

# 2014 Q2 Earnings Release

2014.7.24

**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 2Q 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)

	2014		2013		Growth %	
	1H	2Q	1H	2Q	1H	2Q
Sales	1,312.8	679.2	1,276.8	712.8	2.8	△4.7
Gross Profit	379.6	208.2	338.2	192.7	12.2	8.0
SG&A	314.8	164.5	279.2	151.9	12.8	8.3
Operating Profit	64.8	43.7	59.0	40.8	9.8	7.1
Non Operating Income/Expense	8.5	8.4	1.0	1.5	750.0	460.0
Finance Income/Expense	2.3	0.6	4.7	1.2	△51.1	△50.0
Gain/Loss on Equity method Investment	-	0.2	0.6	0.6	△100.0	△66.7
Income before Income Tax	75.6	52.9	65.3	44.1	15.8	20.0
Net Income	50.6	36.9	45.6	31.9	11.0	15.7
Non-Controlling interest net income	0.3	0.2	2.9	2.2	△89.7	△90.9
Controlling interest net income	50.3	36.7	42.7	29.7	17.8	23.6

\* “△” = “-”

## Consolidated Gross Profit Analysis

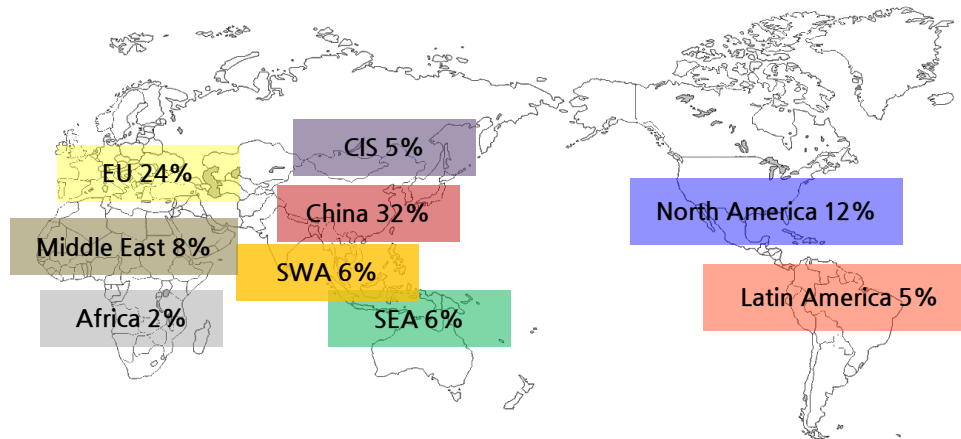
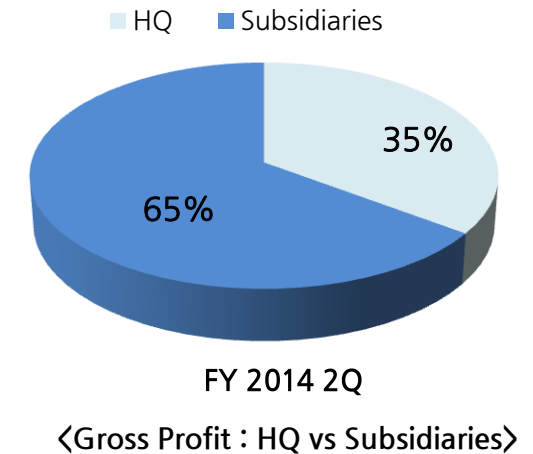
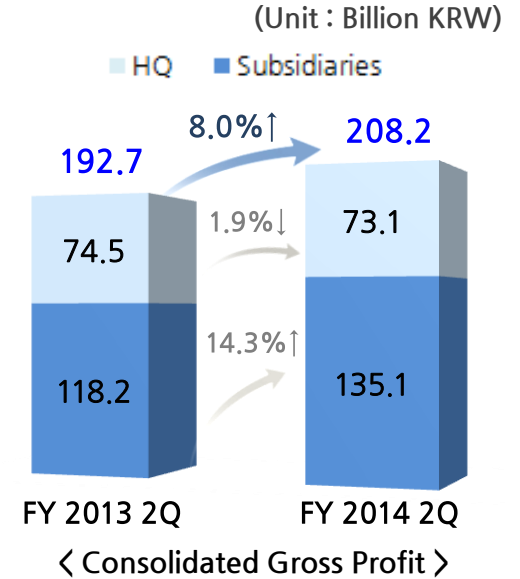
### Consolidated gross profit up 8.0% to KRW 208.2B

HQ gross profit down 1.9% to 73.1B YoY

- Slowdown in clients' marketing activities due to the ferry(Sewol) sinking incident

Subsidiaries gross profit up 14.3% to 135.1B YoY

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



## Profitability Analysis

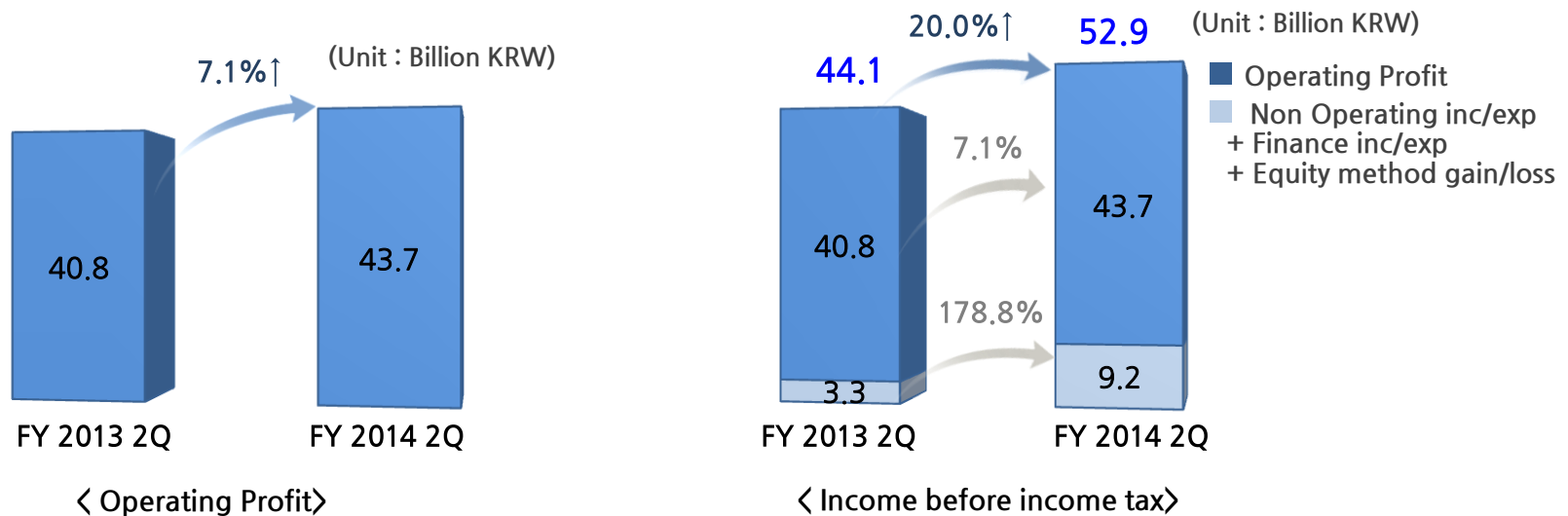
### Operating profit up 7.1% to 43.7B YoY

- SG&A increased 8.3% to 164.5B : mainly from global talent recruitment, ERP adoption
  - Salary up 5.7% to 112.5B, general expense up 14.3% to 52.0B

### Non Operating income up 178.8% to 9.2B YoY

- Non Operating income/expense 8.4B
- Finance income/expense 0.6B
- Equity method gain/loss 0.2B

### Income before income tax up 20.0% to 52.9B YoY



**■ HQ Business Performance**

**■ Overseas Business Performance**

## HQ Business Performance

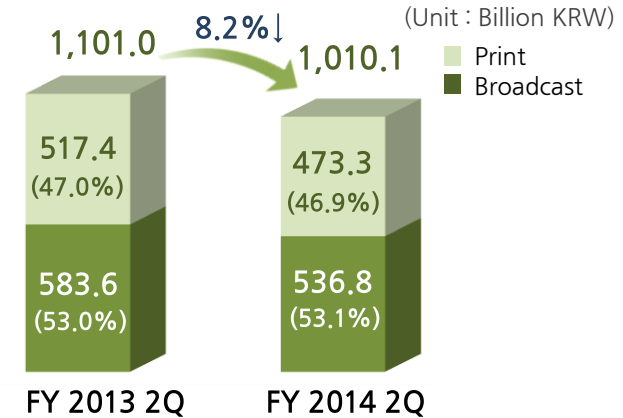
### FY 2014 2Q Domestic Ad Market

- 4 traditional ad market down 8.2% to 1,010.1B YoY
  - Broadcasting ad market down 8.0%↓ to 536.8B
  - Print ad market down 8.5%↓ to 473.3B
  - Largest ad industries : computer & IT, finance, services

### Cheil HQ Business

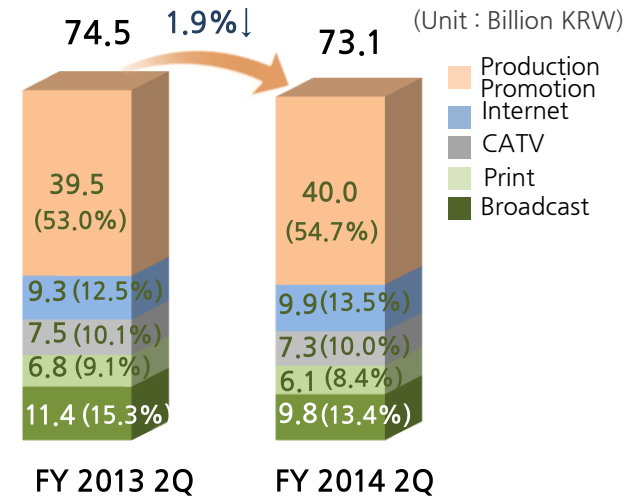
- HQ gross profit down 1.9% to 73.1B YoY
  - 4 media has decreased due to ad market slowdown and shrink in marketing activities after the ferry disaster
  - 4 media gross profit down 12.6% to 15.9B
    - : broadcasting ad 9.8B(14.0%↓) , print ad 6.1B(10.3%↓)
  - Other media(new media) up 2.4% to 17.2B
    - : CATV 7.3B (2.7%↓), internet 9.9B(6.5%↑)
  - Production/Promotion marketing up 1.3% to 40.0B

< Domestic Ad Market : 4 media >



\*source : Cheil Media

< HQ gross profit by discipline >





## HQ Business Performance

### ■ Proven creativity and reinforce Cheil brand by winning global ad awards

- Cannes Lions : Gold 1, Silver 2, Bronze 4 including Young Lion
  - Overseas' networks won the most awards e.g. Cheil China Gold in Young Lion, BMB Silver in film
  - 35 shortlists in Cannes : largest number on record
  - Cheil Seminar in Cannes was held for seven consecutive years
- APAC Effie Award : Gold
  - Dong-Suh Food 'KANU' The smallest cafe in the world
- One Show Interactive : Silver
  - Cheil Hong Kong 'NFC Charity Stickers'

### ■ Successful campaigns and marketing activities

- Dongwon Tuna '2014 Tuna with my heart', G9 'Shopping Loyalty', Dong-A Pharmaceutical Bacchus '29 Seconds Movie Festival', etc.



<Dongwon '2014 Tuna with my heart'>



<G9 'Shopping Loyalty'>



<Bacchus '29sec. Movie festival'>

## Overseas Business Performance

### ■ New account development

- Diversify client portfolio by developing new clients
  - du(UAE, Retail), Coca Cola Dobry(Russia, Creative AOR), Disney(HK, Integrated), GM Ravon(Russia, Strategy), etc.



<Global New Clients>

### ■ SEC Global launching and promotional marketing

- Samsung Galaxy 11 World Tour : 10 countries including UK, Brazil
- Samsung Galaxy Premiere 2014 : Samsung Tab S



<Samsung Galaxy 11 World Tour >



<Samsung Galaxy Premiere 2014>

### ■ Expanding Global Coverage

- Establishing new office : Columbia(April)

■ **2014 2H Advertising Market Forecast**

■ **Cheil in 2014 2H**

## 2014 2H Advertising Market Forecast

### ■ Global ad market

- 2014 Global ad market is expected to grow along with global economic recovery
  - 2014 global ad market forecast : ZenithOptimedia 5.2%, eMarketer 5.5%
  - Digital market especially mobile will be a key growth driver

### ■ Domestic ad market

- The Bank of Korea adjusted 2014 GDP growth forecast : 4.0% → 3.8%
  - Considering slowdown in 2Q after the ferry incident, slowly pick up after 3Q
- 2H ad spend forecast : KAI(Korea Advertising Index) 106.4
  - \*over 100 indicates that advertisers will increase marketing spend
  - 2H ad market growth will be similar to 1H, considering the economic slowdown in 2Q
  - Terrestrial TV 95.6, Internet 124.5, Cable TV 109.3, Radio 93.8, Newspaper 99.9
- Ad spend forecast by industries
  - Beverage & Food(150.2), Public Institution, Group & Corporate PR(146.5), Finance & Insurance(138.1), Travel & Leisure(128.9), Fashion(123.7), etc.

## Cheil in 2014 2H

### ■ Expecting increase in marketing activities during high marketing season

- Considering government economic stimulus plan, expect gradual recovery in domestic ad market in 2H
- Increase marketing activities during Incheon Asian Games(Sept.~Oct.)
- Expecting new products and campaign launching in 2H
- Global exhibition and promotion : IFA(Germany, Sept.), Photokina(Germany, Sept.), etc.

### ■ Continue to expand global business

- Expanding global business by strengthening global competitiveness
  - hiring top talents(global digital head, global creative head) and M&A
- Expecting business growth in emerging markets e.g. China, India, Brazil, Middle East, Africa
- Continue to increase retail and digital businesses
- Expanding global coverage : Jordan, Saudi, Guatemala, Indonesia, Nigeria

**Cheil**

**Thank You**

**and we welcome your questions**