

# **AMOREPACIFIC Group**

## **2013 Earnings Release**

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AMOREPACIFIC Group Investor Relations  
February 6 2014

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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. 2013 Earnings Summary

Sales up 13.5% to KRW 3,895.4bn, OP up 4.3 to KRW 469.8bn

- Solid sales growth delivered by robust performance of cosmetics subsidiaries
- Despite the slowdown in luxury market caused by trading down, strengthened market leadership backed by launch of innovative products, enhancement of distribution channel competitiveness and expansion of overseas business

## Sales & OP

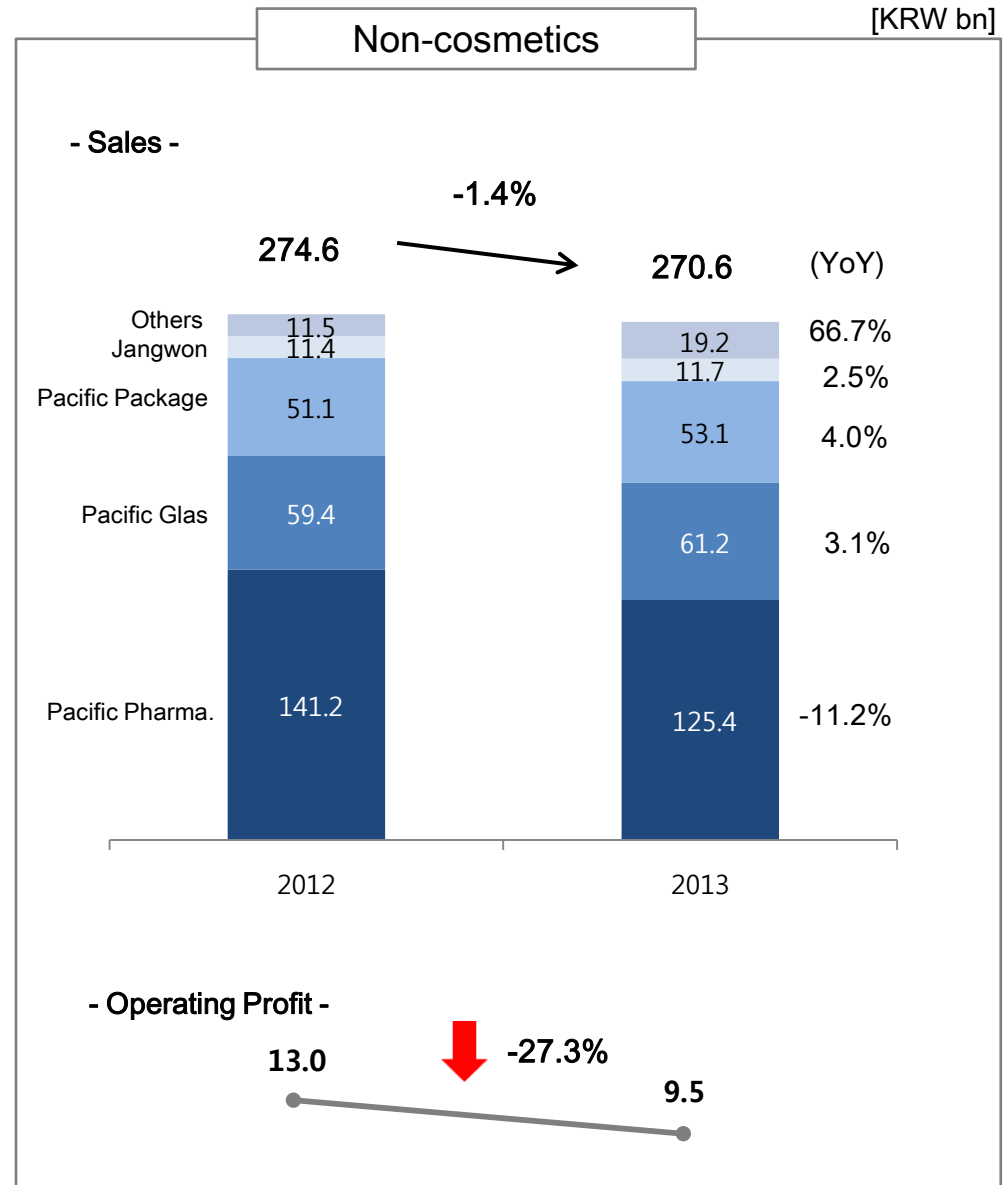
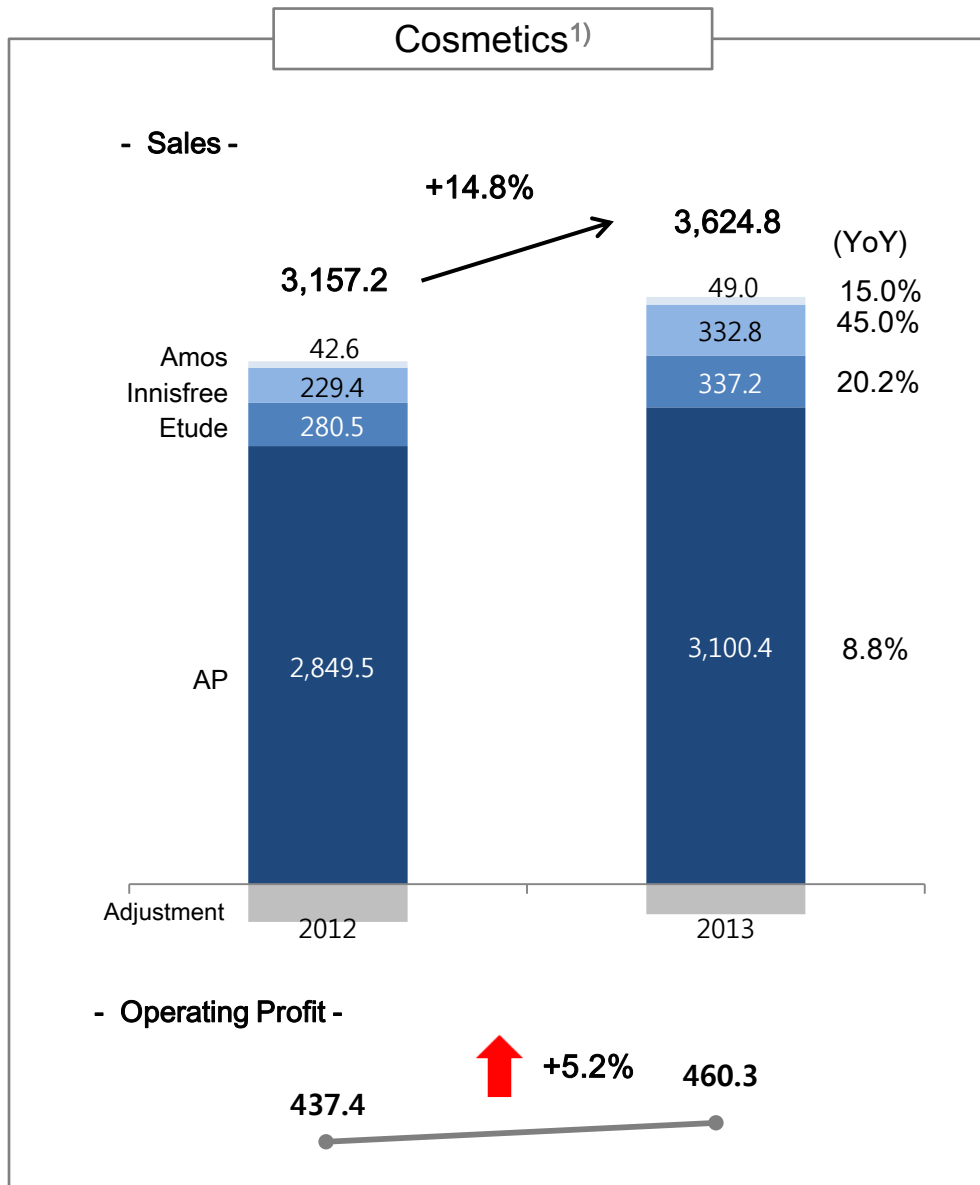
[KRW bn]

	2012	(%)	2013	(%)	YoY (%)
<b>Sales</b>	<b>3,431.7</b>	<b>100.0</b>	<b>3,895.4</b>	<b>100.0</b>	<b>13.5</b>
Cosmetics <sup>1)</sup>	3,157.2	92.0	3,624.8	93.1	14.8
Non-cosmetics <sup>2)</sup>	274.6	8.0	270.6	6.9	-1.4
<b>Operating Profit</b>	<b>450.4</b>	<b>13.1</b>	<b>469.8</b>	<b>12.1</b>	<b>4.3</b>
Cosmetics	437.4	13.9	460.3	12.7	5.2
Non-cosmetics	13.0	4.7	9.5	3.5	-27.3
<b>Net Profit</b>	<b>346.7</b>	<b>10.1</b>	<b>355.0</b>	<b>9.1</b>	<b>2.4</b>

1) Cosmetics: Amorepacific, Etude, Innisfree, Amos, adjustment

2) Non-cosmetics: Pacific Pharma., Pacific Glas, Pacific Package, Jangwon Industry, Amorepacific Group and Others

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



1) Intercompany transactions included in Cosmetics subsidiaries

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

[KRW bn]

	AMOREPACIFIC _ Consolidated	
	2012	2013
<b>Sales</b>	<b>2,849.5</b>	<b>3,100.4</b>
GP	2,002.3	2,188.6
SG&A expenses	1,636.9	1,818.8
<b>OP</b>	<b>365.3</b>	<b>369.8</b>
	Etude	
<b>Sales</b>	<b>280.5</b>	<b>337.2</b>
GP	161.3	189.3
SG&A expenses	137.4	163.2
<b>OP</b>	<b>23.9</b>	<b>26.1</b>
	Innisfree	
<b>Sales</b>	<b>229.4</b>	<b>332.8</b>
GP	162.4	232.0
SG&A expenses	126.2	182.2
<b>OP</b>	<b>36.3</b>	<b>49.8</b>

### [Amorepacific] Sales +9% , OP +1%

#### Domestic business

- Decreased sales contribution of Door-to-door due to the weaker performance of luxury products caused by trading down
- Increased market share in Dep. store channel backed by strong sales growth of 'Hera' and 'Primera'
- Increased OP on the back of robust growth of Travel retail and Digital channel

#### Overseas business

- Expanded business in China and Asean markets resulted in strong sales growth
- Increased sales with profitability improvement through efficient cost management in developed markets

#### Mass & Sulloc

- Improved mix behind by robust sales of products in cosmetic categories resulted in strengthened market leadership through all categories
- Reinforced brand awareness of 'Sulloc' through increased sales of premium products

### [Etude] Sales +20%, OP +9%

- Strengthened brand equity through innovation of product/design/space and solid sales of hit products led to high growth throughout all channels such as stand alone shops, hypermarkets , online and 'Espoir'
- Accelerated overseas business through continued store expansion
- Increased SG&A expenses related to the store expansion of 'Espoir' resulted in weaker profitability

### [Innisfree] Sales +45%, OP +37%

- Better performance throughout all channels thanks to increased sales of hit products realizing Jeju brand concept (Green tea seed serum, Jeju volcanic line) and launch of new products (fermented soybean line)
- Expanded customer base through complementing men/make-up categories

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

[KRW bn]

	Amos Professional	
	2012	2013
<b>Sales</b>	<b>42.6</b>	<b>49.0</b>
GP	23.2	27.0
SG&A expenses	13.5	15.5
<b>OP</b>	<b>9.7</b>	<b>11.5</b>
	Pacific Pharma.	
<b>Sales</b>	<b>141.2</b>	<b>125.4</b>
GP	53.1	49.3
SG&A expenses	46.1	45.0
<b>OP</b>	<b>7.0</b>	<b>4.3</b>
	Pacific Glas	
<b>Sales</b>	<b>59.4</b>	<b>61.2</b>
GP	4.8	3.9
SG&A expenses	4.7	5.2
<b>OP</b>	<b>0.1</b>	<b>-1.3</b>

### [Amos Professional] Sales +15%, OP +19%

- Strong growth with strengthened brand awareness backed by expanded point-of-sale and good performance of hit products (Green Tea Shampoo, curling essence) resulted in increased market share (31% → 35%)
- Profitability improvement delivered by change of product mix and efficient cost management

### [Pacific Pharma.] Sales -11%, OP -40%

- Negative sales growth due to slowdown in prescription drug market, fierce competition and decreased price of botulinum toxin
- Increased COGS-to-sales ratio due to increased sales contribution of products with higher COGS and weakened sales performance resulted in decreased profitability

### [Pacific Glas] Sales +3%, OP Turned to red

- Despite the slowdown in sales to affiliates, total sales increased slightly thanks to the increased exports to overseas markets
- OP turned to red due to increased fixed costs caused by the extension of production lines

### 3. Financial Summary

#### Income Statement

	2012		2013	
<b>Sales</b>	<b>3,431.7</b>	<b>100.0%</b>	<b>3,895.4</b>	<b>100.0%</b>
Gross Profit	2,417.8	70.5%	2,698.3	69.3%
SG&A expenses <sup>1)</sup>	1,967.4	57.3%	2,228.6	57.2%
<b>Operating Profit</b>	<b>450.4</b>	<b>13.1%</b>	<b>469.8</b>	<b>12.1%</b>
Non-operating Profit/Expenses	20.3		12.1	
Profit before tax	470.7	13.7%	481.9	12.4%
<b>Consolidated net income</b>	<b>346.7</b>	<b>10.1%</b>	<b>355.0</b>	<b>9.1%</b>

#### Statements of Financial Position

[KRW bn]

	2012. 12	2013.12
<b>Assets</b>	<b>4,516.0</b>	<b>4,921.9</b>
Current assets	1,378.6	1,552.2
Non-current assets	3,137.3	3,369.6
<b>Liabilities</b>	<b>881.7</b>	<b>1,012.9</b>
Current liabilities	528.7	642.0
Non-current liabilities	353.0	370.9
<b>Shareholder's Equity</b>	<b>3,634.2</b>	<b>3,908.9</b>
Capital stock	44.5	44.5
Additional paid-in capital	673.1	-673.0
Capital surplus	7.4	22.6
Other components of equity	-134.5	-140.8
Accumulated other comprehensive income	-2.5	-7.3
Retained earnings	1,390.5	1,533.7
Non-controlling interest	1,655.7	1,783.3

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