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AMORE PACIFIC CORP.

AMOREPACIFIC Corporation 2019 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.

Revenue up 5.7% to KRW 5.6 trillion, Operating Profit down 11.2% to KRW 427.8 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	2018	% of Revenue	2019	% of Revenue	YoY(%)
Revenue	5,277.8	100.0	5,580.1	100.0	+5.7
Domestic	3,347.2	63.4	3,518.1	63.0	+5.1
Cosmetics	2,834.4	53.7	2,997.3	53.7	+5.7
DailyBeauty& Osulloc ¹⁾	512.8	9.7	520.7	9.3	+1.5 (LFL +4.1) ²⁾
Overseas	1,970.4	37.3	2,078.4	37.2	+5.5
Others*	-39.7		-16.3		
	2018	OPM(%)	2019	OPM(%)	YoY(%)
Operating Profit	482.0	9.1	427.8	7.7	-11.2
Domestic	283.7	8.5	319.5	9.1	+12.6
Cosmetics	284.1	10.0	316.2	10.5	+11.3
DailyBeauty& Osulloc ¹⁾	-0.4	-0.1	3.3	0.6	Turned to Profit (LFL +150.7) ²⁾
Overseas	206.7	10.5	104.0	5.0	-49.7
Others*	-8.5		4.4		
Net Profit	334.8	6.3	210.4	3.8	-37.2

1) Excluded Revenue and OP of Osulloc from 2019.4Q, due to official launch of Osulloc as an independent corporation

2) LFL(Like-for-like): Comparable growth rate excluding impact of Osulloc as an independent corporation

* Others : Intercompany Transaction

[Revenue and business activities]

Luxury

- Sulwhasoo drove total sales growth of luxury brands. Revenue growth of both Primera and AMOREPACIFIC also strengthened luxury brand portfolio
- Strengthened product competitiveness and key categories for each brand through innovative product launches and renewals
: Sulwhasoo Anti-aging 'Honorstige Line Renewal', HERA Makeup 'Black Foundation/Concealer, Sensual Lipstick Line', Vitalbeautie professional health supplements 'Meta Green, Super Collagen Renewal', etc.
- Enhanced brand attractiveness by increasing customer-oriented online/offline marketing activities
: Sulwhasoo Bloomstay Digital Pop-up store, First Care Activating Serum Pop-up store, HERA Red VIVE Campaign, etc.

Premium

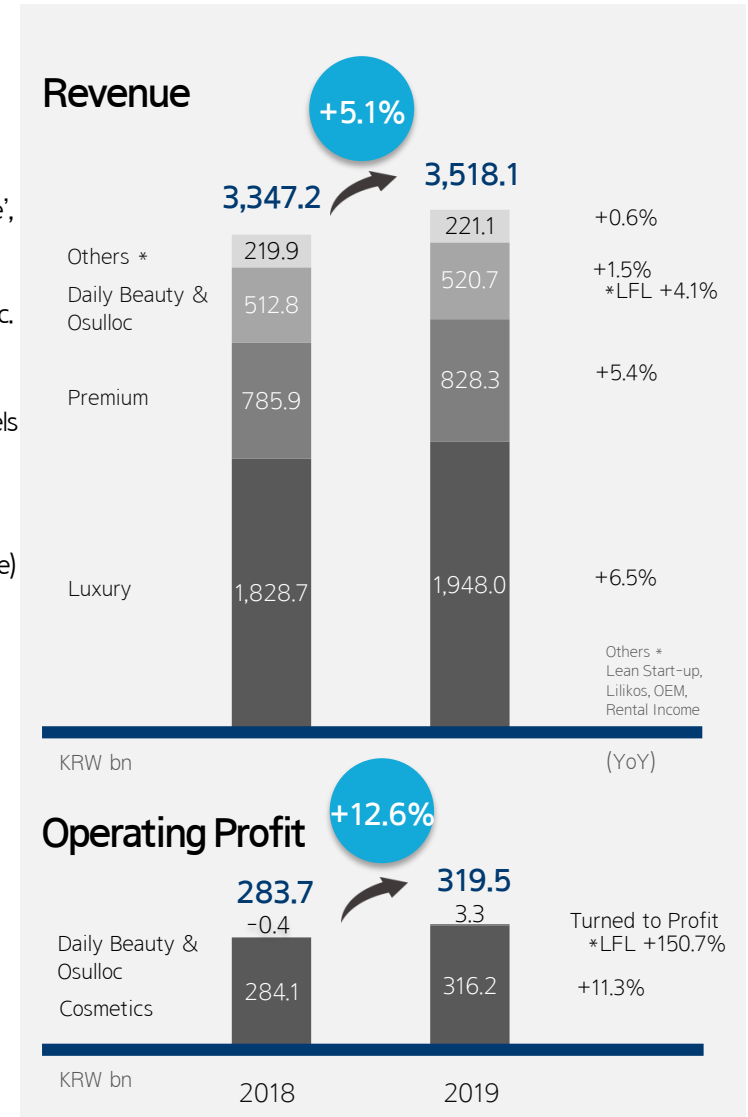
- Despite revenue decline in ARITAUM, total revenue increased from expansion of online and multi-brand shop channels
- Secured growth momentum of premium brands by fostering innovative products
: Laneige - Sales growth by enhancing 'moisturizing category' (Cica Sleeping Mask, Water Bank Essence/Cream)
: IOPE - Increased sales of skincare products through 'lab based' new product launches (Stem III Ampoule, the Vitamin C23/C25)
: Hanyul - Increased sales by strengthening 'Korean naturalism brand' image (Yuja Sleeping Mask, Artemisia Miracle Relief Essence)

Daily Beauty

- Revenue grew through stronger hair category sales mainly from Ryo brand
- Accelerated online growth by expanding coverage of digital channels and fostering new brands (Illiyoon, Fresh Pop)
- Secured growth by reorganizing offline channel portfolio in order to focus on growth channels

[Operating Profit]

- Operating profit increased due to revenue growth of major brands in growth channels and activities to reduce costs



* LFL(Like-for-like): Comparable growth rate excluding impact of Osulloc as an independent corporation

[Revenue and business activities]

Asia

[Sulwhasoo] Increased revenue by strengthening global anti-aging brand positioning and enhancing digital competitiveness

- Strengthened luxury anti-aging category through launch of 'Bloomstay Vitalizing' line, 'Concentrated Ginseng Renewing Serum' in China
- Enhanced brand competitiveness by strengthening collaboration with local celebrities and influencers ('Concentrated Ginseng Renewing Serum' China launching event, T-mall Livestreaming, etc.)
- Diversified channel portfolio by entering multi-brand shops ('Sephora') in China and Singapore while increasing presence in digital channels

[Laneige] Continued strong growth through strengthened representative products and channel diversification

- Enhanced competitiveness in moisturizing category through strong sales of 'Water Bank' and launch of 'Cream Skin'
- Strengthened qualitative growth mainly in China / ASEAN digital and multi-brand shop channels

[Mamonde] Reinforced profit-based portfolio by fostering key products and concentrating resources on growth channels

- Gained ground for profitability through expanded presence in multi-brand shop channels ('Watsons') and restructuring activities of offline stores in China
- Fostered representative products by globally launching 'Red Energy Recovery Serum' and strengthening sales of Halal-certified products in Malaysia

[Innisfree] Strengthened digital channel and enhanced brand appeal by reinforcing product competency

- Enhanced product competency through renewal launch of 'Green Tea Seed Serum' and localized product for China 'White Peony Tone-up Essence'
- Reinforced brand responsiveness of millennial customers by increasing online channel growth in China, expanding ASEAN digital channels and signing business agreements with Singapore 'GrabPay'

[Etude House] Gained ground for new growth from channel reorganization

- Strengthened channel restructuring activities by reducing China/ASEAN offline channels, entering multi-brand shop channels in Thailand, Taiwan and Hong Kong and reinforcing digital channels

North America

Strong revenue growth by expanding sales of major brands and strengthening channel portfolio

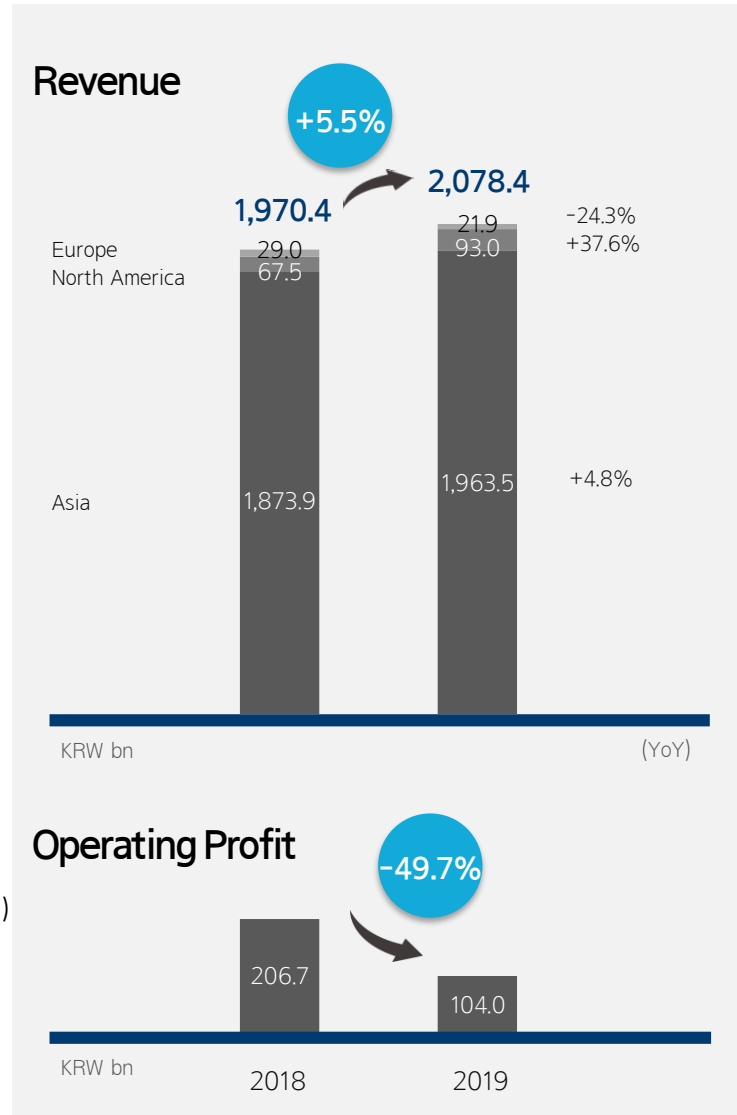
- Sales growth of skincare products (Laneige 'Water Bank', 'Cream Skin', 'Lip Sleeping Mask', Innisfree 'Green Tea Seed Serum')
- Expanded point of sales through entry of Innisfree and Primera in U.S Sephora and Innisfree launch in Canada

Europe

- Decreased revenue of 'Goutal Paris' due to domestic demand decline in France
- Responded to European skincare market by strengthening sales of Laneige in multi-brand shop channel ('Sephora')

[Operating Profit]

Operating profit decreased due to increased marketing expense and investments in new markets and channels



Revenue up 8.9% to KRW 1.3 trillion, Operating Profit up 93.1% to KRW 45.9 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	2018 4Q	% of Revenue	2019 4Q	% of Revenue	YoY(%)
Revenue	1,224.1	100.0	1,333.7	100.0	+8.9
Domestic	689.0	56.3	754.8	56.6	+9.6
Cosmetics	595.9	48.7	656.2	49.2	+10.1
DailyBeauty& Osulloc ¹⁾	93.1	7.6	98.5	7.4	+5.9 (LFL +22.8) ²⁾
Overseas	545.5	44.6	557.9	41.8	+2.3
Others*	-10.3		21.0		
	2018 4Q	OPM(%)	2019 4Q	OPM(%)	YoY(%)
Operating Profit	23.8	1.9	45.9	3.4	+93.1
Domestic	-15.3	-2.2	33.6	4.4	Turned to Profit
Cosmetics	3.1	0.5	48.7	7.4	+1489.8
DailyBeauty& Osulloc ¹⁾	-18.4	-19.7	-15.1	-15.3	Mitigated Losses (LFL Mitigated Losses) ²⁾
Overseas	53.5	9.8	3.2	0.6	-94.1
Others*	-14.4		9.2		
Net Profit	0.5	0.0	-71.3	-5.3	Turned to Red

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[Revenue and business activities]

Domestic Business

Cosmetics: Increased revenue from sales growth of major brands in growing channels

- Achieved strong sales of major brands by increasing sales of main products within key categories
 - : 'Sulwhasoo First Care Activating Serum/Concentrated Ginseng Renewing Line', 'HERA Black foundation/Sensual Lipstick', 'Laneige Cream Skin/Skin Veil Base', 'IOPE Stem III Ampoule'
 - : Sulwhasoo drove luxury sales growth. Achieved solid growth of premium brands from sales growth of Laneige, IOPE, Hanyul, etc.
- Enhanced channel competitiveness through diversification of customer experiential space and capability focus on growth channels
 - : Opened 'Amore Seongsu', launched brands within additional multi-brand shops ('Sephora', 'Chicor'), continued growth in online and travel retail channels

Daily Beauty: Revenue growth through increased sales of major brands (Ryo, Mise-en-scène, Happy Bath, Illiyoön) and solid growth within digital channels

Overseas Business

Asia: Strengthened product competitiveness of five key brands and diversified channel portfolio

- Sulwhasoo: Entered multi-brand shop channel ('Sephora') in China and increased sales of e-commerce channel, achieved solid revenue growth during Chinese Single's day
- Laneige: Enhanced brand appeal and familiarity of local customers by strengthening marketing activities along with local brand ambassador
- Mamonde: Slight decline in China sales due to continued offline channel reorganization in China
- Innisfree: Expanded online sales through strengthened digital marketing campaigns, solid sales of localized product for China ('White Peony Tone-up Essence')
- Etude House: Focused more on profitability by reducing offline stores in China and ASEAN market

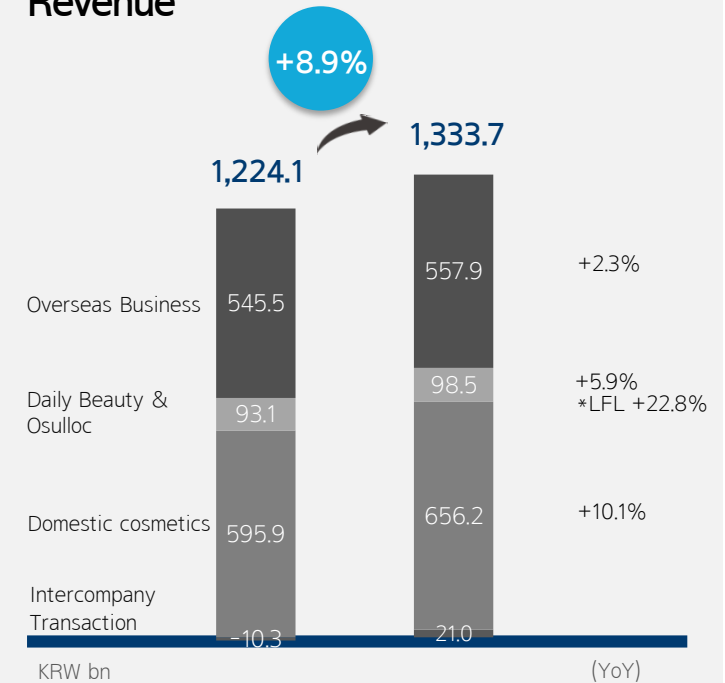
North America: Sales growth from increased sales of Laneige within Sephora and new Innisfree stores in US and Canada

Europe: Decreased revenue of 'Goutal Paris' due to domestic demand decline in France

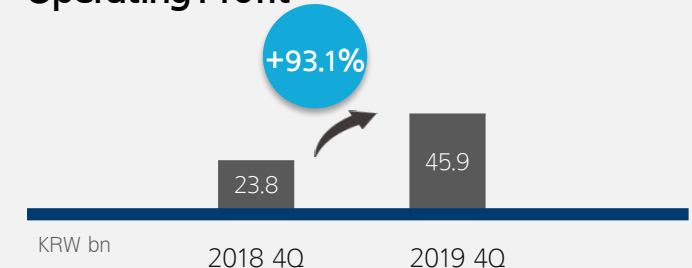
[Operating Profit]

- Domestic: Improved through increased sales and effective spending of marketing expense
- Overseas: Declined due to increased investment for global business expansion and personnel expenses

Revenue



Operating Profit



* LFL(Like-for-like): Comparable growth rate excluding impact of Osulloc as an independent corporation

Income Statement

Unit: KRW bn

	2018		2019	
Revenue	5,277.8	100.0%	5,580.1	100.0%
Gross Profit	3,843.0	72.8%	4,079.6	73.1%
SG&A Expenses	3,361.0	63.7%	3,651.8	65.4%
Operating Profit	482.0	9.1%	427.8	7.7%
Non-operating profit/Expenses	-29.0		-57.2	
Profit before Tax	453.0	8.6%	370.6	6.6%
Consolidated Net Income	334.8	6.3%	210.4	3.8%

Statement of Financial Position

Unit: KRW bn

	2018.12	2019.12
	Assets	5,371.1
Current Assets	1,567.2	1,803.1
Non-current Assets	3,803.9	4,174.8
Liabilities	924.7	1,492.2
Current Liabilities	763.2	1,044.3
Non-current Liabilities	161.5	447.9
Shareholder's Equity	4,446.4	4,485.7
Capital Stock	34.5	34.5
Additional Paid-in Capital	712.7	712.7
Capital Surplus	7.8	10.8
Other Components of Equity	-17.6	-117.6
Accumulated Other Comprehensive Income	-41.3	-24.5
Retained Earnings	3,726.0	3,861.7
Non-controlling Interest	24.4	8.0