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AMOREPACIFIC CORP.

AMOREPACIFIC Corporation 2Q 2017 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 down 5.3% to KRW 2,774.0 billion, OP down 27.7% to 418.4 billion

Sales & OP by Division

	1H 2016	% of sales	1H 2017	% of sales	YoY(%)
Sales	2,928.5	100.0%	2,774.0	100.0%	-5.3
Domestic	2,124.2	72.5%	1,910.0	68.9%	-10.1
Cosmetics	1,835.2	62.7%	1,636.0	59.0%	-10.9
Mass & Osulloc	289.0	9.9%	273.9	9.9%	-5.2
Overseas	825.3	28.2%	885.5	31.9%	7.3
Others*	-21.0		-21.5		
	1H 2016	OPM(%)	1H 2017	OPM(%)	YoY(%)
Operating Profit	578.4	19.8	418.4	15.1	-27.7
Domestic	467.7	22.0	316.6	16.6	-32.3
Cosmetics	435.9	23.8	299.1	18.3	-31.4
Mass & Osulloc	31.8	11.0	17.4	6.4	-45.2
Overseas	128.5	15.6	107.9	12.2	-16.0
Others*	-17.8		-6.1		
Net Profit	455.6	15.6	300.9	10.8	-34.0

Others* : Intercompany Transaction

Sales down 16.5% to KRW 1,205.0 billion, OP down 57.8% to 101.6 billion

Sales & OP by Division

	2Q 2016	% of sales	2Q 2017	% of sales	YoY(%)
Sales	1,443.4	100.0%	1,205.0	100.0%	-16.5
Domestic	1,038.8	72.0%	805.5	66.9%	-22.5
Cosmetics	908.5	62.9%	694.7	57.7%	-23.5
Mass & Osulloc	130.3	9.0%	110.9	9.2%	-14.9
Overseas	417.3	28.9%	408.5	33.9%	-2.1
Others*	-12.6		-9.1		
	2Q 2016	OPM(%)	2Q 2017	OPM(%)	YoY(%)
Operating Profit	240.6	16.7	101.6	8.4	-57.8
Domestic	199.5	19.2	82.6	10.2	-58.6
Cosmetics	191.6	21.1	84.6	12.2	-55.8
Mass & Osulloc	7.9	6.1	-2.0	-1.8	Turned to Red
Overseas	49.0	11.8	19.8	4.8	-59.6
Others*	-8.0		-0.8		
Net Profit	192.6	13.3	77.4	6.4	-59.8

Others* : Intercompany Transaction

Revenue and profitability decreased for the domestic business due to decline in number of foreign tourists

Luxury

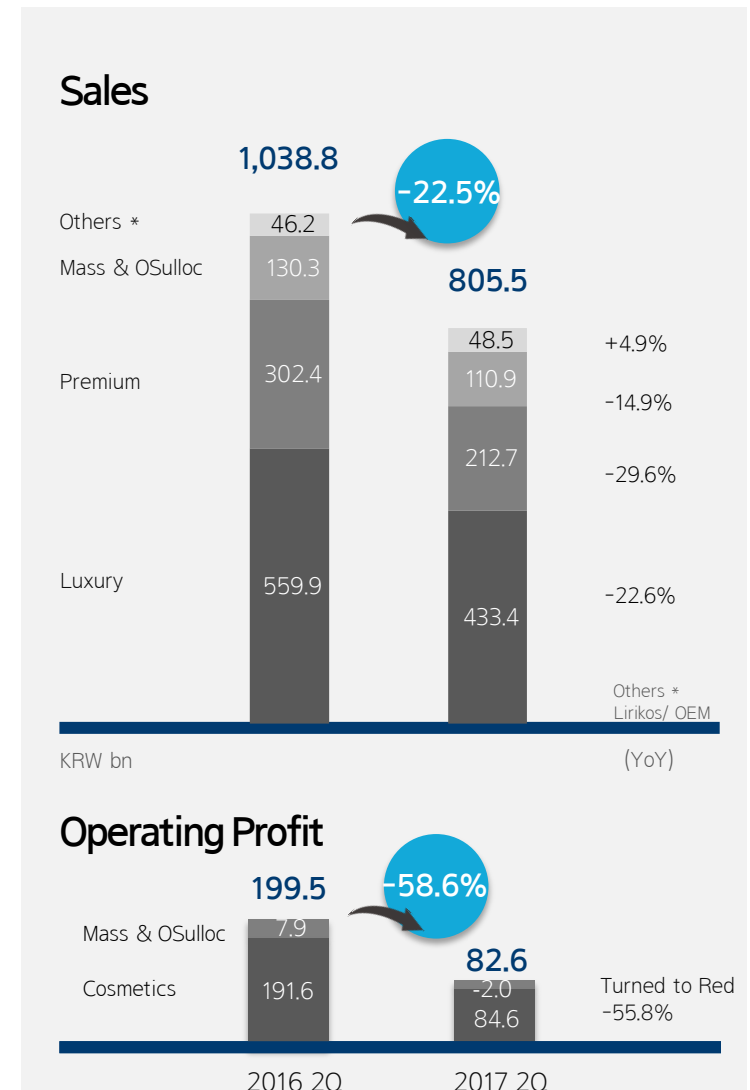
- Revenue decreased for key luxury brands from slowdown in duty free channel
- Enhanced brand appeal through diversified product portfolio and new product launches, improved competitiveness of pure domestic market
: 'Sulwhasoo First Care Activating Mask,' 'Hera Black Cushion,' 'Hera White Program Tone-Up Cushion Cream,' 'Vitalbeautie Daily Toning'
- Offered differentiated customer experience through diverse offline services and digital contents, revenue increased for directly run website through stronger inflow of online customers

Premium

- Revenue decreased due to decline in number of tourists affecting key commercial areas and duty free channel
- Nurtured representative categories through new product launches of key brands, strengthened make-up portfolio
: 'Laneige Eye Sleeping Mask,' 'Iope Age Corrector 2500,' 'Mamonde Flower Pop Blusher · Eye Bric'
- Improved retail environment by expanding brand and customer experience (opened Laneige roadshop, renewed Aritaum stores)

Mass & OSulloc

- **Mass** : Revenue decreased from slowdown of large distribution channels in key commercial areas, enhanced brand appeal through new product launches
: 'Ryo Fermented Honey Hair Treatment Pack,' 'Mise en scène Real Perfume line,' 'Happy Bath White Rose Essence Bodywash'
- **OSulloc** : Revenue decreased from gift set sales decline, established experiential space within stores to enhance customer interaction



Asia Slowdown in revenue growth as a result of geopolitical uncertainties

Sulwhasoo enhanced leadership as a luxury brand

- Strengthened representative categories through new product launches ('Radiance Energy Mask' and 'Concentrated Ginseng Renewing Cream EX Light')
- Diversified distribution channel by entering the e-commerce platform in ASEAN region

Laneige continued activities to enhance brand appeal

- Improved customer communication and brand image through CSR campaigns
- Enhanced spatial design through store renewals and make-up zone adoption

Mamonde continued research and development of localized products, expanded into new markets

- Awaiting launch of new products reflecting local customer needs (China)
- Opened 1st store within a department store in Singapore

Innisfree strengthened global business portfolio

- Expanded into ASEAN markets such as Vietnam, Indonesia, and Malaysia
- Enhanced customer interaction by strengthening brand experience contents within stores

Etude House strengthened make-up brand position through enhanced product competitiveness

- Revenue growth through hit products ('Dear Darling Soda Tint' and 'Play 101 Stick')
- Expanded customer communication with millennials through social media

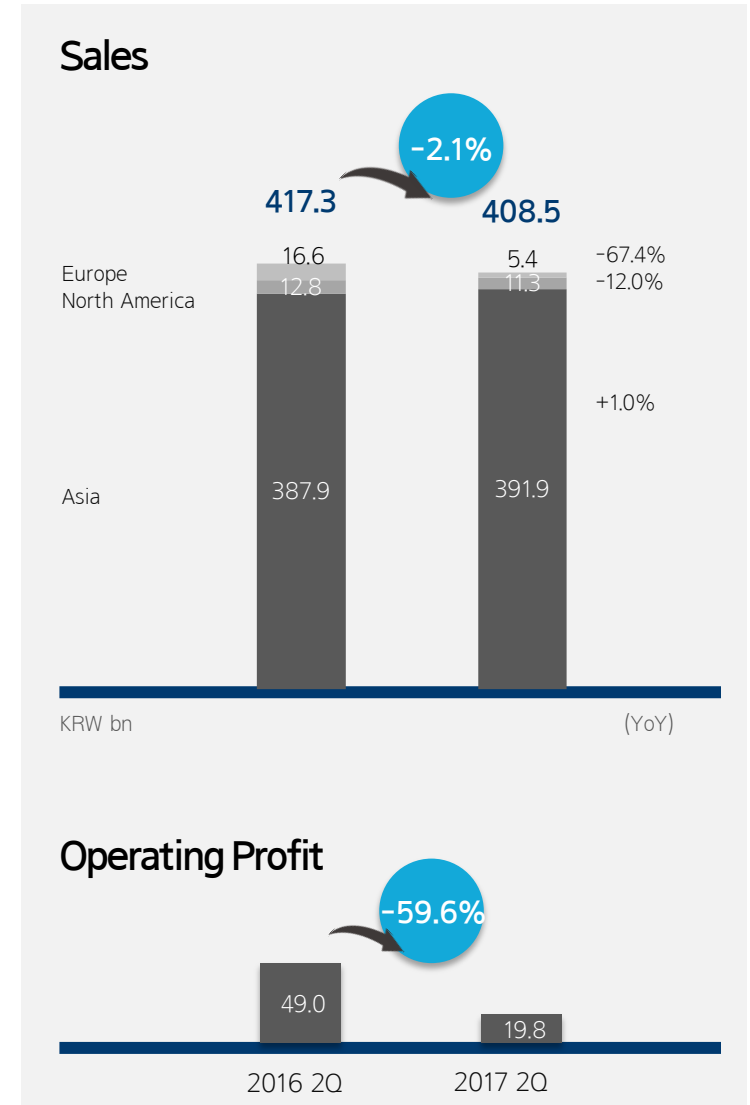
North America

Revenue and profit decreased as a result of increased investment in brands and channel portfolio restructuring

- Amorepacific and Sulwhasoo strengthened online/offline linked customer communication, e-commerce revenue growth was robust
- Laneige expanded its digital platform by launching within sephora.com and directly run website

Europe

Revenue and profit decreased from termination of Lolita Lempicka license



Income Statement

KRW bn

	2016 2Q		2017 2Q	
Sales	1,443.4	100.0%	1,205.0	100.0%
Gross Profit	1,069.1	74.1%	882.1	73.2%
SG&A expenses	828.5	57.4%	780.6	64.8%
Operating Profit	240.6	16.7%	101.6	8.4%
Non-operating Profit/Expenses	(1.0)		9.4	
Profit before tax	239.6	16.6%	110.9	9.2%
Consolidated net income	192.6	13.3%	77.4	6.4%

Statement of Financial Position

KRW bn

	2016.12	2017.06
Assets	5,181.6	5,215.7
Current assets	2,116.3	1,990.0
Non-current assets	3,065.2	3,225.7
Liabilities	1,284.9	1,140.3
Current liabilities	1,171.2	1,031.2
Non-current liabilities	113.7	109.1
Shareholder's Equity	3,896.6	4,075.4
Capital stock	34.5	34.5
Additional paid-in capital	712.7	712.7
Capital surplus	7.8	7.8
Other components of equity	(17.6)	(17.6)
Accumulated other comprehensive income	(17.2)	(27.8)
Retained earnings	3,158.7	3,346.5
Non-controlling interest	17.8	19.3