



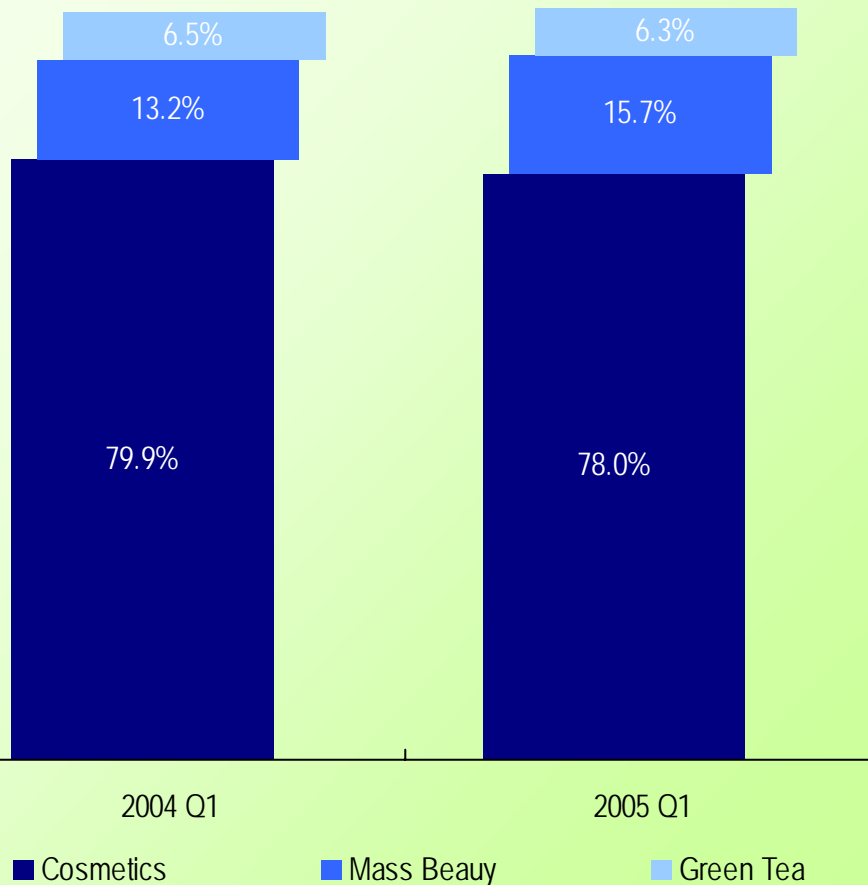
AMORE PACIFIC

2005 Q1 Results

Released April 28th 2005
(Last Revised May 11th 2005)
IR Department
(www.AMOREPACIFIC.co.kr)

Division Analysis

Sales Contribution by Division



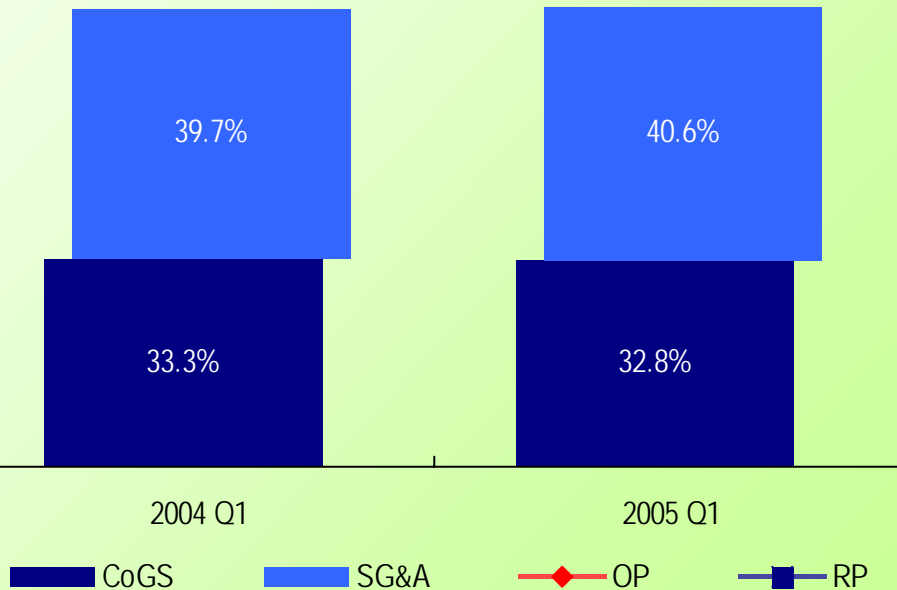
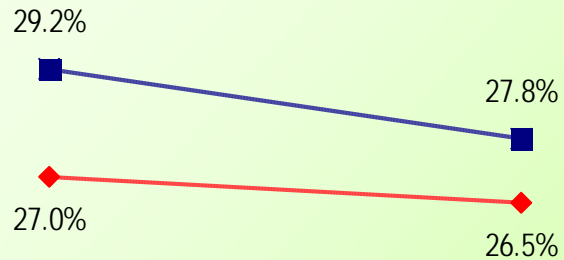
Comments

- ❖ **Cosmetics**
 - Decrease of cosmetics division's contribution to total sales mainly due to specialty channel's slackness
 - OP margin increased despite decrease in sales due to outstanding performance of the premium channels and the enhanced efficiency of promotion activities
- ❖ **Mass Beauty**
 - Sales contribution increased due to the satisfactory Lunar New Year results and the synergy effect of consolidating the hair care brands (mise en scene's 39% growth)
- ❖ **Green Tea**
 - Competition is intensifying as new and current players are implementing offensive promotion activities with relatively lower prices
 - Efforts to strengthen and maintain our premium image with focus on the high-quality green tea ingredients, and expansion of green tea cafeterias, o'sulloc
- ❖ The biochemical division with KRW 1.1 bn sales contribution in 2004 Q1 was disposed during 2004 2Q (not reflected in analysis)

	Cosmetics	Mass Beauty	Green Tea	TOTAL
Sales (In KRW bn)	245.0	49.4	19.6	314.1
Growth (yoy, %)	-1.3	20.4	-2.3	1.1
OP Margin (%)	30.7	11.1	13.8	26.5
Change (yoy, %p)	0.4	-2.0	-4.6	-0.5

Profitability Analysis

CoGS, SG&A, OP, RP versus Sales



Comments

❖ CoGS

- Cost structure improvement achieved by revamping the specialty channel
- High-priced masstige brands' contribution to sales increasing

❖ SG&A

- Enhanced efficiency of promotion activities, such as effective use of free samples (reduced promotion costs by 14.8%)
- Although not significant, increase in transportation and depreciation costs mainly due to changes in distribution methodology
- Commission has increased in line with the department store channel's performance

❖ RP

- Due to increased investment in overseas operations, equity method gains of KRW 3.1 bn could not offset the equity method losses of KRW 4.2 bn

% of Sales	2005 1Q	2004 1Q
Personnel	12.7%	12.3%
A&P	12.4%	13.3%
Commission	6.7%	6.2%
Transportation	1.5%	1.2%
Depreciation	2.0%	1.5%

Channel Analysis

- ❖ It is estimated that the cosmetics industry's first quarter performance has decreased 3% yoy
 - AMOREPACIFIC continues to gain market share by 0.5% point
- ❖ Specialty: Relative weak sales resulting from channel revamping efforts
 - 486 HUE Place stores as of April 28th 2005
- ❖ Discount: Introduction of additional brands assisting sales growth
- ❖ Department: Sulwhasoo continues to show promising results
 - Continuous market share gains despite the intensifying competitive environment
- ❖ Door to Door: Slower but sustainable growth
- ❖ Export: Sales increased by 70%, driven by 55% growth in Asian overseas operations

(In KRW bn)	2005 Q1	yoy(%)	2004 Q1
Specialty	39.1	-33.1	58.3
Discount	32.5	14.3	28.4
Department	46.4	13.0	41.1
Door to Door	113.9	5.8	107.7
Direct Sale	8.3	-16.1	9.9
Export	4.9	70.1	2.9

Financial Summary

B/S (In KRW bn)	2005 1Q	2004
Assets	1,209.1	1,194.0
<i>Current Assets</i>	479.5	475.6
<i>Non-Current Assets</i>	729.6	718.4
Liabilities	222.4	248.3
<i>Current Liabilities</i>	159.8	185.0
<i>Non-Current Liabilities</i>	62.6	63.3
Shareholder's Equity	986.6	945.7
<i>Capital</i>	51.0	51.0

P/L (In KRW bn)	2005 1Q	2004 1Q
Sales	314.1	310.6
Gross Profit	210.9	207.2
Operating Profit	83.3	84.0
Recurring Profit	87.4	90.7
Net Profit	63.9	65.5