



## 2007 2Q Results

**AMORE PACIFIC**  
CORPORATION

July 26, 2007

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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 organization structure, redefinition of accounting policies, etc., and may cause the actual results to differ from those stated or implied in this material.

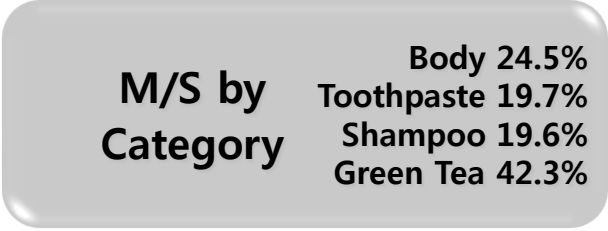
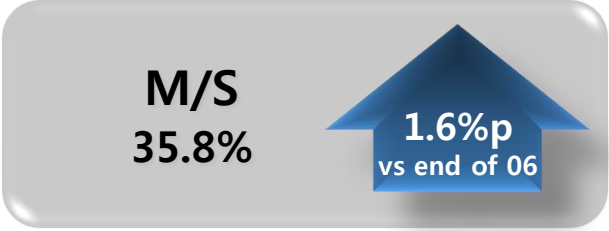
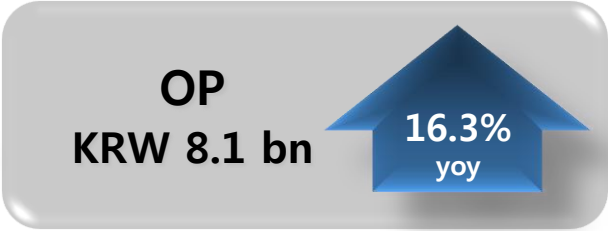
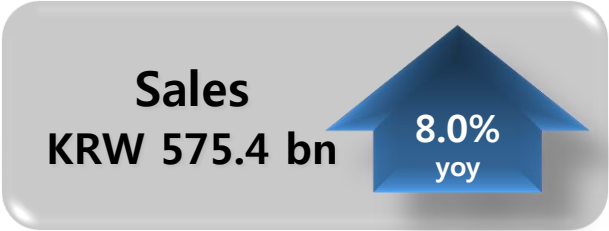
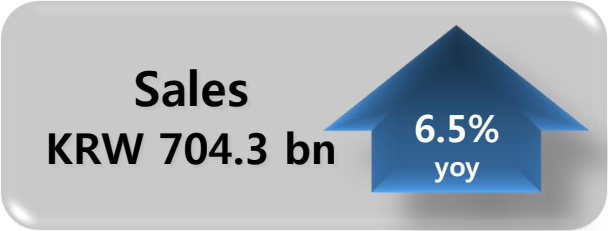
AMOREPACIFIC Corp. is a newly created company after the corporate restructuring in June 2006, and as AMOREPACIFIC Corp. continues the core business of the pre-demerger company, the information in this material is based on such operations, assuming no demerger for ease of comparison with the past data.

Continued market share gain with strong growth across major channels  
 Strengthening brands through market segmentation and new product launches  
 Enhancing profitability in Asia as China turns to black

**AMOREPACIFIC**

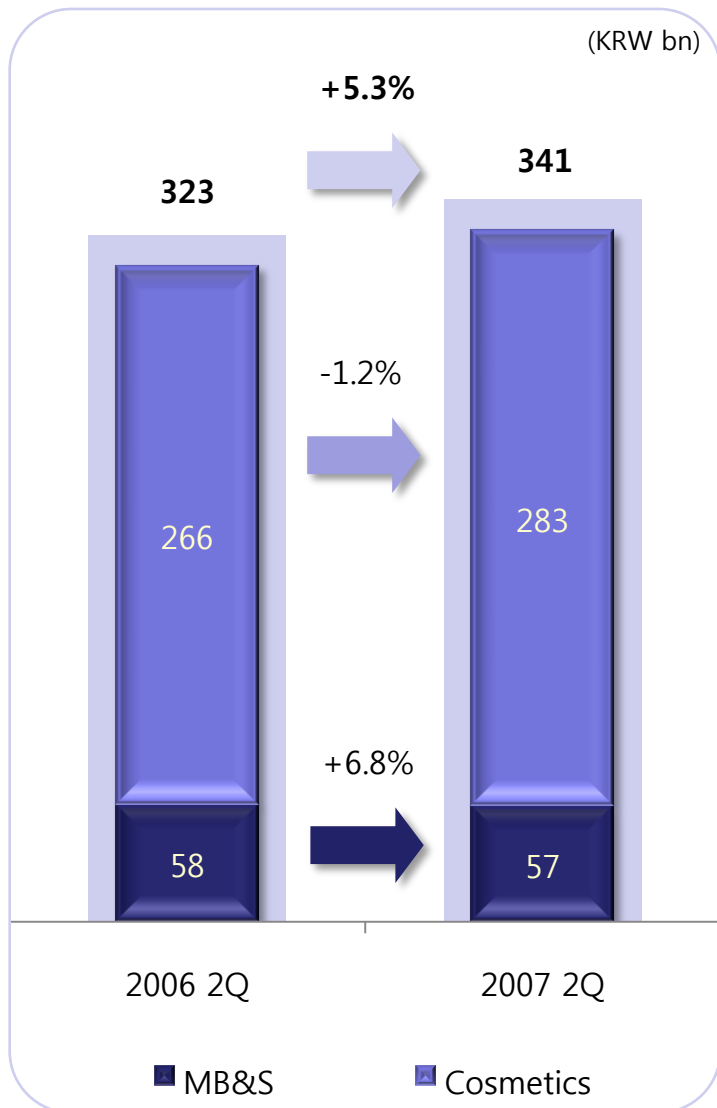
**Cosmetics**

**MB&S**



▶ 2007 2Q Sales by Division

▶ Comments



**Total sales of KRW 340.6 bn, +5.3% yoy**

**[Prestige Cosmetics: 57.4% of total sales, +6.4% yoy]**

**Growing demand for traditional herbal cosmetics (Sulwhasoo +11% yoy), expansion of men's and makeup categories (Hera men's +11% yoy, Hera makeup +29% yoy)**

- ▶ Door to door +5.2%: Focus on increasing the number of strong counselors, sales contribution of health supplements increasing with sales growth of +28% yoy
- ▶ Department store +11.5%: Independent counters for Sulwhasoo and Hera (11 locations), continuous expansion of Amorepacific brand counters (18 locations), M/S of 16.7%

**[Mass Cosmetics: 23.8% of total sales, +7.6% yoy]**

**Enhancing channel visibility by revamping distribution, high-functional and makeup products increasing sales contribution (Laneige makeup +27% yoy, Iope +32% yoy)**

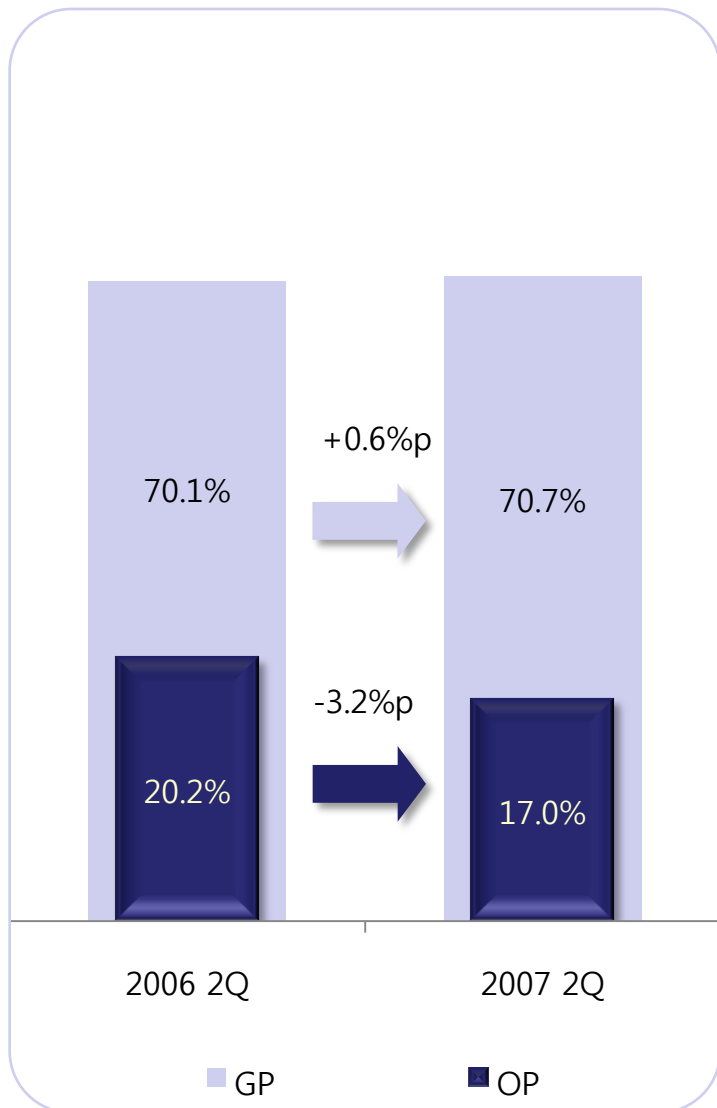
- ▶ Specialty store +23.4%: 940 HUE Place and 85 Innisfree stores enhancing competitiveness with 1H same store sales growth of +20% yoy, +17% yoy respectively
- ▶ Hypermarket +7.5%: Iope sales contribution increased to 50%, of total hypermarket sales, dealing directly with additional 37 stores (total of 212 stores)
- ▶ Internet & home shopping -46.1%: B2C structure set up (20 internet malls), discontinuation of certain brands for brand protection reasons

**[MB&S: 16.8% of total sales, -1.2% yoy]**

- ▶ Mise-en-scene and Happy Bath sales growth of +15% yoy and +10% yoy respectively
- ▶ Green tea's negative sales growth minimizing as restructuring of distribution nears end, focus on 100% green tea products

## ▶ 2007 2Q Profits

## ▶ Comments



### Operating profit of KRW 58.0 bn, -11.1% yoy

#### [GP margin +0.6%p yoy]

- ▶ Enhanced distribution structure, increasing sales contribution of high-functional cosmetics and premium personal care products
- ▶ Cosmetics sales contribution increased by +1.1%p (82.1% → 83.2%)

#### [SG&A, 53.8% of sales, +13.5% yoy]

- ▶ Marketing costs increased by +14% yoy due to focus on new product launches
- ▶ Commission expenses increased by +13% yoy due to strong performance in department stores and increased outsourcing of sales personnel
- ▶ For proper allocation of costs, portion of annual leave allowance, property tax, etc. are reflected in 2Q (KRW 5 bn)

(vs Sales)	2007 2Q	2006 2Q
Personnel	9.5%	8.9%
Marketing	18.6%	17.3%
Commission	11.5%	10.7%
SG&A	53.7%	49.9%

#### [OP Margin -3.2%p yoy]

(OP Margin)	2007 2Q	2006 2Q
Cosmetics	20.1%	24.5%
MB&S	1.6%	0.4%
Total	17.0%	20.2%

## [Prestige Cosmetics: Expanding customer base by strengthening men's and makeup categories]

- ▶ Hera's makeup sales up by +16% yoy
- ▶ Adding of new men's products assisted Hera men's expansion of customer base and sales growth of +13% yoy
- ▶ Sulwhasoo maintaining a leading position with M/S of 9.3% in department stores, 'Su Essence' achieved sales of KRW 12 bn in 3 months of launch
- ▶ Amorepacific's sales up by +50% yoy with continued department store counter expansion, plans to add 5 more to today's 18 counters in 2007 2H
- ▶ VB Program sales up by +20% yoy due to strong demand for vitamins and health foods with traditional herbal ingredients



## [Mass Cosmetics: Line expansion and value-added products assisting sales growth and profit enhancement]

- ▶ Successful launch of Laneige's premium makeup line, achieved sales of 1 million units in 1 month of launch, assisted in the brand's sales growth and HUE Place store's +20% yoy same store sales growth
- ▶ Laneige introduced its men's line to expand customer base
- ▶ Iope continues strong growth of +35% yoy by expanding its high-functional line with 'Super Vital' and 'Whitegen RXC'
- ▶ Innisfree renewed its store look, focusing on hit products, more than 200 thousand units of Olive line sold



## [MB&S: Enhancing brand awareness, expanding M/S]

- ▶ Personal care brands launching additional lines as Mise-en-scene, Happy Bath, and Median increases its sales by +11% yoy, +18% yoy, +8% yoy respectively

## ▶ 2007 Sales by Region

## ▶ Comments

**2007 1H overseas sales of KRW 84.1 bn, +10.7% yoy**

**[China: 37.3% of total overseas sales, +27.6% yoy]**

- ▶ NP reached KRW 1.6 bn, assisting the Asian business' NP of KRW 0.7 bn
- ▶ Mamonde sales grew by +134% with continued store expansion (609 specialty stores, 83 department stores)
- ▶ Laneige, with 120 department store counters, saw +18% sales growth

**[Asia ex-China: 20.3% of total overseas sales, +15.5% yoy]**

- ▶ Singapore and Honk Kong, strong sales growth of +37% yoy and +23% yoy respectively
- ▶ Sulwhasoo in Hong Kong, sales growth of +68% yoy
- ▶ In 2H, launching of Laneige in Russia, strengthening the Asian product portfolio with makeup and men's line for Laneige

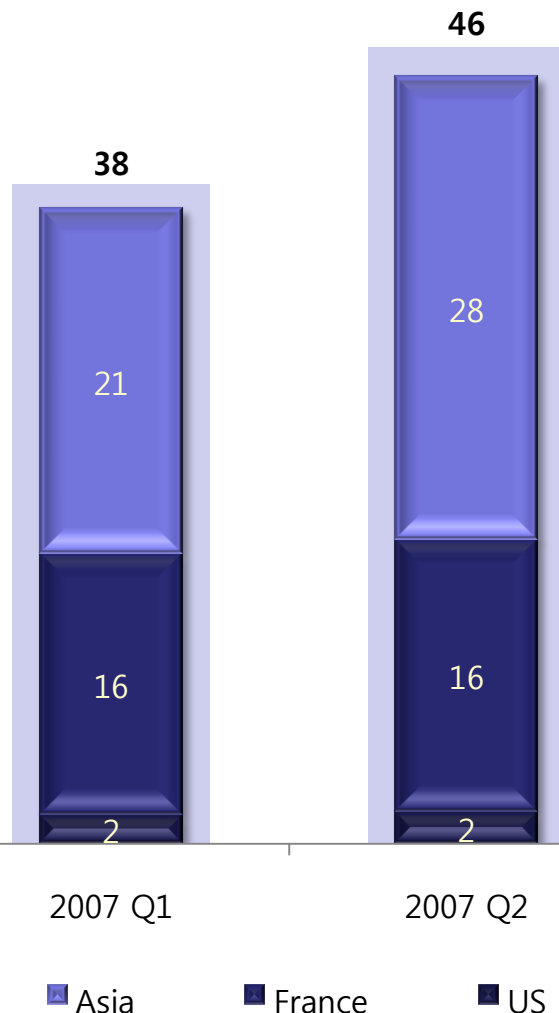
**[France: 38.1% of total overseas sales, -2.8% yoy]**

- ▶ Lolita Lempicka maintains a top position with M/S of 2.2%, top 4
- ▶ Soft landing of Lolita Lempicka L (second product), while Lolita Lempicka (first product) continues strong sales growth of +23.6% yoy
- ▶ In 2H, launching of Lolita Lempicka L's body line, expansion within the duty free channel

**[US: 4.3% of total overseas sales, -1.7% yoy]**

- ▶ Amorepacific sales growth of +33% yoy in 29 department stores
- ▶ 'AMORE Shop' restructuring

(KRW bn)



## ▶ Profit & Loss

(KRW bn)	2007 2Q		2006 2Q	
		%		%
Sales	340.6	100.0	323.4	100.0
Gross profit	240.8	70.7	226.7	70.1
Operating profit	58.0	17.0	65.2	20.2
Non-operating income	3.4		8.4	
Non-operating expense	6.3		7.3	
Recurring profit	55.1	16.2	66.3	20.5
Net profit	41.3	12.1	48.8	15.1

## ▶ Balance Sheet

(KRW bn)	2007 Jun.	2007 Mar.
Asset	1,200.0	1,135.5
Current asset	421.9	378.1
Non-current asset	778.1	757.4
Liability	319.1	296.0
Current liability	181.7	160.0
Non-current liability	137.4	136.0
Shareholder's equity	880.9	839.5
Capital	34.5	34.5
Capital reserve	712.7	712.7
Capital adjustment	-5.4	-5.5
Retained earnings	139.1	97.7





Asian Beauty Creator  
**AMOREPACIFIC**

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