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AMORE PACIFIC CORP.

AMOREPACIFIC Corporation 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..

Revenue up 3.0% to KRW 5.3 trillion, Operating Profit down 19.2% to KRW 482.0 billion

Revenue & Operating Profit by Division

Unit: KRW bn

| | 2017 | % of revenue | 2018 | % of revenue | YoY(%) |
|-------------------------|----------------|--------------|----------------|--------------|---------------|
| Revenue | 5,123.8 | 100.0 | 5,277.8 | 100.0 | 3.0 |
| Domestic | 3,347.4 | 65.3 | 3,347.2 | 63.4 | -0.0 |
| Cosmetics | 2,830.2 | 55.2 | 2,834.4 | 53.7 | 0.1 |
| DailyBeauty& Osulloc | 517.1 | 10.1 | 512.8 | 9.7 | -0.8 |
| Overseas | 1,820.5 | 35.5 | 1,970.4 | 37.3 | 8.2 |
| Others* | -44.1 | | -39.7 | | |
| | 2017 | OPM(%) | 2018 | OPM(%) | YoY(%) |
| Operating Profit | 596.4 | 11.6 | 482.0 | 9.1 | -19.2 |
| Domestic | 417.7 | 12.5 | 283.7 | 8.5 | -32.1 |
| Cosmetics | 403.2 | 14.2 | 284.1 | 10.0 | -29.5 |
| DailyBeauty& Osulloc | 14.4 | 2.8 | -0.4 | -0.1 | Turned to Red |
| Overseas | 194.2 | 10.7 | 206.7 | 10.5 | 6.4 |
| Others* | -15.5 | | -8.5 | | |
| Net Profit | 398.0 | 7.8 | 334.8 | 6.3 | -15.9 |

Others* : Intercompany Transaction

[Revenue and business activities]

Luxury

- Revenue increased through stronger sales of key brands within travel retail channel
- Diversified product portfolio in order to strengthen brand competitiveness
: 'Sulwhasoo Bloomstay Vitalizing line,' 'Sulwhasoo Concentrated Ginseng Renewing Water/Emulsion/Serum,' 'Hera Rosy-Satin Cream,' 'Hera Lip Gelcrush,' 'Vitalbeautie Jaeumbo Ampoules'
- Promoted brand story with various customers and increased digital communication
: 'Sulwha Danjang,' 'Sulwha Cultural Exhibition,' 'Hera Seoul Fashion Week,' 'Primera Love the Earth Campaign'

Premium

- Revenue decreased due to adjustments in home shopping channel's brand portfolio
- Make-up category revenue increased through launch of differentiated new products
: 'Laneige Layering Cover Cushion,' 'Laneige Stained Glasstick,' 'Mamonde All Stay Foundation'
- Strengthened customer communication through diversification of brand experiential spaces and various offline marketing activities
: 'Aritaum Live Gangnam,' 'Laneige Ewha Flagship Store L-Playground,' 'lope Skin Week,' 'Welcome to Mamonde Garden'

Daily Beauty

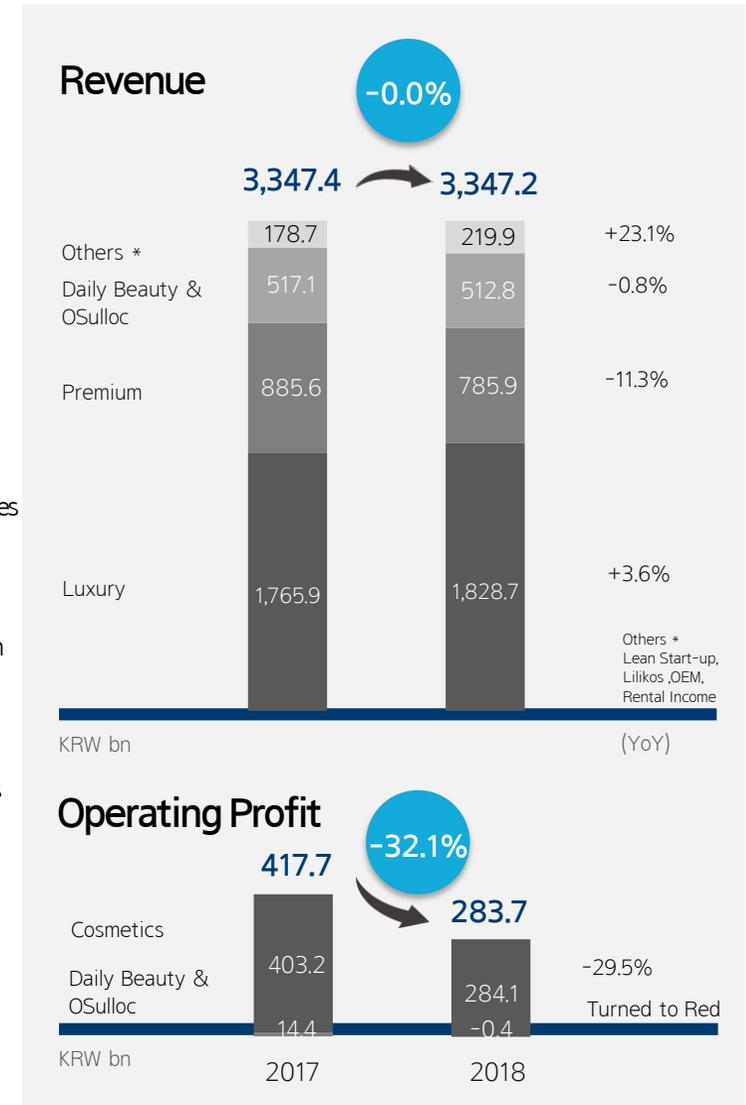
- Despite solid revenue growth within digital channel, total revenue declined due to decreased revenue within offline channels such as hypermarkets
- Ryo brand revenue increased through steady sales of its key products ('Ryo Hair Loss Care Shampoo,' etc.)
- Enhanced brand competitiveness by focusing on key products and categories of each brand.
: Launched renewed Ryo's Hair Loss Care Shampoo, centered on Mise-en-Scène's 'Perfect Repair Serum,' and increased sales of Illyoon's 'Ceramide Ato Concentration Cream,' and Median's 'Tartar Solution Toothpaste,' etc.

OSulloc

- Revenue grew through increased sales of Blended Teas ('Memory in Jeju,' 'Scene of Jeju') and small-kit DIY products
- Achieved high revenue growth of online channel through renewal of directly run online mall and strengthened digital marketing

[Operating Profit]

- Operating profit declined due to increased SG&A expense including personnel expense



[Revenue and business activities]

Asia

[Sulwhasoo] Strengthened its competitiveness as a luxury beauty brand

- Achieved revenue growth through steady sales of anti-aging new products ('Concentrated Ginseng Renewing line') and main products such as 'First Care Activating Serum EX' and 'Timetreasure line'
- Expanded point of sales through new on/offline store launches in China and ASEAN countries

[Laneige] Enhanced brand appeal by diversifying product portfolio and expanding customer communication

- Launched innovative new product ('Layering Cover Cushion') successfully and maintained steady sales of representative products ('Sleeping Mask,' 'Water Bank' line)
- Strengthened communication with customers through global brand campaign 'Water Bar,' penetrated into new markets (Australia, India, Philippines)

[Mamonde] Established foundation for quality growth through channel reorganization

- Reorganized channel portfolio in China by expanding presence within multi-brand shop ('Watsons') and strengthening digital channel
- Concentrated on the growth of ASEAN digital channel and multi-brand shop ('Sephora', 'Eveandboy')

[Innisfree] Strengthened natural image brand marketing and accelerated its global business expansion

- Enhanced brand appeal by renewal launch of product line with Jeju heritage ingredients such as 'Green Tea,' 'Super Volcanic' and newly launched 'My Foundation'
- Accelerated entry to new markets (Japan, Australia, Philippines), expanded on/offline stores in China and ASEAN

[Etude House] Reinforced position as a global young make-up brand

- Strengthened customized communication with local customers with differentiated products and marketing activities for each country and personal color consultation service
- Achieved steady sales in newly penetrated markets (UAE, Kuwait, Saudi Arabia) and maintained solid revenue growth in Japan, Thailand and Malaysia

North America

Continued solid revenue growth by strengthening skin care brand-focused portfolio and continuing sales growth of key products

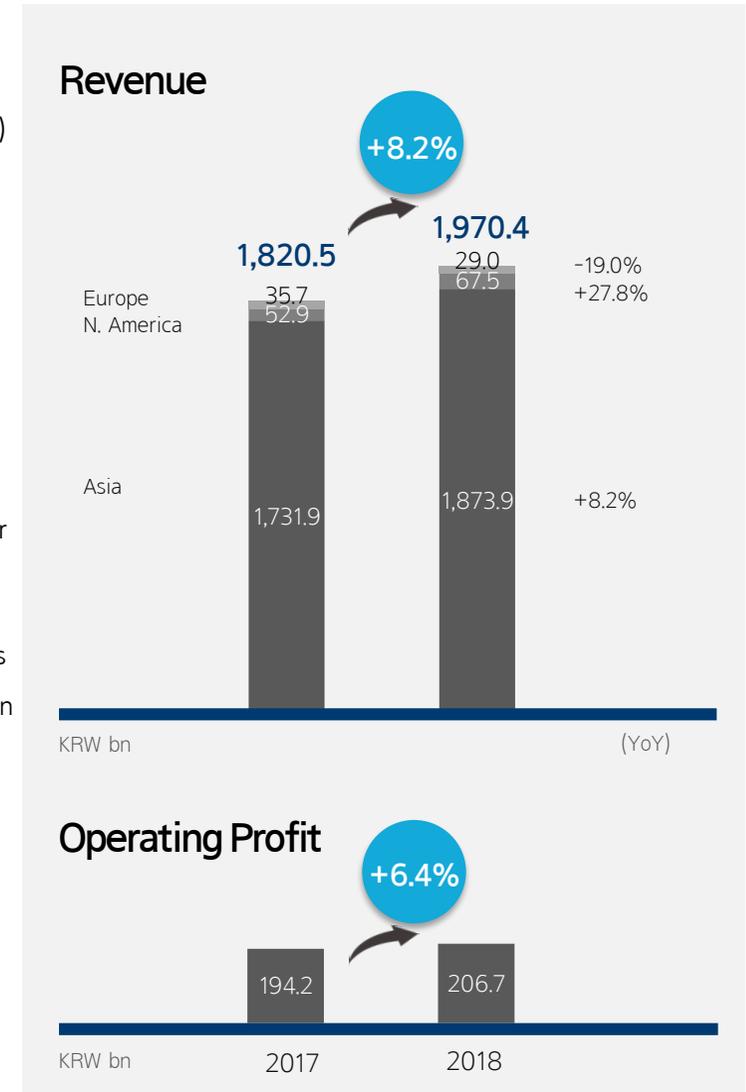
- Increased point of sales through expanded entry of Laneige in Sephora (roadshop, Sephora inside JC Penny) and opening additional new Innisfree stores
- Launched Mamonde in the US within Ulta stores

Europe

- Decline in revenue from termination of Lolita Lempicka brand license
- Enhanced competitiveness of Goutal Paris through brand renewal and expanded its global business

[Operating Profit]

- Operating profit increased through solid revenue growth despite continued investments in brands and channels



Revenue up 7.4% to KRW 1.2 trillion, Operating Profit down 69.1% to KRW 23.8 billion

Revenue & Operating Profit by Division

Unit: KRW bn

| | 2017 4Q | % of revenue(%) | 2018 4Q | % of revenue(%) | YoY(%) |
|-------------------------|----------------|-----------------|----------------|-----------------|----------------------|
| Revenue | 1,140.0 | 100.0 | 1,224.1 | 100.0 | 7.4 |
| Domestic | 647.3 | 56.8 | 689.0 | 56.3 | 6.4 |
| Cosmetics | 555.3 | 48.7 | 595.9 | 48.7 | 7.3 |
| DailyBeauty& Osulloc | 91.9 | 8.1 | 93.1 | 7.6 | 1.3 |
| Overseas | 507.7 | 44.5 | 545.5 | 44.6 | 7.5 |
| Others* | -15.0 | | -10.3 | | |
| | 2017 4Q | OPM(%) | 2018 4Q | OPM(%) | YoY(%) |
| Operating Profit | 76.9 | 6.7 | 23.8 | 1.9 | -69.1 |
| Domestic | 34.2 | 5.3 | -15.3 | -2.2 | Turned to Red |
| Cosmetics | 47.8 | 8.6 | 3.1 | 0.5 | -93.6 |
| DailyBeauty& Osulloc | -13.6 | -14.8 | -18.4 | -19.7 | Continued losses |
| Overseas | 41.0 | 8.1 | 53.5 | 9.8 | 30.7 |
| Others* | 1.8 | | -14.4 | | |
| Net Profit | 17.4 | 1.5 | 0.5 | 0.0 | -97.3 |

[Revenue and business activities]

Domestic Business

Cosmetics: Revenue increased through revenue growth within travel retail channel

- Enhanced brand appeal through launch of innovative new products and holiday limited products : Sulwhasoo Luminature Glow Cream, 'Laneige Cream Skin,' 'Hera X Blindness Holiday Collection,' 'tope I HOPE Holiday Edition'
- Organized brand campaigns in order to strengthen customer experience and to promote brand story : 'Sulwhasoo Beauty From Your Culture,' 'Sleeping Beauty 112' corporate-wide marketing campaign, 'Mamonde BEE Happy Day'

Daily Beauty: Achieved revenue growth of hair care category centered on digital channel revenue declined for offline channels such as hypermarkets

OSulloc: Achieved solid growth of Pure Tea ('Sejac,' etc.) and robust revenue growth of online channel through increased inflow of customers to directly run online mall

Overseas Business

Asia: Strengthened product competitiveness and channel portfolio of five key brands and accelerated global business

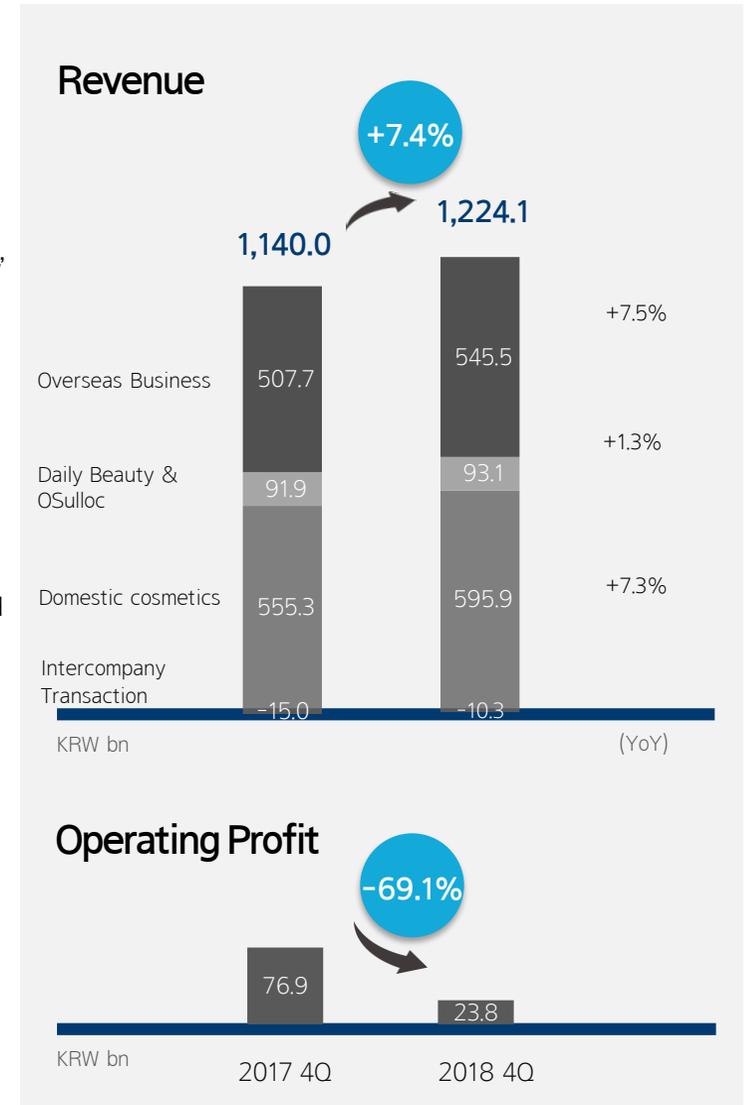
- Sulwhasoo: Enhanced its leadership for luxury anti-aging category with 'Concentrated Ginseng Renewing line' and achieved solid revenue growth during Chinese Single's day
- Laneige: Launched 'My Neon Sign' Holiday Collection and entered new markets (Philippines, India)
- Mamonde: Continued channel reorganization in China and strengthened brand image for ASEAN customers by hosting 'Mamonde Garden in the City' in Thailand
- Innisfree: Expanded coverage of cities and stores in China and ASEAN, newly penetrated to Philippines
- Etude House: Enhanced efficiency in store openings and operations and enhanced customer experience through personal color consultation service expansion

North America: Expanded Laneige's point of sales within Sephora, newly opened innisfree store, and continued steady sales of their key products

Europe: Launched Goutal Paris' new product 'Home Collection' and posted revenue growth through brand renewal expansion

[Operating Profit]

- Domestic: Operating profit declined due to increased marketing expenses and R&D costs
- Overseas: Improved operating profit through steady revenue growth of key brands



Income Statement

Unit: KRW bn

| | 2017 | | 2018 | |
|-------------------------------|---------|--------|---------|--------|
| | | | | |
| Revenue | 5,123.8 | 100.0% | 5,277.8 | 100.0% |
| Gross Profit | 3,744.1 | 73.1% | 3,843.0 | 72.8% |
| SG&A Expenses | 3,147.7 | 61.4% | 3,361.0 | 63.7% |
| Operating Profit | 596.4 | 11.6% | 482.0 | 9.1% |
| Non-operating Profit/Expenses | -29.1 | | -29.0 | |
| Profit before Tax | 567.3 | 11.1% | 453.0 | 8.6% |
| Consolidated Net Income | 398.0 | 7.8% | 334.8 | 6.3% |

Statement of Financial Position

Unit: KRW bn

| | 2017.12 | 2018.12 |
|--|---------|---------|
| | Assets | 5,375.7 |
| Current Assets | 1,677.5 | 1,567.2 |
| Non-current Assets | 3,698.2 | 3,803.9 |
| Liabilities | 1,200.3 | 924.7 |
| Current Liabilities | 1,046.4 | 763.2 |
| Non-current Liabilities | 153.9 | 161.5 |
| Shareholder's Equity | 4,175.4 | 4,446.4 |
| 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 | -41.3 |
| Retained Earnings | 3,456.5 | 3,726.0 |
| Non-controlling Interest | 21.6 | 24.4 |