

# AMOREPACIFIC GROUP

## **2012 Earnings Release**

---

AMOREPACIFIC GROUP IR

'13. 02. 07

-Contents-

1. Earnings Summary
2. Earnings by Subsidiary
  - 2.1. Cosmetics
  - 2.2. Non-Cosmetics
3. Financial Summary

---

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 Group has adopted the K-IFRS since 2011.**

# 1. Earnings Summary

**Sales up 12% to KRW 3,431.7bn, OP up 3% to KRW 449.1bn**

- Robust sales growth driven by the strong performance of cosmetics subsidiaries and accelerated overseas business expansion
- Slower profit growth due to the decrease in operating profits of AMOREPACIFIC

## Sales and Profits

[KRW bn]

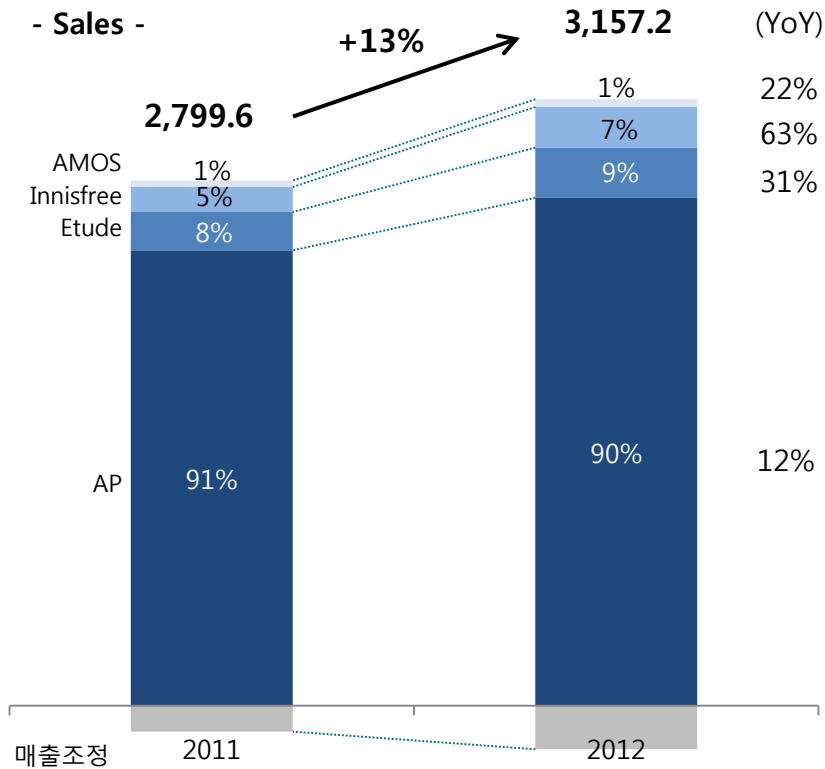
	2011	(%)	2012	(%)	Y on Y(%)
<b>Sales</b>	<b>3,058.5</b>	<b>(100.0)</b>	<b>3,431.7</b>	<b>(100.0)</b>	<b>12.2</b>
Cosmetics*	2,799.6	(91.5)	3,157.2	(92.0)	12.8
Non-Cosmetics	259.0	(8.5)	274.6	(8.0)	6.0
<b>Operating Profit</b>	<b>434.7</b>	<b>(14.2)</b>	<b>449.1</b>	<b>(13.1)</b>	<b>3.3</b>
Cosmetics	422.2	(15.1)	436.2	(13.8)	3.3
Non-Cosmetics	12.5	(4.8)	12.8	(4.7)	2.4
<b>Consolidated Net Profit</b>	<b>376.2</b>	<b>(12.3)</b>	<b>345.7</b>	<b>(10.1)</b>	<b>-8.1</b>

\* Intercompany transaction is included in Cosmetics subsidiaries

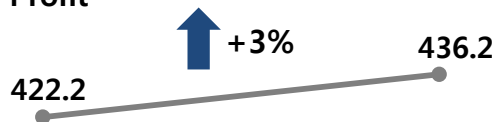
## 2. Earnings by Subsidiary (1/3)

### - Cosmetics -

#### - Sales -



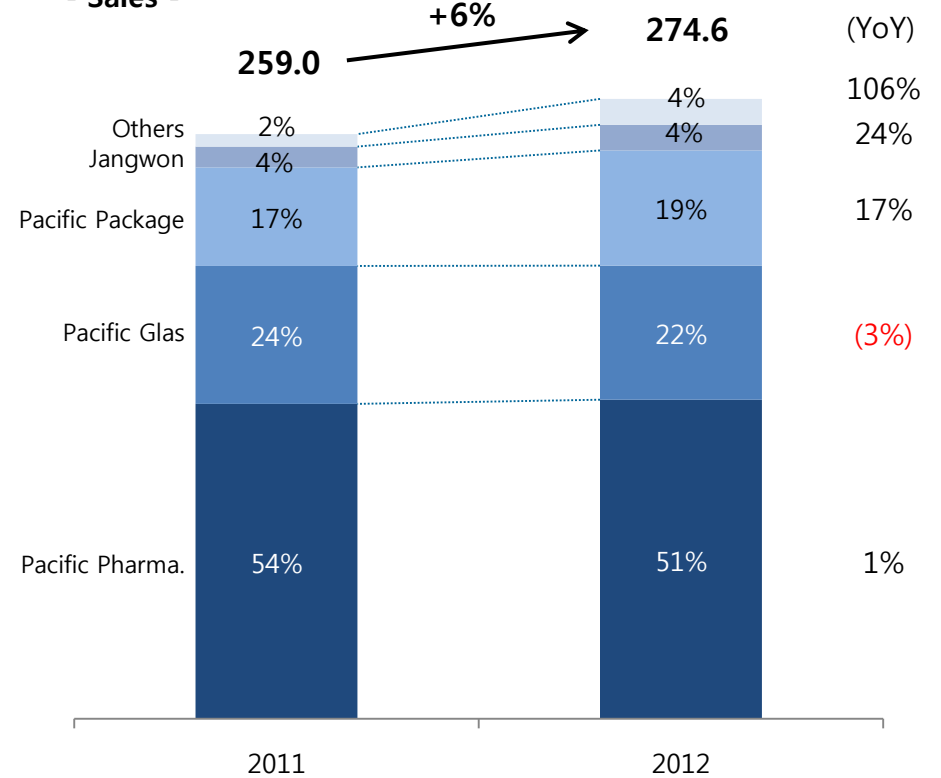
#### - Operating Profit -



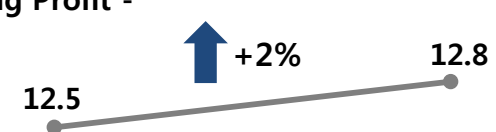
### - Non-Cosmetics -

[KRW bn / %YoY]

#### - Sales -



#### - Operating Profit -



\* Intercompany transaction is included in Cosmetics subsidiaries

## 2. Earnings by Subsidiary \_ Cosmetics (2/3)

[KRW bn]	AMOREPACIFIC _Consolidated		Etude	
	2011	2012	2011	2012
<b>Sales</b>	<b>2,554.7</b>	<b>2,849.5</b>	<b>214.8</b>	<b>280.5</b>
GP	1,780.1	2,002.3	126.8	161.3
SG&A	1,407.2	1,638.0	107.2	137.9
<b>OP</b>	<b>372.9</b>	<b>364.3</b>	<b>19.6</b>	<b>23.4</b>

[KRW bn]	Innisfree		AMOS Professional	
	2011	2012	2011	2012
<b>Sales</b>	<b>140.5</b>	<b>229.4</b>	<b>34.8</b>	<b>42.6</b>
GP	97.1	162.4	18.6	23.2
SG&A	78.3	126.2	10.9	13.5
<b>OP</b>	<b>18.8</b>	<b>36.3</b>	<b>7.7</b>	<b>9.7</b>

### [AMOREPACIFIC] Sales +12%, OP -2%

- Strong sales growth due to increase in launches of innovative products and aggressive overseas expansion
- Slight decrease in operating profits due to 1) Decrease in luxury consumption 2) Increase in marketing expenditure 3) Increase overseas expansion costs 4) One-off costs related to the restructuring of our France subsidiary (KRW 11bn)
  - **[Growth by division]** Domestic Cosmetics +8%, Overseas Cosmetics +35%, MC&S (Personal Care & Green Tea) +9%
- **Domestic Cosmetics:** Increase in new customers and strong sales growth driven by launches of hit products (cushion type) and new products that are affordably priced
- **Overseas Cosmetics:** Continued aggressive expansion in China, ASEAN, US and Japan and achieved high growth
- **MC&S:** Increased market leadership and market share in major categories due to growth of premium products and launches of functional lines

### [Etude] Sales +31%, OP +20%

- Increased brand awareness by launching innovative new products(3 step mascara, heart blusher) and by strengthening our core brand identity('Princess')
- Increased domestic channel coverage through store expansions (116) and launches of hit products (Pearl BB, Dear Darling Tint) helped drive robust domestic growth
- Aggressive overseas expansion : Entered the Hong Kong market and opened 7 new stores in Japan

### [Innisfree] Sales +63%, OP +93%

- Increase in new customers driven by increased sales of high margin products (wrinkle spot essence) and hit products(volcanic pore clay, green tea mist) and also by launches of new products (skinny mascara)
- Increased brand awareness by conducting CSR activities and by strengthening our core brand identity ('Jeju')
- High growth achieved through aggressive domestic store expansions (165) and by increasing sales of existing stores through interior renewals
- Began overseas business by successfully opening 5 stores in China

### [AMOS Professional] Sales +22%, OP +26%

- Increased market share through solid growth in all categories (25.9%→31.0%)
- Increased profitability by implementing a new cost management process and by increasing SG&A efficiency

## 2. Earnings by Subsidiary \_ Non-Cosmetics (3/3)

[KRW bn]	Pacific Pharma.		Pacific Glas	
	2011	2012	2011	2012
<b>Sales</b>	<b>1,39.5</b>	<b>1,41.2</b>	<b>61.1</b>	<b>59.4</b>
GP	58.8	53.1	8.8	4.8
SG&A	52.9	46.2	4.5	4.7
<b>OP</b>	<b>5.9</b>	<b>6.9</b>	<b>4.2</b>	<b>0</b>

### [Pacific Pharma.] Sales +1%, OP +17%

- Increased both sales and operating profit despite drug price reductions by focusing sales efforts on high margin products
- Created a platform for future growth by launching a new cosmeceutical brand ('Aestura') in our Medical Beauty business and by increasing the production of functional foods
- Strong growth of operating profits through cost reduction activities such as increasing promotion efficiency

### [Pacific Glas] Sales -3%, OP -98%

- Decreased sales due to less orders from advanced markets (US, Europe, Japan etc.) caused by the slowdown in the global economy (exports account for around 23% of sales)
- 5.2% growth in domestic sales through continuous quality improvements

[KRW bn]	Pacific Package		Jangwon Industry	
	2011	2012	2011	2012
<b>Sales</b>	<b>43.6</b>	<b>51.1</b>	<b>9.2</b>	<b>11.4</b>
GP	6.3	8.3	2.9	3.5
SG&A	3.5	4.0	2.1	2.1
<b>OP</b>	<b>2.8</b>	<b>4.4</b>	<b>0.9</b>	<b>1.5</b>

### [Pacific Package] Sales +17%, OP +57%

- Strong sales growth driven by increase in orders
- High profit growth driven by increased operational efficiency (implementation of a Manufacturing Execution System in the 2<sup>nd</sup> quarter) and continuous cost reduction activities

### [Jangwon Industry] Sales +24%, OP +68%

- Increase sales to external parties (supply contract with Starbucks) and launch of a new business (ginseng) drove strong sales growth
- High profit growth driven by strong sales and cost reduction activities

### 3. Financial Summary

#### Income Statement

[KRW bn]	2011		2012	
		%		%
<b>Sales</b>	<b>3,058.5</b>	<b>100.0</b>	<b>3,431.7</b>	<b>100.0</b>
Gross Profit	2,097.9	68.6	2,417.8	70.5
SG&A expenses	1,663.2	54.4	1,968.7	57.4
<b>Operating Profit</b>	<b>434.7</b>	<b>14.2</b>	<b>449.1</b>	<b>13.1</b>
Non-Operating Profit/Expenses	75.5		20.3	
Profit before tax	510.2	16.7	469.4	13.7
<b>Consolidated Net Income</b>	<b>376.1</b>	<b>12.3</b>	<b>345.7</b>	<b>10.1</b>

#### Statements Financial Position

[KRW bn]	2011. 12	2012.12
<b>Assets</b>	<b>4,254.9</b>	<b>4,516.5</b>
Current assets	1,341.2	1,379.6
Non-current assets	2,913.7	3,136.8
<b>Liabilities</b>	<b>897.3</b>	<b>881.7</b>
Current liabilities	550.2	527.7
Non-current liabilities	347.1	354.0
<b>Shareholder's Equity</b>	<b>3,357.6</b>	<b>3,634.2</b>
Capital stock	44.5	44.5
Additional paid-in capital	673.1	673.1
Capital surplus	7.4	7.4
Other components of equity	-134.1	-134.5
Accumulated other comprehensive income	1.8	-2.5
Retained earnings	1,258.2	1,390.5
Non-controlling interest	1,506.8	1,655.8