



AMOREPACIFIC CORP.

## AMOREPACIFIC Corporation 3Q 2018 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.

AMOREPACIFIC Corp. has adopted the K-IFRS since 2011.

Sales up 1.8% to KRW 4.1 trillion, Operating Profit down 11.8% to KRW 458.2 billion

### Sales & Operating Profit by Division

Unit: KRW bn

	3Q YTD 2017	% of sales	3Q YTD 2018	% of sales	YoY(%)
<b>Sales</b>	<b>3,983.9</b>	<b>100.0</b>	<b>4,053.7</b>	<b>100.0</b>	<b>1.8</b>
<b>Domestic</b>	<b>2,700.1</b>	<b>67.8</b>	<b>2,658.3</b>	<b>65.6</b>	<b>-1.6</b>
Cosmetics	2,274.9	57.1	2,238.5	55.2	-1.6
Daily Beauty & Osulloc	425.2	10.7	419.8	10.4	-1.3
<b>Overseas</b>	<b>1,312.8</b>	<b>33.0</b>	<b>1,424.8</b>	<b>35.1</b>	<b>8.5</b>
Others*	-29.1		-29.4		
	3Q YTD 2017	OPM(%)	3Q YTD 2018	OPM(%)	YoY(%)
<b>Operating Profit</b>	<b>519.5</b>	<b>13.0</b>	<b>458.2</b>	<b>11.3</b>	<b>-11.8</b>
<b>Domestic</b>	<b>383.5</b>	<b>14.2</b>	<b>299.1</b>	<b>11.3</b>	<b>-22.0</b>
Cosmetics	355.5	15.6	281.1	12.6	-20.9
Daily Beauty & Osulloc	28.0	6.6	18.0	4.3	-35.9
<b>Overseas</b>	<b>153.3</b>	<b>11.7</b>	<b>153.2</b>	<b>10.7</b>	<b>-0.1</b>
Others*	-17.3		6.0		
<b>Net Profit</b>	<b>380.7</b>	<b>9.6</b>	<b>334.4</b>	<b>8.2</b>	<b>-12.2</b>

Others\* : Intercompany Transaction

Sales up 5.7% to KRW 1.3 trillion, Operating Profit down 24.3% to KRW 76.5 billion

### Sales & Operating Profit by Division

Unit: KRW bn

	3Q 2017	% of sales	3Q 2018	% of sales	YoY(%)
<b>Sales</b>	<b>1,209.9</b>	<b>100.0</b>	<b>1,278.4</b>	<b>100.0</b>	<b>5.7</b>
<b>Domestic</b>	<b>790.2</b>	<b>65.3</b>	<b>839.7</b>	<b>65.7</b>	<b>6.3</b>
Cosmetics	638.9	52.8	697.1	54.5	9.1
Daily Beauty & Osulloc	151.3	12.5	142.7	11.2	-5.7
<b>Overseas</b>	<b>427.3</b>	<b>35.3</b>	<b>447.2</b>	<b>35.0</b>	<b>4.7</b>
Others*	-7.6		-8.5		
	3Q 2017	OPM(%)	3Q 2018	OPM(%)	YoY(%)
<b>Operating Profit</b>	<b>101.1</b>	<b>8.4</b>	<b>76.5</b>	<b>6.0</b>	<b>-24.3</b>
<b>Domestic</b>	<b>66.9</b>	<b>8.5</b>	<b>49.1</b>	<b>5.8</b>	<b>-26.7</b>
Cosmetics	56.3	8.8	46.2	6.6	-18.0
Daily Beauty & Osulloc	10.6	7.0	2.9	2.0	-73.0
<b>Overseas</b>	<b>45.4</b>	<b>10.6</b>	<b>26.2</b>	<b>5.9</b>	<b>-42.2</b>
Others*	-11.2		1.2		
<b>Net Profit</b>	<b>79.8</b>	<b>6.6</b>	<b>48.1</b>	<b>3.8</b>	<b>-39.8</b>

Others\* : Intercompany Transaction

## [Sales and business activities]

### Luxury

- Luxury revenue increased through skin care category sales growth and stronger travel retail channel revenue due to the rise in Chinese tourist traffic
- Strengthened key products lines within brands and heightened customer experience through new product launches : 'Sulwhasoo Concentrated Ginseng Renewing Serum', 'Hera Lip Gelcrush', 'Hera UV mist cushion', etc
- Enhanced brand appeal and promoted brand story by expanding brand experiential space : 'Hera UV Mist Cushion pop-up store Jump Up, Seoulista', renewed 'Primera Myeong-Dong Flagship Store'

### Premium

- Make-up category revenue increased through launch of new products and 'Color Autumn' campaign
- Enhanced customer experience through differentiated brand experience events : 'tope Skin Week', 'Laneige Cream Skin sampling event', 'Hanyul Road'
- Launched next generation multi-brand shop 'Aritaum Live Gangnam' : Expanded customer experiential contents ('Aritaum Beauty Bar', 'Beauty Tip&Talk', 'Brush Cleansing Bar', 'Make-up Styling Bar') and introduced new brands

### Daily Beauty

- Achieved steady sales of Ryo's premium products and strengthened brand heritage through its 10th anniversary celebration scalp science conference
- Enhanced brand appeal of key brands through increased new product launches : 'Mise-en-scène Re:Bond treatment', 'Mise-en-scène Fantasy Dream Color Line', 'Happy Bath Damask Rose Essence Body Wash'

### OSulloc

- Revenue grew through stronger sales of premium products and increased sales of key channels (OSulloc Tea House)
- Renewed direct e-commerce mall and diversified digital marketing (OSulloc x Naver Webtoon) in order to strengthen digital competitiveness and expand customer base

## [Operating Profit]

- Operating profit declined due to increased SG&A as a result of one-off personnel expense



## [Sales and business activities]

### Asia

#### [Sulwhasoo] Maintained solid position as a luxury beauty brand

- Promoted ginseng heritage and strengthened luxury anti-aging category leadership through global campaign launch of 'Concentrated Ginseng Renewing Serum'
- Achieved brand growth through sales growth of representative product such as 'First Care Activating Serum EX', 'Concentrated Ginseng Renewing line', etc.

#### [Laneige] Enhanced brand appeal through strengthened marketing activities

- Continued steady sales of representative moisture products ('Water Sleeping Mask', 'Water Bank') and innovative new products ('Layering Cover Cushion')
- Launched localized product (Laneige X Line Friends Limited Edition) and strengthened customer communication by promoting brand marketing campaign ('Water Bar')

#### [Mamonde] Strengthened competitiveness through channel expansion and reorganization

- Continued reorganization of China's distribution channel, diversified retail competitiveness by partnering with retailers in launching pop-up events for new products
- Focused on multi-brand shop (Sephora, Eveandboy) and digital platform growth centered on representative product in ASEAN market

#### [Innisfree] Strengthened portfolio by launching global marketing campaign and expanding point of sales

- Enhanced brand image by launching renewed 'Super Volcanic Pore Clay Mask 2X' and promoting 'My Foundation' campaign
- Expanded coverage of cities within countries (expanded entry within 3<sup>rd</sup>-4<sup>th</sup> tier cities in China, accelerated expansion within 2<sup>nd</sup> tier cities in ASEAN)

#### [Etude House] Strengthened position as a young make-up brand by enhancing customer experience

- Strengthened customized communication with local customers by expanding personal color service
- Maintained solid revenue growth within Japan, Thailand, Malaysia and Middle East, established foundation for growth by differentiating expansion strategy for each country

### North America

#### Continued solid growth through increased brand investment and diversification of channel portfolio

- Revenue increased through Laneige's expanded point of sales within Sephora (Sephora inside JC Penny) coupled with Innisfree's store expansion as well as its steady sales

### Europe

Sales decreased within roadshops and department stores for 'Goutal Paris' due to tourist traffic decline. Continued brand reorganization of 'Goutal Paris'.

### [Operating Profit]

- Operating profit declined due to increased advertising expense in efforts to strengthen brand appeal and continued investment in new channels



## Income Statement

Unit: KRW bn

	2017 3Q		2018 3Q	
Sales	1,209.9	100.0%	1,278.4	100.0%
Gross Profit	855.5	70.7%	931.1	72.8%
SG&A expenses	754.4	62.4%	854.6	66.9%
Operating Profit	101.1	8.4%	76.5	6.0%
Non-operating Profit/Expenses	5.2		(8.5)	
Profit before tax	106.3	8.8%	68.0	5.3%
Consolidated net income	79.8	6.6%	48.1	3.8%

## Statement of Financial Position

Unit: KRW bn

	2017.12	2018.09
	Assets	5,375.7
Current assets	1,677.5	1,582.3
Non-current assets	3,698.2	3,732.5
Liabilities	1,200.3	881.7
Current liabilities	1,046.4	737.6
Non-current liabilities	153.9	144.2
Shareholder's Equity	4,175.4	4,433.0
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)	(17.6)
Accumulated other comprehensive income	(40.1)	(44.5)
Retained earnings	3,456.5	3,715.1
Non-controlling interest	21.6	25.1