

# 4Q 2012 Earnings Release

February 5, 2013



## **NCSOFT Corporation**

157-37 Samsung-dong, Kangnam-gu, Seoul 135-090, KOREA

Tel: +82-2-2186-3300 Fax : +82-2-2186-3210

Copyright © NCSOFT Corporation. All Rights Reserved

**WWW.NCSOFT.COM**

## ■ Disclaimer

The financial results for 4Q 2012 have been prepared on an un-audited basis, and may be subject to change during independent auditing process.

Please note that NCSOFT will not be responsible for individual investment decisions solely based on this material.

※ Consolidated subsidiaries (K-IFRS based) :

NC West Holdings(100%, US), NC Europe(100%, UK),  
NC Japan(60%, JP), NC Taiwan(85%, TW), NCSOFT Corporation(HQ, KR),  
Next Play(80%, KR), NCSOFT Service(100%, KR), NC Dinos Baseball Club(100%, KR),  
Hotdog Studio(58%, KR), Oraion Soft(100%, KR), Ntreev Soft(76%, KR)

# Contents

## **I. Consolidated Earnings**

1. Financial highlights
2. Sales Breakdown
3. Costs Breakdown

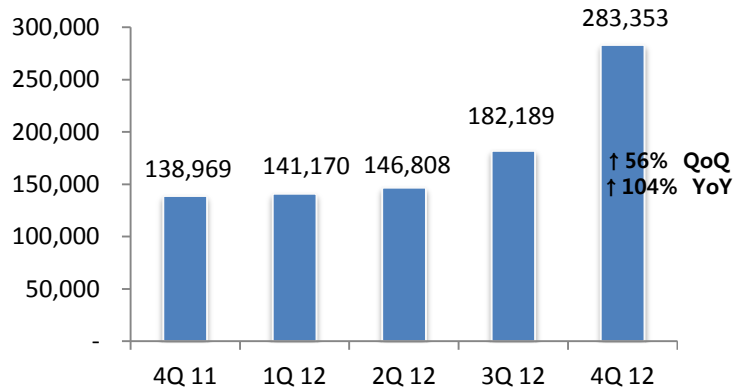
## **II. Appendix**

4. Parent Earnings
5. Summarized Financial Statements

# 1. Financial Highlights(Quarterly)

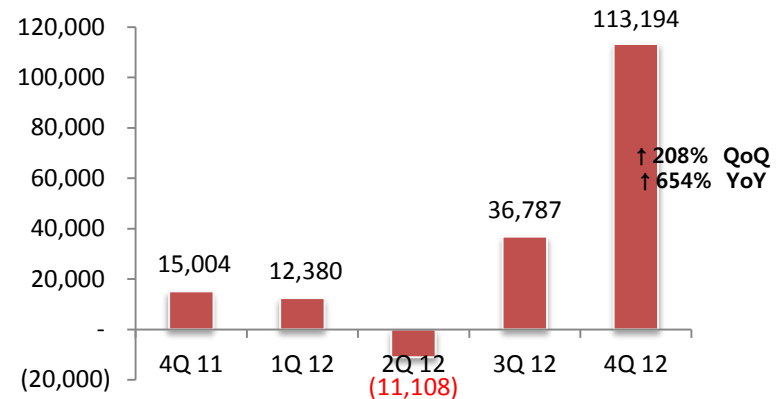
4Q recorded historical high quarterly revenues on the back of strong L1, GW2, and mobile games. OP in the 4Q was also the highest OP of all time, thanks to limited increase in expenses.

## Sales

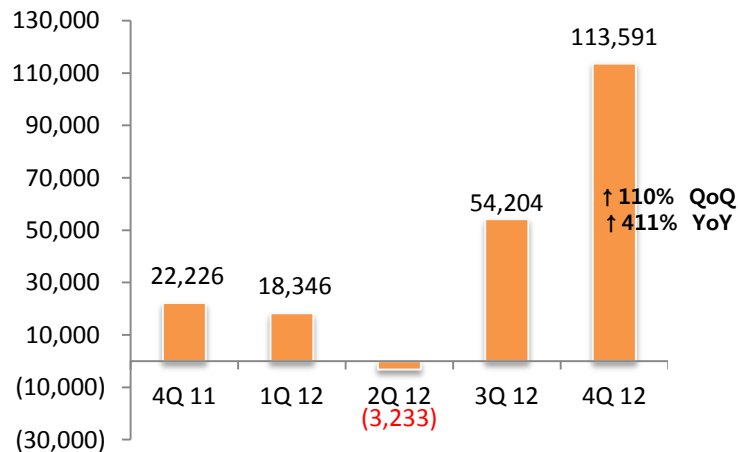


## Operating Profit

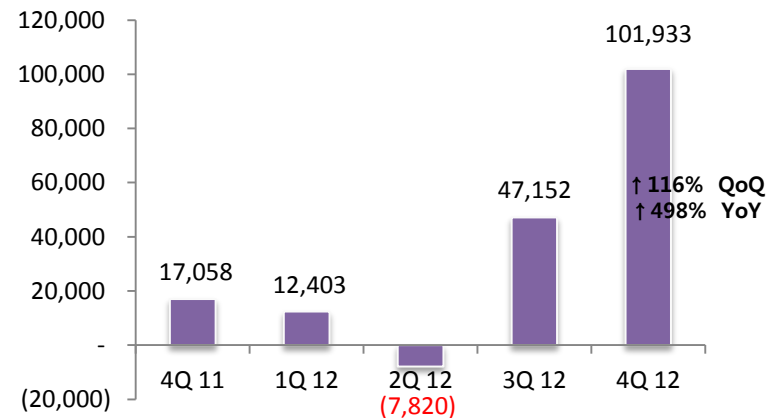
((Unit : KRW in MN))



## Pre-tax Income



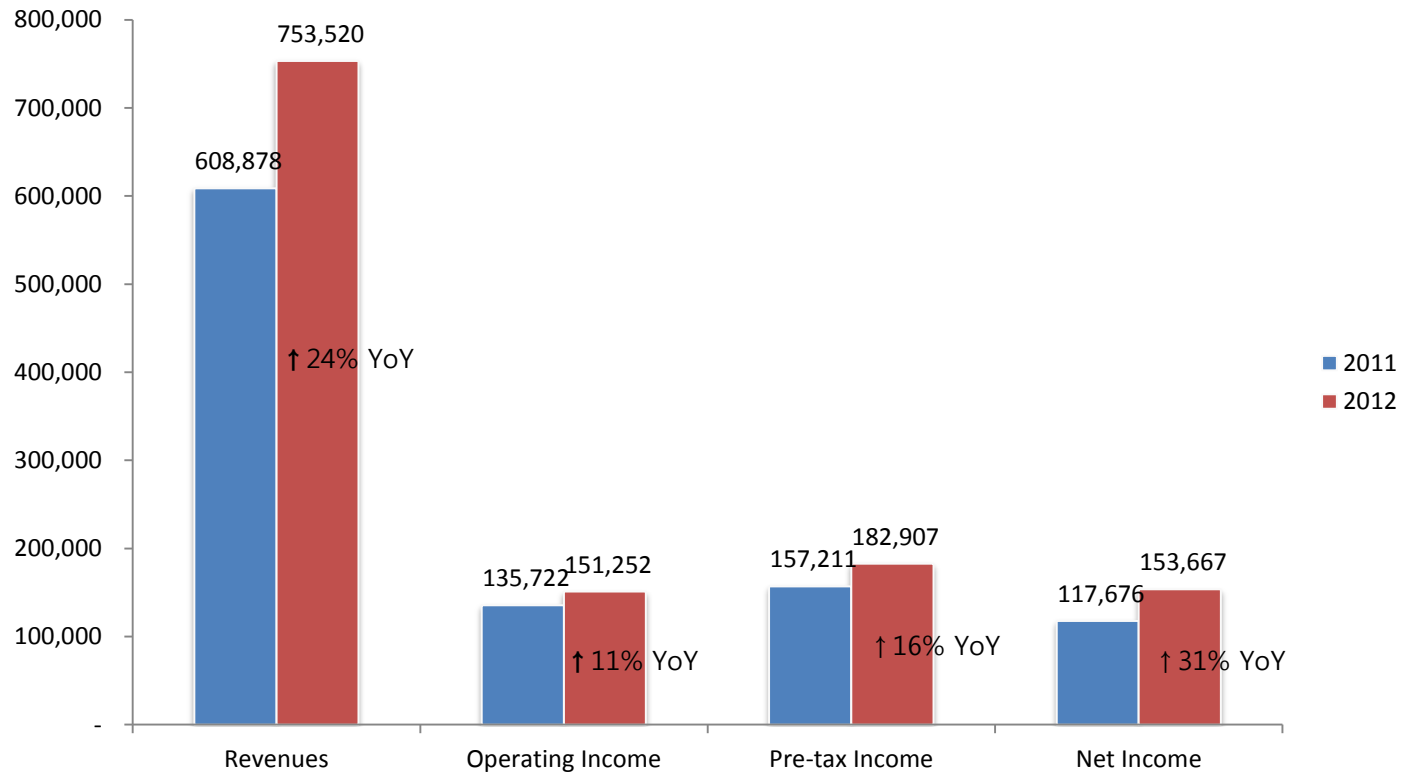
## Net Income



## 1. Financial Highlights(Yearly)

Solid growth was made by new game launches such as B&S in Korea and GW2 in the US/EU.

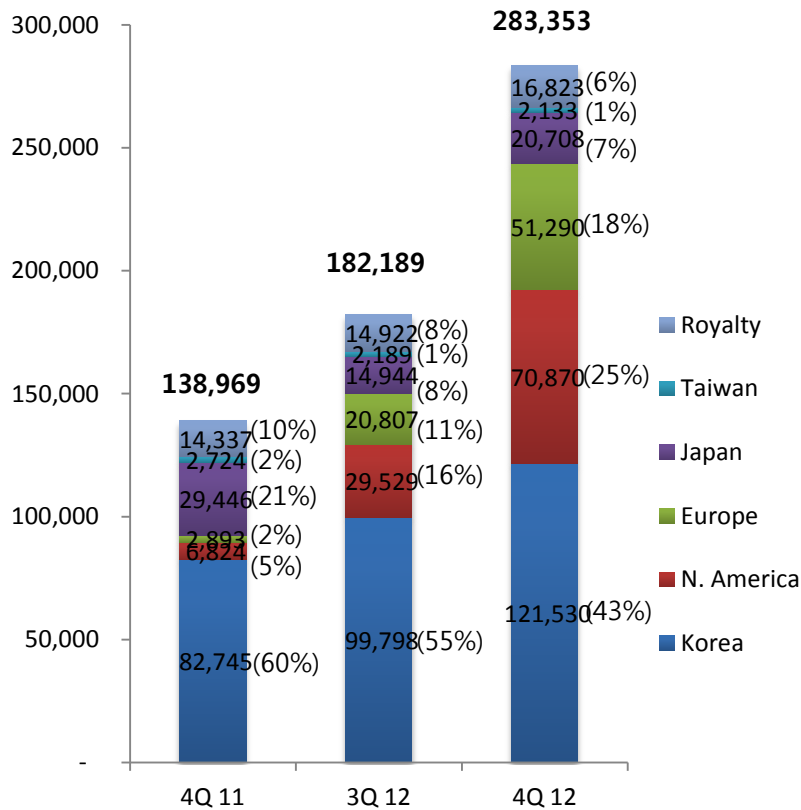
(Unit : KRW in MN)



## 2. Sales Breakdown(Quarterly)

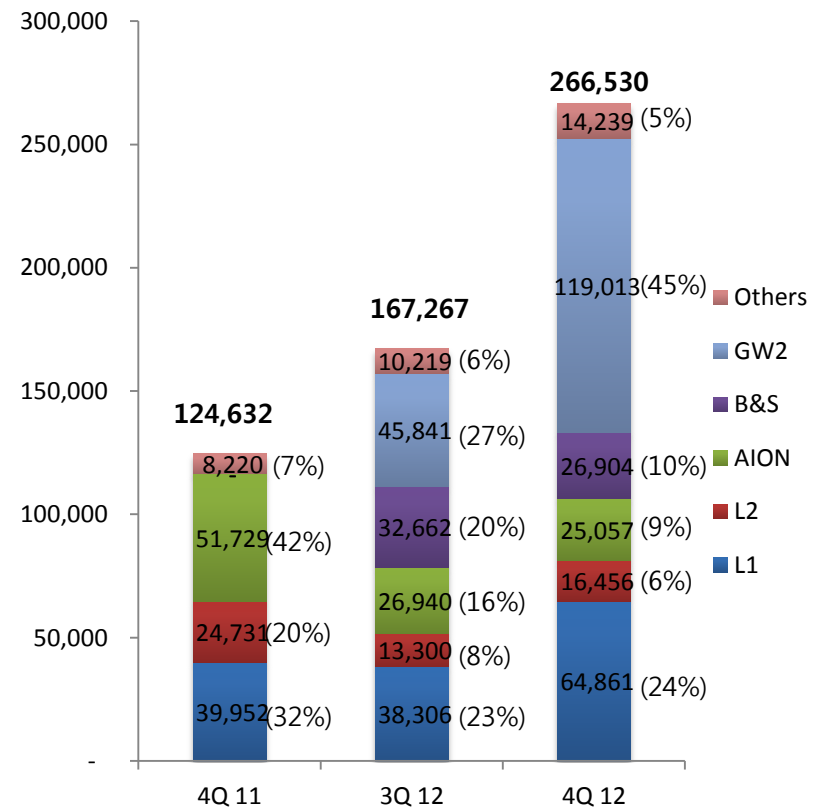
Korea grew QoQ thanks to robust L1, and US/EU also showed sound QoQ growth via GW2.  
In-game item sales and package or box sales drove up L1 and GW2 respectively in 4Q.

### Sales by Region



### Sales by Games (excluding royalty)

(Unit : KRW in MN)



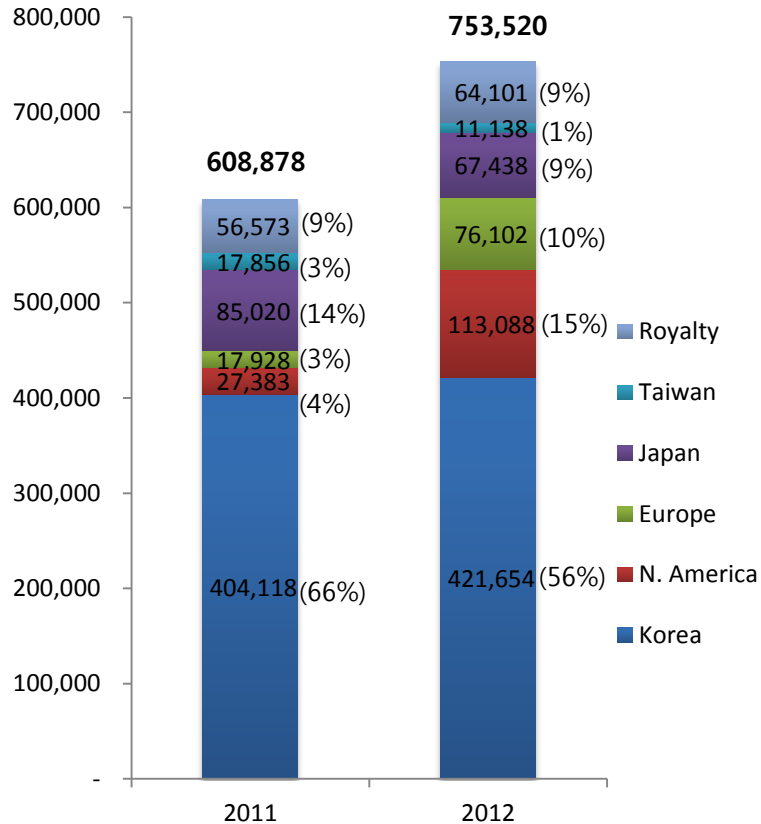
L1 : Lineage 1    B&S : Blade and Soul

L2 : Lineage 2    GW2 : Guild Wars 2

## 2. Sales Breakdown(Yearly)

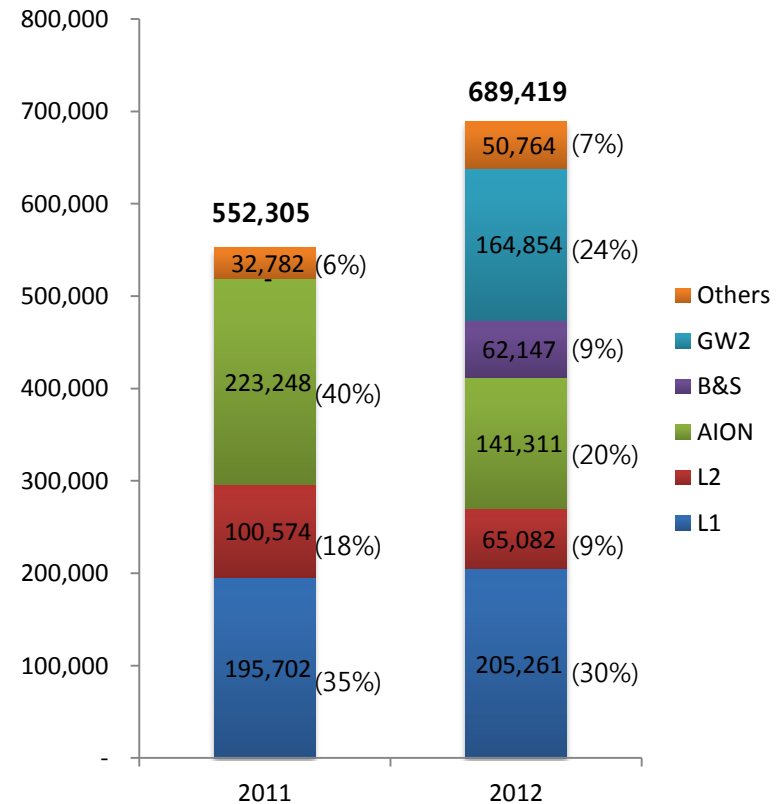
Korea grew YoY thanks to robust L1, while US/EU showed meaningful growth by GW2. L1 marked another record breaking annual revenues, where as both L2 and AION shrank.

Sales by Region



Sales by Games  
(excluding royalty)

(Unit : KRW in MN)



L1 : Lineage 1

L2 : Lineage 2

B&S : Blade and Soul

GW2 : Guild Wars 2

### ■ 3. Costs Breakdown

Labor cost grew 20% YoY due to newly consolidated subsidiaries and more investment in R&D.  
 Variable expense surged 60% YoY as licensed games grew significantly.  
 Marketing expense jumped 94% YoY with active marketing campaigns regarding new launches.  
 D&A was up 33% YoY reflecting more servers from new games and more intangible assets from M&A  
 Others increased by 20% YoY because of the baseball club NC Dinos.

(Unit : KRW in <sup>MM</sup>)

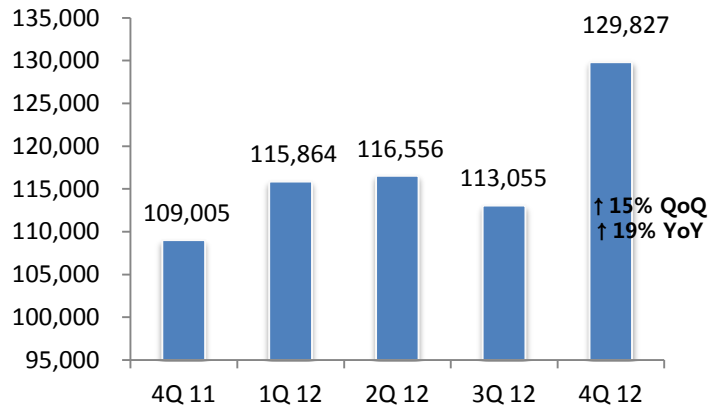
	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12	QoQ	YoY	2011	2012	YoY
Labor Cost	66,062	72,940	92,578	73,551	85,484	16%	29%	269,368	324,553	20%
Variable expense	10,885	12,081	13,386	18,225	18,528	2%	70%	39,009	62,220	60%
- Payment processing fee	7,247	5,762	6,437	8,093	8,130	0%	12%	25,773	28,421	10%
- Royalty expense	1,880	3,201	4,307	3,695	4,030	9%	114%	6,461	15,233	136%
- Box production fee	1,257	468	1,479	5,011	2,437	-51%	94%	3,580	9,395	162%
- Other variable	501	2,650	1,163	1,426	3,931	176%	684%	3,195	9,170	187%
Marketing expense	6,315	3,225	6,829	10,819	15,463	43%	145%	18,747	36,336	94%
D&A	7,885	8,992	11,524	11,944	5,611	-53%	-29%	28,626	38,071	33%
Others(*)	32,817	31,552	33,600	30,863	45,073	46%	37%	117,405	141,088	20%
<b>Sub Total</b>	<b>123,965</b>	<b>128,790</b>	<b>157,917</b>	<b>145,402</b>	<b>170,159</b>	<b>17%</b>	<b>37%</b>	<b>473,156</b>	<b>602,268</b>	<b>27%</b>

\* 4Q12 Others: Bandwidth costs(5,117), Rent(2,121), Wage for outsourced staff(16,171), Outsourced R&D(2,598), etc



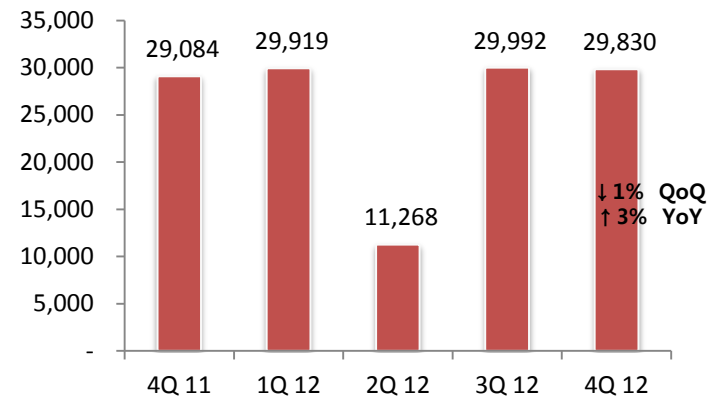
## 4-1. Financial Highlights (Parent-Quarterly)

### Sales

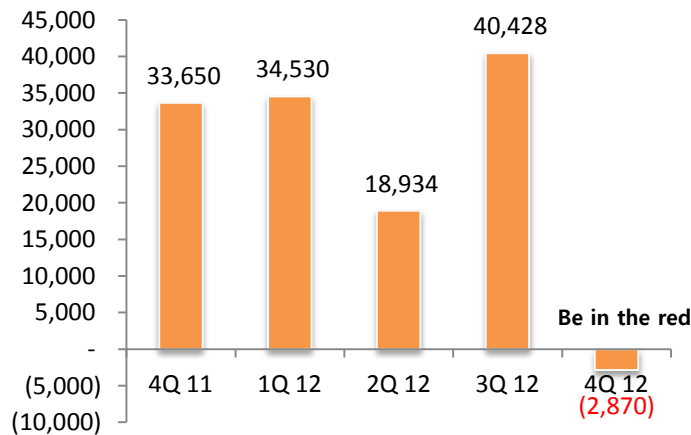


### Operating Profit

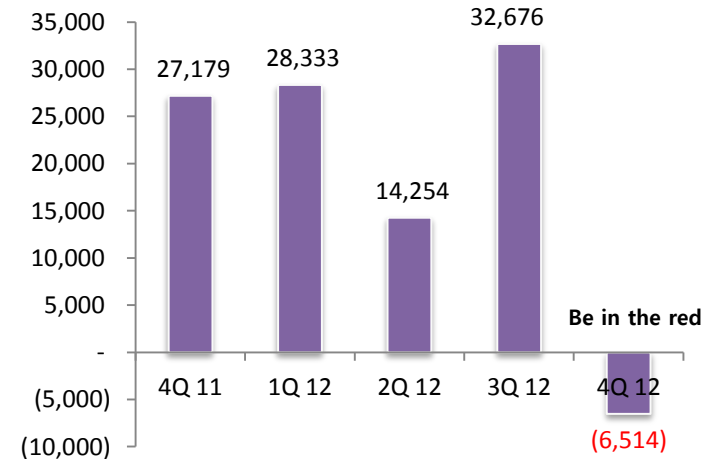
(Unit : KRW in MN)



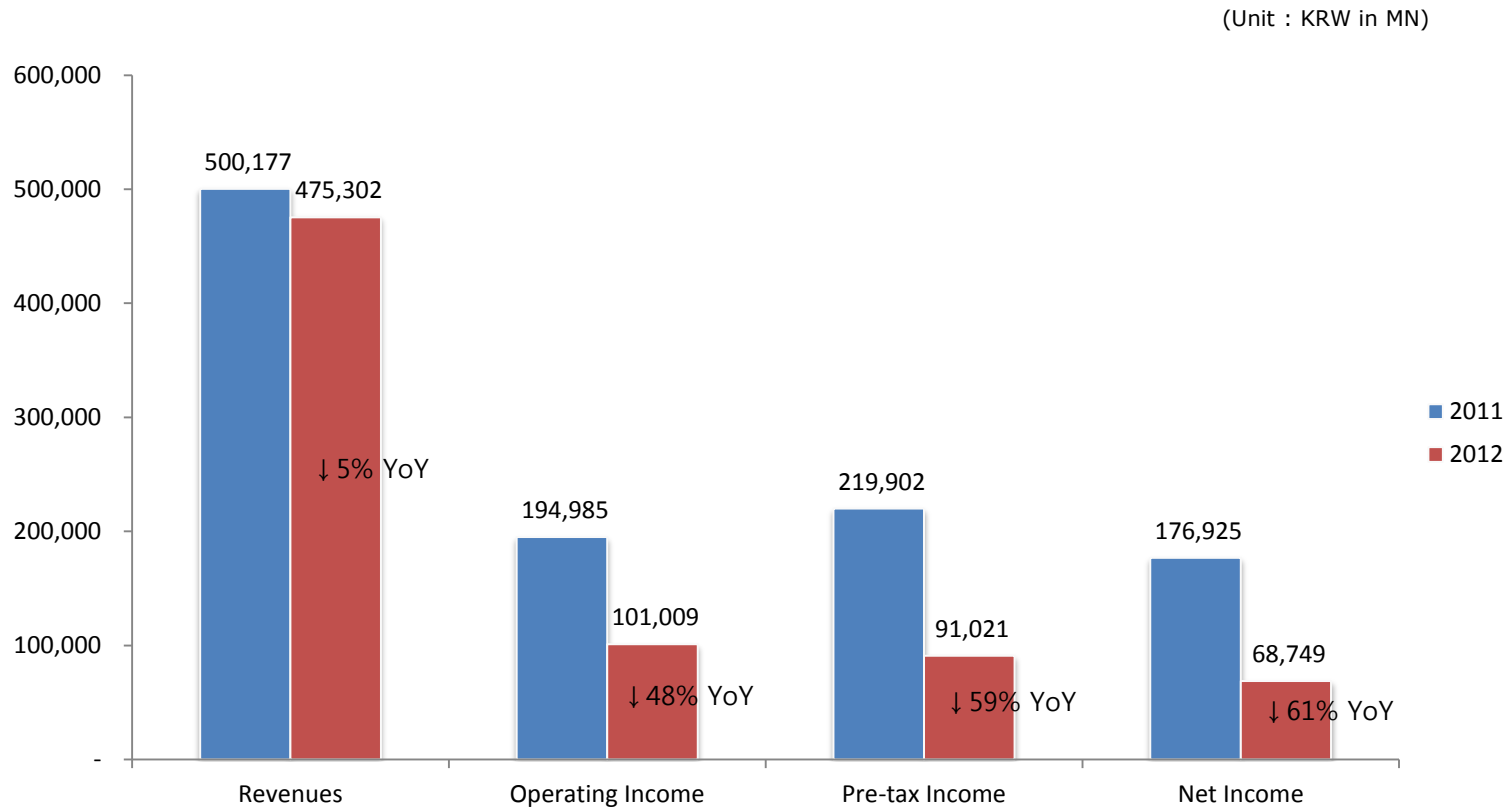
### Pre-tax Income



### Net Income

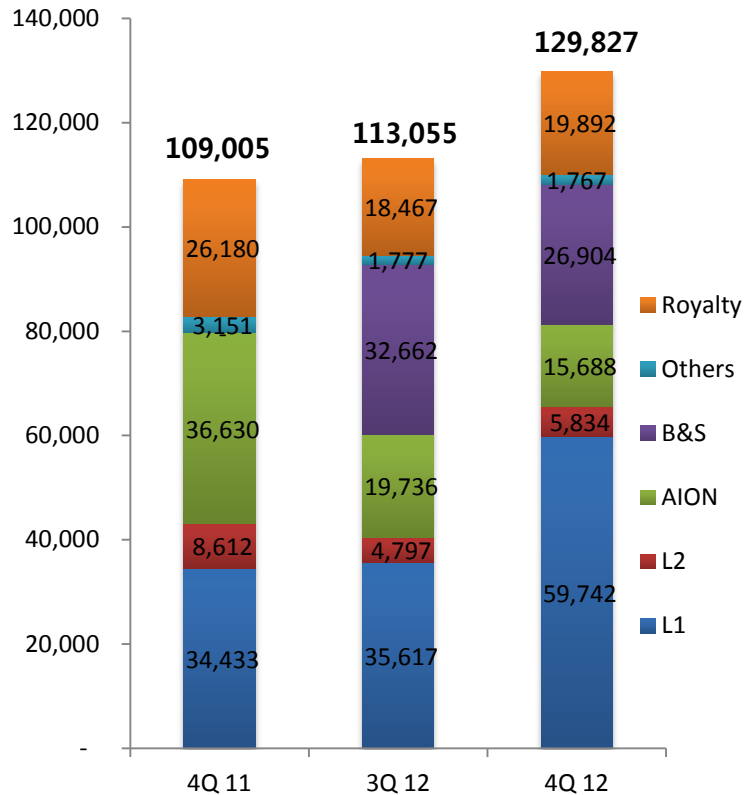


## ■ 4-1. Financial Highlights (Parent -Yearly )



## ■ 4-2. Sales Breakdown (Parent)

### Sales by Games



L1 : Lineage 1

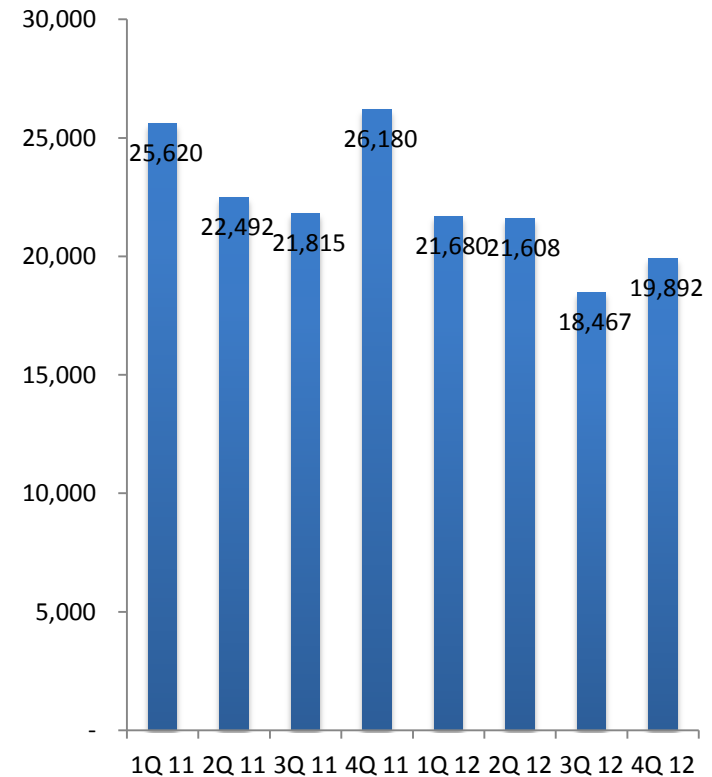
L2 : Lineage 2

B&amp;S : Blade and Soul

GW2 : Guild Wars 2

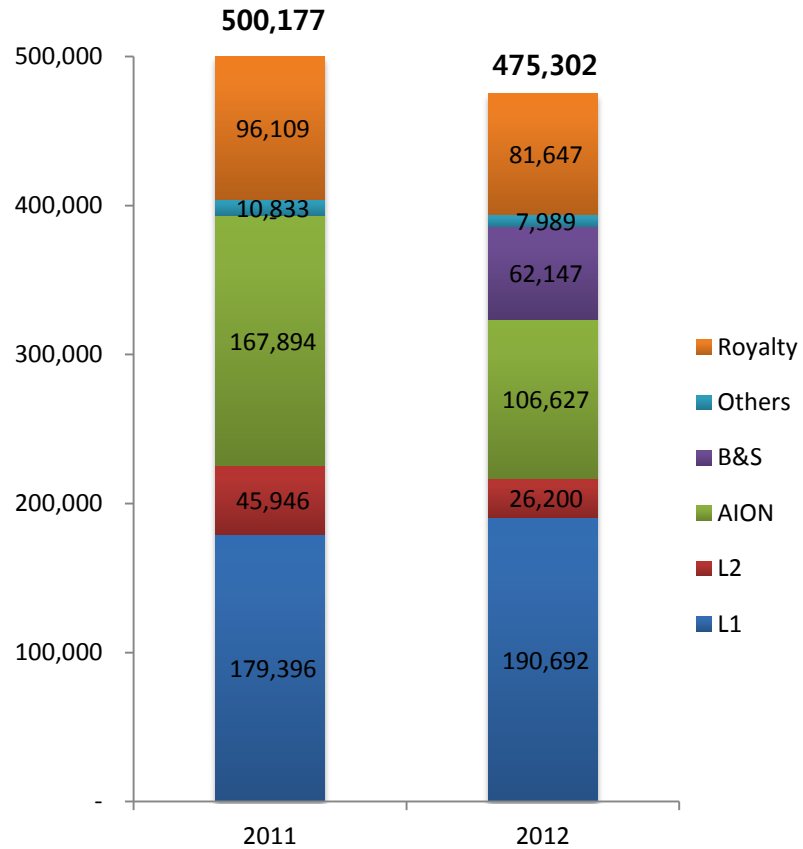
### Quarterly Royalty

(Unit : KRW in MN)



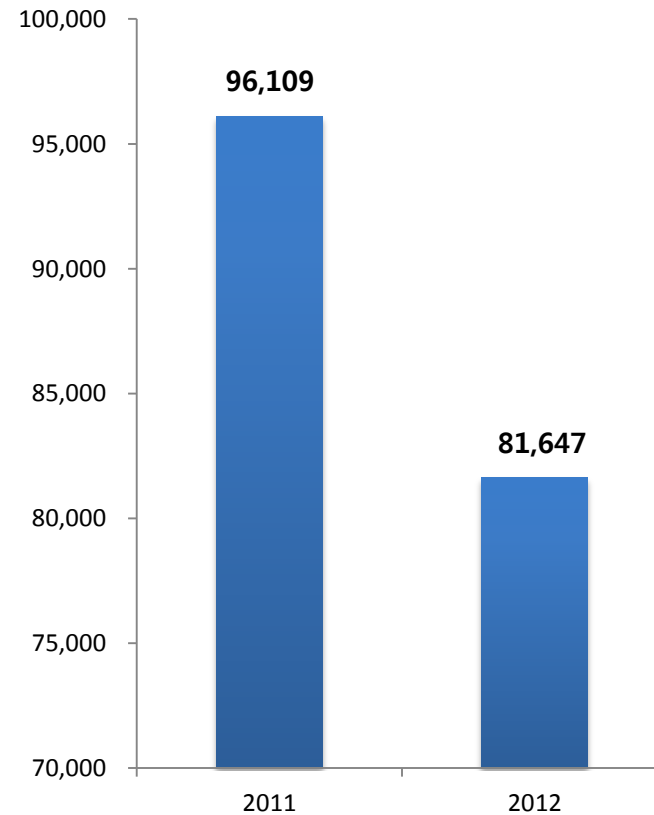
## ■ 4-2. Sales Breakdown (Parent - Yearly)

Sales by Games



Quarterly Royalty

(Unit : KRW in MN)



## ■ 4-3. Costs Breakdown (Parent)

(Unit : KRW in MN)

	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12	QoQ	YoY	2011	2012	YoY
Labor cost	42,200	52,504	69,083	51,592	54,005	5%	28%	185,998	227,184	22%
Variable expense	6,337	8,774	7,978	7,075	7,883	11%	24%	24,672	31,709	29%
- Payment processing fee	4,430	3,888	4,342	4,218	4,272	1%	-4%	17,931	16,720	-7%
- Royalty Expense	1,888	2,434	3,172	2,924	3,274	12%	73%	6,522	11,803	81%
- Other variable	19	2,453	464	(67)	337	-	1674%	219	3,187	1356%
Marketing expense	10,059	4,990	7,929	5,201	19,305	271%	92%	16,762	37,425	123%
D&A	3,424	3,886	4,526	4,706	4,667	-1%	36%	12,770	17,785	39%
Others	17,902	15,790	15,772	14,490	14,137	-2%	-21%	64,990	60,190	-7%
<b>Sub Total</b>	<b>79,921</b>	<b>85,945</b>	<b>105,288</b>	<b>83,064</b>	<b>99,997</b>	<b>20%</b>	<b>25%</b>	<b>305,192</b>	<b>374,293</b>	<b>23%</b>

## ■ 4-4. Quarterly Sales by Subsidiaries (Parent)

(Unit : KRW in MN)

	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12	QoQ	YoY	2011	2012	YoY
NC Interactive	6,681	6,760	5,649	29,703	70,628	138%	957%	27,472	112,740	310%
Arenanet	381	648	412	14,104	52,790	274%	13753%	2,327	67,953	2820%
NC Europe	2,893	3,306	699	20,807	51,290	146%	1673%	17,928	76,102	324%
NC Japan	29,895	14,893	16,920	14,950	20,723	39%	-31%	85,446	67,486	-21%
NC Taiwan	2,724	3,695	3,122	2,190	2,133	-3%	-22%	17,867	11,140	-38%
NC True	4,601	4,384	4,600	4,881	3,624	-26%	-21%	18,054	17,489	-3%
Ntreev Soft	-	3,832	9,729	7,431	10,966	48%	-	-	31,959	-
NCsoft Japan	73	-	-	-	-	-	-	3,326	-	-
<b>Total</b>	<b>47,175</b>	<b>37,518</b>	<b>41,131</b>	<b>94,066</b>	<b>212,154</b>	<b>126%</b>	<b>350%</b>	<b>172,419</b>	<b>384,869</b>	<b>123%</b>

## ■ 5-1. Summarized B/S

### Consolidated

(Unit : KRW in MN)

	2011	2012
Current Assets	638,973	674,304
Cash & cash equivalents	59,154	123,041
Short-term financial instruments	423,653	313,035
Account receivables	72,661	76,702
Others	83,506	161,525
Non-current Assets	474,458	642,522
Investment assets	36,149	45,522
Tangible assets	366,333	425,828
Intangible assets	30,255	133,317
Others	41,722	37,855
<b>Total Assets</b>	<b>1,113,432</b>	<b>1,316,826</b>
Current Liabilities	198,683	235,652
Borrowings	12,380	12,176
Payables	30,656	25,473
Current tax liabilities	7,613	5,317
Other provisions	-	8
Others	148,035	192,679
Non-current Liabilities	46,285	60,610
Defined benefit obligations	34,330	35,284
Long-term employee benefits	5,391	4,550
Others	6,564	20,776
<b>Total Liabilities</b>	<b>244,968</b>	<b>296,262</b>
Capital Stock	10,925	10,949
Other Paid-up Capital	115,258	117,910
Other Components of Equity	3,991	991
Retained Earnings	725,418	870,734
Non-Controlling Interests	12,872	19,979
<b>Total Stockholders Equity</b>	<b>868,463</b>	<b>1,020,564</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>1,113,432</b>	<b>1,316,826</b>

### Parent

(Unit : KRW in MN)

	2011	2012
Current Assets	599,839	534,191
Cash & cash equivalents	21,497	26,372
Short-term financial instruments	416,000	301,000
Account receivables	59,674	48,209
Others	102,668	158,611
Non-current Assets	544,719	666,323
Investment assets	161,891	226,207
Tangible assets	341,851	399,739
Intangible assets	23,790	29,692
Others	17,188	10,685
<b>Total Assets</b>	<b>1,144,558</b>	<b>1,200,514</b>
Current Liabilities	139,899	127,559
Payables	23,053	12,201
Current tax liabilities	6,856	5,068
Others	109,990	108,290
Other Provisions	-	2,000
Non-current Liabilities	40,593	34,132
Defined benefit obligations	32,928	29,576
Long-term employee benefits	5,265	4,205
Derivatives Liabilities	-	351
Other Account Payble	2,400	-
<b>Total Liabilities</b>	<b>180,492</b>	<b>161,691</b>
Capital Stock	10,925	10,949
Other Paid-up Capital	112,114	127,935
Other Components of Equity	1,554	2,533
Retained Earnings	839,474	897,406
<b>Total Stockholders Equity</b>	<b>964,066</b>	<b>1,038,823</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>1,144,558</b>	<b>1,200,514</b>

## ■ 5-2. Summarized P/L

### Consolidated

(Unit : KRW in MN)

	2011	2012
Sales	608,878	753,520
Cost of Sales	139,147	226,176
Gross Profit	469,732	527,344
Selling & Administrative Expense	334,009	376,092
Operating Income	135,722	151,252
Finance Income	22,913	18,291
Finance Expense	758	866
Equity income on investments	5,878	7,026
Other Income	10,780	24,912
Other Expense	17,324	17,708
Income before Income Tax Expense	157,211	182,907
Income Tax Expenses	39,535	29,240
Net income	117,676	153,667
Non-Controlling Interests	(3,008)	(2,136)
Equity Attributable to the owners of the Parent Company	120,684	155,802

### Parent

(Unit : KRW in MN)

	2011	2012
Sales	500,177	475,302
Cost of Sales	94,932	123,441
Gross Profit	405,245	351,861
Selling & Administrative Expense	210,260	250,852
Operating Income	194,985	101,009
Finance Income	23,524	18,401
Finance Expense	500	-
Other Income	9,405	23,678
Other Expense	7,512	52,067
Income before Income Tax Expense	219,902	91,021
Income Tax Expenses	42,978	22,272
Net Income	176,925	68,749





**Thank you**