

First Quarter 2013 Earnings Results



May 9, 2013



Disclaimer

This document contains information and financial data that have not been reviewed by an independent auditor.

The reason for our earnings release announcement prior to an independent auditor's review is to communicate our financial results to the market and investors in a timely manner.

Therefore, the information and financial data contained in this document are subject to change upon an independent auditor's review.

Also, the information and projections contained in this document are based on our internal analysis of the market and industry environment. Please note that these estimates are subject to change according to the changes in the management environment and industry conditions.



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1.1 Earnings | 1Q13 Earnings Summary

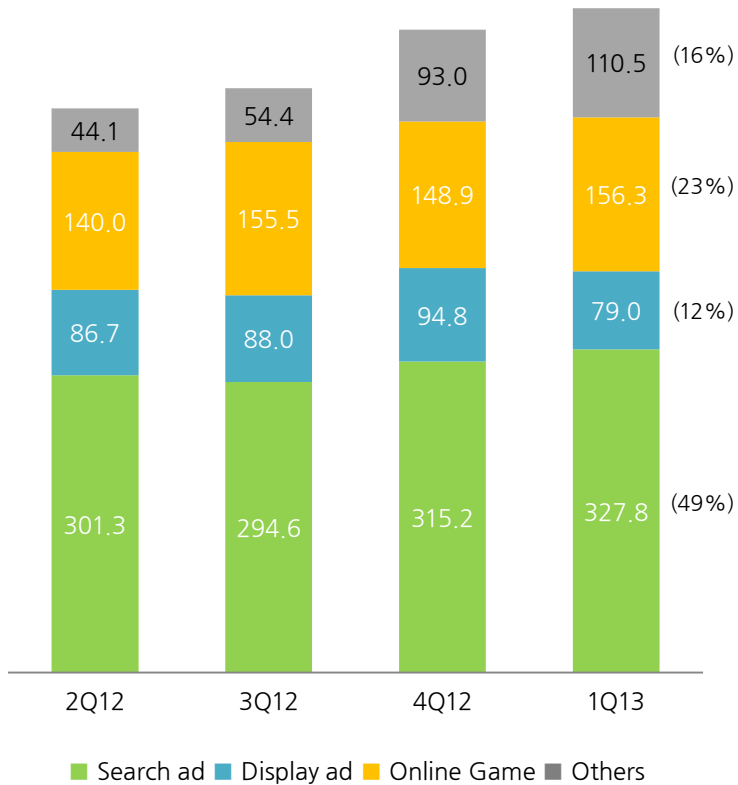
(bn KRW)	1Q12	4Q12	1Q13	Growth	
				Y/Y	Q/Q
Sales	572.9	651.9	673.6	17.6%	3.3%
Search ad	295.4	315.2	327.8	11.0%	4.0%
Display ad	77.2	94.8	79.0	2.4%	-16.7%
Online game	164.1	148.9	156.3	-4.7%	5.0%
Others	36.2	93.0	110.5	204.8%	18.7%
Operating expenses	400.0	452.7	482.5	20.6%	6.6%
Operating income	172.9	199.2	191.1	10.5%	-4.1%
Pre-tax income	181.2	228.2	197.1	8.8%	-13.6%
Net income	135.8	167.6	157.0	15.6%	-6.4%

1.2 Earnings | Sales summary

- ▶ Share of others increased 10%p Y/Y on the back of healthy growth from LINE while online game was down 5%p due to our conservative stance on web-board games
- ▶ Domestic sales was 520.4 bn KRW (Y/Y 7.6%↑, Q/Q 4.5%↑) & Overseas sales was 153.2bn KRW (Y/Y 71.4%↑, Q/Q 0.5%↓)

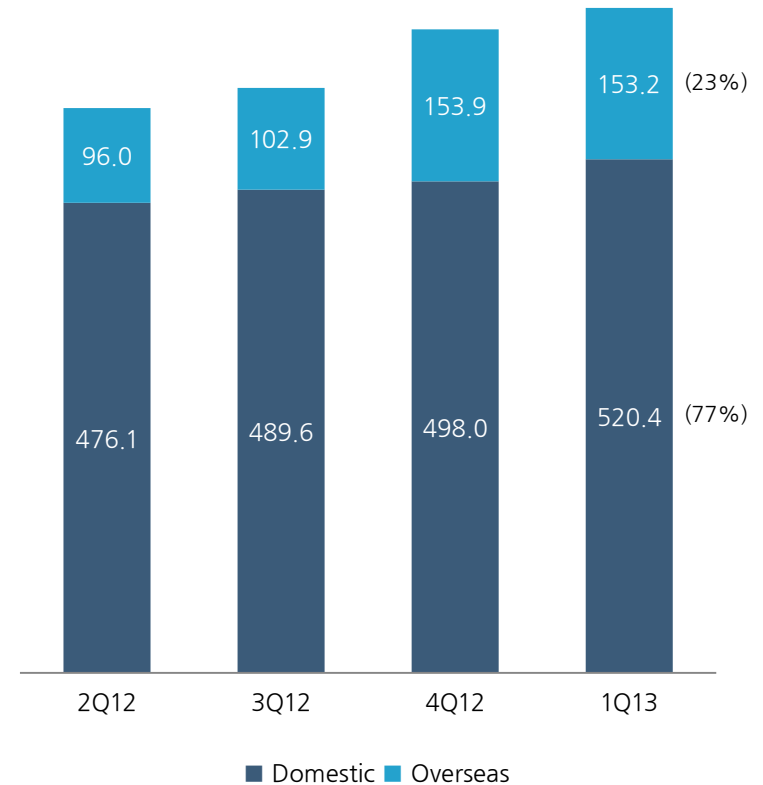
By Business Segments | 1Q13 Sales & Proportion

(bn KRW)



By Regions | 1Q13 Sales & Proportion

(bn KRW)

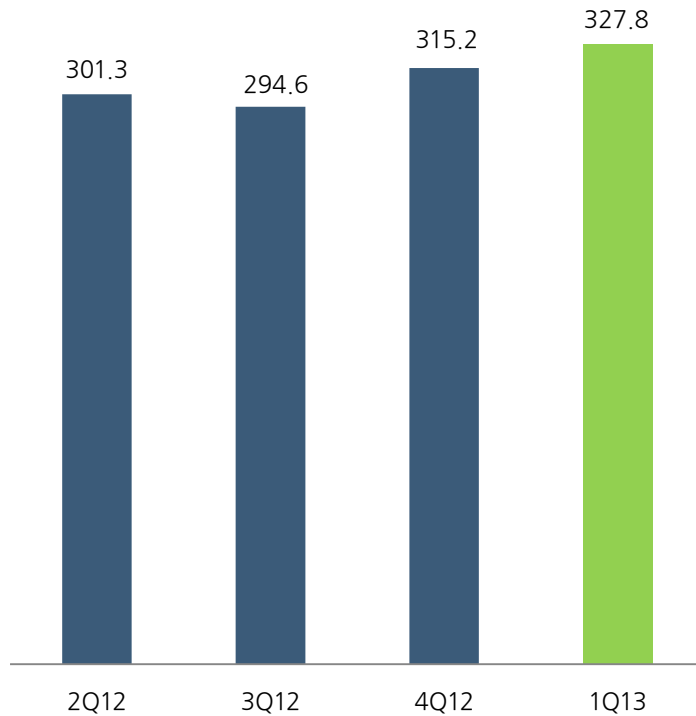


1.3 Earnings | Sales Breakdown : Ads

- ▶ Even with sluggish economy, search ad was up 11.0% Y/Y and 4.0% Q/Q due to increases in PPC and clicks
- ▶ Display ad was up 2.4% Y/Y with cosmetics & distribution industries' higher spend but down -16.7% Q/Q with changes in sale categorization

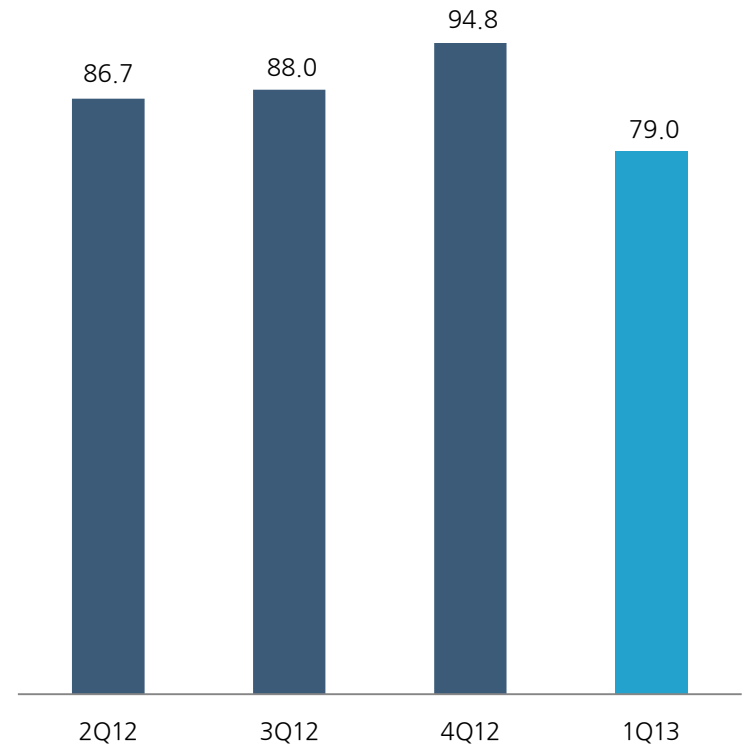
1Q13 Search Ad Sales

(bn KRW)



1Q13 Display Ad Sales

(bn KRW)

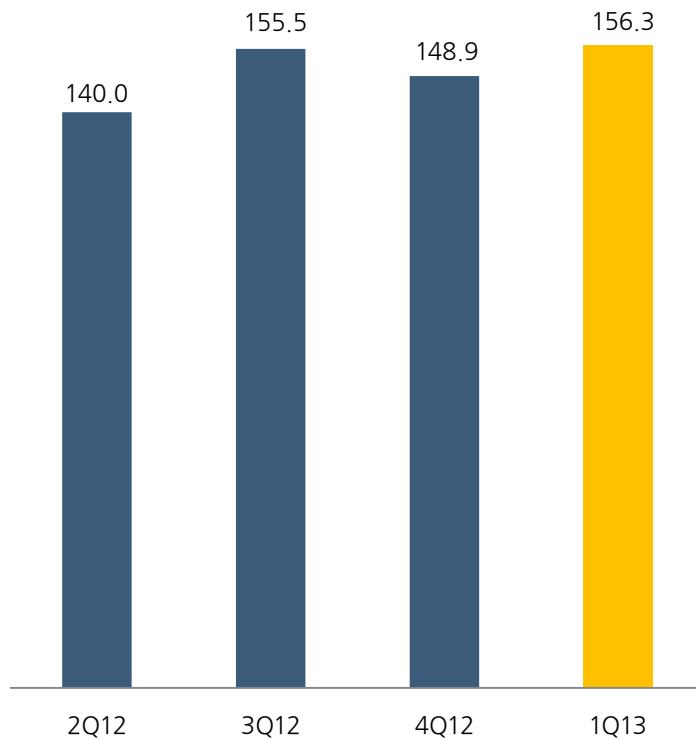


1.3 Earnings | Sales Breakdown : Game & Others

- ▶ Online game decreased -4.7% Y/Y with conservative stance on web-board games but was up 5.0% with sound growth from mobile and PC publishing games
- ▶ Others was up 204.8% Y/Y and 18.7% Q/Q with continuous growth from LINE and other services

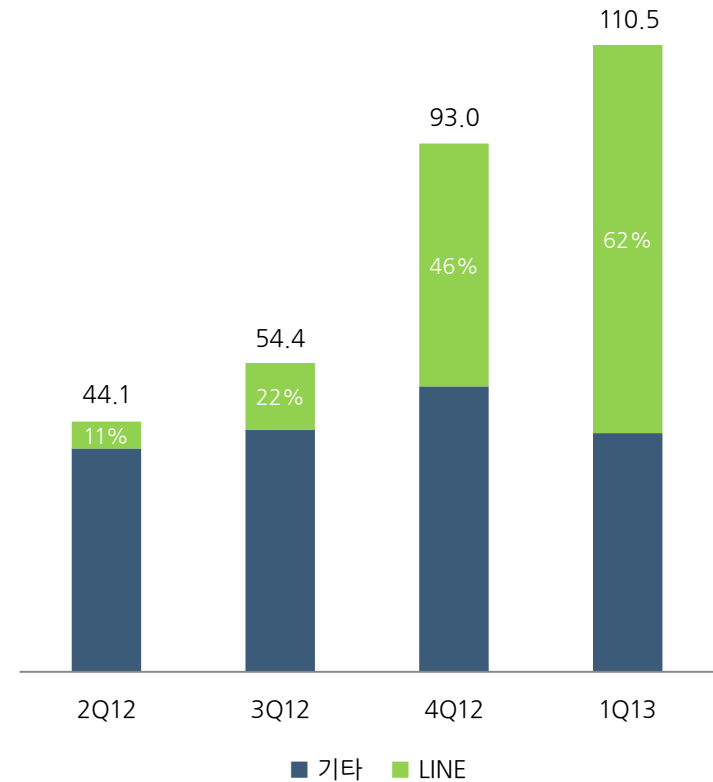
1Q13 Online Game Sales

(bn KRW)



1Q13 Others Sales

(bn KRW)

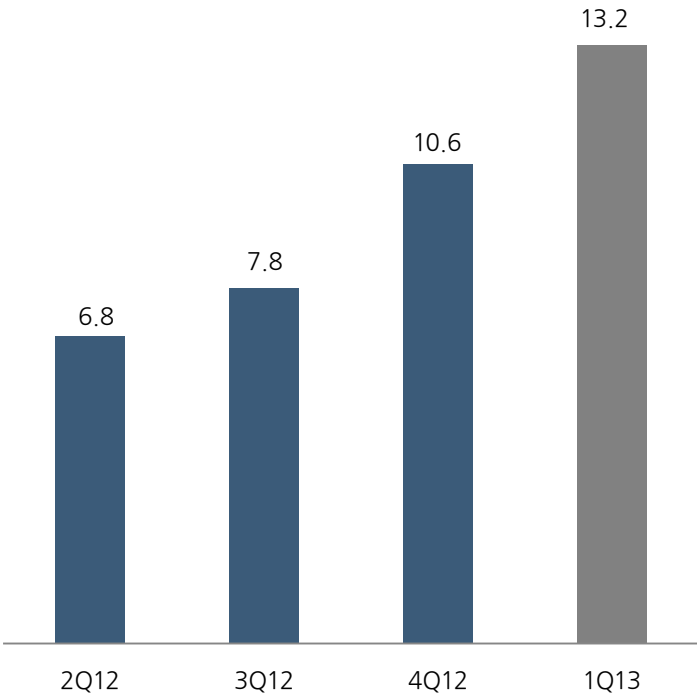


1.3 Earnings | Sales Breakdown : Japan

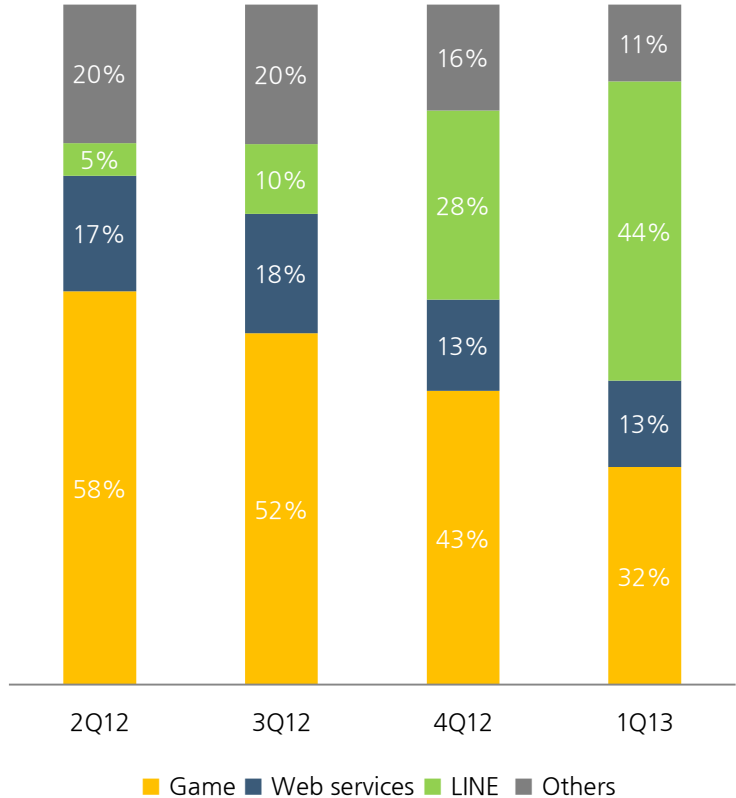
▶ Japan business increased 100.6% Y/Y and 25.0% Q/Q as LINE and online ads showed stable growth

1Q13 Japan Sales

(bn JPY)



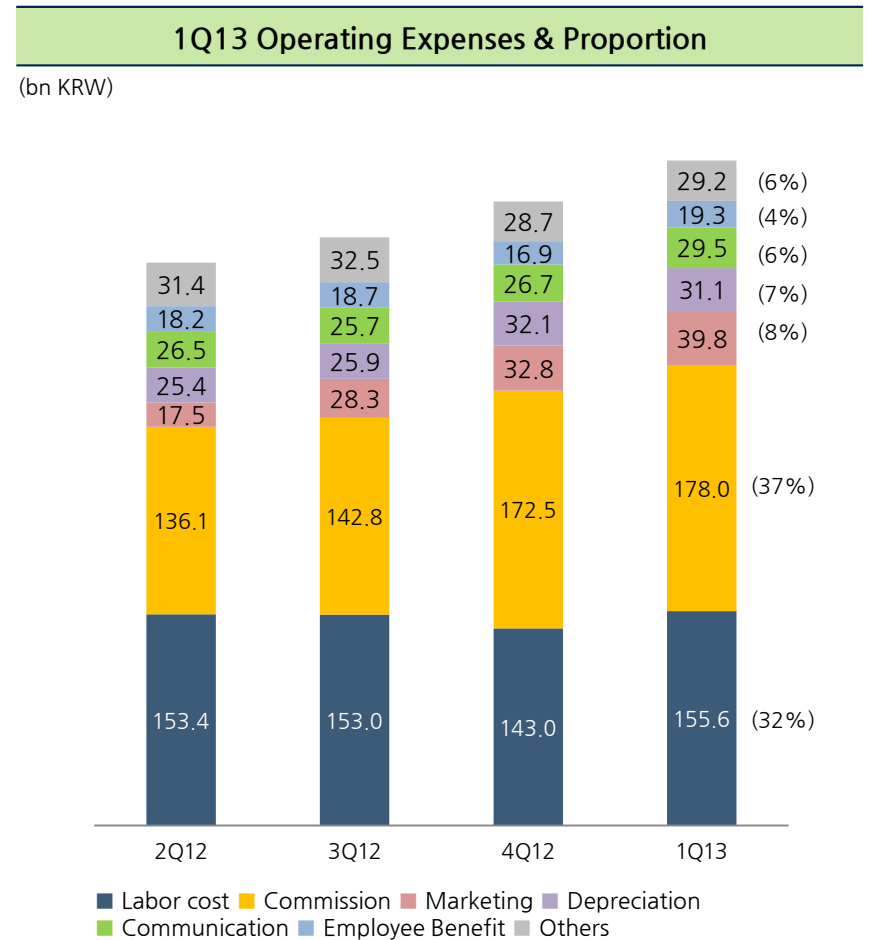
1Q13 Japan Sales Proportion



1.4 Earnings | Operating Expenses

- ▶ Commission was up 44.3% Y/Y & 3.2% Q/Q with increased payment of commissions following rise in LINE & mobile game sales
- ▶ Marketing was up 66.3% Y/Y and 21.0% Q/Q with the execution of global marketing for LINE service

(bn KRW)	2Q12	3Q12	4Q12	1Q13	Growth	
					Y/Y	Q/Q
Operating expenses	407.6	426.9	452.7	482.5	20.6%	6.6%
Labor costs	153.4	153.0	143.0	155.6	4.3%	8.8%
Commission	136.1	142.8	172.5	178.0	44.3%	3.2%
Marketing	17.5	28.3	32.8	39.8	66.3%	21.0%
Depreciation	25.4	25.9	32.1	31.1	31.2%	-3.1%
Communication	26.5	25.7	26.7	29.5	27.0%	10.7%
Employee Benefit	18.2	18.7	16.9	19.3	-0.6%	14.1%
Others	31.4	32.5	28.7	29.2	-21.5%	1.7%

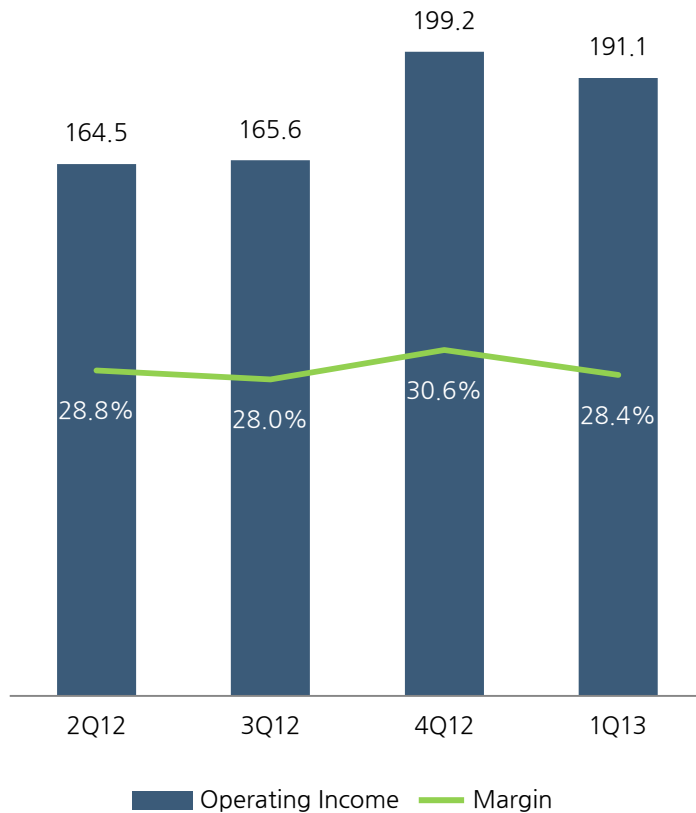


1.5 Earnings | Incomes

- ▶ Operating income was up 10.5% Y/Y but down -4.1% Q/Q to 191.1 bn KRW with operating income margin of 28.4%
- ▶ Net income increased 15.6% Y/Y but decreased -6.4% Q/Q to 157.0 bn KRW with net income margin of 23.3%

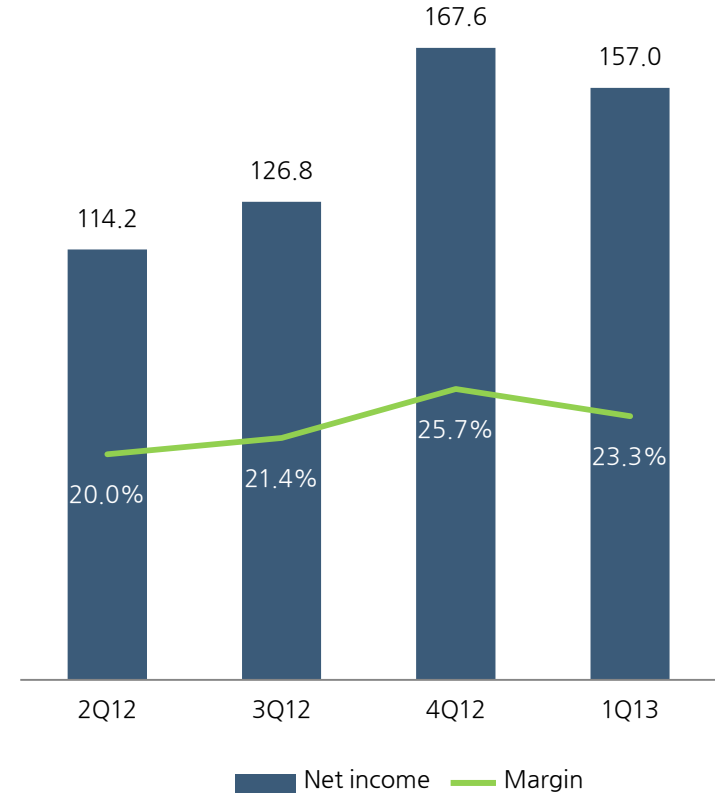
1Q13 Operating Income(Margin)

(bn KRW)



1Q13 Net Income(Margin)

(bn KRW)



Appendix

1. Financial Statements (Consolidated)
2. Financial Statements (Parent)

2.1 Appendix | Consolidated - Financial Statement

Income Statement

(mn KRW)	1Q12	2Q12	3Q12	4Q12	1Q13
Sales	572,857	572,057	592,476	651,933	673,580
Search ad	295,362	301,263	294,634	315,233	327,815
Display ad	77,180	86,701	87,990	94,783	78,995
Online game	164,089	140,041	155,457	148,861	156,343
Others	36,226	44,052	54,395	93,056	110,427
Operating expenses	399,981	407,558	426,866	452,719	482,491
Labor cost	149,188	153,367	152,993	142,987	155,595
Commission	123,407	136,080	142,803	172,504	178,021
Marketing	23,902	17,464	28,323	32,843	39,755
Depreciation	23,724	25,362	25,875	32,108	31,128
Communication	23,229	26,468	25,721	26,653	29,505
Employee Benefits	19,396	18,225	18,664	16,892	19,280
Others	37,135	30,592	32,487	28,732	29,207
Operating income	172,876	164,499	165,610	199,214	191,089
Operating margin	30.2%	28.8%	28.0%	30.6%	28.4%
Finance income	19,902	17,237	18,476	52,061	27,391
Interest income	8,976	10,266	10,387	10,388	10,215
Other	10,926	6,971	8,089	41,673	17,176
Share of profit of associates	4,748	958	653	9,218	4,108
Other income	2,992	2,484	2,904	1,071	1,911
Finance costs	4,876	13,802	6,831	6,870	5,520
Interest expense	2,147	2,182	2,260	2,745	2,400
Other	2,729	11,620	4,571	4,125	3,120
Share of loss of associates	335	169	457	1,290	836
Other costs	14,121	17,433	11,878	25,157	21,029
Pre-tax income	181,186	153,774	168,477	228,247	197,114
Tax	45,341	39,612	41,690	60,613	40,139
Discontinued operations	-	-	-	-	-
Net income	135,845	114,162	126,787	167,634	156,975

Statement of Financial Position

(mn KRW)	1Q12	2Q12	3Q12	4Q12	1Q13
Current assets	1,528,946	1,697,024	1,782,498	1,739,152	1,922,796
Cash & cash equivalents	901,709	1,052,472	1,091,776	1,040,689	1,306,631
Accounts receivable	234,820	228,706	241,868	291,241	354,354
Other	392,417	415,846	448,854	407,222	261,811
Non-current assets	970,844	1,070,987	1,106,818	1,189,754	1,214,685
Investment assets	293,030	307,917	301,208	312,986	315,212
Tangible assets	405,189	471,762	502,278	565,586	596,142
Intangible assets	126,540	128,385	129,671	121,594	115,601
Other	146,085	162,923	173,661	189,588	187,731
Total assets	2,499,790	2,768,011	2,889,316	2,928,906	3,137,482
Current liabilities	545,873	502,876	590,142	645,975	729,299
Accrued payable	118,474	111,183	109,408	150,376	170,513
Advance receipts	65,340	78,649	79,602	72,552	73,921
Accrued income taxes	128,328	83,188	86,607	117,483	161,640
Bonds	-	-	100,000	100,000	100,000
Other	233,731	229,856	214,525	205,564	223,225
Non-current liabilities	266,134	452,204	360,725	378,357	381,296
Bonds	100,000	100,000	-	-	-
Allowance for severance pay	113,183	120,548	130,074	171,214	183,697
Other	52,951	231,656	230,651	207,143	197,600
Total liabilities	812,007	955,080	950,867	1,024,332	1,110,596
Equity attributable to owners of the parent	1,687,685	1,808,122	1,934,068	1,897,852	2,019,955
Paid-in capital	24,064	24,064	24,064	24,064	24,064
Capital surplus	195,354	195,541	195,676	195,843	195,894
Capital adjustment	-839,761	-838,437	-837,445	-953,565	-950,436
Other comprehensive income	24,478	28,954	26,556	-37,934	-47,763
Retained earnings	2,283,550	2,398,000	2,525,217	2,669,444	2,798,197
Non-controlling interests	98	4,809	4,381	6,722	6,931
Total equity	1,687,783	1,812,931	1,938,449	1,904,574	2,026,886

2.2 Appendix | Parent - Financial Statement

Income Statement

(mn KRW)	1Q12	2Q12	3Q12	4Q12	1Q13
Sales	376,429	372,379	369,705	392,878	412,047
Search ad	227,268	231,519	225,955	239,647	244,933
Display ad	41,855	44,909	41,565	48,087	40,943
Online game	103,313	86,010	91,249	88,133	105,998
Others	3,993	9,941	10,936	17,011	20,172
Operating expenses	205,864	202,030	206,143	212,467	224,248
Labor cost	61,239	63,099	59,713	56,750	59,899
Commission	111,986	112,423	114,539	119,283	127,806
Marketing	11,609	7,589	13,321	17,792	14,343
Depreciation	4,943	4,987	5,003	5,271	6,204
Communication	264	345	342	298	295
Employee Benefits	7,391	6,414	6,369	5,993	6,749
Others	8,432	7,173	6,856	7,080	8,951
Operating income	170,565	170,349	163,562	180,411	187,799
Operating margin	45.3%	45.7%	44.2%	45.9%	45.6%
Finance income	11,278	12,728	14,296	50,554	20,796
Interest income	6,262	7,340	7,730	7,768	7,962
Other	5,016	5,388	6,566	42,786	12,834
Other income	1,801	1,445	2,121	16,241	6,842
Finance costs	4,174	8,896	4,066	1,623	4,215
Interest expense	1,574	1,831	2,162	2,290	2,257
Other	2,600	7,065	1,904	-667	1,959
Other costs	5,031	9,226	9,038	39,842	20,341
Pre-tax income	174,439	166,400	166,875	205,741	190,882
Tax	42,627	39,196	41,274	54,241	37,365
Net income	131,812	127,204	125,601	151,500	153,517

Statement of Financial Position

(mn KRW)	1Q12	2Q12	3Q12	4Q12	1Q13
Current assets	1,010,916	1,057,356	1,179,783	1,157,655	1,271,555
Cash & cash equivalents	518,896	579,969	683,512	661,359	806,650
Accounts receivable	198,762	183,538	180,985	213,521	284,513
Other	293,258	293,849	315,286	282,775	180,392
Non-current assets	1,147,534	1,394,639	1,401,316	1,483,797	1,546,160
Investment assets	764,590	992,108	965,119	956,860	998,192
Tangible assets	272,978	286,209	308,327	360,921	381,472
Intangible assets	33,691	32,456	35,152	44,381	43,426
Other	76,275	83,866	92,718	121,635	123,071
Total assets	2,158,450	2,451,995	2,581,099	2,641,452	2,817,715
Current liabilities	274,296	217,298	315,985	363,119	423,488
Accrued payable	54,024	51,077	51,452	66,156	67,576
Advance receipts	15,093	17,113	17,002	17,481	18,197
Accrued income taxes	121,444	79,070	85,474	110,557	154,710
Bonds	-	-	100,000	100,000	100,000
Other	83,735	70,038	62,057	68,925	83,006
Non-current liabilities	178,015	400,001	303,161	293,414	282,091
Bonds	100,000	100,000	-	-	-
Allowance for severance pay	68,808	73,064	78,274	97,695	96,139
Other	9,207	226,937	224,887	195,719	185,952
Total liabilities	452,311	617,299	619,146	656,533	705,579
Equity attributable to owners of the parent	1,706,139	1,834,696	1,961,953	1,984,919	2,112,136
Paid-in capital	24,064	24,064	24,064	24,064	24,064
Capital surplus	195,354	195,541	195,676	195,843	195,894
Capital adjustment	-812,987	-811,662	-810,671	-926,790	-926,300
Other comprehensive income	2,687	2,527	3,059	-859	-883
Retained earnings	2,297,021	2,424,226	2,549,825	2,692,661	2,819,361
Non-controlling interests	-	-	-	-	-
Total equity	1,706,139	1,834,696	1,961,953	1,984,919	2,112,136

Thank you

