

# 3Q 2018 Earnings Release

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**NCSOFT**

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The financial results for 3Q 2018 have been prepared on an unaudited basis, and may be subject to change during independent auditing process.

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※ Key Consolidated Subsidiaries (K-IFRS based):

NC West Holdings(100%, USA), NC Europe(100%, GBR), NC Japan(100%, JPN), NC Taiwan(85%, TWN), NCSOFT Corporation(HQ, KOR),  
NCSOFT Service(100%, KOR), NC Dinos (100%, KOR),  
NC ITS(100%, KOR), Ntreev Soft(98%, KOR), This Game Studio(40%, CAN)

# Contents

## I. Consolidated Earnings

1. Financial Highlights

2. Sales Breakdown

3. Costs Breakdown

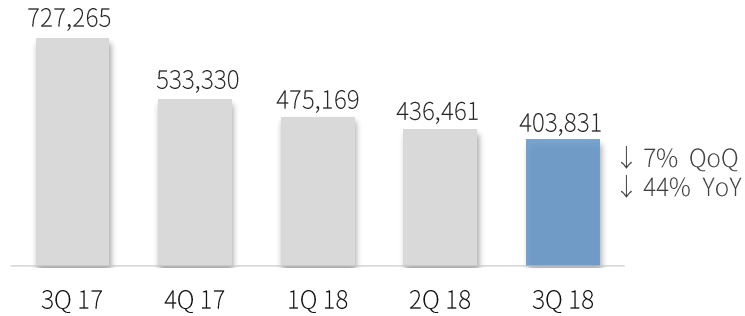
## II. Appendix

4. Consolidated Financial Statements

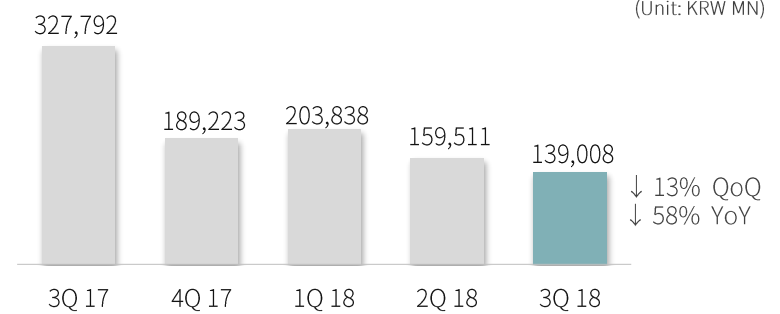
# 1. Financial Highlights

- Sales totaled KRW 403.8 billion, down 7% qoq and 44% yoy from base effect of Lineage M Taiwan royalty revenue
- Operating profit was KRW 139 billion won, an decline of 13% qoq and 58% yoy

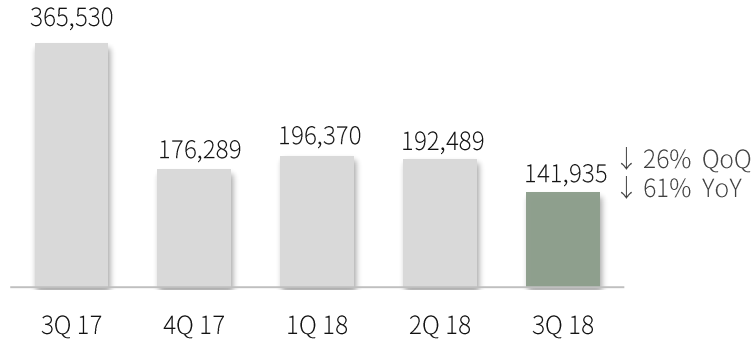
Sales



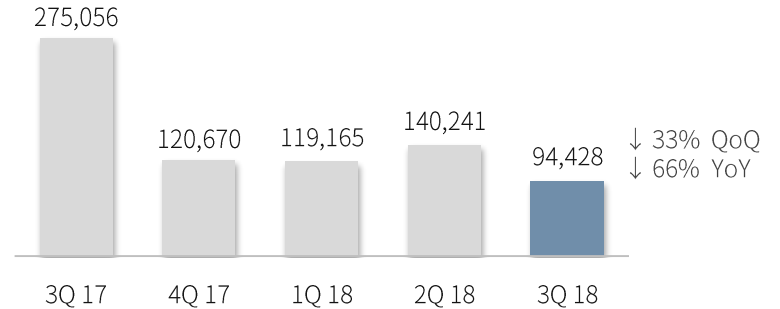
Operating Profit



Pre-tax Income

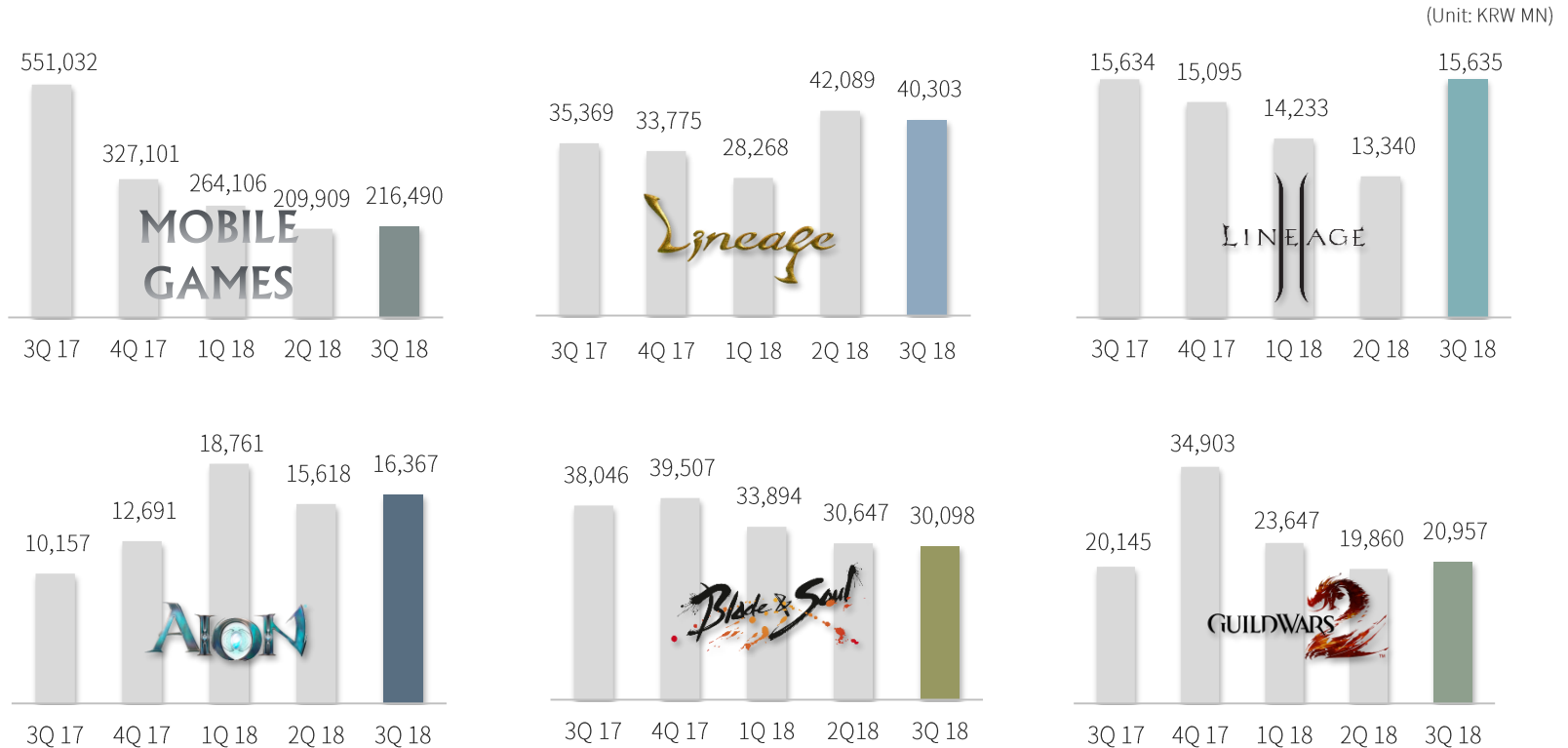


Net Income



## 2. Sales Breakdown (by Game)

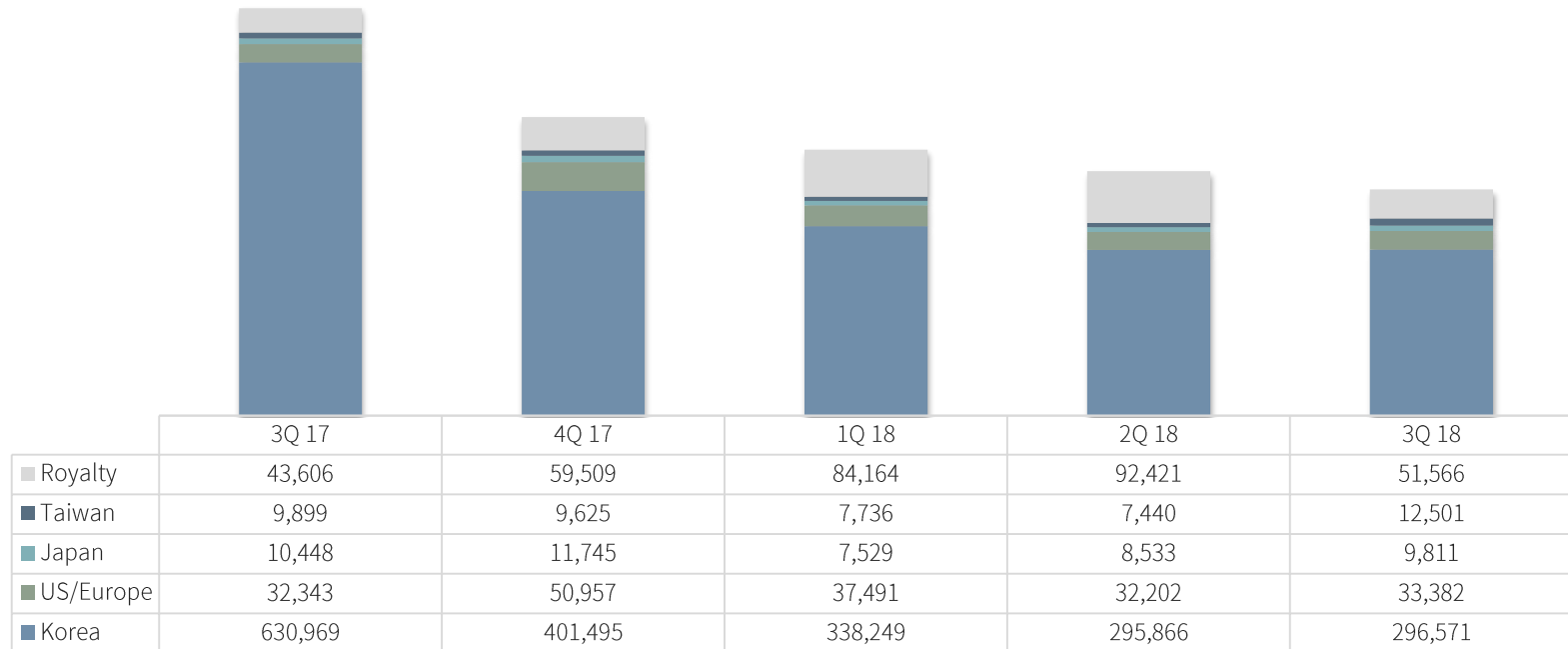
- Mobile game revenue up 3% qoq to KRW 216.5 billion from resilience of the Lineage M update effect
- The 5 PC online games revenue totaled KRW 123.4 billion, representing growth of around 1.5% qoq



## 2. Sales Breakdown (by Region)

- Taiwan sales jumped 68% qoq due to AION's F2P conversion
- Royalty revenue dropped 44% qoq, due to elimination of one-off Lineage M Taiwan revenue, but increased 18% yoy

(Unit: KRW MN)



### 3. Cost Breakdown

- Labor cost decreased 12% qoq, due to base effect from 2Q employee bonuses
- Variable cost increased 3% qoq as mobile game distribution fees increased
- Marketing spend was up 10% qoq from game updates and events

(Unit : KRW MN)

	3Q 17	4Q 17	1Q 18	2Q 18	3Q 18	QoQ	YoY
<b>Labor cost</b>	155,470	161,015	125,044	146,853	128,881	-12%	-17%
<b>Variable cost</b>	176,413	108,205	86,869	70,553	72,577	3%	-59%
Payment processing fees	7,088	6,236	5,652	5,923	5,972	1%	-16%
Distribution fees	166,706	98,985	79,465	63,192	65,175	3%	-61%
Royalty	1,612	1,206	1,166	784	986	26%	-39%
Box & merchandise production fees	525	438	216	117	191	63%	-64%
Others	483	1,340	370	538	253	-53%	-48%
<b>Marketing</b>	22,043	24,151	10,771	14,973	16,513	10%	-25%
<b>D&amp;A</b>	7,120	6,905	6,545	6,608	7,635	16%	7%
<b>Others (*)</b>	38,427	43,831	42,102	37,963	39,216	3%	2%
<b>Total</b>	399,474	344,107	271,331	276,950	264,822	-4%	-34%

\* 3Q18 Others includes bandwidth cost (4,401), rent (3,712), wages for outsource staff (4,586), and outsourced R&D (1,662)

## 4. Consolidated Financial Statements

### Statement of Financial Position

	(Unit : KRW MN)	
	31 DEC 2017	30 SEP 2018
<b>Assets</b>		
<b>I. Current Assets</b>	1,772,727	1,661,475
Cash & cash equivalents	187,256	256,041
ST financial instruments	92,695	268,750
Account receivables	193,018	143,256
Other receivables	10,436	23,242
AFS financial assets	702,778	-
FVPL financial assets	558,162	-
FVOCI financial assets	-	819,623
AC financial assets	-	120,000
Others	28,382	30,563
<b>II. Non-Current Assets</b>	1,753,840	1,372,999
LT loans	43	138
Other receivables	22,248	12,621
AFS financial assets	1,301,572	-
FVPL financial assets	-	237,394
FVOCI financial assets	-	679,212
AC financial assets	-	67
Derivatives	1,584	-
Investments in affiliated companies	33,824	54,991
Investment property	96,333	95,336
Tangible assets	229,063	231,020
Intangible assets	52,406	51,399
Others	16,767	10,820
<b>Total Asset</b>	3,526,567	3,034,474
<b>Liabilities</b>		
<b>I. Current Liabilities</b>	455,798	434,129
Bonds	-	154,842
Account payables	48,395	71,903
Current tax liabilities	142,594	34,199
Other provisions	2	2
Others	264,807	173,182
<b>II. Non-Current Liabilities</b>	341,530	107,745
Bonds	149,819	-
Defined benefit obligations	3,314	10,999
LT employee benefits	7,047	7,696
Others	181,350	89,050
<b>Total Liabilities</b>	797,328	541,874
<b>Stockholders Equity</b>		
<b>I. Capital stock</b>	10,970	10,970
<b>II. Other paid-up capital</b>	279,057	168,364
<b>III. Other components of equity</b>	525,307	204,923
<b>IV. Retained earnings</b>	1,905,908	2,097,959
<b>V. Non-controlling interests</b>	7,997	10,384
<b>Total Stockholders Equity</b>	2,729,239	2,492,600
<b>Total Liabilities and Stockholders Equity</b>	3,526,567	3,034,474



## 4. Consolidated Financial Statements

### Comprehensive Income Statement

(Unit : KRW MN)

	3Q 2017 (Accum.)	3Q 2018 (Accum.)
Sales	1,225,391	1,315,460
Operating Expenses	829,596	813,103
Operating Income	395,796	502,357
Non-operating Income	37,343	28,437
Income Before Income Tax Expense	433,139	530,794
Income Tax Expense	109,861	176,959
Net Income	323,278	353,834
Non-controlling Interest	441	2,265
Equity Attribution to the Owners of the Parent Company	322,837	351,569