



# AMOREPACIFIC

## 2010 H1 Earnings Release

# H1 2010 FINANCIAL HIGHLIGHTS

## Sales and Profits

[Unit: KRWbn]

	H1 09	<i>(Margin)</i>	H1 10	<i>(Margin)</i>	Y on Y
<b>Sales</b>	915.3		<b>1,064.0</b>		<b>16.3%</b>
<b>Gross Profit</b>	651.8	<i>(71.2)</i>	<b>786.9</b>	<i>(74.0)</i>	<b>20.7%</b>
<u>SG&amp;A Expense</u>	<u>461.9</u>		<u>561.1</u>		<u>21.5%</u>
<b>Operating Profit</b>	189.9	<i>(20.8)</i>	<b>225.7</b>	<i>(21.2)</i>	<b>18.8%</b>
<u>Non-operating Gain/Loss</u>	<u>2.1</u>		<u>8.9</u>		<u>325.1%</u>
<b>Income Before Taxes</b>	192.0	<i>(21.0)</i>	<b>234.6</b>	<i>(22.0)</i>	<b>22.2%</b>
<b>Net Profit</b>	144.6	<i>(15.8)</i>	<b>179.8</b>	<i>(16.9)</i>	<b>24.3%</b>

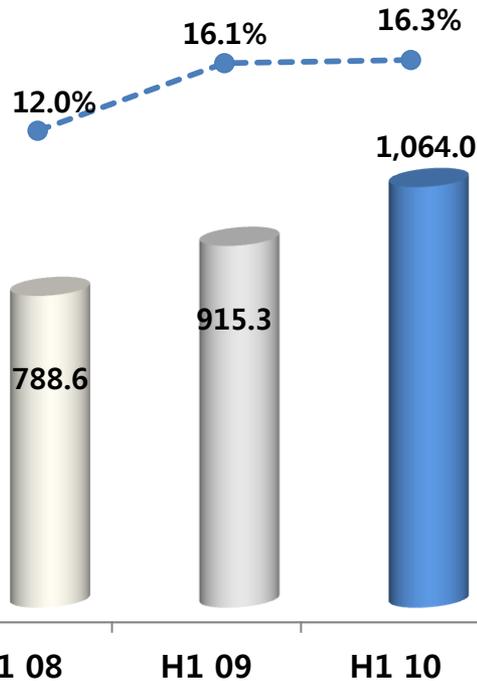
# H1 2010 FINANCIAL HIGHLIGHTS

**Sales recorded KRW 1tn backed by strong organic growth of the core business**

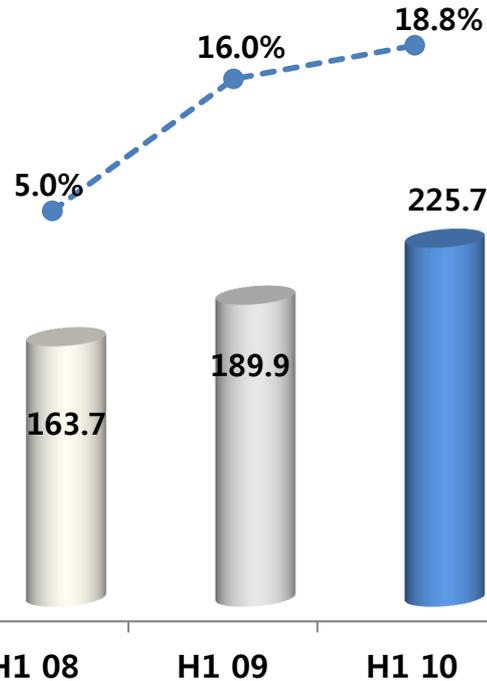
- Strong growth continued backed by the **organic growth of the reinforced core business**
- **Greatest H1 sales and profits with increased market share:** Sales of KRW 1.64tn, OP of KRW 225.7bn

[Unit: KRWbn, %YoY]

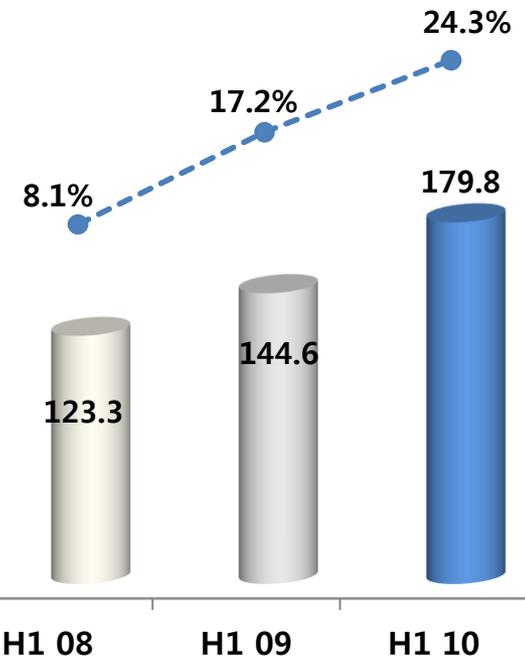
## Sales



## Operating Profit



## Net Profit



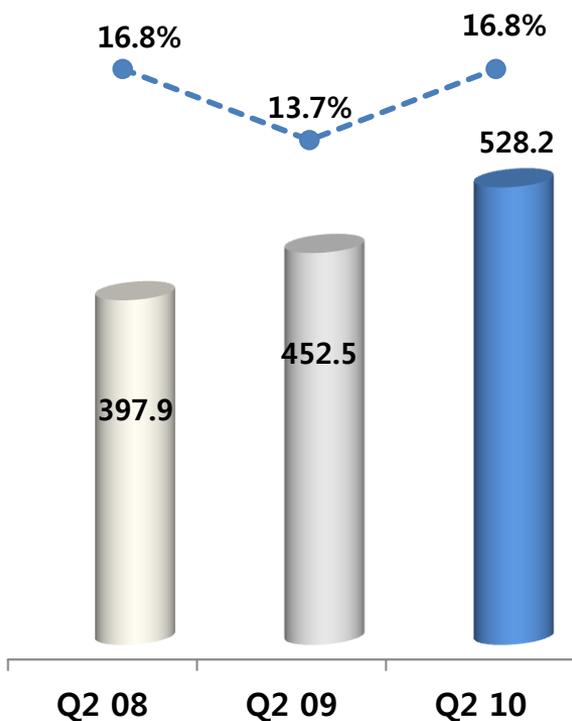
# Q2 2010 FINANCIAL HIGHLIGHTS

**Sales of KRW 528.2bn (+17%YoY), OP of KRW 93.2bn (+18%YoY)**

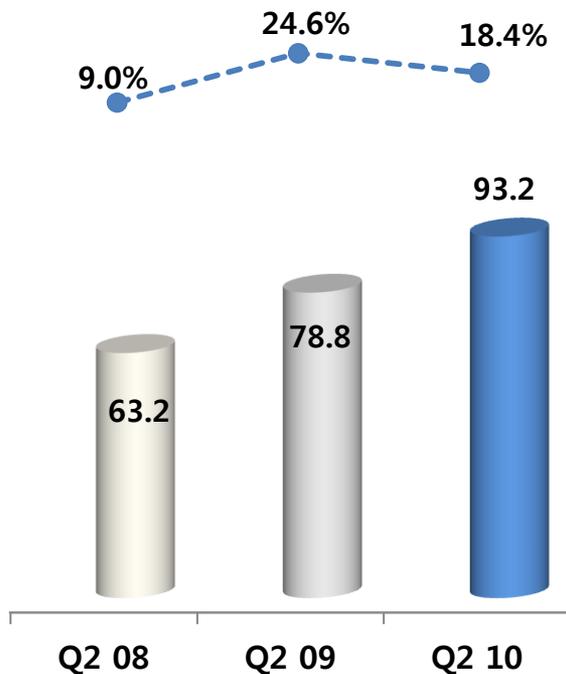
- Reinforced core business resulted in the greatest Q2 results yet and cosmetics market share continued to rise
- Differentiated brand power and competitive distribution structure led to strong growth throughout all channels

[Unit: KRWbn, %YoY]

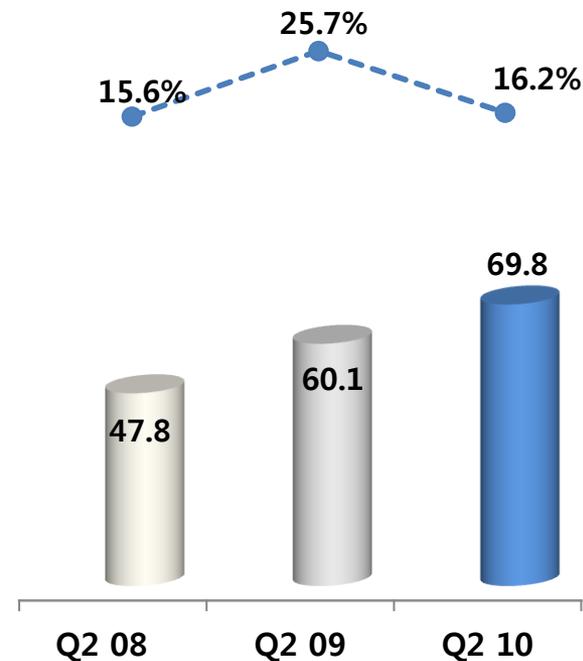
## Sales



## Operating Profit



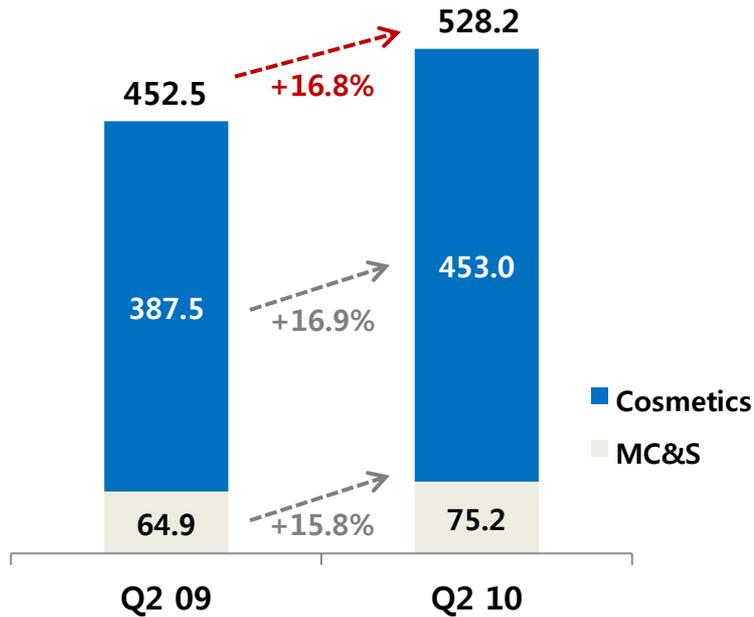
## Net Profit



# Q2 2010 Sales Analysis

## Sales by Division

[Unit: KRWbn, %YoY]



## Sales of KRW528.2bn, +17% YoY

### [Cosmetics Division] Sales of KRW453.0bn, +17%YoY

- Outgrew the market with double-digit sales growth for 9 consecutive quarters resulting in strengthened market leadership and increased M/S since year-end 2009 from 33.9% to 36.0% (39.8% with affiliates)
- Luxury Segment: 63% of total cosmetics sales, +21%YoY**
  - Existing counselors' enhanced sales skills and influx of new counselors resulted in steady growth of Door to Door sales
  - Strong performance of the duty-free shops and increased number of customers within Department stores resulted in the channel's strong growth
  - Premium lines of 'Sulwhasoo' and 'Hera' displayed strong growth ('Sulwhasoo'+20%, 'Hera'+24%, 'Amorepacific' +35%)
- Premium Segment: 34% of total cosmetics sales, +14%YoY**
  - Reinforced CRM activities led to expansion of new/loyal customer base and increased sales per store resulted in enhanced market leadership of 'Aritaum' (1,159 Stores)
  - Increased sales of premium functional lines of 'IOPE' and 'Hannule' resulted in strong growth in the hypermarket channel('IOPE'+16%, 'Hannule'+135%)
  - On-line channel displayed robust growth of 47% backed by strong growth in home shopping and internet sales

### [MC&S Division] Sales of KRW75.2bn, +16%YoY

- Brand power of 'Mis-en-scene', 'Ryoe' and 'Happy Bath' strengthened and sales mix continued to improve
- Sulloc sales continued to increase through the strengthened line-up of premium tea leaf products and new product launches
- 'Mis-en-scene'+17%, 'Ryoe'+105%, 'Happy bath' +36% 'Sulloc' +32%

## [Cosmetics Sales by Major Channels]

Channel	Vs. Total Sales	YoY Growth (Actual)
Door to Door	31.4%	11.4%
Department Store *	20.7%	39.7% (18.2%)
Specialty Store **	14.3%	4.9% (28.1%)
Hypermarket **	8.7%	12.1% (17.6%)

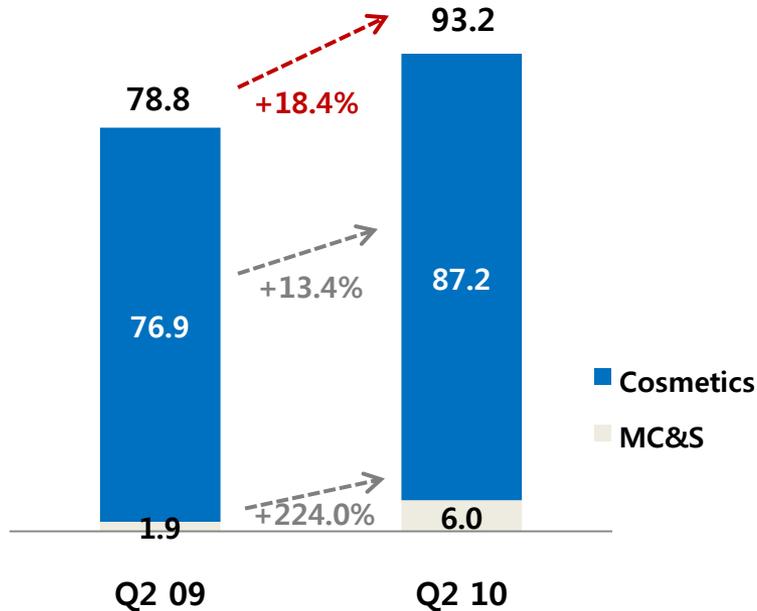
\* From '10 Q1, Duty-free sales are recognized as gross sales

\*\* Due to spin-off of the Innisfree brand, sales from the brand are excluded from the specialty and discount store channels

# Q2 2010 Profits Analysis

## OP by Division

[Unit: KRWbn, %YoY]



OP of KRW 93.2bn, +18%YoY

### [Cosmetics Division]

- Operating profits increased 13%YoY
- Operating profits continued strong growth due to sales growth in all the luxury and premium channels
- Investment in marketing costs for major cosmetic brands and change in accounting method for duty-free sales resulted in increased commissions paid, leading to an increase in SG&A costs to sales ratio

### [MC&S Division]

- Operating profits increased 224%YoY
- Profitability and product mix improved due to increased portion of cosmetics-related and premium products of major brands, "Mis-en-scene", 'Ryoe' and 'Happy Bath'
- Profitability for 'Sulloc' brand improved due to increased portion of premium tea leaf sales

### [2010 Q2 OPM by Division]

(OPM)	Q2 09	Q2 10
Cosmetics	19.8%	19.3%
MC&S	2.9%	8.0%
<b>Company</b>	<b>17.4%</b>	<b>17.7%</b>

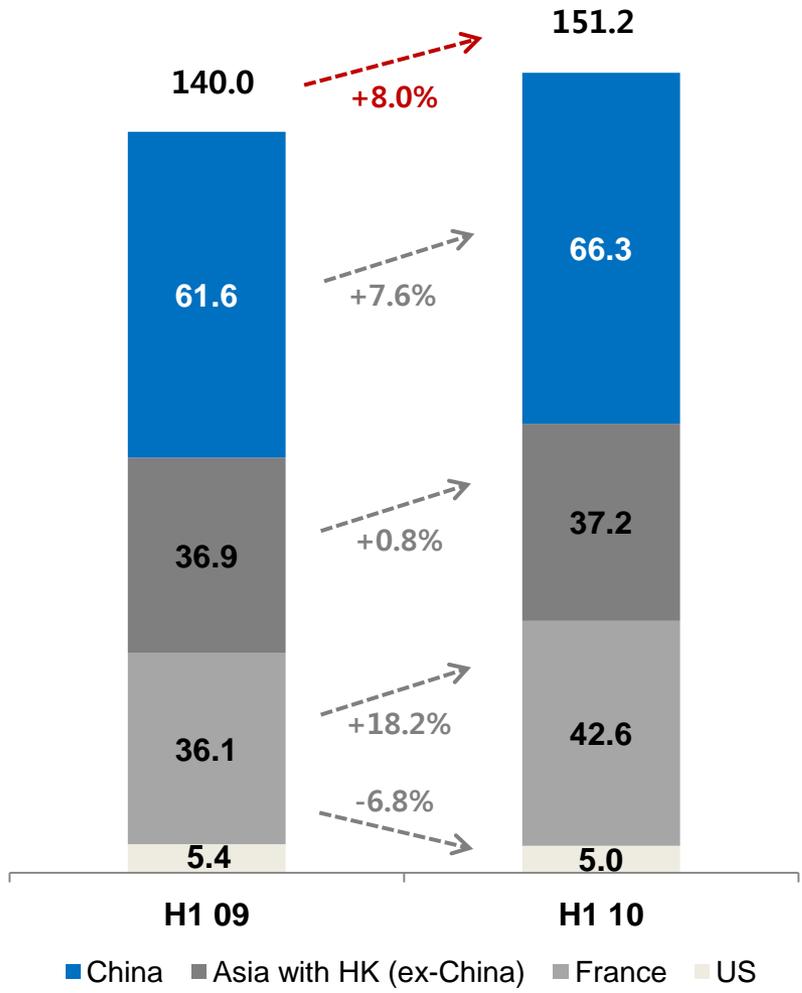
### [2010 Q2 Major SG&A Expense to Sales]

(vs. Sales)	Q2 09	Q2 10
Personnel	8.4%	8.1%
Marketing	16.5%	16.6%
Commission	16.3%	20.9%
<b>Total SG&amp;A</b>	<b>53.8%</b>	<b>57.7%</b>

# H1 2010 Overseas Business Analysis

## Sales by Region

[Unit: KRWbn, %YoY]



## H1 2010 Sales of KRW151.2bn, +8%YoY

### [China] 44% of total overseas sales, +8%YoY

- Growth weakened due to strong won
  - RMB based sales continued strong growth of 26%YoY
- 'Laneige' improved its young premium brand image through reinforced marketing efforts (Department store: 184 counters)
- 'Mamonde' sales surged backed by new store launches and enhanced brand recognition through TV advertisements (Department store: 290 counters, Specialty stores: 2,045)

### [Asia Ex-China] 25% of total overseas sales, +1%YoY

- Growth weakened due to strong won
- Encounter marketing activities in major Asian markets such as Taiwan, Singapore and Malaysia resulted in enhanced brand recognition of 'Laneige'

### [France] 28% of total overseas sales, +18%YoY

- Euro based sales continued strong growth of 39%YoY
- Business turned to black in Q2 thanks to growth of 'Lolita Lempicka' brand and efficient management of costs

### [US] 3% of total overseas sales, -7%YoY

- Growth weakened due to strong won
  - USD based sales continued stable growth of 9%YoY
- Sales from 'Amorepacific' brand and 'Amore Shops' increased

※ The numbers are subject to changes without prior notice due to uncertainties

# Q2 2010 Financial Summary

## ► Income Statement

[KRWbn]	Q2 2009		Q2 2010	
		%		%
Sales	452.5	100.0	528.2	100.0
Gross Profit	322.3	71.2	397.9	75.3
SG&A Expense	243.5	53.8	304.7	57.7
Operating Profit	78.8	17.4	93.2	17.7
Non-operating Profit	9.5		6.0	
Non-operating Expense	8.7		8.2	
Income Before Taxes	79.6	17.6	91.1	17.2
Net Profit	60.1	13.3	69.8	13.2

## ► Balance Sheet

[KRWbn]	2010. 3	2010. 6
Asset	1,787.9	1,854.0
Current Asset	644.6	622.2
Non-current Asset	1,143.3	1,231.8
Liability	422.5	417.4
Current Liability	269.7	273.4
Non-current Liability	152.8	144.0
Shareholder's Equity	1,365.4	1,436.6
Capital	34.5	34.5
Capital Reserve	712.7	712.7
Capital Adjustment	-1.8	-1.8
Accumulated Other	18.2	19.5
Inclusive Gain and Loss		
Retained Earnings	601.8	671.7



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