

4Q 2013 Earnings Release

February 13, 2014



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■ Disclaimer

The financial results for 4Q 2013 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)

I. Consolidated Earnings

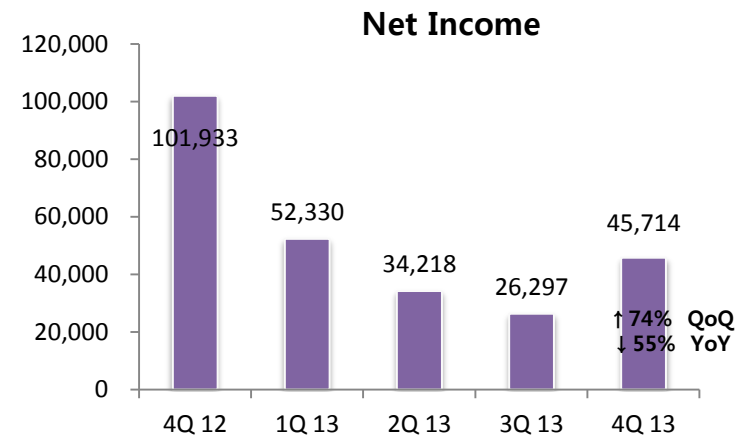
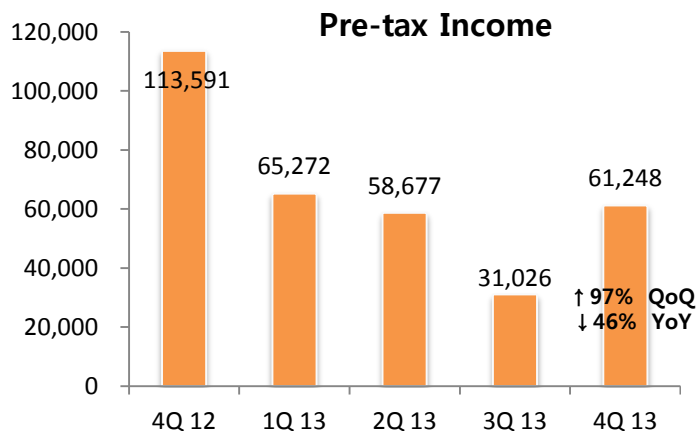
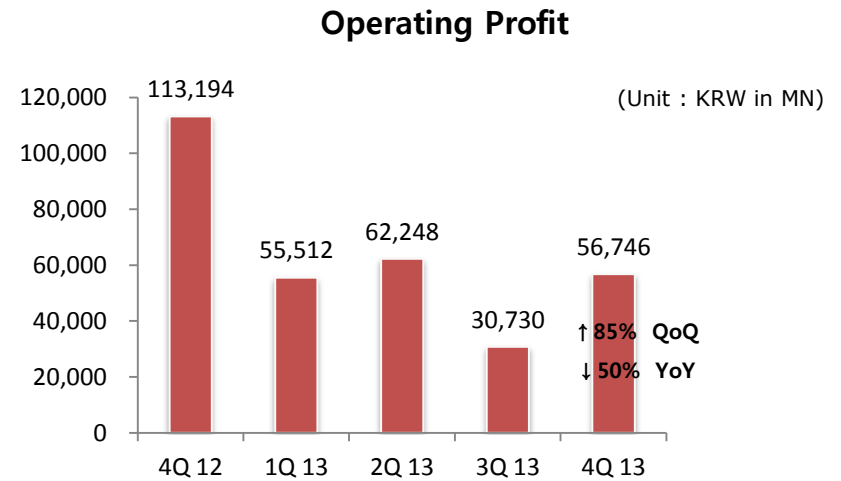
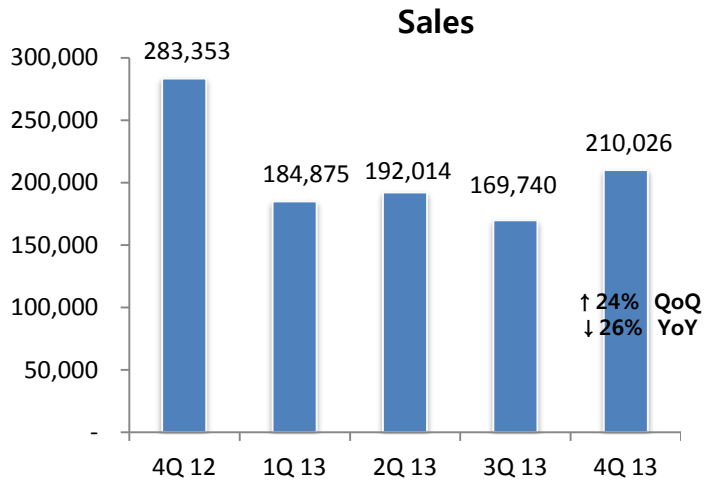
1. Financial highlights
2. Sales Breakdown
3. Costs Breakdown

II. Appendix

4. Parent Earnings
5. Summarized Financial Statements

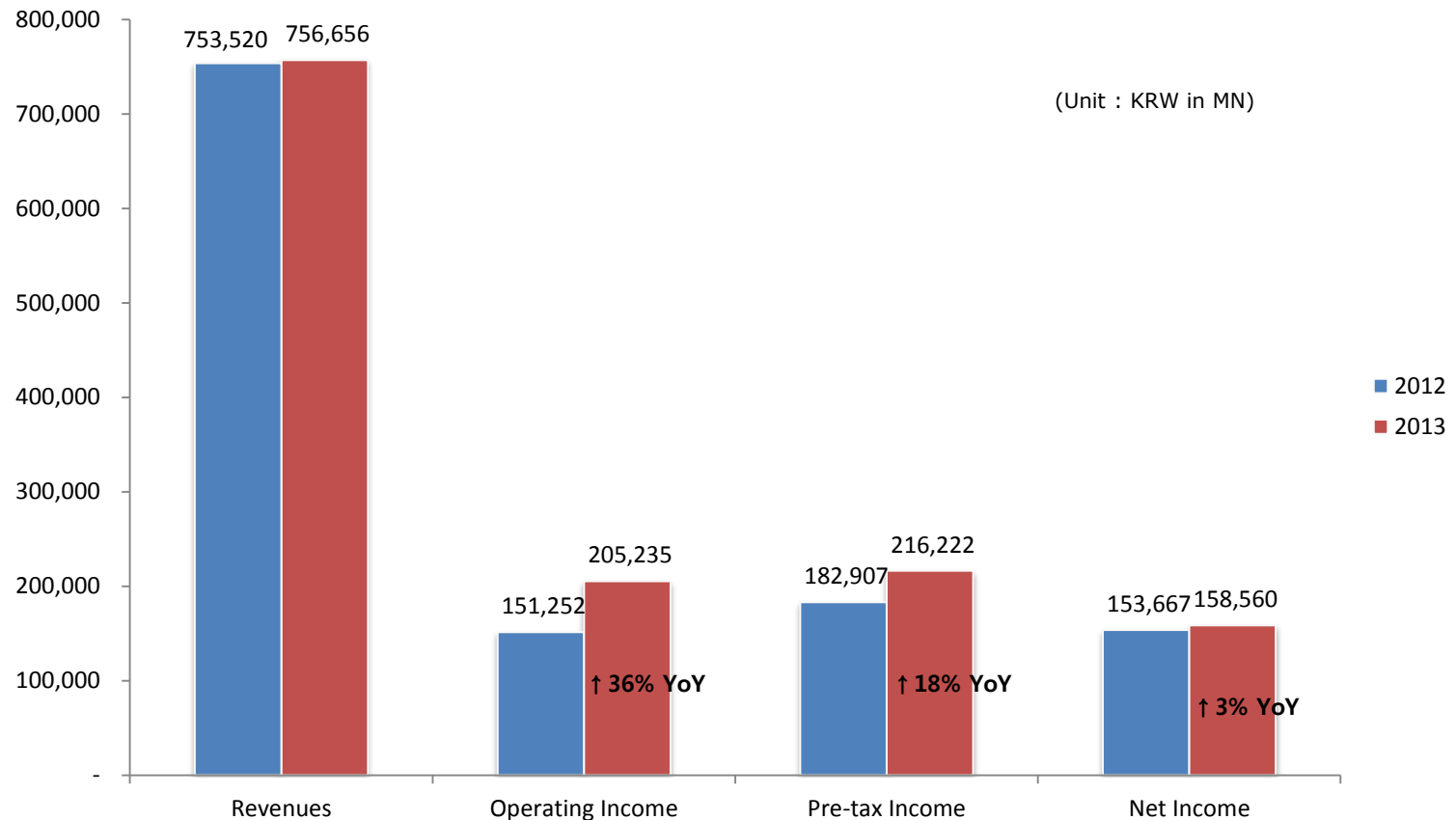
■ 1. Financial Highlights(Quarterly)

Revenues and profits increased with royalty revenues of B&S China impacting.



■ 1. Financial Highlights(Yearly)

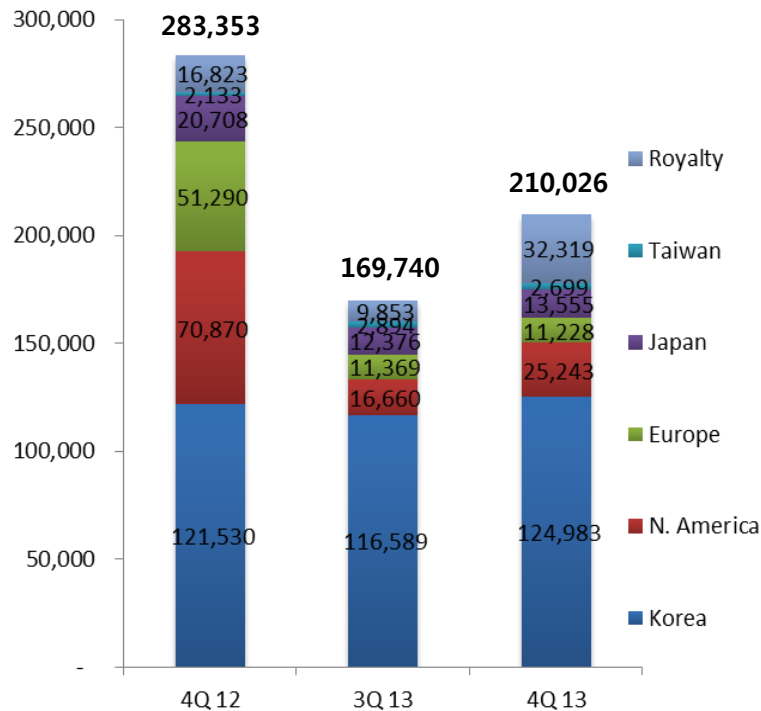
Lineage grew significantly in Korea where as Guild Wars 2 remained solid in US and EU. Profits jumped YoY mainly thanks to cost savings in labor cost and marketing cost.



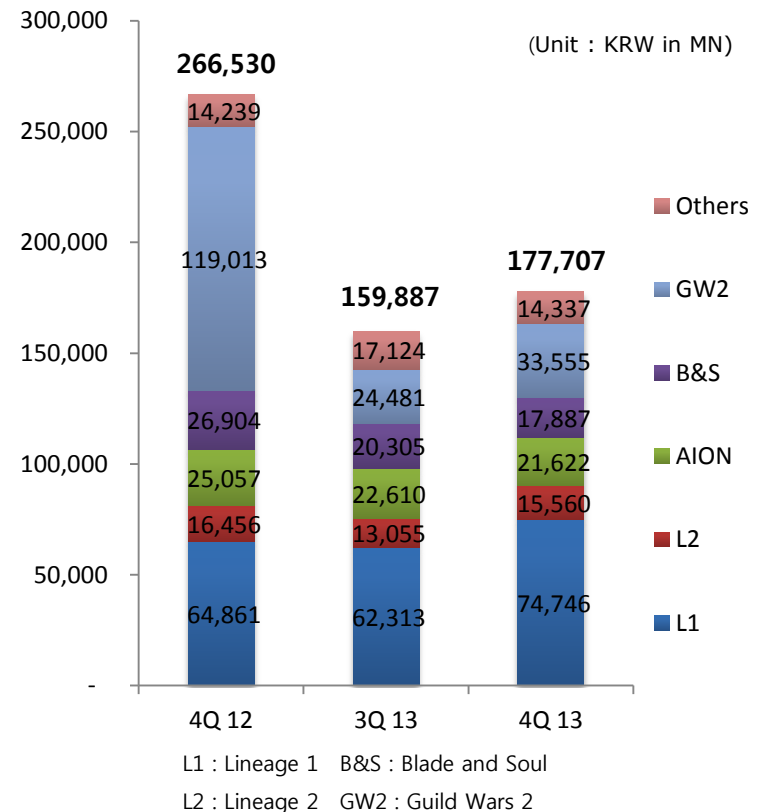
■ 2. Sales Breakdown(Quarterly)

Royalty revenues surged with B&S China kicking in.
Guild Wars 2 was strong on the back of year-end sales promotions.

Sales by Region



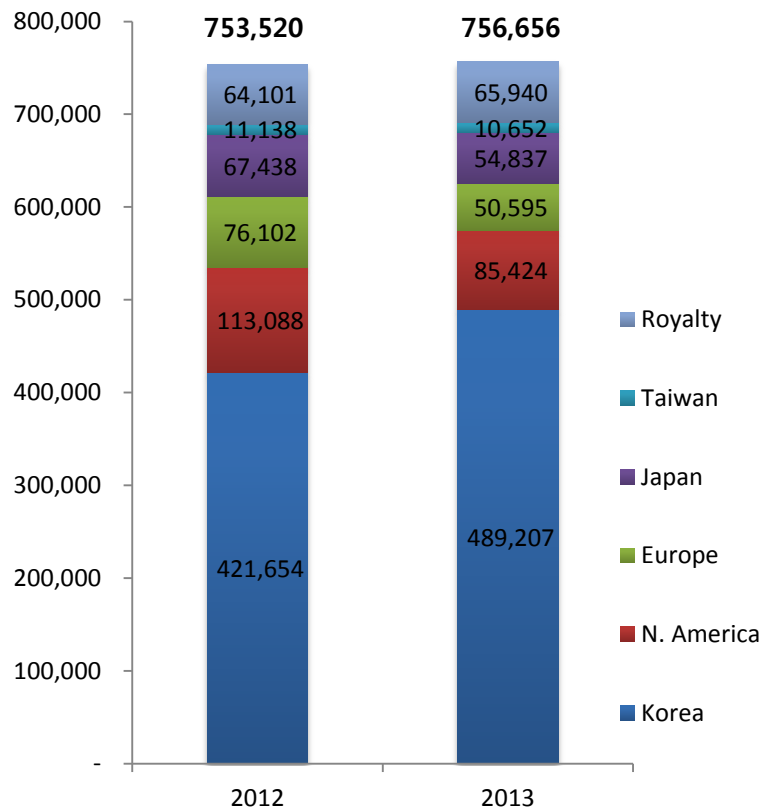
Sales by Games
(excluding royalty)



■ 2. Sales Breakdown(Yearly)

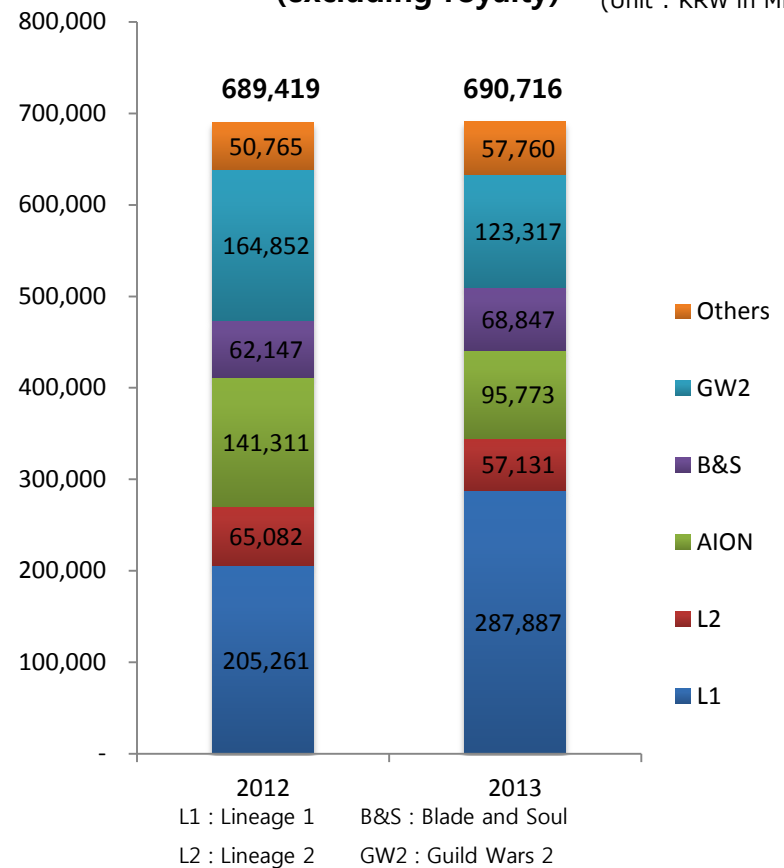
Contribution from Korea increased with Lineage reaching a new all time high. Guild Wars 2 became the 2nd biggest revenues source along with well settled in-game item sales model.

Sales by Region



Sales by Games
(excluding royalty)

(Unit : KRW in MN)



■ 3. Costs Breakdown

Labor cost rose 10% QoQ due to one off year-end incentives, but decreased 4% YoY thanks to the impact from the downsizing in 2012.

Marketing expense was down 7% QoQ with limited marketing campaigns in 4Q, and was also down 43% YoY reflecting the high base in 2012 by GW2 & B&S release.

Other expense went up 16% QoQ because of one off sign up fees for new players, but shrank 8% YoY as most of the initial investments in the NC Dinos were made in 2012.

(Unit : KRW in MN)

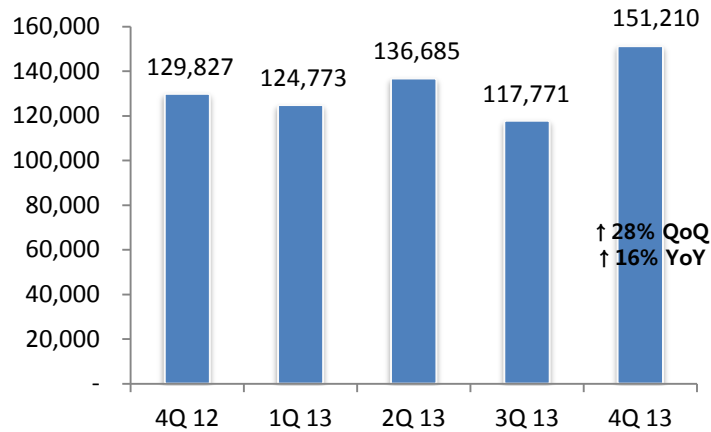
	4Q 12	1Q 13	2Q 13	3Q 13	4Q 13	QoQ	YoY
Labor Cost	85,484	76,543	76,426	75,481	82,898	10%	-3%
Variable expense	18,528	12,758	11,591	13,847	15,233	10%	-18%
- Payment processing fee	8,130	6,584	6,902	6,939	5,622	-19%	-31%
- Royalty expense	4,030	3,462	2,750	5,243	4,073	-22%	1%
- Box production fee	2,437	580	1,163	520	1,054	103%	-57%
- Other variable	3,931	2,132	776	1,145	4,483	292%	14%
Marketing expense	15,463	4,006	4,875	6,215	5,759	-7%	-63%
D&A	5,611	8,458	8,472	9,097	9,517	5%	70%
Others(*)	45,073	27,598	28,403	34,372	39,875	16%	-12%
Sub Total	170,159	129,363	129,767	139,011	153,280	10%	-10%

2012	2013	YoY
324,553	311,348	-4%
62,220	53,429	-14%
28,421	26,047	-8%
15,233	15,528	2%
9,395	3,317	-65%
9,170	8,537	-7%
36,336	20,854	-43%
38,071	35,543	-7%
141,088	130,247	-8%
602,268	551,420	-8%

* 4Q13 Others: Bandwidth costs(4,285), Rent(2,167), Wage for outsourced staff(11,534), Outsourced R&D(2,745), etc.

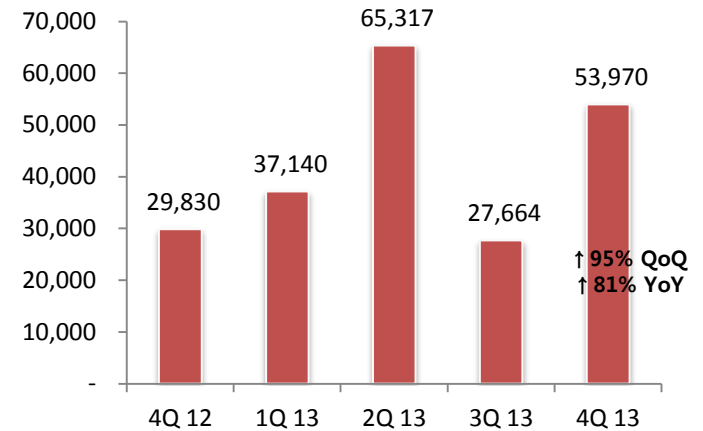
■ 4-1. Financial Highlights (Parent-Quarterly)

Sales

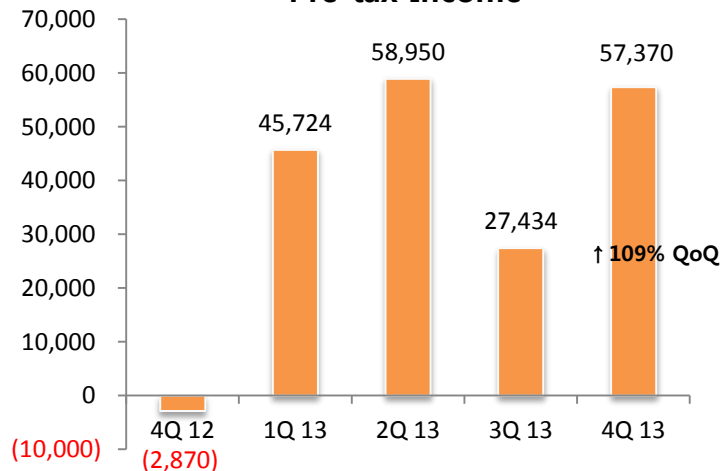


Operating Profit

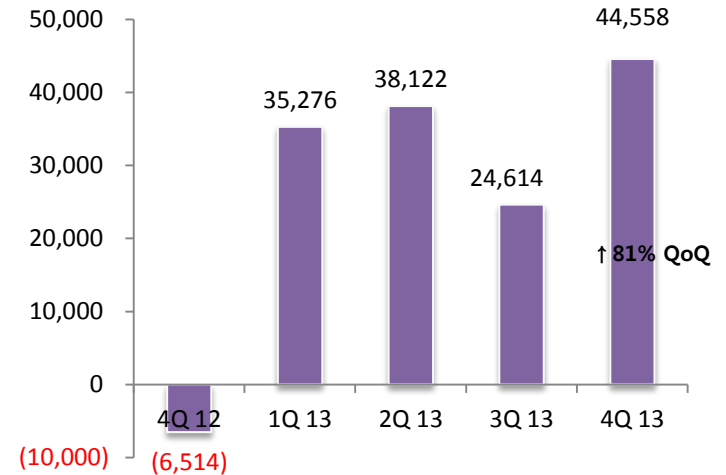
(Unit : KRW in MN)



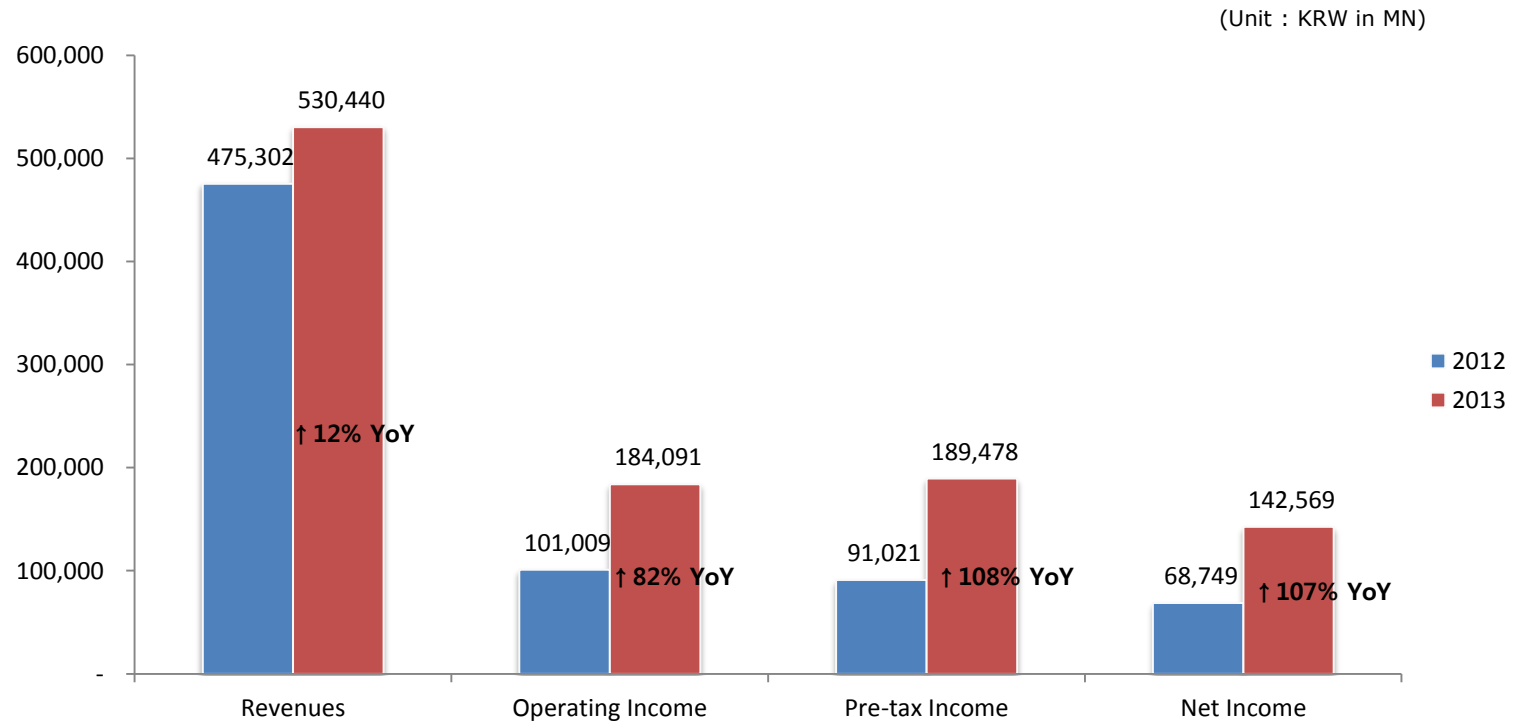
Pre-tax Income



Net Income

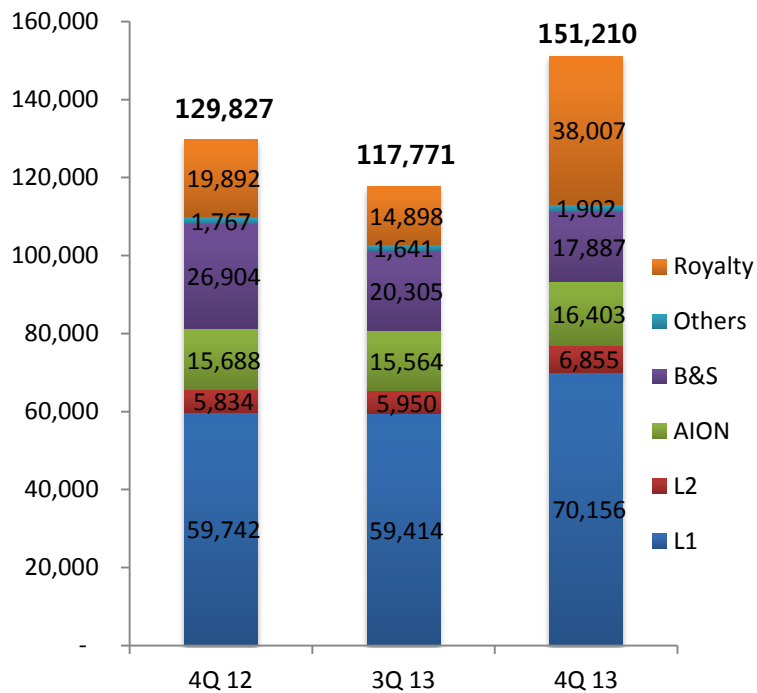


■ 4-1. Financial Highlights (Parent-Yearly)



■ 4-2. Sales Breakdown (Parent-Quarterly)

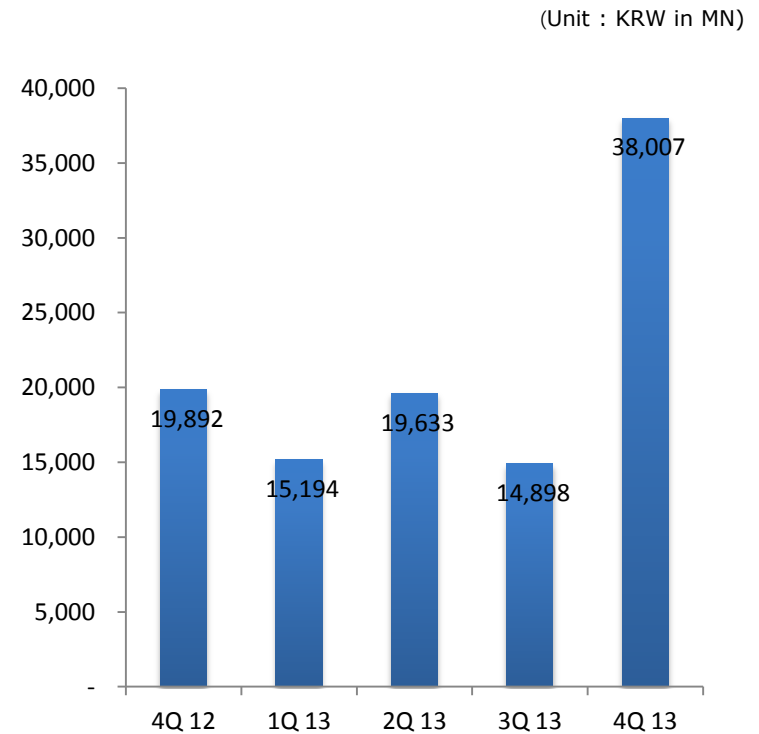
Sales by Games



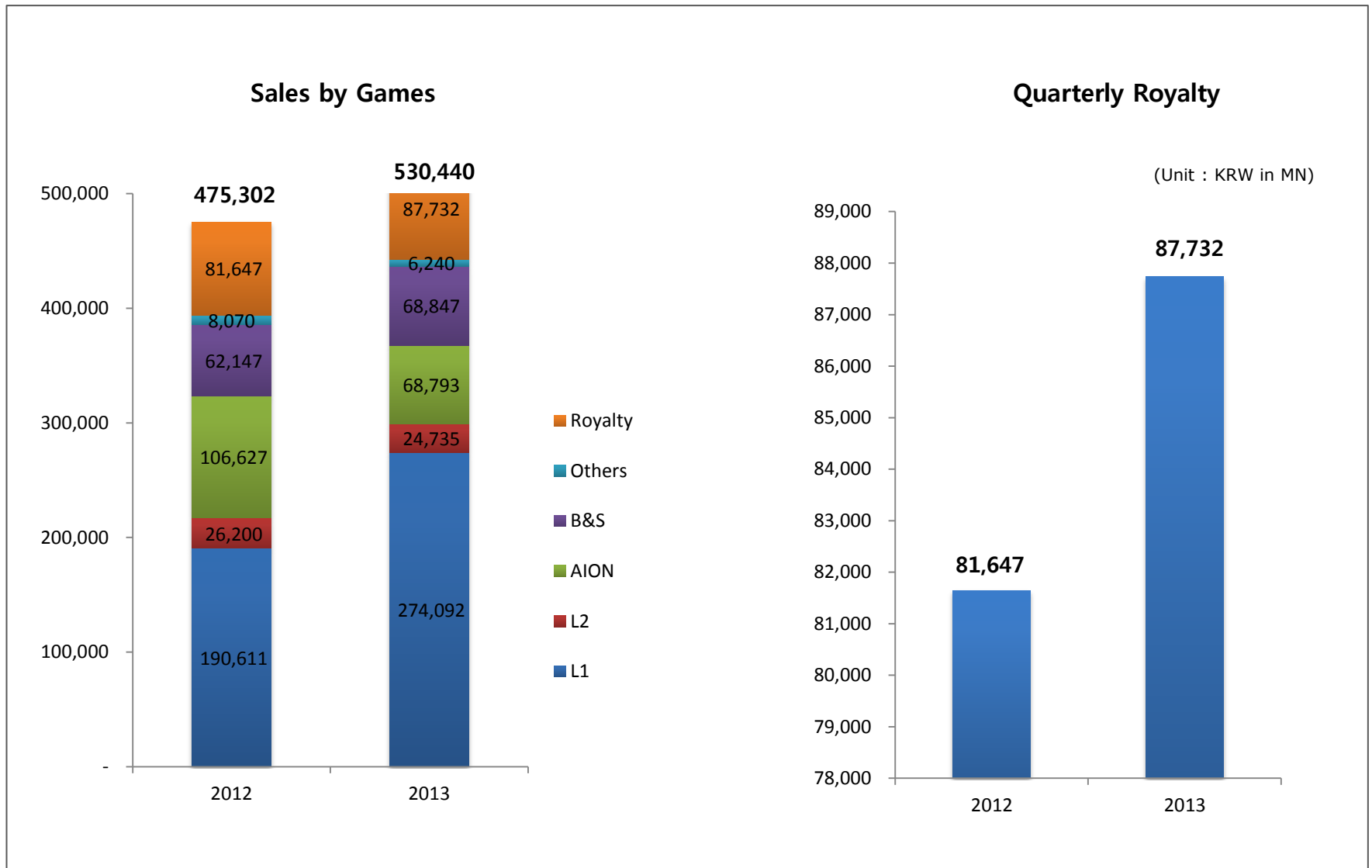
L1 : Lineage 1
L2 : Lineage 2

B&S : Blade and Soul

Quarterly Royalty



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



■ 4-3. Costs Breakdown (Parent)

	4Q 12	1Q 13	2Q 13	3Q 13	4Q 13	QoQ	YoY
Labor cost	54,005	52,338	44,075	44,296	49,434	12%	-8%
Variable expense	7,883	7,964	6,809	6,779	5,711	-16%	-28%
- Payment processing fee	4,272	5,180	4,583	4,804	3,581	-25%	-16%
- Royalty Expense	3,274	2,626	2,138	1,821	1,770	-3%	-46%
- Other variable	337	159	89	154	360	134%	7%
Marketing expense	19,305	9,738	2,722	2,333	11,208	380%	-42%
D&A	4,667	4,573	4,354	5,325	5,825	9%	25%
Others	14,137	13,021	13,408	31,374	25,063	-20%	77%
Sub Total	99,997	87,633	71,368	90,106	97,241	8%	-3%

(Unit : KRW in MN)

2012	2013	YoY
227,184	190,144	-16%
31,709	27,263	-14%
16,720	18,147	9%
11,803	8,355	-29%
3,187	761	-76%
37,425	26,000	-31%
17,785	20,077	13%
60,190	82,865	38%
374,293	346,349	-7%

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

(Unit : KRW in MN)

	4Q 12	1Q 13	2Q 13	3Q 13	4Q 13	QoQ	YoY	2012	2013	YoY
NC Interactive	70,628	24,705	18,801	16,248	25,243	55%	-64%	112,740	84,997	-25%
Arenanet	52,790	14,376	11,459	9,859	12,434	26%	-76%	67,953	48,127	-29%
NC Europe	51,290	14,679	13,319	11,369	11,228	-1%	-78%	76,102	50,595	-34%
NC Japan	20,723	13,019	15,979	12,656	13,954	10%	-33%	67,486	55,608	-18%
NC Taiwan	2,133	2,530	2,530	2,894	2,699	-7%	27%	11,140	10,652	-4%
Ntreev Soft	10,966	7,740	7,295	10,118	9,590	-5%	-13%	31,959	34,743	9%

■ 5-1. Summarized B/S

Consolidated

(Unit : KRW in MN)

	2012	2013
Current Assets	674,304	784,936
Cash & cash equivalents	123,041	123,331
Short-term financial instruments	313,035	378,576
Account receivables	76,702	81,390
Others	161,525	201,638
Non-current Assets	642,522	694,623
Investment assets	45,522	292,078
Tangible assets	425,828	248,310
Intangible assets	133,317	112,733
Others	37,855	41,502
Total Assets	1,316,826	1,479,558
Current Liabilities	235,652	252,011
Borrowings	12,174	3,430
Payables	25,474	22,559
Current tax liabilities	5,317	40,112
Other provisions	8	6
Others	192,679	185,905
Non-current Liabilities	60,610	68,913
Defined benefit obligations	35,284	45,945
Long-term employee benefits	4,550	4,873
Others	20,776	18,096
Total Liabilities	296,262	320,925
Capital Stock	10,949	10,957
Other Paid-up Capital	117,910	119,280
Other Components of Equity	991	(6,117)
Retained Earnings	870,734	1,015,486
Non-Controlling Interests	19,979	19,027
Total Stockholders Equity	1,020,564	1,158,633
Total Liabilities and Stockholders Equity	1,316,826	1,479,558

Parent

(Unit : KRW in MN)

	2012	2013
Current Assets	534,191	650,203
Cash & cash equivalents	26,372	23,984
Short-term financial instruments	301,000	362,000
Account receivables	48,209	58,938
Others	158,611	205,280
Non-current Assets	666,323	739,985
Investment assets	226,207	463,146
Tangible assets	399,739	230,439
Intangible assets	29,692	26,564
Others	10,685	19,836
Total Assets	1,200,514	1,390,188
Current Liabilities	127,559	165,476
Payables	12,201	7,740
Current tax liabilities	5,068	35,061
Others	108,290	122,675
Other Provisions	2,000	-
Non-current Liabilities	34,132	55,386
Defined benefit obligations	29,576	39,945
Long-term employee benefits	4,205	4,650
Derivatives Liabilities	351	115
Other Account Payable	-	10,676
Total Liabilities	161,691	220,862
Capital Stock	10,949	10,957
Other Paid-up Capital	127,935	129,955
Other Components of Equity	2,533	1,144
Retained Earnings	897,406	1,027,269
Total Stockholders Equity	1,038,823	1,169,326
Total Liabilities and Stockholders Equity	1,200,514	1,390,188

■ 5-2. Summarized P/L

Consolidated

(Unit : KRW in MN)

	2012	2013
Sales	753,520	756,656
Cost of Sales	226,176	220,452
Gross Profit	527,344	536,204
Selling & Administrative Expense	376,092	330,969
Operating Income	151,252	205,235
Other Income	50,229	41,417
Other Expense	18,574	30,430
Income before Income Tax Expense	182,907	216,222
Income Tax Expenses	29,240	57,662
Net income	153,667	158,560
Non-Controlling Interests	(2,136)	(80)
Equity Attributable to the owners of the	155,802	158,641

Parent

(Unit : KRW in MN)

	2012	2013
Sales	475,302	530,440
Cost of Sales	123,441	108,916
Gross Profit	351,861	421,523
Selling & Administrative Expense	250,852	237,432
Operating Income	101,009	184,091
Other Income	42,079	32,370
Other Expense	52,067	26,983
Income before Income Tax Expense	91,021	189,478
Income Tax Expenses	22,272	46,909
Net Income	68,749	142,569

Thank you