



AMOREPACIFIC CORP.

## AMOREPACIFIC Corporation 2015 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.

AMOREPACIFIC Corp. has adopted the K-IFRS since 2011.

Sales up 23.0% to KRW 4,766.6bn, OP up 37.1% to KRW 729.9bn

### Sales & OP by Division

KRW bn

	2014	% of Sales	2015	% of Sales	YoY(%)
<b>Sales</b>	<b>3,874</b>	<b>100.0%</b>	<b>4,766.6</b>	<b>100.0%</b>	<b>23.0%</b>
Domestic	3,041.5	78.5%	3,558.8	74.7%	17.0%
Cosmetics	2,578.9	66.6%	3065.9	64.3%	18.9%
Mass & Osulloc	462.6	11.9%	492.9	10.3%	6.6%
Overseas	870.9	22.5%	1,257.3	26.4%	44.4%
Intercompany Transaction	-38.4		-49.5		
	2014	Margin	2015	Margin	YoY(%)
<b>Operating Profit</b>	<b>563.8</b>	<b>14.6%</b>	<b>772.9</b>	<b>16.2%</b>	<b>37.1%</b>
Domestic	475.6	15.6%	641	18.0%	34.8%
Cosmetics	443	17.2%	595.8	19.4%	34.5%
Mass & Osulloc	32.5	7.0%	45.3	9.2%	39.1%
Overseas	94.9	10.9%	159.5	12.7%	68.1%
Intercompany Transaction	-6.7		-27.6		
<b>Net Profit</b>	<b>385.1</b>	<b>9.9%</b>	<b>584.8</b>	<b>12.3%</b>	<b>51.8%</b>

## Luxury

### Growth sustained due to improved global appeal of key luxury brands

Sulwhasoo: Achieved global revenue of 1 trillion won solidifying its status as a leading luxury brand encompassing Asian beauty values

- Spread its brand story through digital contents and the heritage book/ strengthened the anti-aging category by renewing core products (Time treasure line, First Care Activating Serum, etc)

Hera: Strengthened brand competitiveness for global expansion while leading the luxury trend

- Strengthened color makeup category, led the luxury makeup trend through the cushion make up product, entered the Hong Kong travel retail channel

### Generated new demand through the development of organic/senior-related category

- Primera solidified its position in organic cosmetics market / strengthened its health supplement line to meet the needs of the senior population

### Traditional channels strengthened its leadership with differentiated consumer experience through better CRM

- Department store channel improved customer satisfaction by improving store and mobile services /expanded market share through same store sales growth
- Door-to-door channel grew with stronger channel competitiveness

### Travel retail channel achieved sales breakthrough of 1 trillion won

- Solid growth from increased foreign tourists, expansion of global travel retail counters, and online duty free sales

## Premium

### Highlighted core brand values through a wide array of marketing initiatives

- Laneige: Reconfirmed its status as leading K-Beauty brand through various on/off contents (Laneige meets fashion, Beauty campus, Beauty mirror)

- IOPE: Spread digital contents of the bio-story, expanded customer experience of 'bio-science'

- Mamonde: Strengthened the 'flower-science' story through store and product design upgrades

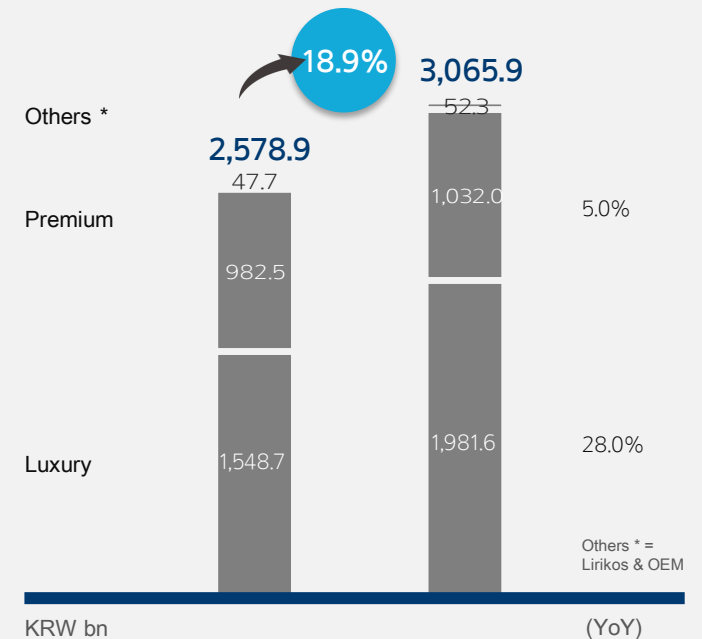
### Strengthened Aritaum retail competency by improving on/off store environment and service upgrades

- Enhanced mobile shopping platform, expanded digital communication, launched omni-channel pilot store
- Strengthened Aritaum store's appeal through spatial design improvement

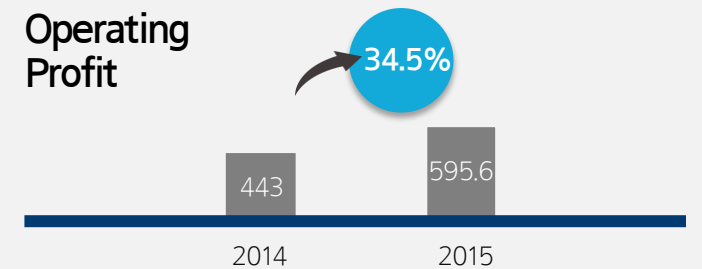
### Digital channel poised for quality growth

- Strengthened company's online mall and mobile commerce/ strengthened inventory visibility
- Slower sales growth for home shopping channel due to weaker demand within the channel

## Sales



## Operating Profit



## Mass

### Quality growth from improved brand awareness, increased premium product sales, and diversification of distribution channels

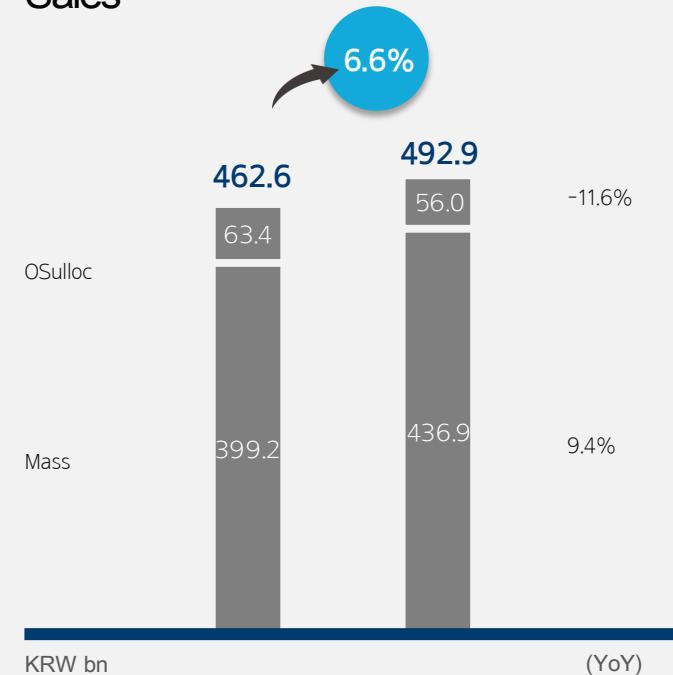
- Enhanced brand heritage of Ryo by highlighting Korean ginseng appeal through expanded marketing efforts
- Boosted Mise en scène's brand appeal through K-Pop contents infused campaigns (Hello Bubble X Girl's Day, Girl's Day Change Your Hair)
- Solidified market leadership through increased sales of functional product lines (Mise en scène's Perfect Serum, Ryo's Ja Yang Yun Mo, etc)
- Happy Bath enhanced brand appeal through stronger customer communication (Happy Bath's Happy Moment Campaign)
- Median strengthened its functional dental care brand position through stronger tartar protection and Pro Tech product sales
- Secured new growth engines through channel diversification (drugstore, Aritaum, e-commerce, travel retail, etc)

## OSulloc

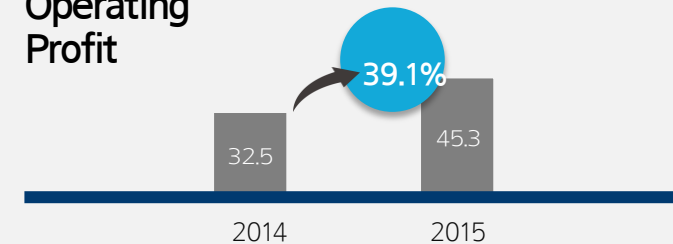
### Established stronger brand equity from distribution channel restructuring and product competitiveness

- Poised for quality growth through channel restructuring (exit from hypermarket and agents)
- Improved OSulloc brand equity through the expansion of premium products
- Raised awareness of its 'Jeju heritage' brand story

## Sales



## Operating Profit



## Asia

### Robust sales growth with improved profitability through market expansion of 5 global champion brands

Sulwhasoo: Established brand awareness as Asia's representative luxury brand in China and ASEAN

- Improved customer access by increasing number of stores in high-end department stores / enhanced brand loyalty through strengthened VIP marketing programs

Laneige: Secured brand position as a young global premium brand

- Triggered new young customers interests with strengthened makeup line and mobile promotions / boosted brand awareness through Laneige global \*beauty road shows and K-Beauty bus tours

Mamonde: Established groundwork for quality growth through brand renewal

- Improved distribution channel transparency in China / expanded flower brand story through store and product renewal / revenue and profit turned around to growth

Innisfree: Accelerated Asian market expansion with its distinguished brand story

- Strengthened its brand through brand campaigns ('Play Green') and global expansion of CSR efforts/ posted quality driven growth through new store openings and same store sales growth in China/ expanded further within Asia to Thailand

Etude: Expanded its global business through strengthened brand equity

- Increased brand appeal with innovative products, stores and services / strengthened consumer access through launch of FSS (Free Standing Stores) in key Asian cities

Strengthened China business brand portfolio through new brand launches (IOPE, Ryo)

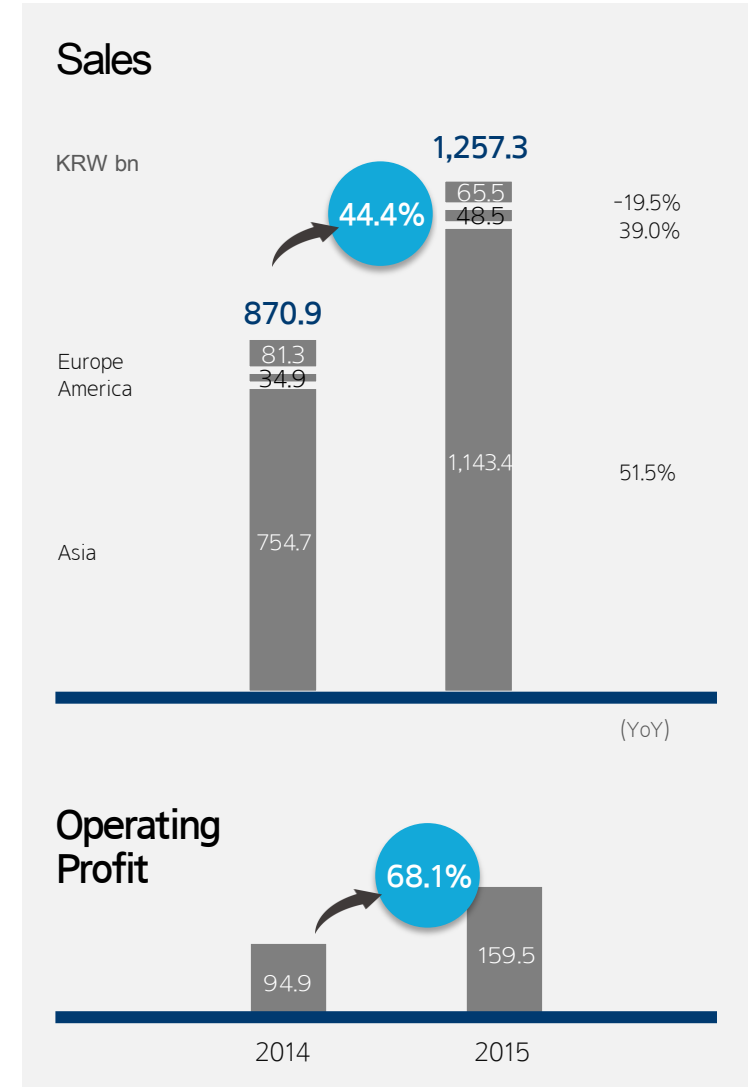
## US

### Strong growth from the US business regional expansion and channel distribution

- Increased number of stores for Sulwhasoo and Laneige in the US and expanded into Canada
- Launched Amorepacific brand in new department stores (Bloomingdale's) / initiated the transformation of Amore shops into Aritaum stores

## Europe

### Revenue and profit declined due to weak consumer spending, Euro depreciation and channel restructuring



\* Beauty Road: A global event which runs in 7 Asian cities where customers can experience Laneige's global best seller BB cushion

Sales up 25.2% to KRW 1,225.8 bn, Operating Profit up 38.2% to KRW 123.4bn

## Sales &amp; OP by Division

KRW bn

	2014 4Q	% of Sales	2015 4Q	% of Sales	YoY(%)
<b>Sales</b>	<b>978.8</b>	<b>100.0%</b>	<b>1,225.8</b>	<b>100.0%</b>	<b>25.2%</b>
Domestic	724.7	74.0%	878.1	71.6%	21.2%
Cosmetics	631.3	64.5%	784.8	64.0%	24.3%
Mass & Osulloc	93.4	9.5%	93.3	7.6%	-0.1%
Overseas	261.9	26.8%	371.0	30.3%	41.7%
Intercompany Transaction	-7.9		-23.3		
	2014	이익률	2015	이익률	YoY(%)
<b>Operating Profit</b>	<b>89.3</b>	<b>9.1%</b>	<b>123.4</b>	<b>10.1%</b>	<b>38.2%</b>
Domestic	64.6	8.9%	103.8	11.8%	60.7%
Cosmetics	71.5	11.3%	113.2	14.4%	58.3%
Mass & Osulloc	-7.0	-7.4%	-9.5	-10.2%	-36.1%
Overseas	26.0	9.9%	32.4	8.7%	24.9%
Intercompany Transaction	-1.3		-12.8		
<b>Net Profit</b>	<b>44</b>	<b>4.5%</b>	<b>69.6</b>	<b>5.7%</b>	<b>58.3%</b>

4Q Sales of KRW 1,225.8bn(+25%), OP of KRW 123.4(+38%)

Continued strong sales growth with improvement in profitability

## Domestic Business

### Cosmetics: Luxury brands led overall growth overcoming the setback from MERS

- Sulwhasoo: Increased brand awareness and customer loyalty through 'Sulwha: Once upon a time' festival and 'ShineClassic makeup limited edition' launch
- Hera: Solidified its brand position as a trending brand encapsulating Seoul women's beauty through 'Hera Seoul Fashion Week' and the \*M&D' collaboration linked with the 'Seoulista' brand concept
- Travel retail recorded robust sales growth overcoming MERS setback with increased influx of foreign tourists
- Door-to-Door channel maintained solid growth with improved channel reliability and increased sales per counselors

### Mass & OSulloc: Strengthened brand equity with marketing activities and product renewal

- Mass: Weaker sales and operating profit due to the timing difference for recognizing Chuseok gift set refunds
- OSulloc: Reestablishment of \*B.I / decrease in revenue due to exit from hypermarket

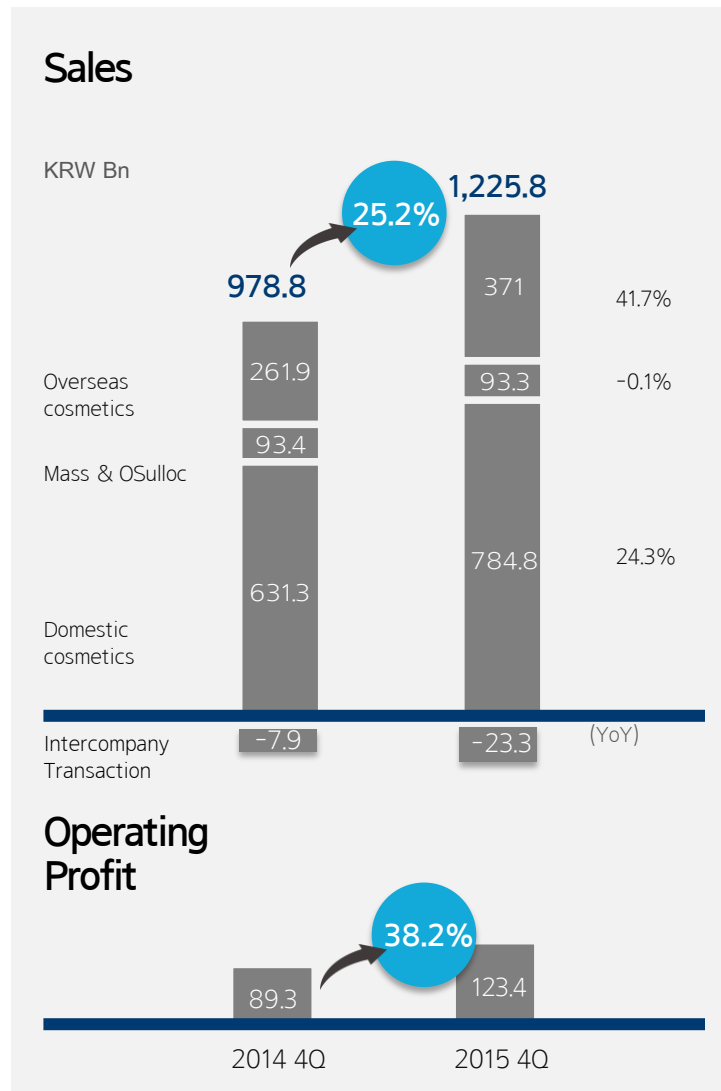
## Overseas Business

### Asia: Solid sales growth of major brands, expanded investment to strengthen brand competitiveness

- Robust online channel growth due to the impact of Chinese Single's Day
- Sulwhasoo: Maintained solid growth with increased global hit product sales (First Care Activating Serum, Perfecting Cushion) and new store openings
- Laneige: Sustained continuous growth through the 'Holiday Collection' launch and online/offline promotions
- Mamonde: Revenue growth due to brand renewals and media event launch celebrating 10<sup>th</sup> anniversary in China
- Innisfree: Highlighted brand story through Shanghai flagship store launch and reinforced product competitiveness through localized product lines (pomegranate line)
- Etude: Sustained growth through store expansions and strengthened digital platform

### US: Secured additional growth engines through launch of \*Aritaum and Laneige into Canada

Europe: Domestic and export sales declined due to channel restructuring and profitability decreased due to increased brand investment



## Income Statement

KRW bn

	2014		2015	
Sales	3,874	100.0%	4,766.6	100.0%
Gross Profit	2,845.8	73.5%	3,597.2	75.5%
SG&A expenses	2,282.1	58.9%	2,824.3	59.3%
Operating Profit	563.8	14.6%	772.9	16.2%
Non-operating Profit/Expenses	(33.6)		5.4	
Profit before tax	530.2	13.7%	778.3	16.3%
Consolidated net income	385.1	9.9%	584.8	12.3%

## Statement of Financial Position

KRW bn

	2014.12	2015.12
	Assets	3,854.6
Current assets	1,427.3	1,823.8
Non-current assets	2,427.3	2,613.9
Liabilities	976.3	1,065.4
Current liabilities	651.1	868.2
Non-current liabilities	325.1	197.3
Shareholder's Equity	2,878.3	3,372.3
Capital stock	34.5	34.5
Additional paid-in capital	712.7	712.7
Capital surplus	7.8	7.8
Other components of equity	(19.5)	(18.4)
Accumulated other comprehensive income	(13.1)	(14.1)
Retained earnings	2,136.4	2,623.1
Non-controlling interest	19.6	26.7





AMORE PACIFIC  
70 Years of Beauty Creation