KRW 143 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	2019	% of Revenue	2020	% of Revenue	YoY(%)
Revenue	5,580.1	100.0	4,432.2	100.0	-20.6
Domestic	3,518.1	63.0	2,706.4	61.1	-23.1
Cosmetics	2,997.3	53.7	2,210.3	49.9	-26.3
DailyBeauty& Osulloc ¹⁾	520.7	9.3	496.1	11.2	-4.7 (LFL +3.5) ²⁾
Overseas	2,078.4	37.2	1,745.3	39.4	-16.0
Others*	-16.3		-19.6		
	2019	OPM(%)	2020	OPM(%)	YoY(%)
Operating Profit	427.8	7.7	143.0	3.2	-66.6
Domestic	319.5	9.1	117.2	4.3	-63.3
Cosmetics	316.2	10.5	112.5	5.1	-64.4
DailyBeauty& Osulloc ¹⁾	3.3	0.6	4.6	0.9	+41.2 (LFL +47.3) ²⁾
Overseas	104.0	5.0	17.9	1.0	-82.8
Others*	4.4		8.0		
Net Profit	223.8	4.0	21.9	0.5	-90.2

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]

- Offline channel sales declined by double digit due to decrease in customer traffic and shortened operation hours
 - : Domestic travel retail sales declined due to decrease in international tourist arrivals
 - : Overseas travel retail sales trend recovered since second half of the year
- Online sales showed strong growth (+50%) by expanding coverage of digital channels, launching channel exclusive brands/products, strengthening platform marketing via live commerce

[Revenue and business activities]

Luxury

- Achieved strong growth in online channel through strengthening relationships with digital platforms. Offline sales declined due to COVID-19 and channel reorganization
- Strengthened product competitiveness by enhancing key categories in each brand
 - : [Sulwhasoo] Strengthened high-functional luxury brand equity through renewal of 'First Care Activating Serum' and increasing product portfolio of 'Concentrated Ginseng Line'
 - : [Hera] Expanded customer base with strong sales of 'Sensual Lipstick Line'. Strengthened face make-up portfolio through launch of 'Glow Lasting Foundation/Cushion'
 - : [Vitalbeautie] Enhanced customer responsiveness to inner beauty needs ('Meta Green' sales ranking #1 in diet category increased sales of 'Super Collagen' in e-commerce channel)
- Strengthened brand portfolio by launching new brand 'SIENU'

Premium

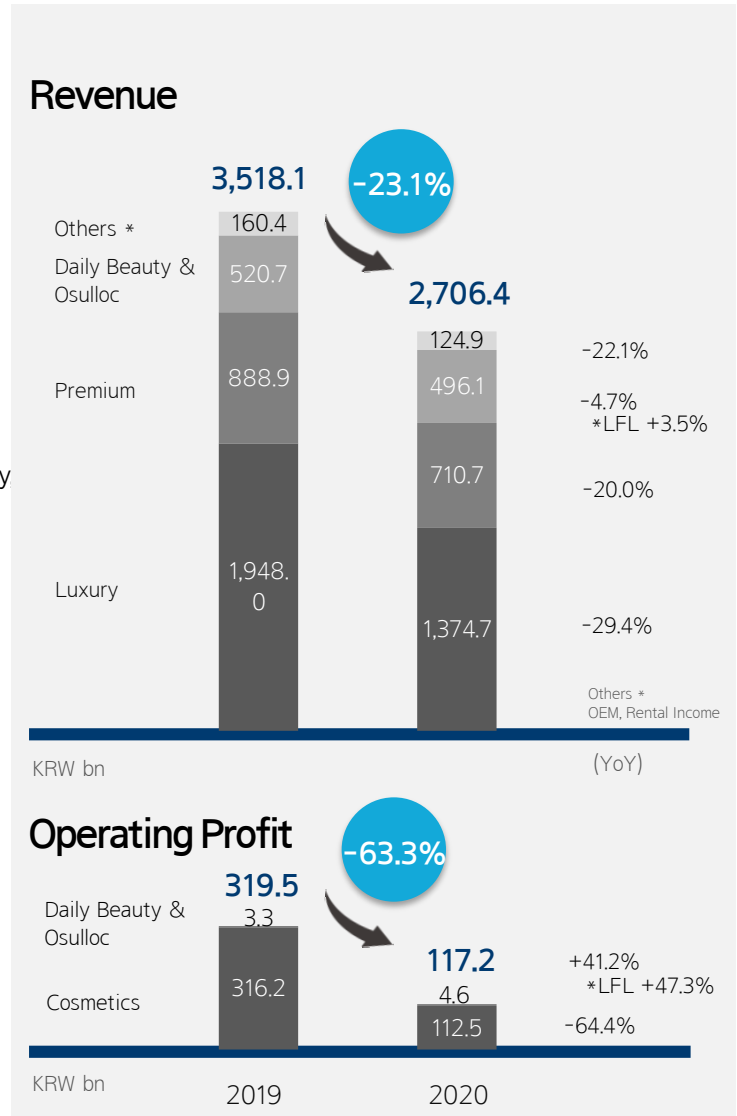
- Achieved strong online sales growth by diversifying digital marketing. Despite decline in offline sales, enhanced diversified customer experience per channel
- Reinforced brand leadership in innovative products by launching distinctive, trend-leading products
 - : [Laneige] 'Neo Cushion' sales exceeded 13 bn KRW., 'Phyto-Alexin' engaged customers in full participation of the whole production and crowd funding
 - : [IOPE] Strengthened lab-based high-functional skincare brand identity by launching 'Retinol Expert', improving the expertise of future skin research center 'IOPE Lab', winning CES 2020 Innovation Award for 'Tailored 3D Mask'
- Expanded revenue for new growth driving brands ('CUBE ME', 'Bro&T!ps', 'BE READY', 'Holitual', 'SOON+') by enhancing responsiveness of segmented customer needs

Daily Beauty

- 'Misè-en-scène', 'Happy Bath', 'Illiyoon' drove overall sales. Enhanced digital marketing led to solid online sales growth
- Secured growth momentum of major brands by focusing on key products/categories ('Ryo' Hair Loss Care, 'Misè-en-scène' Hello Bubble, 'Happy Bath' Micro Micellar, 'Illiyoon' Ceramide Ato)
- Strengthened premium haircare portfolio by launching new brand 'LABO-H' and expanding new product/line ('Misè-en-scène' Salon Plus Clinic 10, 'Happy Bath' Skin U Line)

[Operating Profit]

- Cosmetics: Declined due to sales decline in travel retail, offline channels and recognition of one off personnel expense
- Daily Beauty: Improved as a result of strong sales growth from the online channel



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

[COVID-19 Impact]

- Offline sales declined due to temporary closures, social distancing measures and decline in international tourists
- Online sales continued strong growth by strengthening digital marketing and expanding coverage of digital channels

[Revenue and business activities]

Asia

Luxury

- Strengthened anti-aging product competitiveness of Sulwhasoo: 'Concentrated Ginseng Rescue Ampoule' (China), 'Timetreasure Honorstige Line' (Thailand)
- Strong online sales growth in China (More than 90%): Achieved solid performance in T-mall Sulwhasoo 'Super Brand Day', 618 Event and Singles' Day
- Expanded customer base of new growth regions: Launched Sulwhasoo in 'Shopee' (Thailand/Indonesia) and Hera in 'Sephora' (Singapore), introduced Sulwhasoo in 'Nykaa' (India)

Premium

- Strengthened innovative product category: Laneige 'Radian-C Cream', 'Perfect Renew Line' renewal, Mamonde 'Age Control Line' renewal launch
- Strengthened e-commerce business: Laneige participated in T-mall/Lazada 'Super Brand Day' event (China/ASEAN), Mamonde expanded coverage in social/live commerce
- Reorganized distribution channels: Restructured IOPE/Mamonde department store counters (China), increased presence of Laneige/Mamonde in multi-brand shops

Innisfree & Etude

- Innisfree: Reorganized offline stores, entered new multi-brand shops (China), strengthened high-functional product competency by launching 'Black Tea Youth Enhancing Ampoule' (China)
- Etude: Gained ground for margin improvement by restructuring offline channels (China/Singapore), increased brand attractiveness by launching collaborative products '#Hershey's Collection'

North America

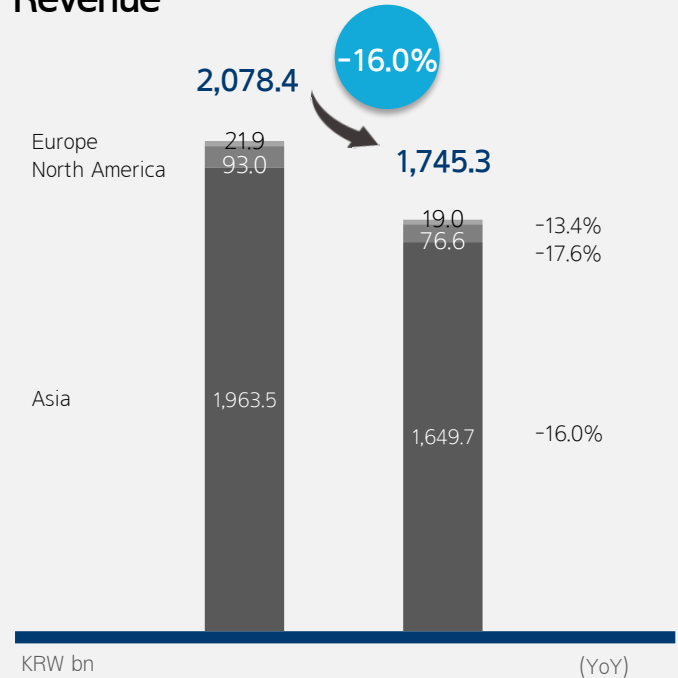
- Despite total revenue decline due to decrease in offline demand and restructuring of Innisfree roadshops, achieved strong growth in online channels for major brands
- Enhanced brand attractiveness by strengthening responsiveness to multi-brand shops and online channels : Sulwhasoo entered Sephora's on/offline platform, Laneige launched Sephora exclusive product 'Lip Sleeping Mask'

Europe

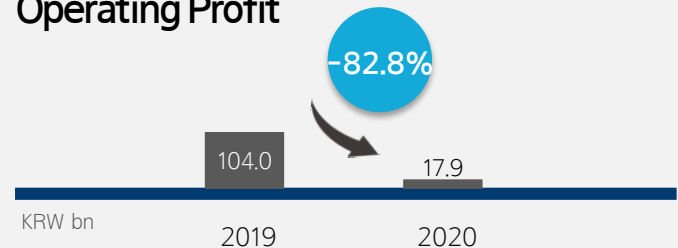
- Total revenue declined due to temporary closure of offline stores and closure of Sulwhasoo department store counter Laneige sales grew in online and multi-brand shop channels

[Operating Profit] Overall decreased due to decline in sales of offline channels, but North America/Europe business mitigated losses by focusing on profitability

Revenue



Operating Profit



Revenue down 13.3% to KRW 1.2 trillion, Operating Profit KRW -9.2 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	2019 4Q	% of Revenue	2020 4Q	% of Revenue	YoY(%)
Revenue	1,333.7	100.0	1,156.9	100.0	-13.3
Domestic	754.8	56.6	616.3	53.3	-18.3
Cosmetics	656.2	49.2	526.0	45.5	-19.9
Daily Beauty	98.5	7.4	90.4	7.8	-8.3
Overseas	557.9	41.8	542.8	46.9	-2.7
Others*	21.0		-2.2		
	2019 4Q	OPM(%)	2020 4Q	OPM(%)	YoY(%)
Operating Profit	45.9	3.4	-9.2	-0.8	Turned to Red
Domestic	33.6	4.4	-56.0	-9.1	Turned to Red
Cosmetics	48.7	7.4	-30.5	-5.8	Turned to Red
Daily Beauty	-15.1	-15.3	-25.5	-28.2	Continued Losses
Overseas	3.2	0.6	51.6	9.5	+1535.8
Others*	9.2		-4.8		
Net Profit	-57.9	-4.3	-58.9	-5.1	Continued Losses

* Others : Intercompany Transaction

[Revenue and business activities]

Domestic Business

Cosmetics: Offline channel sales declined. Online continued growth through strengthened relationships with digital platforms

- Sales declined due to double digit decline in domestic travel retail and other offline channels
Overseas travel retail sales continued double digit growth mainly from Greater China
- Online sales grew by launching e-commerce(Naver, 11st, Kakao) exclusive products and increasing live streaming shows
- Strengthened customer experience by developing innovative products based on customer communication and diversifying brand experiences
: Launched Laneige 'Phyto-Alexin' (Customer co-creation), opened 'Amore Gwanggyo' refill station, operated on/offline 'Sulwha Cultural Exhibition'

Daily Beauty: Sales declined due to decline in offline set products (from recognition difference of Chuseok holiday)
Continued online sales growth by increasing e-commerce channel competitiveness

Overseas Business

Asia: Improved channel mix by expanding customer base of growing channels and increasing sales of online channels

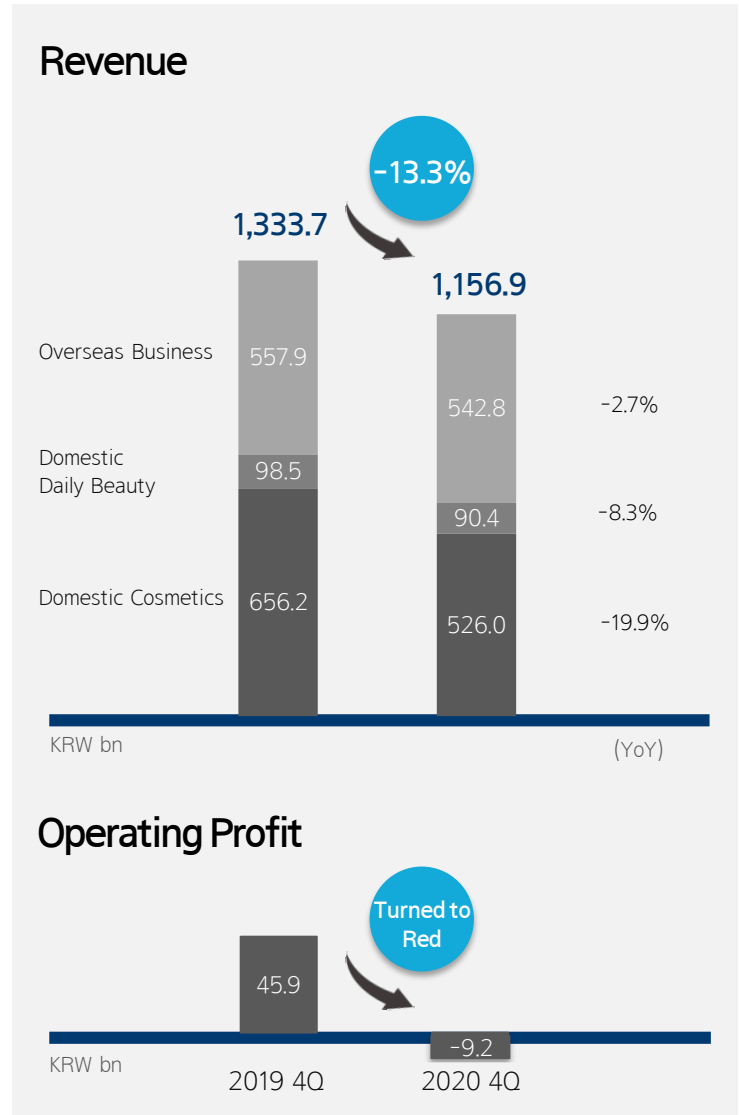
- Sulwhasoo: Achieved strong growth in China with online sales increasing more than 100%, strengthened high-end anti-aging line competitiveness by launching 'Concentrated Ginseng Rescue Ampoule' (China)
- Laneige: Expanded point of sales by increasing presence in Multi brand shop channels (China, Philippines, Vietnam), launched 'Neo Cushion' and improved brand competitiveness (Philippines)
- Mamonde: Sales grew by focusing on functional 'Age Control' line (China), increased presence in Multi brand shop channels (China, Thailand)
- Innisfree: Expanded point of sales of growing channels (India, Vietnam), online sales of China grew more than 10% by focusing on 'Black Tea Youth Enhancing Ampoule'
- Etude: Focused on profitability by accelerating channel reorganization in China and ASEAN market

North America: Revenue decreased due to temporary closure of major offline channels and restructuring brand offline stores

Europe: Despite sales decline due to weak tourist demand, total Europe business grew from strong performance of Laneige

[Operating Profit]

- Domestic: Turned to losses due to recognition of one off personnel expense
- Overseas: Improved by focusing on profitability and improving channel mix



Income Statement

Unit: KRW bn

	2019		2020	
	Value	Ratio	Value	Ratio
Revenue	5,580.1	100.0%	4,432.2	100.0%
Gross Profit	4,079.6	73.1%	3,166.8	71.4%
SG&A Expenses	3,651.8	65.4%	3,023.8	68.2%
Operating Profit	427.8	7.7%	143.0	3.2%
Non-operating profit/Expenses	-57.2		-117.7	
Profit before Tax	370.6	6.6%	25.3	0.6%
Consolidated Net Income	223.8	4.0%	21.9	0.5%

Statement of Financial Position

Unit: KRW bn

	2019.12	2020.12
	Assets	5,989.0
Current Assets	1,803.1	1,825.7
Non-current Assets	4,185.9	3,876.2
Liabilities	1,490.2	1,237.5
Current Liabilities	1,066.6	968.2
Non-current Liabilities	423.6	269.4
Shareholder's Equity	4,498.8	4,464.4
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	-20.3
Retained Earnings	3,873.8	3,847.7
Non-controlling Interest	9.3	-3.5