



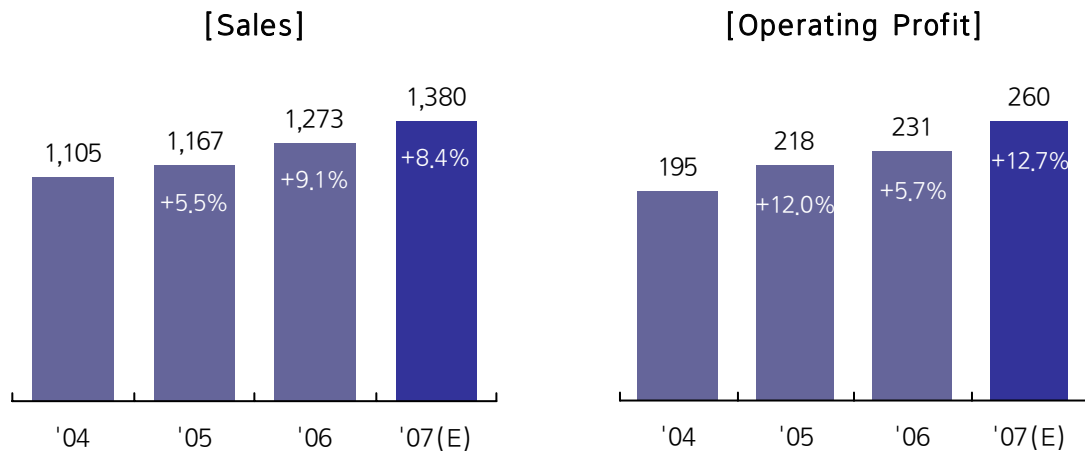
AMOREPACIFIC  
CORPORATION

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## AMOREPACIFIC INVESTOR REPORT

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(in KRW bn, results based on AMOREPACIFIC Corp., the post-demerger operating company)

FINANCIAL HIGHLIGHTS [KRW bn, %]	'06	'05	'04
Sales	1,273.0	1,166.5	1,105.3
Gross Profit	879.6	809.9	762.9
GP Margin	69.1%	69.4%	69.0%
Operating Profit	232.2	218.2	194.9
OP Margin	18.2%	18.7%	17.6%
Recurring Profit	225.3	240.1	212.3
Net Profit	161.8	166.2	149.9

DIVIDEND INFORMATION	'06	'05	'04
Dividend per Share (KRW)	4,500	3,000	2,400
Total Dividends (KRW bn)	31.1	28.9	23.8
Payout Ratio	19.2%	17.5%	15.9%

PERSONNEL AND R&D	'06	'05	'04
Number of Employees (Domestic)	3,154	3,128	3,084
Number of Employees (Overseas)	1,649	1,370	1,009
Number of R&D Patents	445	412	379
R&D Costs (vs Sales)	3.6%	3.5%	3.2%
Number of R&D Personnel	301	287	266

## Cosmetics Division: Sales of KRW 1,023 bn, a 12.4% yoy growth

- Building of a balanced brand portfolio to respond to the bipolarizing market and enhance the brands' values
  - ✓ Market segmentation, followed by diversifying the products and expanding product lines, led to more than 10% growth of all major channels with cosmetics sales exceeding KRW 1 tr
- Prestige Channels (Home Visit, Department Store)
  - ✓ With the well-being trend, products related to traditional herbal medicine and functional products saw strong growth
  - ✓ Enhanced channel competitiveness and growth sustainability by increasing the portion of superior home visit counselors
  - ✓ Sulwhasoo maintained a strong leading position, despite intensified competition in the department stores
- Mass Channel (Specialty Store, Hypermarket)
  - ✓ Enhanced market share by expanding Innisfree Herb Station (59 stores) and HUE Place (910 stores) stores
  - ✓ Major brands, including Ipe and Mamonde, expanded sales contribution with successful introduction of new products and added efforts in strengthening the brands' competitiveness

## MB&S Division: KRW 249.8 bn, a -2.4% yoy growth

- Combined MassBeauty division and Tea (Sulloc-cha) division in 2006 3Q
- Happy Bath and Mise en Scene enhanced market share by launching beauty-related functional products
- Tea division's sales dropped by more than 20% yoy due to channel revamping and intensified price competition

## Overseas 38% yoy growth (Affected in consolidated financials, disregards forex changes)

- French operations sales grew by 35% yoy (45% in Euro) with the launch of Lolita Lempicka L
- Asian sales, including China, grew by 50% with the Laneige counters increasing in number and enhancing its same store sales

## [2006 Sales by Division (KRW bn)]

Division	'06	(YoY)	'05
Cosmetics	1,023.2	12.4%	910.5
MB&S	249.8	-2.4%	256.0
Total	1,273.0	9.1%	1,166.5

## [2006 Sales by Channel]

Channel	Vs Sales	(YoY)
Home Visit	37.6%	12%
Department	15.8%	11%
Specialty	14.0%	17%
Hypermarket	8.6%	16%

## Operating Profit of KRW 232.2 bn, a yoy 6.4% growth

- Prestige channels maintaining high margins with continued sales growth
- Enhanced profitability in the mass channels with line extension of functional products and cost efficiency
- Specialty channel's profitability enhancement visualized with HUE Place stores stabilizing in the market
- The tea division's sales growth and profitability turned to the red with intensified price competition
- Marketing cost increased by 10.7% due to new product launches and efforts in strengthening brand equity

## Recurring Profit of KRW 225.3 bn, a yoy 6.2% decrease

- Interest income and equity method gains under the Holding company after the demerger
- One-time disposal gain of KRW 11.7 bn in 2005 2Q

## [2006 Operating Profit by Division]

Division	'06	Margin Δ	'05
Cosmetics	22.2%	-0.3%p	22.5%
MB&S	2.0%	-3.3%p	5.3%
Total	18.2%	-0.5%p	18.7%

## [2006 Costs vs Sales]

Costs	'06	'05
CoGS	30.9%	30.6%
SG&A	50.9%	50.7%
Personnel	16.3%	16.3%
Marketing	15.9%	15.8%
Commission	7.8%	7.9%

# 2006 4Q Performance & Financials Summary

## Sales of KRW 298.2 bn, 8.7% OP Margin

### Sales growth of 11.5% yoy

- Cosmetics division sales growth of 16.0%, MB&S -8.5%
- Home Visit and Department Store channels grew by 16% and 14% respectively, despite intensified competition
- Specialty Store and Hypermarket channels each grew by 23%

### Operating Profit growth of -8.3% yoy

- Commission increased by KRW 5.0 bn (18.3% yoy)
  - ✓ Department Store sales growth led to increase in department store commissions
  - ✓ Increase in design and management related consulting costs
- Property tax increased by KRW 2.6 bn (194.8% yoy) due to changes in property tax regulations
- Retirement payment increased by KRW 1.8 bn (44.6% yoy)

FINANCIAL HIGHLIGHTS [KRW bn]	'06 4Q		'05 4Q		'04 4Q	
Sales	298.2		267.5		233.1	
Operating Profit	25.9	8.7%	28.2	10.5%	13.1	5.6%
Recurring Profit	20.8	7.0%	26.7	10.0%	5.8	2.5%
Net Profit	13.8	4.6%	14.7	5.5%	5.2	2.2%

## 2006 Financials Summary

(KRW bn)	Profit & Loss			
	2006		2005	
Sales	1,273.0	(Margin)	1,166.5	(Margin)
Gross Profit	879.6	69.1%	809.9	69.4%
Operating Profit	232.2	18.2%	218.2	18.7%
Recurring Profit	225.3	18.2%	240.1	20.6%
Net Profit	161.8	12.7%	166.2	14.2%

(KRW bn)	Balance Sheet	
	2006.12	2006.6.1
<b>Assets</b>	1,113.5	944.7
Current	386.8	370.6
Non-current	726.7	574.1
<b>Liabilities</b>	315.8	201.6
Current	186.4	157.1
Non-current	129.4	44.5
<b>Owner's Equity</b>	797.7	743.1
Capital	34.5	34.5
Capital reserve	712.7	712.7
Retained earnings	56.1	0
Capital adjustment	-5.6	-4.1

- 2006 numbers based on AMOREPACIFIC Corp., the post-demerger operating company

## COSMETICS

2006 Sales: KRW 1,023.2 bn

2006 OP (Margin): KRW 227.1 bn (22.2%)

### “Nurturing Mega-Brands through Market Segmentation and Geographical Expansion”

- **Sulwhasoo:** Continuous research and development of Chinese herbal ingredients, launched the ‘Jin-Sul’ line targeting the high-end prestige consumers
- **Hera:** Brand renewed. The anti-aging ‘Kathano Cream’ recorded sales of KRW 20 bn in 8 months of launch
- **Amorepacific:** Increased number of counters at Nieman Marcus to 21 in the US, entered the Japanese market with 2 counters
- **Lolita Lempicka:** Launched Lolita Lempicka’s second fragrance ‘L’
- **iope:** Launched functional skincare line ‘Super Vital’
- **Laneige:** Brand renewed. Increased number of stores to 207 in Asia
- **Mamonde:** Increased number of hit products by enhancing quality and price satisfaction, continues stable sales growth
- **Innisfree:** Increased the number of Innisfree brand shops, ‘Olive Real Line’ recorded sales of KRW 0.1 bn in 2 months of launch



雪花秀



HERA  
HERA  
HOMME



AMOREPACIFIC



L  
de Lolita  
Lempicka



IOPE



LANEIGE



Mamonde  
Mamonde



innisfree

## MB&S (MassBeauty & Sulloc)

2006 Sales: KRW 249.8 bn

2006 OP (Margin): KRW 5.1 bn (2.0%)

- Personal care and Tea division unified, established MB&S division
- **Mise en Scene:** Expansion of value-added functional products such as ‘Pearl Shining Hair Serum’
- **Happy Bath:** The best-selling bodycare brand, with launching of the ‘Spa’ line, based on the product segmentation strategy
- **Sulloc-cha:** Integrated all products under one single brand, ‘Sulloc-cha,’ focusing on 100% pure green tea products, while building a premium brand image through the ‘o’sulloc’ tea house



mise  
scène  
미장센



HAPPY  
BATH



median



설록차



o'sulloc

## AMOREPACIFIC in 2007: Growth through Innovation, Sales Growth of 8%, OP Growth of 12%

### Cosmetics

- Enhance brand portfolio with strong brand equity and balanced growth in all channels
- Nurture mega-brands by developing hit products and enhancing brand values
- Develop makeup, men's, and functional products, and expand into new markets
- Focus on R&D of skincare and obesity related technology

### MB&S

- Continue introducing diversified value-added products
- Expect distribution synergy effects from combining of the two business divisions
- Enhance profitability and normalize green tea sales

### China & Asia

- Asian operations to reach BEP with continued sales growth
- Continue to adding department store counters for Laneige, expand Mamonde into the specialty channel in China
- Continue geographical expansion into new countries and regions

### France & the US

- Careful building of Lolita Lempicka and Amorepacific's brand image, develop new business opportunities

## Korean Cosmetics Industry: 2006 Review & 2007 Outlook

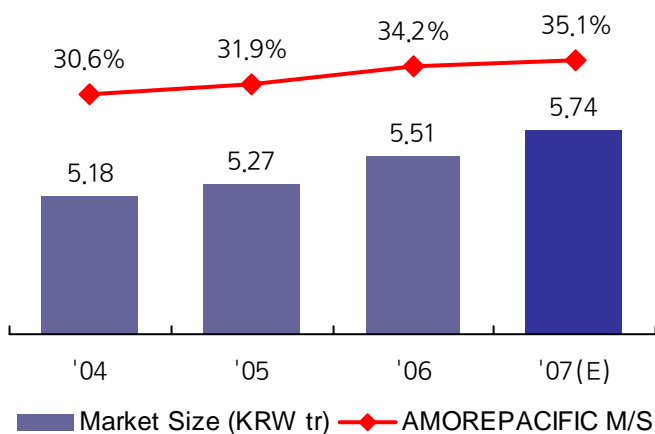
### 2006 Review

- Expansion of prestige and mass markets due to bipolarization, resulting in a harsh business environment for mid and small sized players
- Weakening of direct sales, stronger home visit due to new entrants
- Increasing attention for traditional herbal medicine cosmetics and organic skincare products
- Increasing interest in health and beauty with the well-being trend
- Increasing demand for prestige functional products due to the growth of the aging population
- Low-end market settling down with focus on daily cosmetics

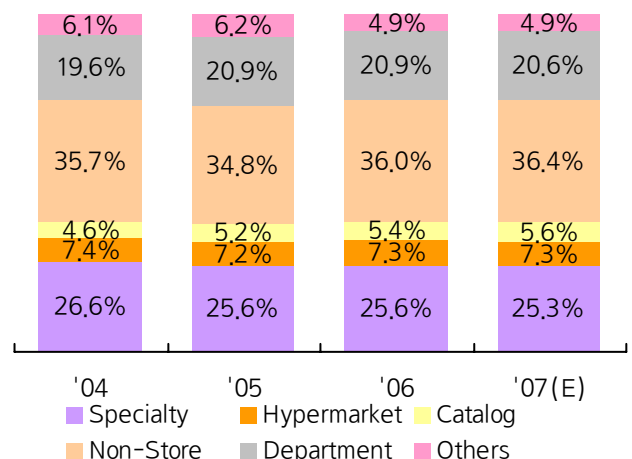
### 2007 Outlook

- Cosmetics market expected to grow by 4.2% yoy in 2007
- Market bipolarization to be expanded to the bipolarization of companies
- Intense competition among brand shops, added efforts of domestic players to expand into the overseas
- Products focused on certain concept, age, and/or ingredient to lead the market
- Well-being trend to continue, followed by organic products, traditional herbal medicine cosmetics, and health supplements
- Men's cosmetics market to step up from low-end to a higher market
- Expansion of new distribution channels (i.e. drug stores)

[Cosmetics Market Trend & AMOREPACIFIC M/S]



[Channel Share Trend]





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