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AMOREPACIFIC  
GROUP

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## AMOREPACIFIC GROUP 2018 Earnings Release

- 1 2018 Earnings Summary
- 2 Earnings by Subsidiary
- 3 4Q 2018 Earnings Summary
- 4 Financial Summary

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 slightly up to KRW 6.1 trillion, Operating Profit down 24.9% to KRW 549.5 billion

### Revenue & Operating Profit by Division

Unit: KRW bn

	2017	2018	YoY(%)
<b>Revenue</b>	<b>6,029.1</b>	<b>6,078.2</b>	<b>0.8</b>
Beauty Subsidiaries <sup>1)</sup>	6,265.7	6,321.8	0.9
Non-Beauty Subsidiaries <sup>2)</sup>	156.9	163.2	4.0
Others <sup>3)</sup>	-393.5	-406.8	
	2017	2018	YoY(%)
<b>Operating Profit (OPM)</b>	<b>731.5 (12.1%)</b>	<b>549.5 (9.0%)</b>	<b>-24.9</b>
Beauty Subsidiaries (OPM)	727.5 (11.6%)	552.5 (8.7%)	-24.1
Non-Beauty Subsidiaries (OPM)	-4.6 (-3.0%)	-1.6 (-1.0%)	Mitigated Losses
Others <sup>3)</sup>	8.6	-1.4	
<b>Net profit (Margin)</b>	<b>489.5 (8.1%)</b>	<b>376.3 (6.2%)</b>	<b>-23.1</b>

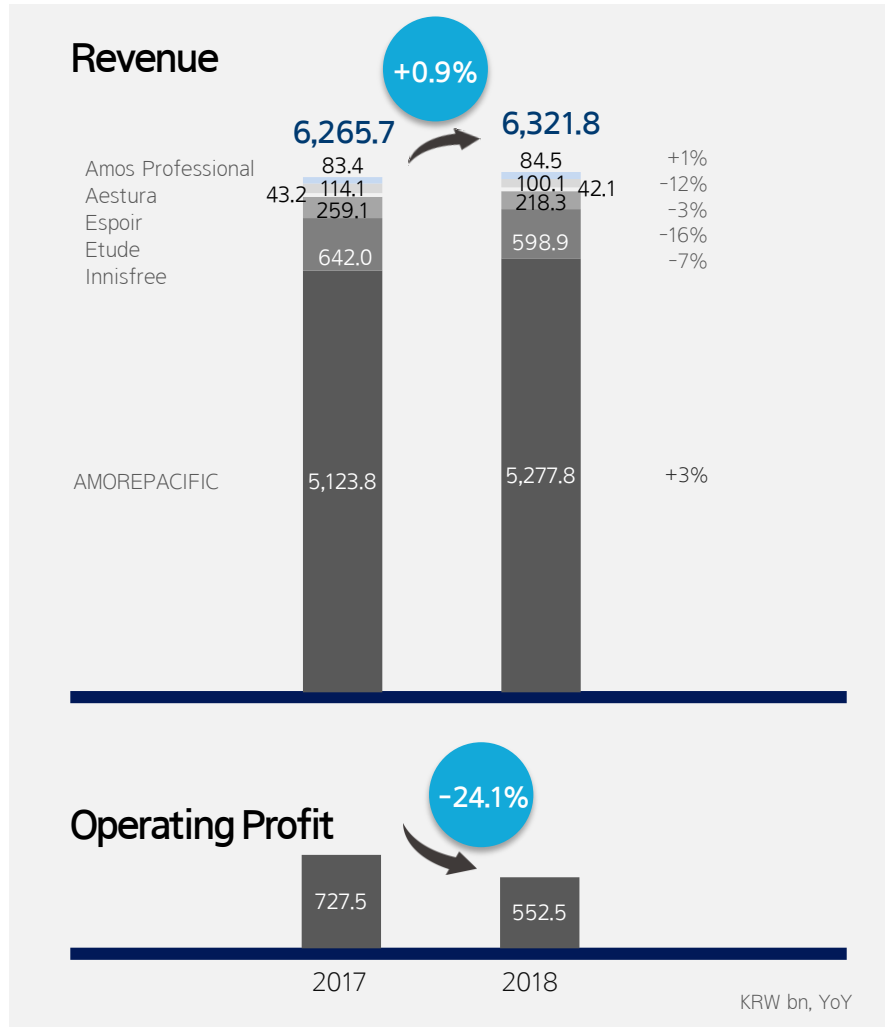
1) Beauty subsidiaries: AMOREPACIFIC, Innisfree, Etude, Espoir, Aestura, Amos Professional

2) Non-beauty Subsidiaries: APG, Pacific Glas, Pacific Package and OSulloc Farm\*

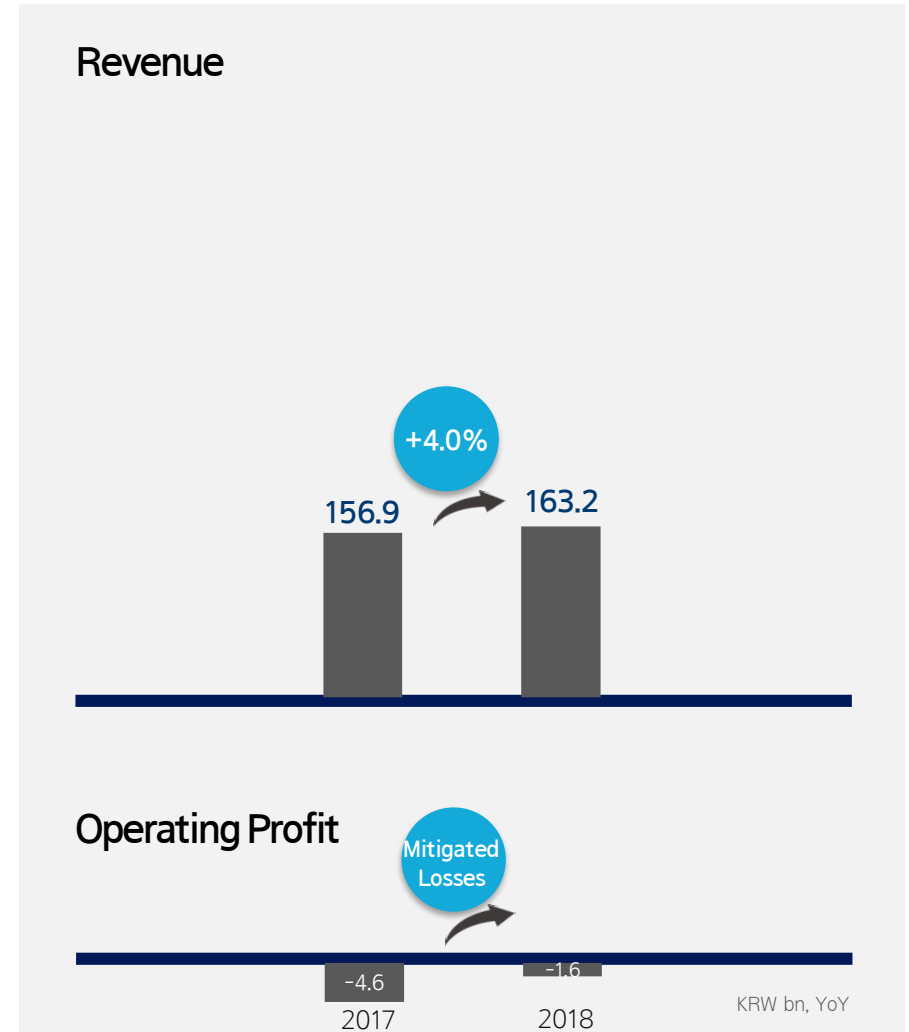
OSulloc Farm\*: Former Jangwon Industry

3) Others: Including intercompany transaction

Beauty subsidiaries



Non-Beauty subsidiaries



**AMOREPACIFIC Revenue +3%, Operating Profit -19%**

**Domestic Cosmetics**

- (Luxury) Revenue increased through stronger sales of key brands within travel retail channel, diversified product portfolio in order to strengthen brand competitiveness, promoted brand story with various customers and increased digital communication
- (Premium) Revenue decreased due to adjustments in home shopping channel's brand portfolio, make-up category revenue increased through launch of differentiated new products, strengthened customer communication through diversification of brand experiential space and various offline marketing activities

**Daily Beauty & OSulloc**

- (Daily Beauty) Despite solid revenue growth of digital channel total revenue declined due to decreased revenue within offline channels, Ryo brand revenue grew through steady sales of its key products, and enhanced brand competitiveness by focusing on key products and categories of each brand
- (OSulloc) Revenue grew through increased sales of blended tea and small-kit DIY products, achieved robust revenue growth within online channel through renewal of directly run online mall and strengthened digital marketing

**(Domestic Operating Business)** Operating profit declined due to increased SG&A expense including personnel expense

**Overseas**

- (Asia) Strengthened brand competitiveness of five key brands and distribution portfolio, accelerated new market entry and expansion
- (North America) Continued solid revenue growth by strengthening skin care brand-focused portfolio and sales growth of key products
- (Europe) Decline in revenue from termination of Lolita Lempicka brand's license, enhanced competitiveness of Goutal Paris through brand renewal and expanded its global business

**(Overseas Operating Profit)** Operating profit increased through solid revenue growth despite of continued investments on brand and channel for global business expansion

**Innisfree Revenue -7%, Operating Profit -25%**

- While online revenue increased, total revenue and operating profit declined due to decreased revenue from roadshops
- Promoted brand appeal through differentiated brand campaigns ('Eco-Handkerchief Campaign,' 'Play Green Festival,' 'Fact-check your skin') and newly introduced membership system
- Strengthened product competitiveness through new products launches ('My Foundation,' 'Bija Cica Balm,' 'AA Band,' etc.) and continuous growth of key skin care-line ('Jeju Orchid Cream,' 'Green Tea Seed Serum,' etc.)

**Etude Revenue -16%, Turned to red**

- Revenue declined centered on roadshops due to reduced number of stores, turned to losses
- Diversified product categories through launch of new products ('Mini Two Match,' 'Shine Chic Lip Lacquer,' 'Double Lasting Serum Foundation,' etc.) and expanded customer base
- Expanded customer experiential space through renewal of roadshops and personal color consultation service space 'Color Factory'

	AMOREPACIFIC (Consolidated)		
	2017	2018	YoY
Revenue	5,123.8	5,277.8	3%
Gross Profit	3,744.1	3,843.0	3%
SG&A Expenses	3,147.7	3,361.0	7%
Operating Profit	596.4	482.0	-19%
Innisfree			
Revenue	642.0	598.9	-7%
Gross Profit	439.2	409.5	-7%
SG&A Expenses	331.3	329.1	-1%
Operating Profit	107.9	80.4	-25%
Etude House			
Revenue	259.1	218.3	-16%
Gross Profit	148.9	119.0	-20%
SG&A Expenses	144.7	145.2	0%
Operating Profit	4.2	-26.2	Turned to Red

Unit: KRW bn

**Espoir Revenue -3%, Continued Losses**

- Although revenue slightly decreased due to reduced number of roadshops, improved brand accessibility by entering multi-brand channel
- Improved capabilities for responding to millennial customers by expanding customer communication via SNS and digital channel marketing

**Aestura Revenue -12%, Operating Profit - 73%**

- Despite of expanded inner-beauty product sales, total revenue and operating profit declined due to sale of filler business 'Cleviel' and reduced production of medical products
- Launched Aestrura's new '365 line' and entered multi-brand channel, diversified point of sales

**Amos Professional Revenue +1%, Operating Profit -2%**

- Enhanced competitiveness as a professional hair-care brand by launching various new products ('It's Glow,' 'Perfect Renew Green Tea Active,' 'Satin Pleasure Oil,' etc.)
- Strengthened digital competitiveness through expansion of mobile salon platform and social media marketing

	Espoir		
	2017	2018	YoY
Revenue	43.2	42.1	-3%
Gross Profit	34.5	33.6	-2%
SG&A Expenses	36.3	35.4	-2%
Operating Profit	-1.8	-1.8	Continued Losses
	Aestura		
Revenue	114.1	100.1	-12%
Gross Profit	23.9	17.5	-27%
SG&A Expenses	20.6	16.6	-19%
Operating Profit	3.4	0.9	-73%
	Amos Professional		
Revenue	83.4	84.5	1%
Gross Profit	50.6	52.1	3%
SG&A Expenses	33.1	34.9	6%
Operating Profit	17.5	17.1	-2%

Unit: KRW bn

Revenue up 4.1% to 1.4 trillion, Operating Profit down 81.8% to 16.4 billion

### Revenue & Operating Profit by Division

Unit: KRW bn

	2017 4Q	2018 4Q	YoY(%)
<b>Revenue</b>	<b>1,342.1</b>	<b>1,397.6</b>	<b>4.1</b>
Beauty Subsidiaries <sup>1)</sup>	1,398.8	1,449.3	3.6
Non-Beauty Subsidiaries <sup>2)</sup>	42.1	42.2	0.1
Others <sup>3)</sup>	-98.8	-93.8	
	2017 4Q	2018 4Q	YoY(%)
<b>Operating Profit (OPM)</b>	<b>90.3 (6.7%)</b>	<b>16.4 (1.2%)</b>	<b>-81.8</b>
Beauty Subsidiaries (OPM)	92.0 (6.6%)	19.7 (1.4%)	-78.6
Non-Beauty Subsidiaries (OPM)	0.3 (0.6%)	-0.2 (-0.5%)	Turned to Red
Others <sup>3)</sup>	-2.0	-3.0	
<b>Net profit (Margin)</b>	<b>20.9 (1.6%)</b>	<b>-20.5 (-1.5%)</b>	<b>Turned to Red</b>

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## Income Statement

Unit: KRW bn

	2017		2018	
	Value	%	Value	%
Revenue	6,029.1	100.0%	6,078.2	100.0%
Gross Profit	4,414.9	73.2%	4,459.5	73.4%
SG&A Expenses	3,683.4	61.1%	3,910.0	64.3%
Operating Profit	731.5	12.1%	549.5	9.0%
Non-operating Profit/Expenses	-33.2		-14.6	
Profit before Tax	698.3	11.6%	534.8	8.8%
Consolidated Net Income	489.5	8.1%	376.3	6.2%

## Statements of Financial Position

Unit: KRW bn

	2017.12	2018.12
	Assets	7,335.2
Current Assets	2,526.0	2,489.6
Non-current Assets	4,809.2	4,897.7
Liabilities	1,403.3	1,144.9
Current Liabilities	1,170.8	897.6
Non-current Liabilities	232.4	247.3
Shareholder's Equity	5,932.0	6,242.5
Capital Stock	44.5	44.5
Additional Paid-in Capital	673.0	673.0
Capital Surplus	22.6	22.6
Other Components of Equity	-146.0	-146.0
Accumulated Other Comprehensive Income	-19.4	-21.0
Retained Earnings	2,422.6	2,545.8
Non-controlling Interest	2,934.7	3,123.6

## “Exciting Changes”

Revenue 10% YoY, Operating Profit 24% YoY Growth Target

- 1 Development of Innovative Product
- 2 Better Customer Experience
- 3 Digital Innovation
- 4 Global Expansion
- 5 Toward Future-oriented Management Constitution
- 6 Sustainable Management and HR Development