

# **AMOREPACIFIC Group**

## **3Q 2013 Earnings Release**

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AMOREPACIFIC Group **I**nvestor **R**elations

12. November 2013

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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 Group has adopted the K-IFRS since 2011.**

# 1. 3Q YTD 2013 Earnings Summary

**Sales up 14.1% to KRW 2,995.6bn, OP down 2.8 to KRW 405.2bn**

- Despite the depressed market, solid growth delivered by the robust performance of cosmetics affiliates and aggressive overseas business expansion
- Negative OP growth increased due to the decreased OP of non-cosmetics affiliates

## Sales & OP

[KRWbn]

YTD	2012 3Q	(%)	2013 3Q	(%)	YoY (%)
<b>Sales</b>	<b>2,624.3</b>	<b>100.0%</b>	<b>2,995.6</b>	<b>100.0%</b>	<b>14.1%</b>
Cosmetics <sup>1)</sup>	2,412.7	91.9%	2,791.2	93.2%	15.7%
Non-cosmetics	211.7	8.1%	204.3	6.8%	-3.5%
<b>Operating profit</b>	<b>416.8</b>	<b>15.9%</b>	<b>405.2</b>	<b>13.5%</b>	<b>-2.8%</b>
Cosmetics	405.2	16.8%	398.1	14.3%	-1.7%
Non-cosmetics	11.6	5.5%	7.1	3.5%	-39.2%
<b>Net income</b>	<b>314.5</b>	<b>12.0%</b>	<b>306.0</b>	<b>10.2%</b>	<b>-2.7%</b>

1) Intercompany transactions included in Cosmetics subsidiaries

## 2. 3Q 2013 Earnings Summary

### Sales up 15.1% to KRW 991.2bn, OP down 6.1 to KRW 107.1bn

- Strong sales growth throughout all cosmetics affiliates delivered by increase in portion of new distribution channels responding to the customer needs
- Weakened OP due to the change of business portfolio caused by trading-down trend and investment in store expansion and brand in overseas markets

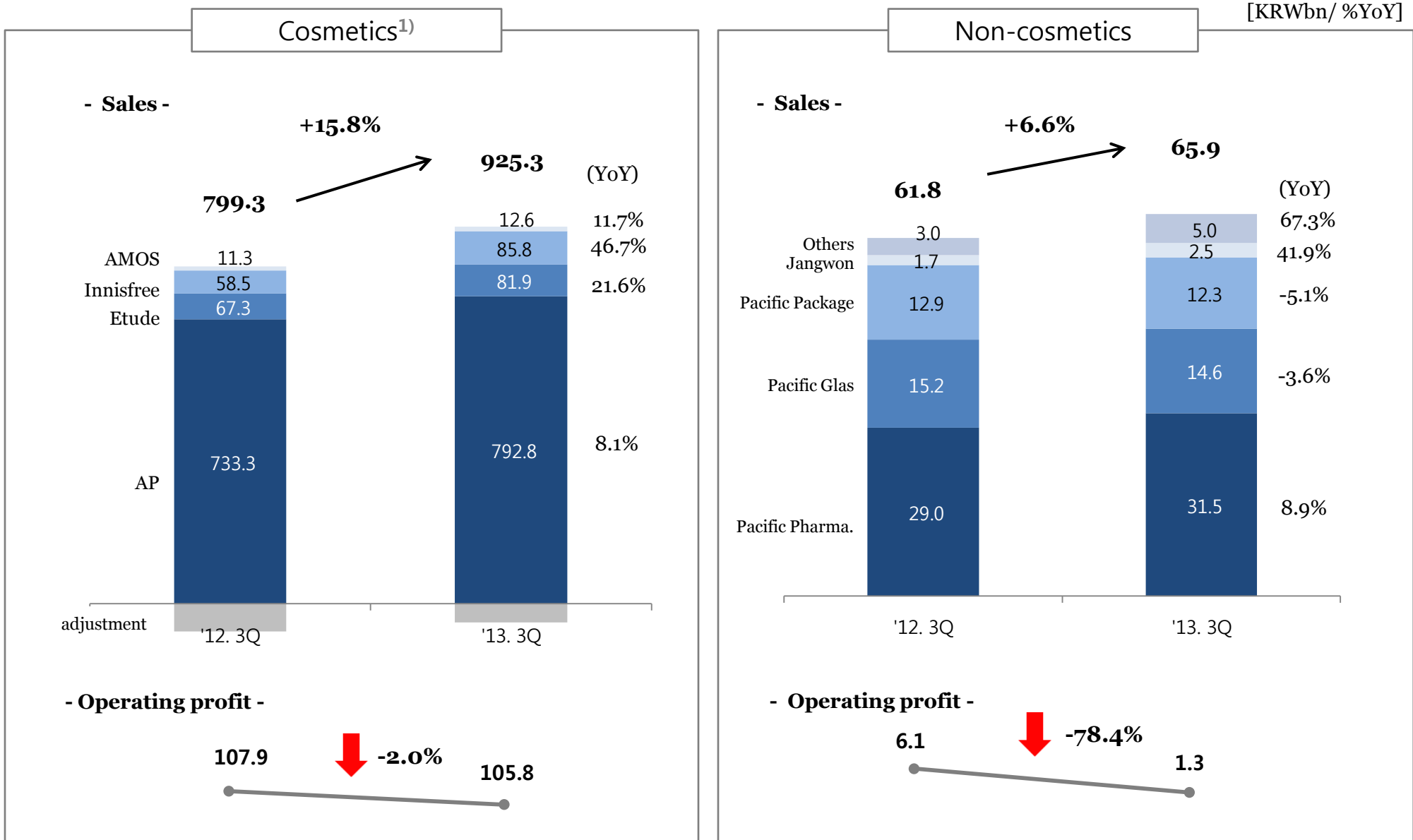
### Sales & OP

[KRWbn]

	2012 3Q	(%)	2013 3Q	(%)	YoY (%)
<b>Sales</b>	<b>861.1</b>	<b>100.0%</b>	<b>991.2</b>	<b>100.0%</b>	<b>15.1%</b>
Cosmetics <sup>1)</sup>	799.3	92.8%	925.3	93.4%	15.8%
Non-cosmetics	61.8	7.2%	65.9	6.6%	6.6%
<b>Operating profit</b>	<b>114.0</b>	<b>13.2%</b>	<b>107.1</b>	<b>10.8%</b>	<b>-6.1%</b>
Cosmetics	107.9	13.5%	105.8	11.4%	-2.0%
Non-cosmetics	6.1	9.9%	1.3	2.0%	-78.4%
<b>Net income</b>	<b>85.8</b>	<b>10.0%</b>	<b>86.0</b>	<b>8.7%</b>	<b>0.1%</b>

1) Intercompany transactions included in Cosmetics subsidiaries

### 3. Earnings by Subsidiary (1/3)



1) Intercompany transactions included in Cosmetics subsidiaries  
 2) AMOREPACIFICGROUP is included in Non-cosmetic subsidiaries

### 3. Earnings by Subsidiary - Cosmetics (2/3)

[KRWbn]

	AMOREPACIFIC_ Consolidated		Etude	
	'12.3Q	'13.3Q	'12.3Q	'13.3Q
<b>Sales</b>	<b>733.3</b>	<b>792.8</b>	<b>67.3</b>	<b>81.9</b>
GP	504.2	546.3	38.9	45.9
SG&A	413.9	460.8	34.3	41.6
<b>OP</b>	<b>90.4</b>	<b>85.6</b>	<b>4.6</b>	<b>4.3</b>

	Innisfree		AMOS Professional	
	'12.3Q	'13.3Q	'12.3Q	'13.3Q
<b>Sales</b>	<b>58.5</b>	<b>85.8</b>	<b>11.3</b>	<b>12.6</b>
GP	41.6	59.3	6.2	7.2
SG&A	31.6	46.8	3.3	4.3
<b>OP</b>	<b>10.0</b>	<b>12.5</b>	<b>2.9</b>	<b>2.9</b>

#### [Amorepacific] Sales +8%, OP -5%

##### Domestic business

- Strong growth in Specialty store, Digital and Duty-free channels accompanied by profitability improvement, Increased market share in Dep. store thanks to the strong performance of Hera and Primera (16% → 18%)
- Weakened OP margin due to decreased portion of Door-to-door channel and luxury brands caused by trading-down trend

##### Overseas business

- New product launches and increased sales within new channels resulted in strong growth (+33%)
- Continued losses due to store expansion and increased marketing investment to accelerate the business

##### Mass & Sulloc business

- Weaker sales growth due to the sales recognition timing difference of Chuseok gift sets
- Increased sales contribution of premium products for Sulloc and strong growth within the Online channel thanks to the omni channel strategy

#### [Etude] Sales +22%, OP - 7%

- Increased sales of hit products led to solid sales growth throughout all channels such as Stand alone shops, Hypermarkets and Online and Espoir business/ Accelerated overseas business resulted in increased portion of overseas business (No. of store: +31)
- Increased discount rate by fierce competition led to increased COGS-to-sales ratio(+1.7%p)
- Increased personnel expenses caused by store expansion and marketing and investment in stores of Espoir resulted in higher SG&A-to-sales ratio (+0.1%p)

#### [Innisfree] Sales +47%, OP +25%

- Solid growth through all channels backed by increased sales of major products ('It's real mask', 'Green tea seed serum') and new products ('Fermentation Bean'/'Minimum' Lines)
- Continued store expansion (Domestic:+173, Overseas: 31) and same store sales improvement/ Strong growth of channels with relatively higher COGS(export, mask pack/make-up category) resulted in increased COGS-to-sales ratio (+2.0%p)

#### [AMOS Professional] Sales +12%, OP -0%

- Robust growth within washing and hair tonic category backed by major product renewals (Green tea Shampoo/ Hair mask pack) (M/S: 32% → 37%)
- Increased sales of channels with higher COGS(export/duty-free channel, mask pack/make-up category) resulted in weakened OP margin

### 3. Earnings by Subsidiary – Non-cosmetics(3/3)

[KRWbn]

	Pacific Pharma.		Pacific Glas	
	'12.3Q	'13.3Q	'12.3Q	'13.3Q
<b>Sales</b>	<b>29.0</b>	<b>31.5</b>	<b>15.2</b>	<b>14.6</b>
GP	15.2	12.4	2.4	0
SG&A	11.1	11.1	1.2	1.2
<b>OP</b>	<b>4.0</b>	<b>1.3</b>	<b>1.2</b>	<b>-1.3</b>

	Pacific Package		Jangwon Industry	
	'12.3Q	'13.3Q	'12.3Q	'13.3Q
<b>Sales</b>	<b>12.9</b>	<b>12.3</b>	<b>1.7</b>	<b>2.5</b>
GP	2.3	1.8	0.5	0.6
SG&A	1.1	1.1	0.4	0.4
<b>OP</b>	<b>1.2</b>	<b>0.7</b>	<b>0.1</b>	<b>0.2</b>

#### [Pacific Pharma.] Sales +9%, OP -67%

- Temporarily increased sales due to the recognition timing difference of health supplementary food order from affiliates
- Increased COGS-to-sales ratio due to higher portion of health supplementary food with higher COGS
- Operating profit decreased 16% when not accounting for the base effect related to 'Meditoxin' purchase discount of KRW2.43bn recognized in 3Q last year

#### [Pacific Glas] Sales -4%, OP -205%

- Despite the increase in exports to overseas markets, total sales decreased slightly due to the slowdown in sales to affiliates
- Decreased operating profit due to declined production efficiency and increased COGS-to-sales ratio caused by the new production line

#### [Pacific Package] Sales -5%, OP -42%

- Slightly decreased sales and increased COGS-to-sales ratio (+3.2%p) due to the price cut
- Increased SG&A expenses related to MES maintenance, consulting and personnel resulted in decreased operating profit

#### [Jangwon Industry] Sales +42% , OP +202%

- Strong growth delivered by increased sales to non-affiliates
- Efficient SG&A(R&D cost, commission fee) cost management resulted in profitability improvement

## 4. Financial Summary

### Income Statement

[KRWbn]

	2012 3Q		2013 3Q	
<b>Sales</b>	<b>861.1</b>	<b>100.0%</b>	<b>991.2</b>	<b>100.0%</b>
Gross Profit	610.1	70.8%	672.8	67.9%
SG&A expenses <sup>1)</sup>	496.0	57.6%	565.7	57.1%
<b>Operating profit</b>	<b>114.0</b>	<b>13.2%</b>	<b>107.1</b>	<b>10.8%</b>
Non-operating Profit/Expenses	5.9		10.7	
Profit before tax	119.1	13.8%	115.5	11.7%
<b>Consolidated net income</b>	<b>85.8</b>	<b>10.0%</b>	<b>86.0</b>	<b>8.7%</b>

### Statements of Financial Position

[KRWbn]

	2012. 12	2013.09
<b>Assets</b>	<b>4,516.0</b>	<b>4,796.8</b>
Current assets	1,378.6	1,530.7
Non-current assets	3,137.3	3,266.1
<b>Liabilities</b>	<b>881.7</b>	<b>923.0</b>
Current liabilities	528.7	571.9
Non-current liabilities	353.0	351.1
<b>Shareholder's Equity</b>	<b>3,634.2</b>	<b>3,873.8</b>
Capital stock	44.5	44.5
Additional paid-in capital	673.1	673.0
Capital surplus	7.4	26.2
Other components of equity	-134.5	-131.9
Accumulated other comprehensive income	-2.5	-6.7
Retained earnings	1,390.5	1,511.4
Non-controlling interest	1,655.7	1,757.3

1) 2012 numbers have been adjusted to reflect the change of K-IFRS 1019, the 'Employee Benefits' clause