

Cheil Worldwide

4QFY2014 Earnings Release

Fourth Quarter Earnings

- Worldwide Revenue	: KRW 225.2 billion (2.9% YoY ↑)
· Headquarter	: KRW 75.6 billion (10.8% YoY ↓)
· Subsidiaries	: KRW 149.6 billion (11.6% YoY ↑)
- Operating Income	: KRW 39.1 billion (3.7% YoY ↑)

Annual Earnings

- Worldwide Revenue	: KRW 792.9 billion (6.6% YoY ↑)
· Headquarter	: KRW 259.3 billion (5.9% YoY ↓)
· Subsidiaries	: KRW 533.6 billion (14.0% YoY ↑)
- Operating Income	: KRW 126.8 billion (2.5% YoY ↓)

** Please note this document is provided for the investors' reference only before the external audit on 4Q 2014 is completed. Therefore, the figures are subject to change upon the audit completion.*

** Please note revenue means gross profit.*

FY2014 Financial Summary

(based on K-IFRS)

(Unit: Billion KRW)

	2014		2013		%	
	4Q	Annual	4Q	Annual	4Q	Annual
Sales	752.0	2,666.3	786.3	2,709.3	Δ4.4	Δ1.6
Revenue (Gross Profit)	225.2	792.9	218.8	743.6	2.9	6.6
Headquarter	75.6	259.3	84.8	275.7	Δ10.8	Δ5.9
Subsidiaries	149.6	533.6	134.0	467.9	11.6	14.0
SG&A	186.1	666.1	181.1	613.6	2.8	8.6
Operating Income	39.1	126.8	37.7	130.0	3.7	Δ2.5
Non-Operating Income/Expense	Δ1.0	6.9	Δ0.5	0.8	-	762.5
Finance Income/Expense	2.5	6.4	1.5	7.3	66.7	Δ12.3
Gain/Loss on Equity Method Investments	Δ0.1	-	0.1	0.5	-	-
Income Before Income Taxes	40.5	140.1	38.8	138.6	4.4	1.1
Net Income	34.8	102.0	30.1	102.3	15.6	Δ0.3
Controlling Interest Net Income	34.6	101.6	32.9	98.5	5.2	3.1
Non-controlling Interest Net Income	0.2	0.4	Δ2.8	3.8	-	Δ89.5

Worldwide Revenue in the fourth Quarter up 2.9% YOY, KRW 225.2B

Worldwide revenue for the fourth quarter of 2014 increased by 2.9% to KRW 225.2 billion, mainly due to the growth of subsidiaries. Revenue of subsidiaries in the fourth quarter increased by 11.6% YOY to reach KRW 149.6 billion. Revenue of headquarter decreased by 10.8% YOY to KRW 75.6 billion, mainly attributable to the sluggish domestic advertising market caused by internal factors such as the Sewol Ferry disaster.

Worldwide Operating Income in the fourth Quarter up 3.7% YOY, KRW 39.1B (Operating margin up 0.2%p YOY to 17.4%)

Operating income increased by 3.7% YOY, KRW 39.1 billion due to strong performance from subsidiaries and the development of new global clients. Operating margin increased by 0.2%p.

Developed New Accounts and Achieved International Ad Awards

Amidst challenging managerial circumstances in the domestic ad market, Cheil developed new clients in the fourth quarter including Simmons Bedding Co. and LINE and successfully launched the GiGa Campaign for KT. Cheil continued to expand global business through launching new overseas offices including the Nigeria which opened last October. As of today, Cheil has 47 overseas offices in 40 different countries. In addition, Cheil has added new global accounts, most notably being named the agency of record for Crocs Inc. (US) and Sheraton (China). Cheil Worldwide also won the Grand Prix at both ROI Festival, the largest ad festival in China, and CIAF (China International Ad Festival), reaffirming its stance on the international stage and solidifying its place as the most renowned ad agency in the Chinese market as well.

Strengthened Core Competitiveness through Strategic Investment

Last November, Cheil announced the acquisition Iris Worldwide, the UK-based agency specialized in shopper marketing. Iris, selected as Agency of the Year in 2014 by UK's Marketing Agencies Association, has strong global competitiveness not only in retail strategies and solutions, but also in digital and data analytics. Building on existing retail business, Cheil will create new synergy through the acquisition and take the global competitiveness in the retail sector to the next level.

Cheil also has recruited core global talent in key business areas including ad marketing, strategy, retail and digital sectors to strengthen our business development capabilities through which Cheil will accelerate efforts to develop new global clients. In 2015, Cheil plans to proactively pursue M&As in order to fortify global competitiveness in core business areas such as digital and retail sectors with a focus on strategic markets such as China.

Maximizing Shareholders' Return

This year, Cheil will put on hold distributing dividend in order to maximize its corporate value through strategic investments including M&As. Instead, Cheil will continue to seek the best interest of shareholders as we did in the past.

Balance Sheet

(Unit: Billion KRW)

	FY 2014	FY 2013	%
Current Assets	1,523.2	1,343.9	13.3
Cash & Cash Equivalents	480.6	298.5	61.0
Accounts Receivable	898.5	907.0	Δ0.9
Prepaid Expenses	82.5	90.1	Δ8.4
Other Current Assets	61.6	48.3	27.5
Non-current Assets	320.7	360.6	Δ11.1
Investment	21.0	67.6	Δ68.9
Available-for-Sale Securities	15.6	63.7	Δ75.5
Investments in Associates	5.4	3.9	38.5
Tangible Asset	122.8	113.4	8.3
Intangible Asset	150.5	153.6	Δ2.0
Other Non Current Assets	26.4	26.0	1.5
Assets	1,843.9	1,704.5	8.2
Current Liabilities	904.9	983.1	Δ8.0
Accounts Payable	542.7	609.0	Δ10.9
Accrued Expenses	194.4	188.5	3.1
Other Current Liabilities	167.8	185.6	Δ9.6
Non Current Liabilities	56.3	52.9	6.4
Retirement Benefit	11.3	8.2	37.8
Deferred Income Tax & Others	45.0	44.7	0.7
Liabilities	961.2	1,036.0	Δ7.2
Capital Stock	23.0	23.0	-
Capital Surplus	104.0	104.0	-
Retained Earnings	856.9	758.7	12.9
Other Equity	Δ105.4	Δ223.2	-
Non Controlling Interests	4.2	6.0	Δ30.0
Shareholders' Equity	882.7	668.5	32.0
Total Liabilities and Equity	1,843.9	1,704.5	8.2

FY2014 Revenue Breakdown

(Unit: Billion KRW)

	FY 2014		FY 2013		%	
	4Q	Annual	4Q	Annual	4Q	Annual
Headquarter	75.6	259.3	84.8	275.7	Δ10.8	Δ5.9
Four Media	14.5	53.2	18.5	65.8	Δ21.6	Δ19.1
Cable TV & Internet	23.3	69.4	29.8	79.0	Δ21.8	Δ12.2
Marketing Service & Others	37.8	136.7	36.5	130.9	3.6	4.4
Subsidiaries	149.6	533.6	134.0	467.9	11.6	14.0
Consolidated	225.2	792.9	218.8	743.6	2.9	6.6

FY2014 Domestic Ad Market of Four Media

(Unit: Billion KRW)

	FY 2014		FY 2013		%	
	4Q	Annual	4Q	Annual	4Q	Annual
T V	439.5	1,682.0	492.8	1,827.3	Δ10.8	Δ8.0
Radio	55.4	202.5	60.3	224.6	Δ8.1	Δ9.8
Newspaper	464.9	1,538.2	446.1	1,544.7	4.2	Δ0.4
Magazine	111.0	437.8	119.3	465.0	Δ7.0	Δ5.8
Total	1,070.8	3,860.5	1,118.5	4,061.6	Δ4.3	Δ5.0