

Fourth Quarter and FY 2013 Earnings Results

Feb. 6th, 2014

Disclaimer

All financial information contained in this document is based on consolidated K-IFRS.

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1. Earnings | 1-1. 4Q13 and FY2013 Earnings Summary

- Sales increased 27.7% Y/Y and 9.5% Q/Q to record 641.1 bn KRW with stable growth from domestic search ad and overseas LINE sales
- Operating income decreased 2.1% Y/Y but increased 47.6% Q/Q to 154.3 bn KRW

(bn KRW)	4Q12	3Q13	4Q13	Growth		2013	Growth Y/Y
				Y/Y	Q/Q		
Sales	502.1	585.3	641.1	27.7%	9.5%	2,312.0	28.5%
Search ad	312.0	332.5	362.6	16.2%	9.1%	1,351.9	12.4%
Display ad	97.1	72.0	88.9	-8.5%	23.4%	323.5	-6.6%
LINE	41.2	132.7	136.9	232.2%	3.2%	454.2	690.4%
↳ Gross sales	41.2	179.9	213.1	416.9%	18.4%	577.6	905.1%
Others	51.7	48.1	52.6	1.7%	9.4%	182.3	-5.2%
Operating expenses	344.4	480.8	486.8	41.3%	1.2%	1,787.8	40.0%
Operating income	157.7	104.5	154.3	-2.1%	47.6%	524.1	0.6%
Pre-tax income	177.2	131.3	46.2	-73.9%	-64.8%	456.9	-16.7%
Net income	126.6	76.2	46.4	-63.4%	-39.2%	325.8	-18.7%

※ LINE Game sales is changed to net basis as of August 1st, and gross sales is provided for Y/Y and Q/Q comparisons.

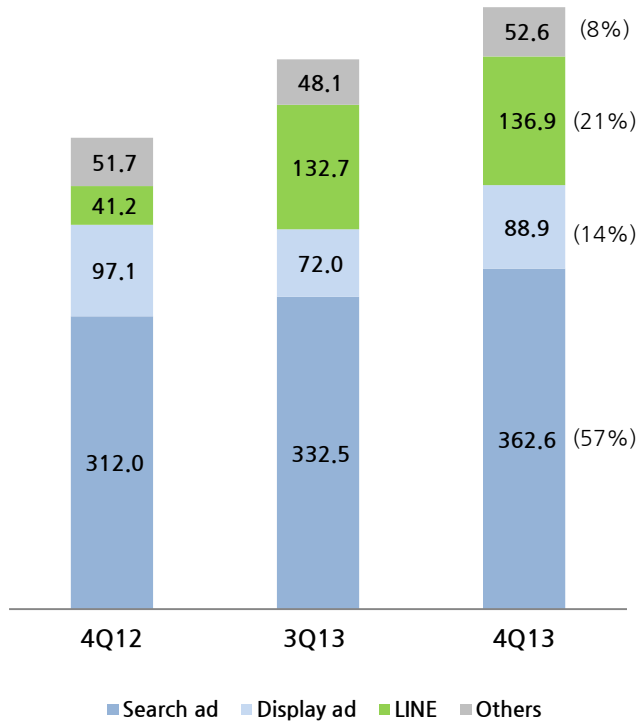
※ 4Q13 net income declined with the recognition of one-off donation expense of 100 bn KRW related to estimated liability associated with FTC consent decision.

1. Earnings | 1-2. Sales Proportion

- Sales proportion of LINE increased to 21% on back of LINE growth while display ad was down to 14%
- Domestic sales was 466.9 bn KRW and 73% of total sales while overseas sales was 174.3 bn KRW and 27% of total sales

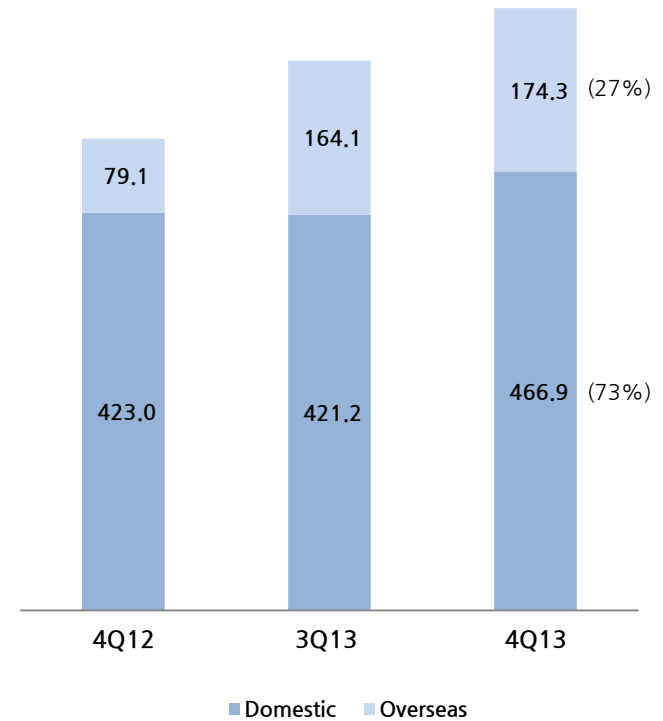
By Business Segments

(bn KRW)



By Regions

(bn KRW)

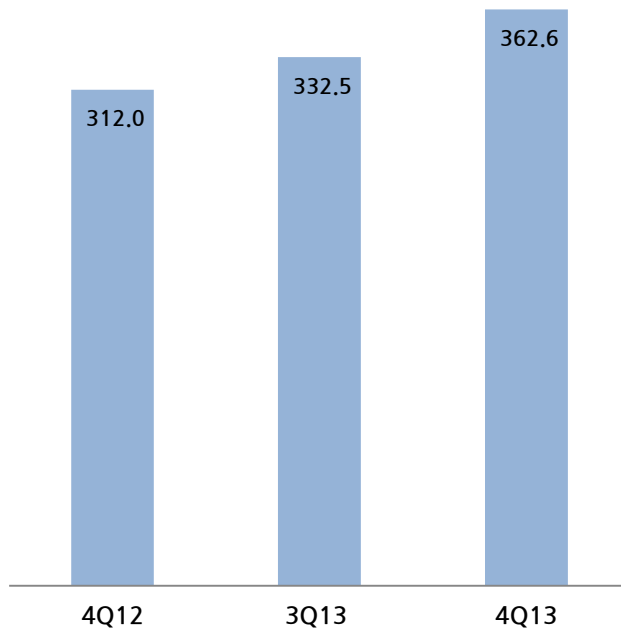


1. Earnings | 1-3. Sales Breakdown

- Search ad was up 16.2% Y/Y and 9.1% Q/Q on back of yearend seasonality and increases in mobile contribution
- Display ad was up 23.4% Q/Q with strong seasonality and mobile DA sales expansion but was down 8.5% Y/Y with high base effect from last year's election

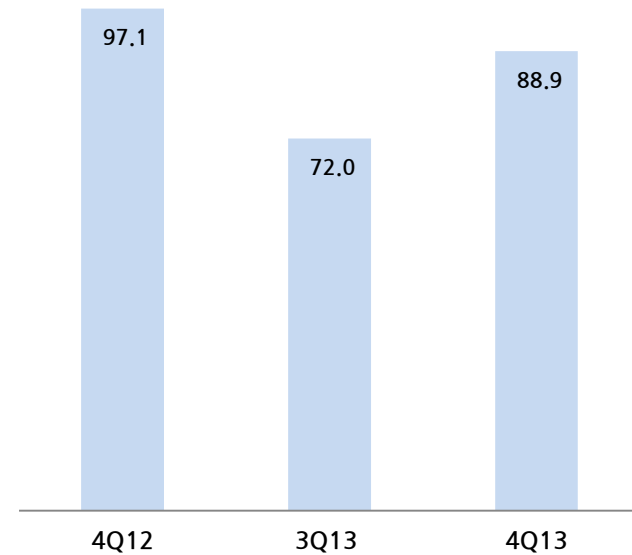
Search Ad Sales

(bn KRW)



Display Ad Sales

(bn KRW)

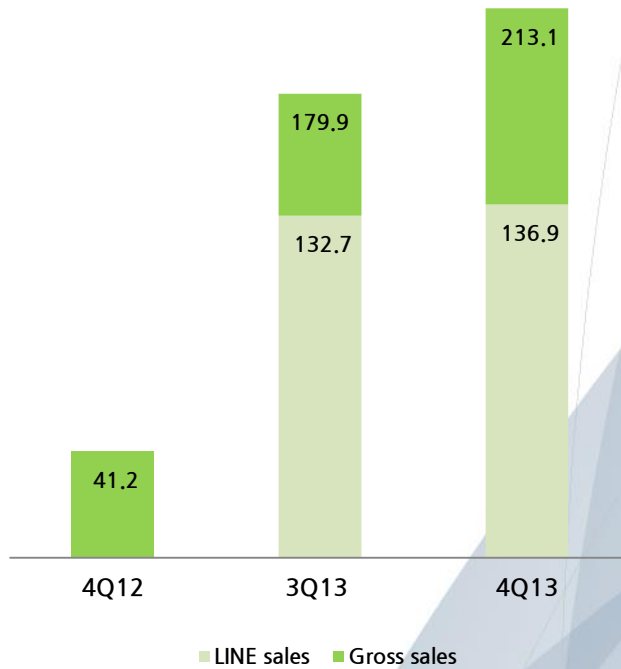


1. Earnings | 1-3. Sales Breakdown

- LINE sales recorded 136.9 bn KRW and LINE gross sales rose 18.4% Q/Q to 213.1 bn KRW
- Japan's LINE Corp. sales was up 15.7% Q/Q to 15.9 bn JPY with stable growth from LINE and ad sales

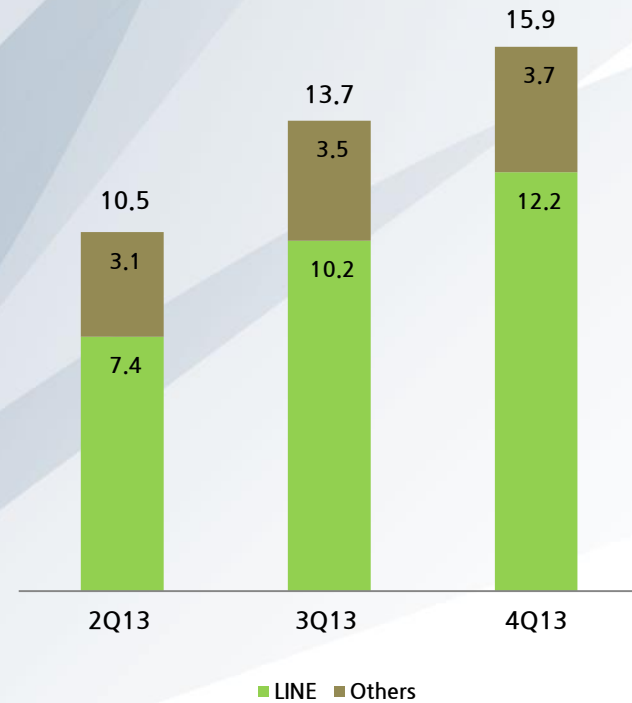
LINE Sales

(bn KRW)



LINE Corp. Sales(JPY)

(bn JPY)



※ LINE Game sales is changed to net basis as of Aug. 2013

1. Earnings | 1-4. Operating Expenses

- Labor cost was up 24.2% Y/Y and 13.7% Q/Q to 134.1 bn KRW reflecting the recent ruling of general salary and bonus recognition
- Commission increase 36.4% Y/Y and 3.3% Q/Q with increase in sales and contents fee
- Marketing was up 257.5% Y/Y with the execution of global marketing for LINE but was down 13.4% Q/Q

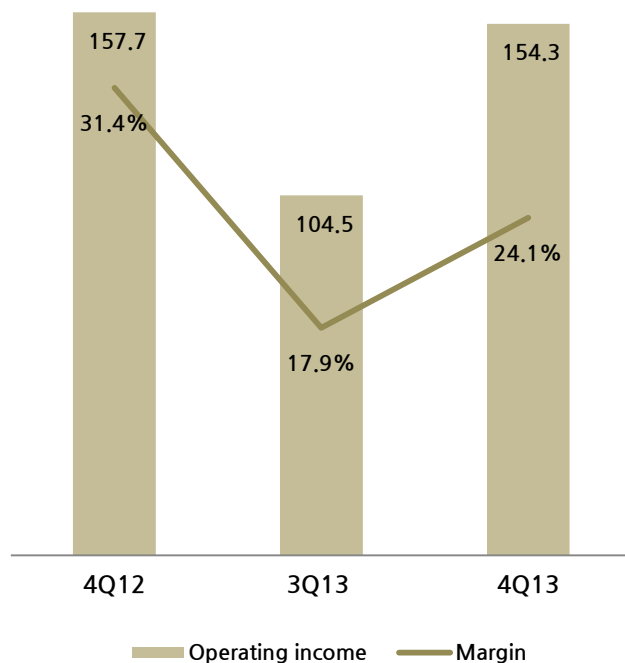
(bn KRW)	4Q12	3Q13	4Q13	Growth		2013	Growth Y/Y
				Y/Y	Q/Q		
Operating expenses	344.4	480.8	486.8	41.3%	1.2%	1,787.8	40.0%
Labor cost	107.9	117.9	134.1	24.2%	13.7%	492.7	10.3%
Commission	125.2	165.4	170.8	36.4%	3.3%	661.6	53.0%
Marketing	22.9	94.4	81.8	257.5%	-13.4%	247.2	265.3%
Depreciation	28.9	32.2	33.7	16.6%	4.9%	121.4	28.3%
Communication	25.9	30.1	30.6	18.4%	1.6%	119.3	22.5%
Employee benefits	12.1	14.5	13.7	13.2%	-5.7%	56.5	8.7%
Others	21.5	26.1	22.0	2.5%	-15.7%	89.1	3.0%

1. Earnings | 1-5. Incomes

- Operating income was down 2.1% Y/Y but was up 47.6% Q/Q to 154.3 bn KRW with OP Margin of 24.1%
- Net income decreased 63.4% Y/Y and 39.2% Q/Q to 46.4 bn KRW with Margin of 7.2% as one-off donation expense related to estimated liability associated with FTC consent order decision was recognized in 4Q earnings

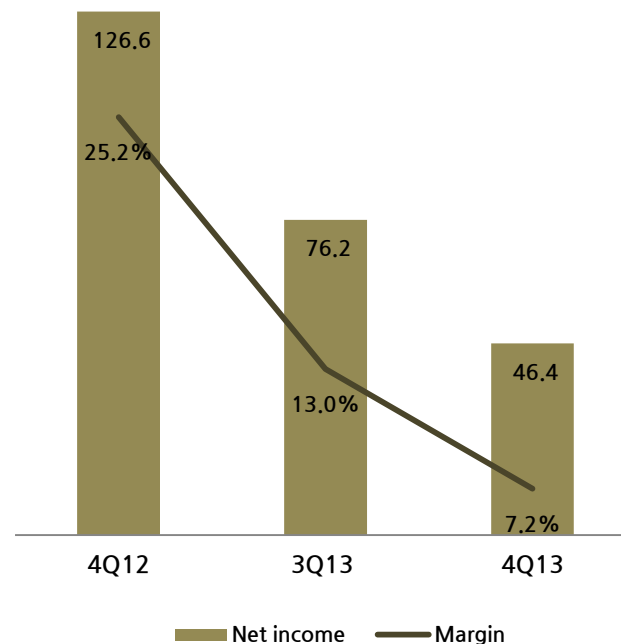
Operating Income (Margin)

(bn KRW)



Net Income (Margin)

(bn KRW)



Appendix | Consolidated Financial Statements

Comprehensive Income Statement			
(mn KRW)	4Q12	3Q13	4Q13
Sales	502,085	585,316	641,109
Search ad	311,987	332,523	362,650
Display ad	97,144	72,029	88,909
LINE	41,226	132,665	136,939
Others	51,728	48,099	52,611
Operating expenses	344,437	480,800	486,798
Labor cost	107,920	117,946	134,052
Commission	125,236	165,424	170,844
Marketing	22,882	94,423	81,792
Depreciation	28,950	32,188	33,750
Communication	25,865	30,150	30,635
Employee benefits	12,118	14,547	13,714
Others	21,467	26,121	22,012
Operating income	157,648	104,516	154,310
<i>Operating income margin</i>	<i>31.4%</i>	<i>17.9%</i>	<i>24.1%</i>
Finance income	39,079	25,469	22,708
Interest income	6,644	4,944	5,147
Other	32,435	20,525	17,560
Share of profit of associates	323	-32	1,129
Non-operating revenues	562	8,764	-4,281
Finance costs	55	805	3,807
Interest expense	1,746	1,130	1,793
Other	-1,690	-325	2,014
Share of loss of associates	163	1,901	1,094
Non-operating expenses	20,233	4,740	122,759
Pre-tax income	177,160	131,270	46,206
Tax	50,554	55,035	-153
Discontinued operations	41,028	1,484,967	7,758
Net income	126,606	76,235	46,358

Statement of Financial Position			
(mn KRW)	4Q12	3Q13	4Q13
Current assets	1,738,943	1,351,669	1,336,089
Cash & cash equivalents	1,040,669	741,912	730,627
Accounts receivable	291,010	277,789	324,456
Other	407,264	331,969	281,005
Non-current assets	1,188,373	1,127,946	1,361,658
Investment assets	315,513	257,567	251,885
Tangible assets	565,586	630,723	791,565
Intangible assets	121,594	104,587	134,030
Other	185,681	135,069	184,177
Asset group held for distribution to owners	-	8,085	-
Total assets	2,927,317	2,487,700	2,697,747
Current liabilities	645,391	761,879	832,297
Accrued payable	150,376	154,982	155,048
Advance receipts	64,454	99,156	99,068
Accrued income taxes	117,505	111,191	116,630
Bonds	100,000	-	-
Other	213,056	396,550	461,553
Non-current liabilities	378,357	293,279	390,065
Bonds	-	111,042	110,097
Allowance for severance pay	171,214	171,636	159,793
Other	207,143	10,601	120,175
Liabilities related to asset group held for distribution to owners	-	4,089	-
Total liabilities	1,023,748	1,059,246	1,222,362
Equity attributable to owners of the parent	1,896,394	1,428,454	1,471,392
Paid-in capital	24,064	16,481	16,481
Capital surplus	195,843	132,921	132,921
Capital adjustment	-953,133	-3,117,363	-3,114,846
Other comprehensive income	-38,174	-89,037	-119,342
Retained earnings	2,667,794	4,485,452	4,556,178
Non-controlling interests	7,174	-	3,993
Total equity	1,903,568	1,428,454	1,475,385

Thank You.