



AMORE PACIFIC CORP.

AMOREPACIFIC Corporation 2Q 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 2.5% to KRW 2.8 trillion, Operating Profit down 28.1% to KRW 274.4 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	1H 2018	% of Revenue	1H 2019	% of Revenue	YoY(%)
Revenue	2,775.3	100.0	2,844.5	100.0	2.5
Domestic	1,818.6	65.5	1,832.7	64.4	0.8
Cosmetics	1,541.4	55.5	1,561.1	54.9	1.3
Daily Beauty & Osulloc	277.1	10.0	271.5	9.5	-2.0
Overseas	977.6	35.2	1,034.0	36.4	5.8
Others*	-20.9		-22.2		
	1H 2018	OPM(%)	1H 2019	OPM(%)	YoY(%)
Operating Profit	381.7	13.8	274.4	9.6	-28.1
Domestic	250.0	13.7	203.0	11.1	-18.8
Cosmetics	234.9	15.2	193.6	12.4	-17.6
Daily Beauty & Osulloc	15.1	5.5	9.4	3.5	-37.8
Overseas	126.9	13.0	66.0	6.4	-48.0
Others*	4.8		5.3		
Net Profit	286.3	10.3	179.3	6.3	-37.4

Others* : Intercompany Transaction

Revenue up 3.7% to KRW 1.4 trillion, Operating Profit down 39.8% to KRW 87.8 billion

Revenue & Operating Profit by Division

Unit: KRW bn

	2018 2Q	% of Revenue	2019 2Q	% of Revenue	YoY(%)
Revenue	1,343.7	100.0	1,393.1	100.0	3.7
Domestic	877.7	65.3	891.9	64.0	1.6
Cosmetics	760.8	56.6	771.7	55.4	1.4
Daily Beauty & Osulloc	116.9	8.7	120.2	8.6	2.8
Overseas	476.7	35.5	512.1	36.8	7.4
Others*	-10.8		-10.9		
	2018 2Q	OPM(%)	2019 2Q	OPM(%)	YoY(%)
Operating Profit	145.8	10.8	87.8	6.3	-39.8
Domestic	92.6	10.5	73.6	8.2	-20.5
Cosmetics	94.4	12.4	76.0	9.8	-19.5
Daily Beauty & Osulloc	-1.8	-1.6	-2.4	-2.0	Continued Losses
Overseas	45.4	9.5	20.1	3.9	-55.7
Others*	7.8		-5.9		
Net Profit	109.6	8.2	57.1	4.1	-47.9

Others* : Intercompany Transaction

[Revenue and business activities]

Luxury

- Revenue increased through strong sales of travel retail channel
- Strengthened brand competitiveness by launching new products within key categories
: 'HERA Black Foundation, Au Jour Le Jour Collection, Sensual Aqua Lipstick', 'Sulwhasoo Timetreasure Invigorating Eye Cream & Eye Serum Renewal', 'Vitalbeautie Easy Sleep', etc.
- Expanded experiential marketing of key products and promoted brand stories
: 'Sulwhasoo Universe (First Care Activating Serum pop-up store)', 'Amorepacific Vintage Essence Pop-up Store', 'Primera Love the Earth Campaign', etc.

Premium

- Online revenue increased for all brands while ARITAUM revenue continued to decline due to channel reorganization
- Continued introduction of new innovative products for millennial customers
: 'Mamonde Red Energy Recovery Serum', 'Hanyul Artemisia Miracle Relief Serum', 'Ice Beauty Skin Care', etc.
- Strengthened brand attractiveness through brand experiential marketing events
: 'Laneige Water Bank Avenue', 'Welcome to Mamonde Garden', 'IOPE Skin Week', etc.

Daily Beauty

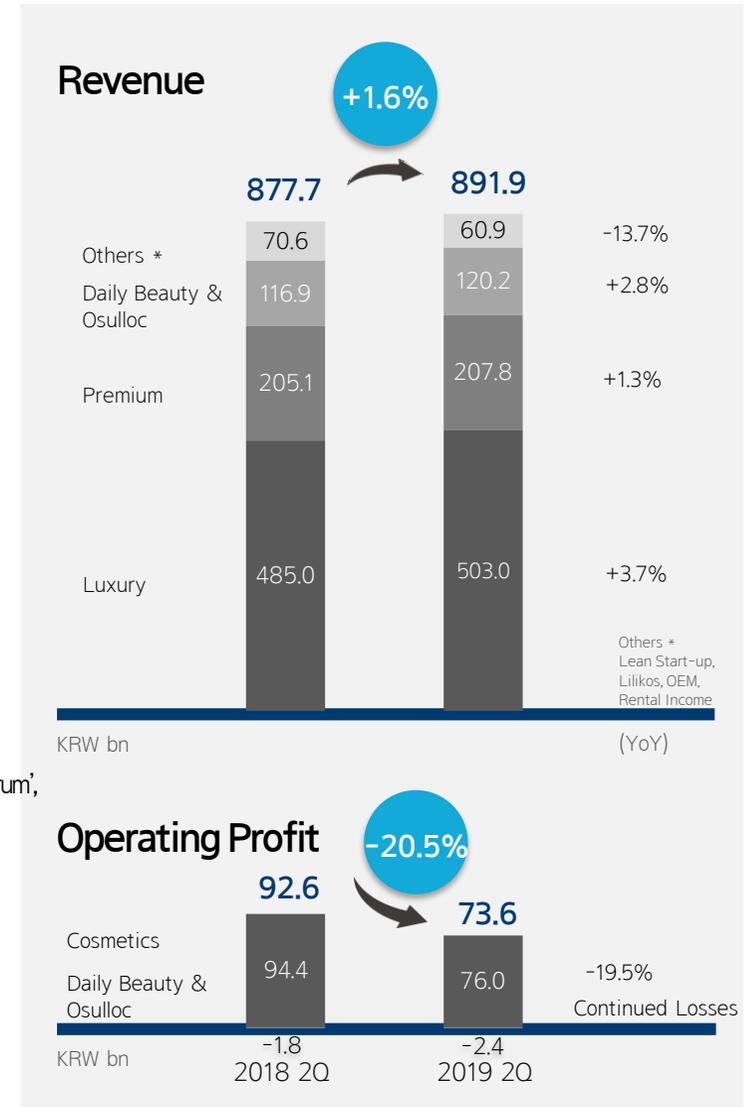
- Increased online channel revenue by strengthening digital marketing in key categories for each brand
- Ryo brand revenue increased through solid sales of its key product ('Ryo Hair Loss Care Shampoo')
- Strengthened customer communication through various on/offline events
: '10th anniversary event of Ryo hair Loss Care', 'Mise-en-scène customer appreciation event for 50 million sales of Perfect Serum', 'Happybath's Bathing Culture Experience event', etc.

Osulloc

- Achieved robust online sales growth with increased sales of fermented tea, tea bag products and strengthened digital marketing
- Enhanced customer communication based marketing by hosting Osulloc tea festival and customer appreciation events

[Operating Profit]

- Operating profit declined due to continued investment in marketing



[Revenue and business activities]

Asia

[Sulwhasoo] Strengthened its competitiveness as a luxury beauty brand

- Expanded customer base by launching China 'Bloomstay Vitalizing' line pop-up store and ASEAN 'First Care Activating Serum' marketing campaign
- Achieved solid revenue growth through strengthened digital marketing in China and ASEAN

[Laneige] Secured growth by strengthening key products and diversifying channels

- Launched 'Water Bank Essence' renewal and operated global pop-up store 'Water Bank Avenue'
- Gained ground by focusing on China and ASEAN digital channels and multi brand shops

[Mamonde] Enhanced brand competitiveness through new product launch and channel diversification

- Increased customer responsiveness by launching new engine product ('Red Energy Recovery Serum') and operating global marketing campaigns
- Established profitable structure through continued reorganization of on/offline channel

[Innisfree] Reinforced key product capabilities and enhanced digital responsiveness

- Gained ground by launching 'Green Tea Seed Serum' renewal marketing campaign
- Proceeded on/offline marketing activities collaborating with Chinese model and achieved solid sales of localized product for China 'White Peony Tone-up Essence'

[Etude House] Secured growth momentum through channel reorganization

- Reinforced channel restructuring activities to streamline China and ASEAN offline channels
- Enhanced customer communication by holding an event for its 1st anniversary in the Middle East

North America

Strengthened brand position by enhancing channel portfolio and continuing revenue growth

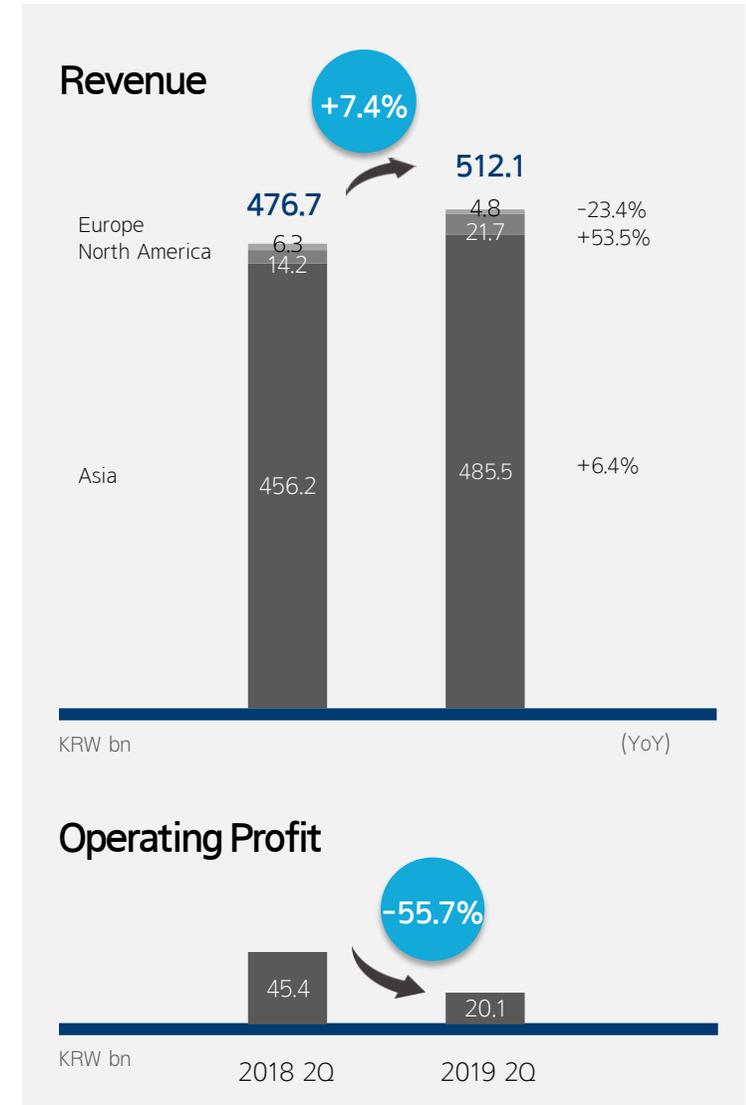
- Expanded customer base through additional Laneige entry in Sephora and Innisfree store launch in California
- Achieved solid revenue growth by focusing on key skincare products ('Laneige Water Bank', 'Laneige Cream Skin', 'Mamonde Red Energy Recovery Serum')

Europe

- Decreased revenue due to the base effect of Goutal Paris renewal and decline in domestic demand
- Continued marketing activities for Laneige in multi-brand shops and achieved solid sales

[Operating Profit]

- Decreased due to investment in diversifying brands and channels for global growth



Income Statement

Unit: KRW bn

	2018 2Q		2019 2Q	
Revenue	1,343.7	100.0%	1,393.1	100.0%
Gross Profit	984.8	73.3%	1,019.7	73.2%
SG&A Expenses	839.0	62.4%	931.9	66.9%
Operating Profit	145.8	10.8%	87.8	6.3%
Non-operating profit/Expenses	-1.6		-5.6	
Profit before Tax	144.1	10.7%	82.2	5.9%
Consolidated Net Income	109.6	8.2%	57.1	4.1%

Statement of Financial Position

Unit: KRW bn

	2018.12	2019.06
	Assets	5,371.1
Current Assets	1,567.2	1,606.2
Non-current Assets	3,803.9	4,239.0
Liabilities	924.7	1,383.5
Current Liabilities	763.2	953.8
Non-current Liabilities	161.5	429.6
Shareholder's Equity	4,446.4	4,461.8
Capital Stock	34.5	34.5
Additional Paid-in Capital	712.7	712.7
Capital Surplus	7.8	7.8
Other Components of Equity	-17.6	-117.6
Accumulated Other Comprehensive Income	-41.3	-22.1
Retained Earnings	3,726.0	3,827.1
Non-controlling Interest	24.4	19.4