

netmarble

1Q 2018 Earnings Results

April 30, 2018



DISCLAIMER

The financial information included in this document are consolidated earnings results based on K-IFRS.

The “financial results for 1Q 2018” for Netmarble (the “Company”) contained in this document have been provided for investors’ convenience only and have not been audited by an independent auditor. Therefore, certain part(s) of this document are subject to change upon the audit outcome.

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, “forward-looking statements” often address our expected future business and financial performance, and often contain words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” or “will.” “Forward-looking statements” by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties which could adversely or positively affect our future results include the behavior of financial markets, the Company’s strategic actions, unanticipated dramatic developments in our major business conditions, and numerous other matters at the national and international levels which could affect our financial results.

These uncertainties may cause our actual results to be materially different from those expressed in this document.

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1. FINANCIAL HIGHLIGHTS OF 1Q 2018

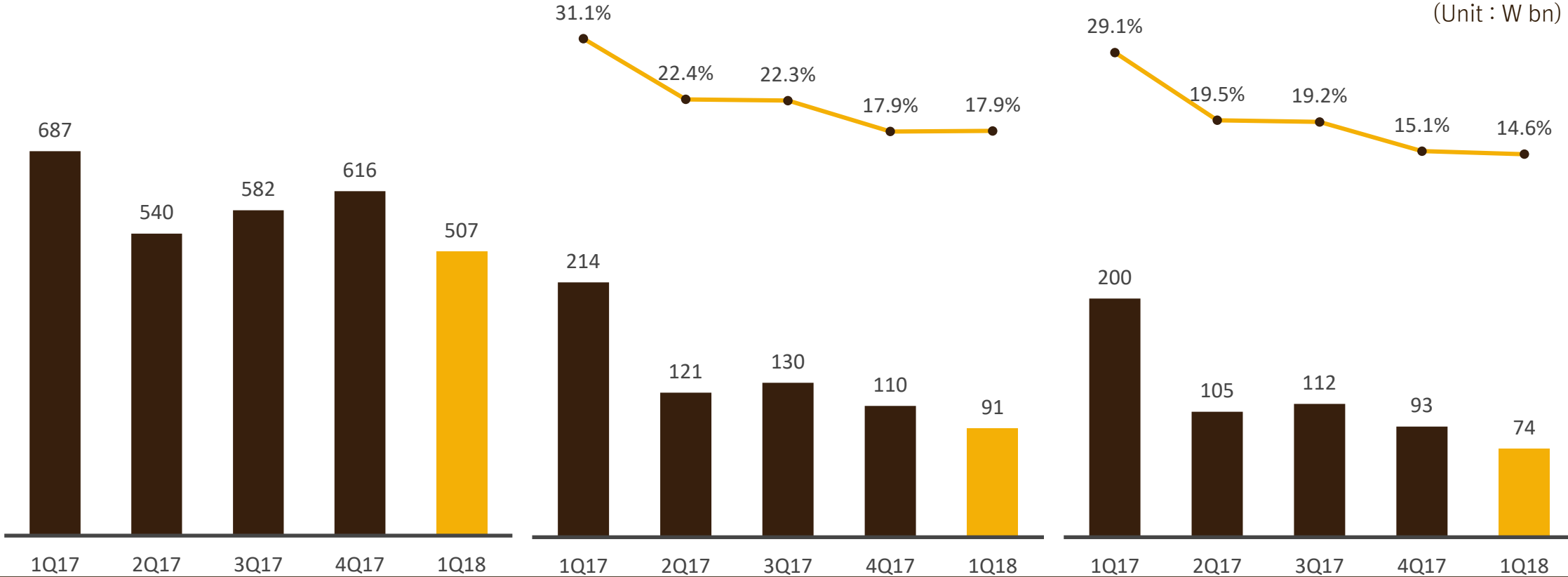
- 1Q recorded revenue of W507.4bn (YoY -26.2%, QoQ -17.6%), EBITDA of W91.0bn (YoY -57.4%, QoQ -17.3%), and operating profit of W74.2bn (YoY -62.9%, QoQ -20.0%)
- EBITDA margin and operating profit margin were 17.9% and 14.6%, respectively

Revenue

EBITDA

Operating Profit

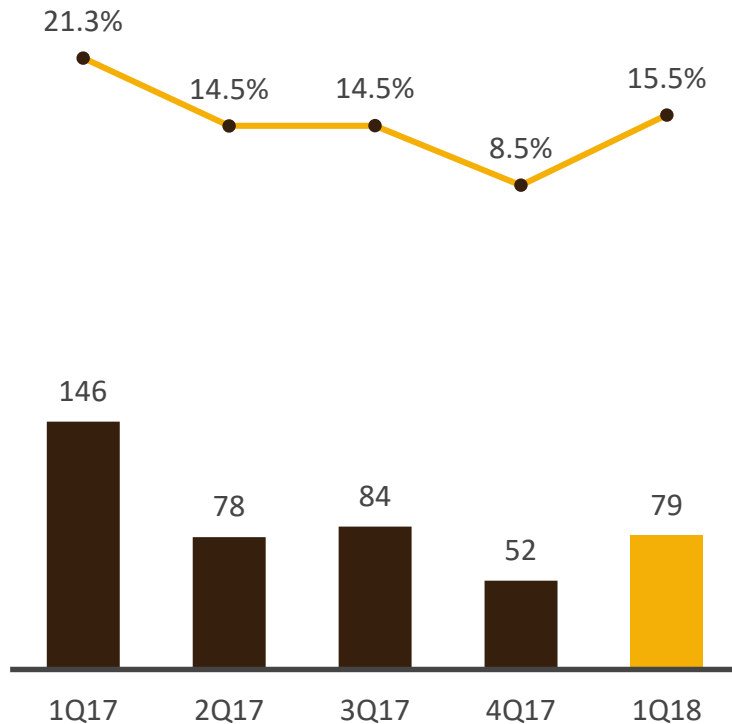
(Unit : W bn)



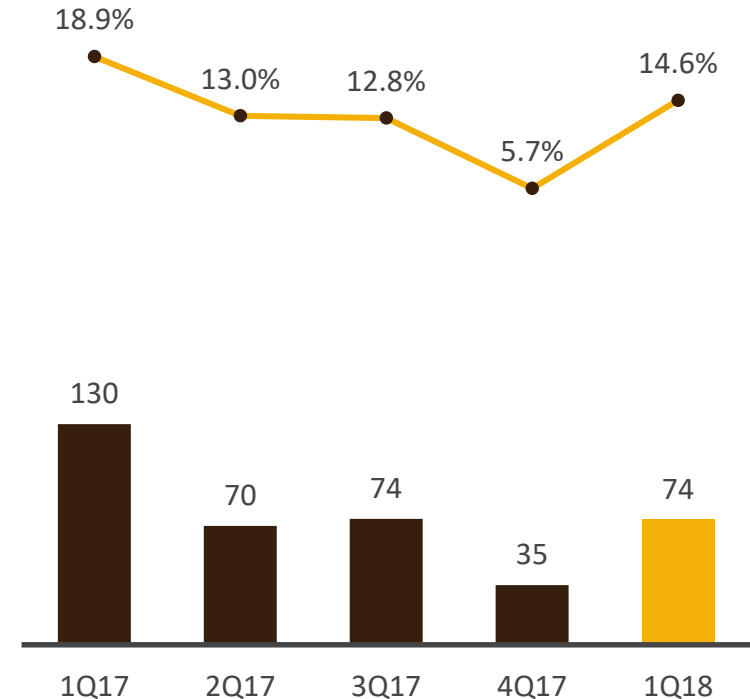
1. FINANCIAL HIGHLIGHTS OF 1Q 2018

- Net profit was W78.9bn (YoY -46.0%, QoQ +50.6%). Net profit (controlling) was W73.9bn (YoY -43.2%, QoQ +109.3%)
- Margins for net profit and net profit (controlling) were 15.5% and 14.6%, respectively
- Decrease in sales was due to delays in new game launches and slowed revenue level from existing titles. Increase in net income is attributable in large part to dividend payout from NcSoft.

Net Profit



Net Profit (Controlling)

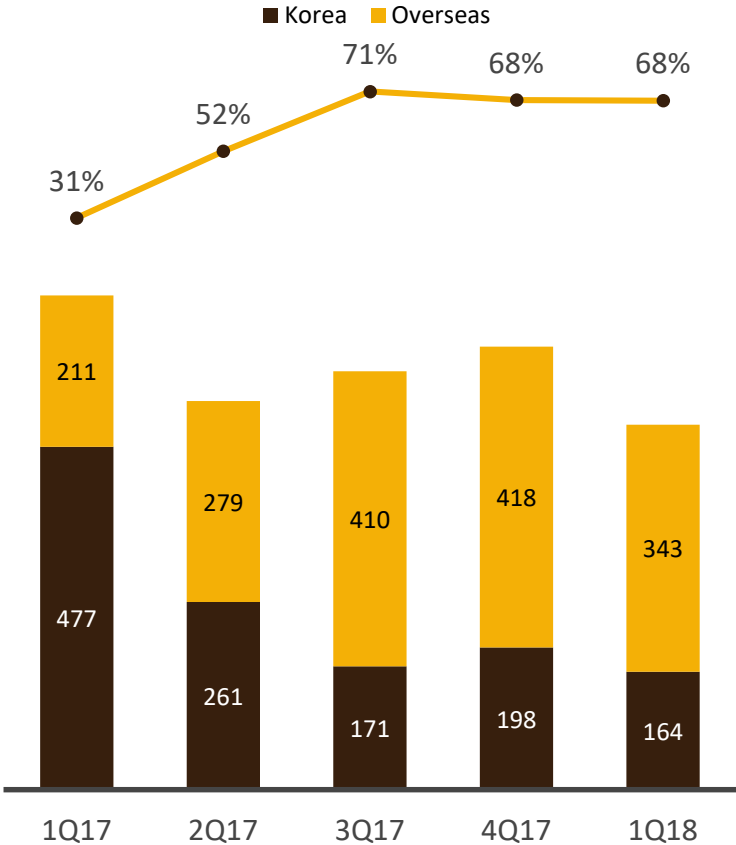


(Unit : W bn)

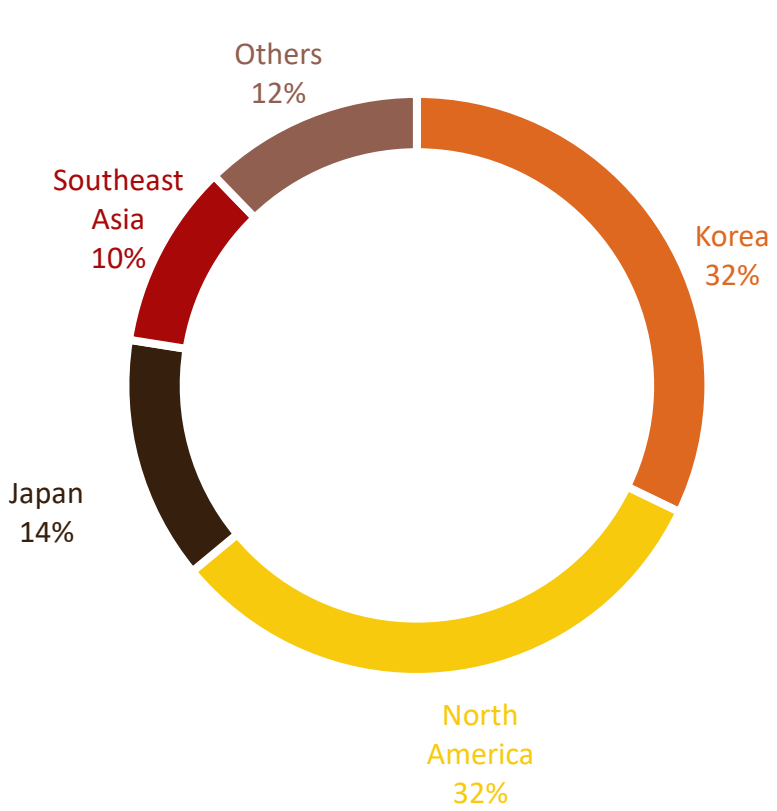
2. OVERSEAS REVENUE SHARE

- Overseas revenue was W343.3bn. Proportion of overseas revenue in 1Q stayed flat at 68% (QoQ 0%p)
- Revenues were diversified across Korea (32%), North America (32%), Japan (14%), Southeast Asia (10%), and others (12%)

Korea & Overseas Revenue Share



Revenue Breakdown by Region

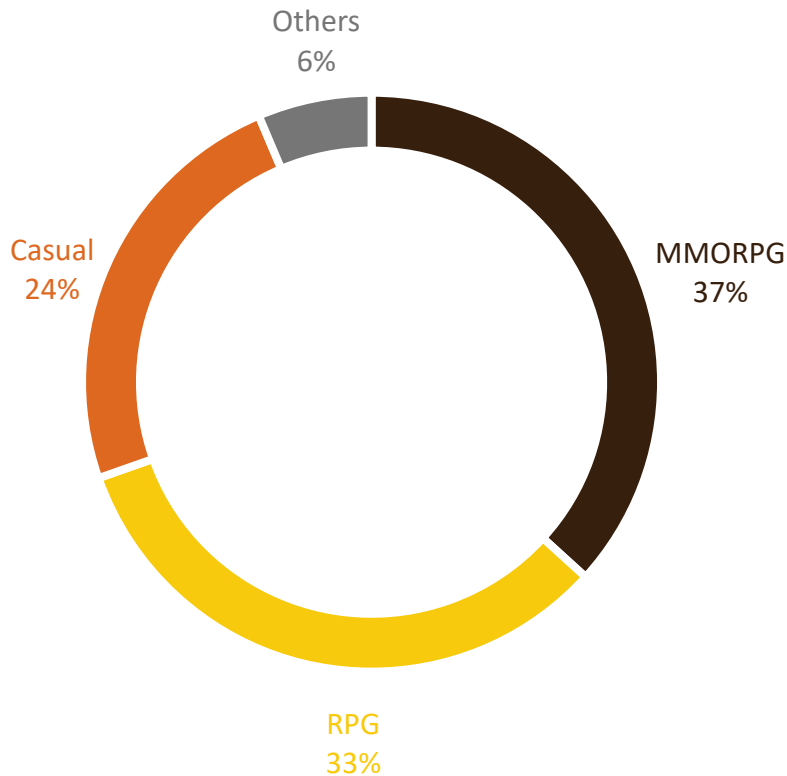


(Unit : W bn)

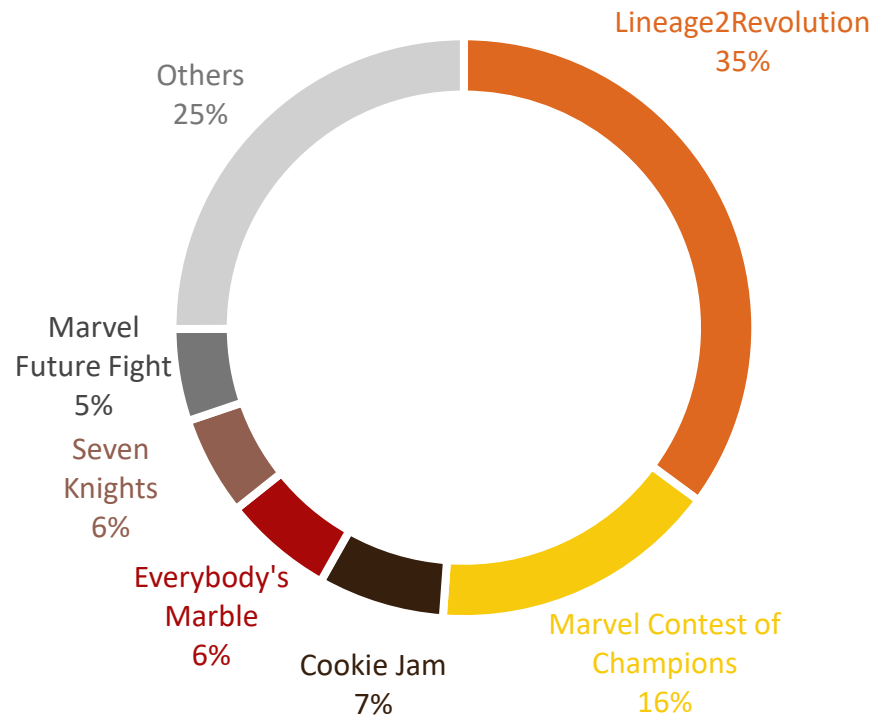
3. GAME PORTFOLIO

- As of 1Q, genre portfolio showed diversification across MMORPG 37%, RPG 33%, casual 24%, and others 6%
- Game portfolio continues to be well balanced with 6 games each of which contributes at least 5% to the total revenue
- Top revenue generators are L2R, MCoC, Cookie Jam, Everybody’s Marble, Seven Knights, and Marvel Future Fight, respectively

Revenue Breakdown by Genre



Revenue Breakdown by Major Games

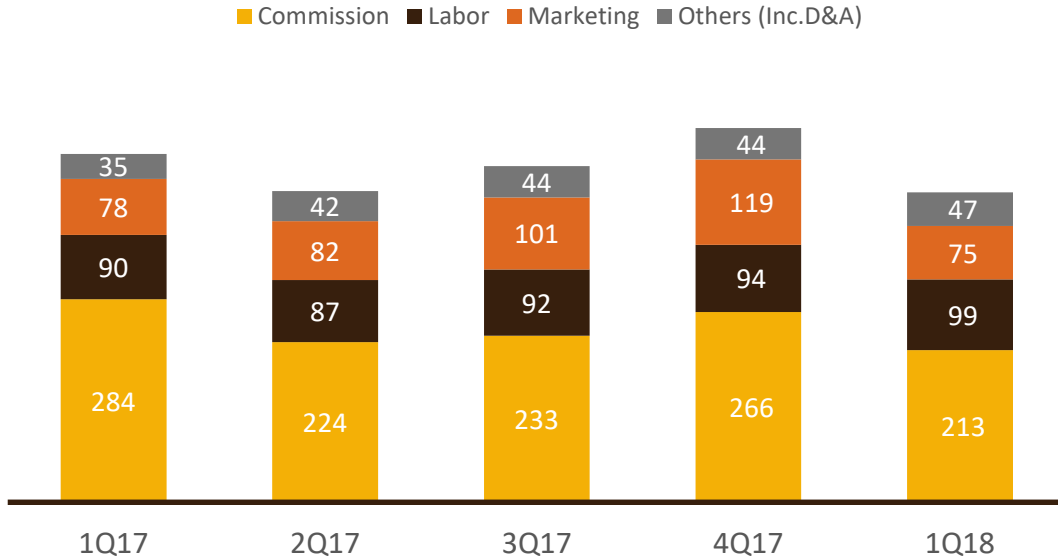


NOTE: Major Games are games accounting for over 5% of the total revenue

4. MAJOR COST STRUCTURES

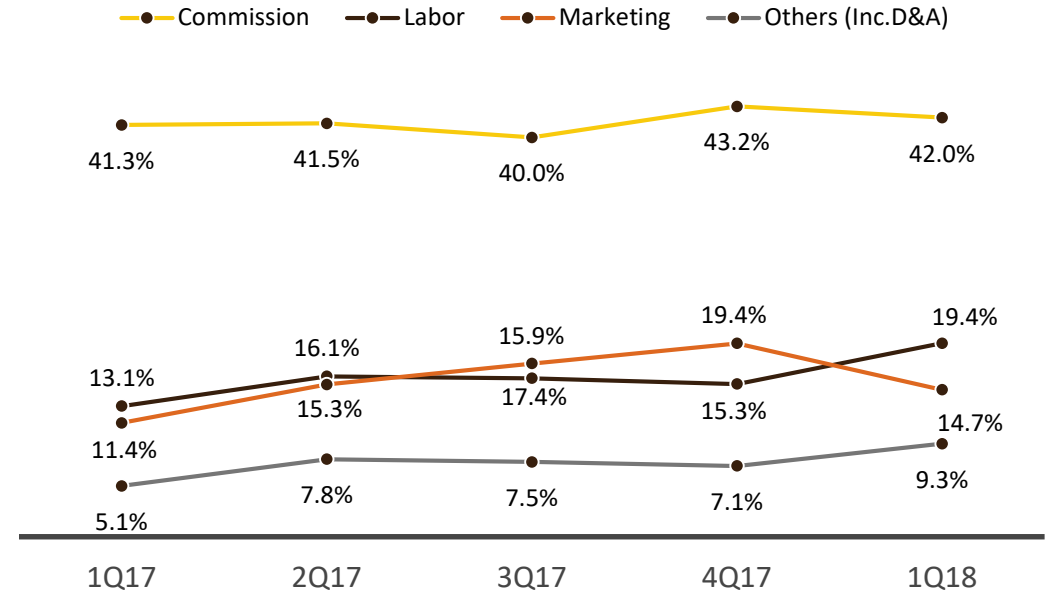
- Operating costs decreased to W433.2bn (YoY -11.1%, QoQ -17.2%)
- Labor costs showed slightly increased from the previous quarter to W98.9bn (YoY +9.9%, QoQ +4.9%)
- Marketing costs fell to W74.7bn (YoY -4.7%, QoQ -37.4%) due to delay in new game release

Operating Costs



Breakdown of Revenue by Operating Costs

(Unit : W bn)



5. Focus of 2Q 2018

- Fishing Strike – Globally launched on April 12th (251 countries)
- Harry Potter Hogwarts Mystery – Globally launched on April 25th
- Terria Saga – Scheduled to be launched (Pre-registration started on April 24th)
- Iron Throne – Scheduled to be launched on May (Media Showcase on April 19th)
- B&S Revolution – Scheduled to start pre-registration in 2nd quarter

Harry Potter Release



Terria Saga Pre-registration



Iron Throne Showcase



APPENDIX. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

(KRW bn)	1Q17	2Q17	3Q17	4Q17	1Q18
Revenue	687	540	582	616	507
Commission	284	224	233	266	213
Labor Cost	90	87	92	94	99
Advertising Cost	78	82	101	119	74
Other Costs (exc. D&A)	21	26	26	26	30
EBITDA	214	121	130	110	91
<i>Margin (%)</i>	<i>31.1%</i>	<i>22.4%</i>	<i>22.3%</i>	<i>17.9%</i>	<i>17.9%</i>
D&A	14	16	18	17	17
Operating Income	200	105	112	93	74
<i>Margin (%)</i>	<i>29.1%</i>	<i>19.5%</i>	<i>19.2%</i>	<i>15.1%</i>	<i>14.6%</i>
Non-Operating Income	14	10	13	21	40
Non-Operating Cost	23	7	19	47	9
Pre-tax Profit	191	108	106	67	105
Tax	45	30	22	14	26
Net Profit	146	78	84	52	79
Net Profit (controlling)	130	70	74	35	74
<i>Margin (%)</i>	<i>18.9%</i>	<i>13.0%</i>	<i>12.8%</i>	<i>5.7%</i>	<i>14.6%</i>

Consolidated Statement of Financial Position

(Unit : W bn)

(KRW bn)	1Q17	2Q17	3Q17	4Q17	1Q18
Current Assets	957	2,750	2,815	2,918	2,857
Cash and Cash Equivalents	360	1,856	1,884	1,908	1,754
Accounts Receivable	259	215	265	291	224
Other Current Financial Assets	267	609	595	650	805
Other Current Assets	71	70	71	69	74
Non-Current Assets	2,250	2,362	2,572	2,429	2,443
Available-for-Sale Securities	649	794	977	919	915
Intangible Assets	1,330	1,339	1,336	1,237	1,258
Tangible Assets	117	135	140	145	150
Other Non-Current Assets	154	94	120	128	120
Total Assets	3,207	5,112	5,387	5,348	5,300
Current Liabilities	1,341	421	453	501	458
Accounts Payable	119	95	102	121	87
Debt	901	5	4	4	4
Other Current Financial Liabilities	125	136	151	117	150
Other Current Liabilities	196	185	196	260	217
Non-Current Liabilities	329	387	418	381	359
Other Non-Current Financial Liabilities	245	244	237	234	216
Other Non-Current Assets	84	143	181	147	143
Total Liabilities	1,670	808	871	882	816
Total Equity	1,537	4,304	4,516	4,465	4,484

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