

2014 Q1 Earning Release

2014. 4. 24

Cheil

The financial information in this document is consolidated earning results based on K-IFRS.

This document is provided for investors' information before FY 2014 Q1 reviewed financial statements are released. The review outcomes may cause some parts of this document to be revised.

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, including fluctuations in exchange rates, interest rates and commodity prices; strategic actions including dispositions and acquisitions. These uncertainties may cause our actual results to be materially different from those expressed in this document.

- **Financial Summary (K-IFRS consolidated)**
- **Consolidated Gross Profit Analysis**
- **Profitability Analysis**

Financial Summary (K-IFRS consolidated)

(Unit: Billion KRW)

	FY 2014 Q1	FY 2013 Q1	%
Sales	633.6	563.9	12.4
Gross Profit	171.4	134.5	27.4
SG&A	150.3	116.4	29.1
Operating Profit	21.1	18.1	16.6
Non Operating Income/Expense	0.1	△0.4	-
Finance Income/Expense	1.8	3.5	△48.6
Gain/Loss on Equity method Investment	△0.3	△0.1	-
Income before Income Tax	22.7	21.1	7.6
Net Income	13.7	13.7	-
Non-Controlling interest net income	0.1	0.7	△85.7
Controlling interest net income	13.6	13.0	4.6

Consolidated Gross Profit Analysis

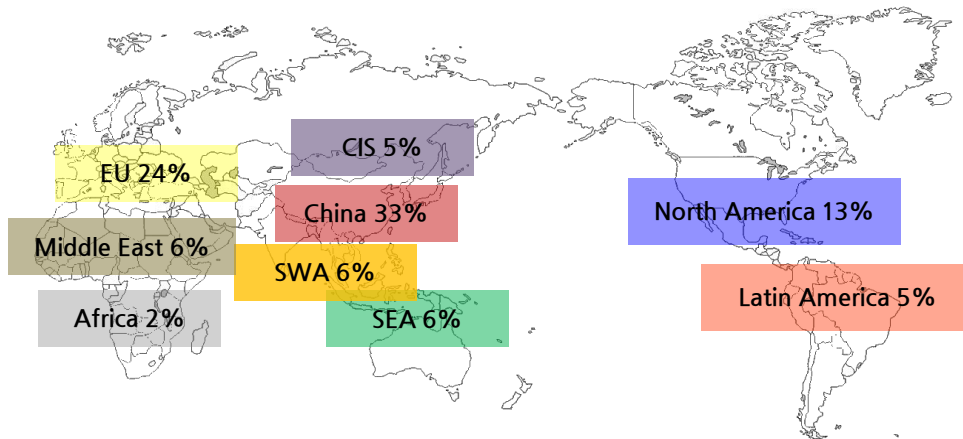
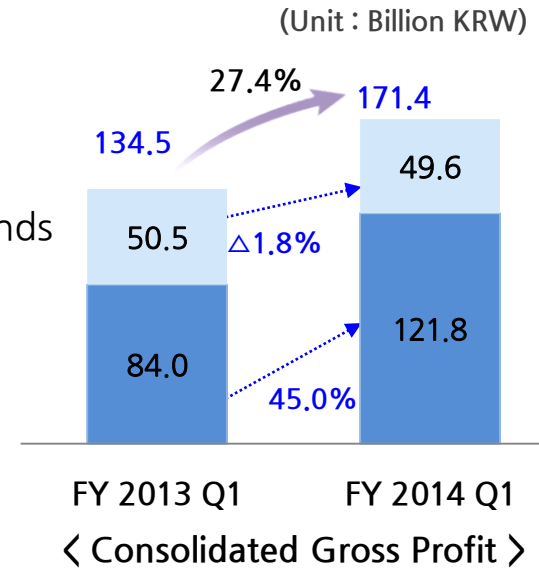
Consolidate gross profit up 27.4% to KRW 171.4B

HQ gross profit down $\Delta 1.8\%$ to 49.6B YoY

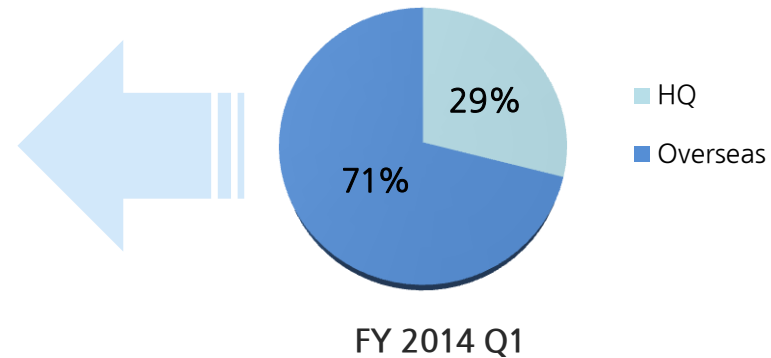
- Economic slowdown caused clients' conservative marketing spends

Overseas gross profit up 45.0% to 121.8B YoY

- Increased in SEC global marketing and retail marketing
- M&A companies' business growth



< Overseas' Gross Profit by Region >



<Gross Profit : HQ vs Overseas>

Profitability Analysis

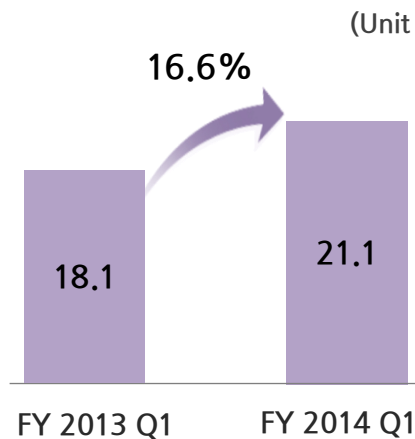
Operating profit up 16.6% to 21.1B YoY

- SG&A increased 29.1% to 150.3B : mainly from global top talent recruitment, ERP adoption
 - Salary up 30.5% to 101.5B, general expense up 26.4% to 48.8B

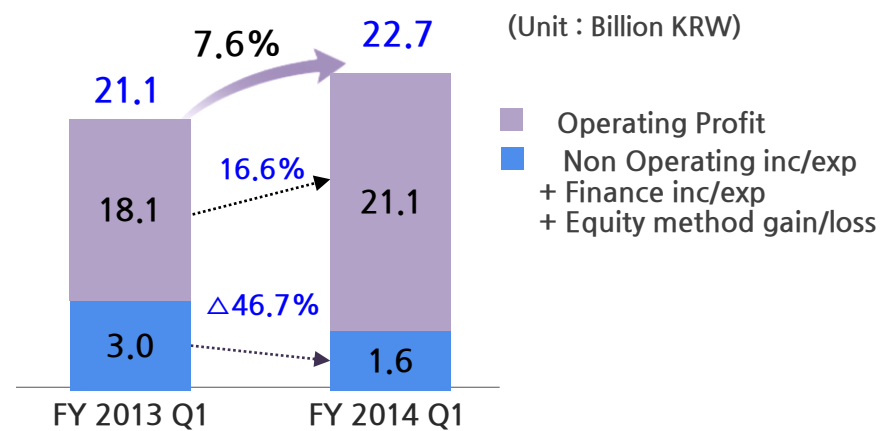
Non Operating income down $\Delta 46.7\%$ to 1.6B YoY

- Non Operating income/expense 0.1B
- Finance income/expense 1.8B
- Equity method gain/loss $\Delta 0.3B$

Income before income tax up 7.6% to 22.7B YoY



< Operating Profit >



< Income before income tax >

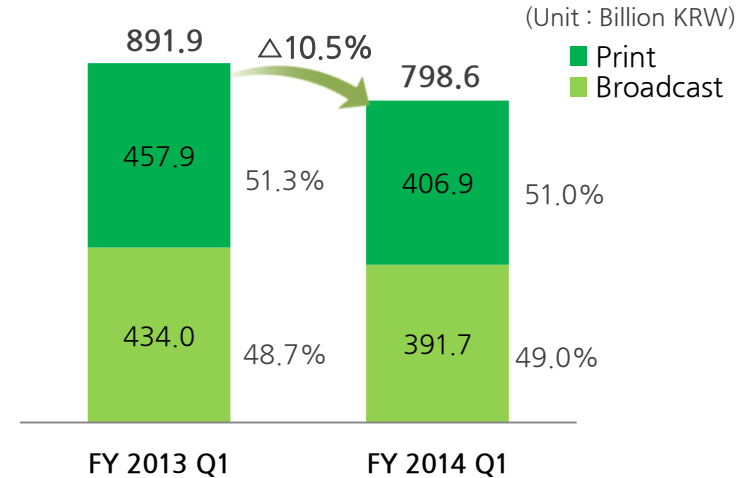
- **HQ Business Performance**
- **Overseas Business Performance**

HQ Business Performance

FY 2014 Q1 Domestic Ad Market

- 4 traditional ad market down $\Delta 10.5\%$ to 798.6B YoY
 - Broadcasting ad market down 9.8%↓ to 391.7B
 - Print ad market down 11.1%↓ to 406.9B
 - Largest ad industries : computer & IT, fashion, finance

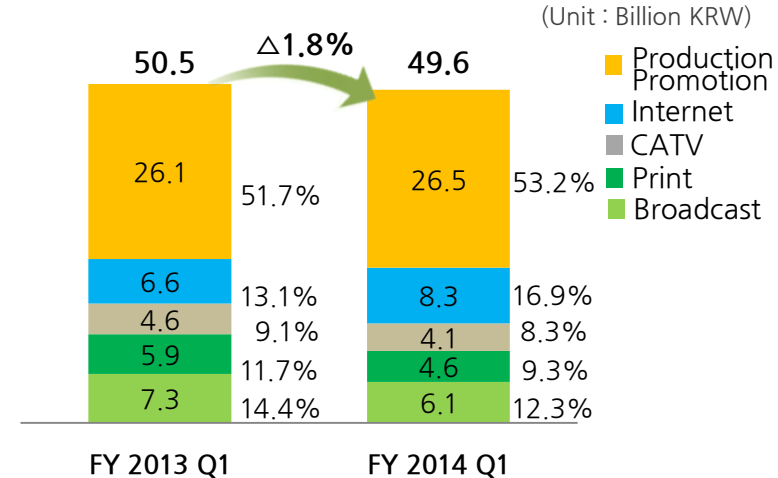
< Domestic Ad Market : 4 media >



Cheil HQ Business

- HQ gross profit down $\Delta 1.8\%$ to 49.6B YoY
 - Due to slowdown in domestic ad market, performance in 4 media has been decreased
 - 4 media gross profit down 18.9%↓ to 10.7B
: broadcasting ad 6.1B(16.4%↓) , print ad 4.6B(22.0%↓)
 - Other media(new media) up 10.7% to 12.4B
: CATV 4.1B (10.9%↓), internet 8.3B(25.8%↑)
 - Production/Promotion marketing up 1.5% to 26.5B

< HQ gross profit by discipline >



HQ Business Performance

■ New account development

- Diversify client portfolio with new accounts e.g. G market, Burger King and etc.
: estimated annual billing 24B

■ Proven creativity by winning ad awards

- Adfest(Asia's best ad competition) : Silver 1, Bronze 1
 - S-Oil 'Neutral Stickers'(Silver)
 - UNICEF Hong Kong 'NFC Charity Stickers'(Bronze)
- Consumer's Choice Advertising Award : won 14 awards
 - SEC 'Bubble Shot 3', Dong-Suh Food 'Maxim', Korea Tourism Organization, Dong-A Pharmaceutical 'Bacchus', etc.
- Advertisement of the Year : Grand Prize(Samsung Life 'Bridge of Life') and award in TV category



〈Samsung Life 'Bridge of Life'〉

■ Successful campaigns and marketing activities

- asics 'G1 Yellow moonlight', Cheil Industries 'BeanPole outdoor windbreaker', Samsonite 'RED hitchhiking', etc.



〈New Domestic Clients〉



〈아식스 'G1 Yellow Moonlight'〉



〈BEANPOLE Outdoor〉

Overseas Business Performance

■ New account development

- Continue developing new clients by strengthening global competitiveness
 - Foxs Biscuit(UK, digital), Coca Cola(UAE, digital), IVS Cialdama(Italy Capsule Coffee, ATL/BTL/digital/strategy), LINE(China, integrated), etc.



<Global New Clients>

■ SEC Global marketing

- Global Exhibition : CES(Jan, US), MWC(Feb, Spain)
- SEC Galaxy S5 launching : Samsung Unpacked 2014



<SEC Galaxy S5 Unpacked>



<MWC 2014>



<CES 2014>

■ Reinforcing Global Competitiveness

- Establishing new offices
 - Incorporated Kenya (Feb), launched China Chengdu branch(Jan) and Shenyang branch(Feb), upgraded Panama office to branch(Jan)

- **2014 Q2 Domestic Advertising Market Forecast**
- **Cheil in 2014 Q2**

2014 Q2 Domestic Advertising Market Forecast

■ Global ad market : expecting growth along with economic recovery

- 2014 Global ad market is expected to grow 5.3% to USD 531B YoY
 - 2013 global ad market growth was 3.6% to USD 504.3B
 - Forecast 5.3% growth in 2014, mainly because economic recovery is expected and expecting big sport events will give the positive impact in ad market
 - Expecting rapid growth in emerging markets
 - Digital will be the fastest growing medium

(source : ZenithOptimedia Advertising Expenditure)

■ Domestic ad market : expecting growth from seasonality

- Q2 ad spend forecast : KAI(Korea Advertising Index) 145.2
 - *over 100 indicates that advertisers will increase marketing spend
 - Terrestrial TV 138.6, Internet 133.3, Cable TV 137.5, Radio 115.6, Newspaper 116.7
- Ad spend forecast by industries
 - Distribution(175.8), Travel & Leisure(166.0), Finance & Insurance(149.9), Fashion(147.7), Household Goods(140.8), Publication & Education(138.4), etc.

Cheil in 2014 Q2

■ Expecting growth in domestic and global ad campaigns by seasonality

- Increase marketing activities in sport event period e.g. Brazil World Cup(June~July)
- New products and services launching activities in Q2: SEC Galaxy S5 and etc.

■ Developing new accounts in domestic and global markets

- Develop sizeable new domestic clients based on differentiated ideas
- Winning non Samsung clients by reinforcing global expertise

■ Expanding global business

- Expecting growth in M&A companies' business along with US and Europe economic recovery
- Expanding Middle East, Africa and Russia business by co-operating with One Agency
- Continue to increase retail and digital businesses
- Expanding global coverage : plan to launch 9 more offices in 2014

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Thank You

and we welcome your questions