



# Investor Relations

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4Q 2012

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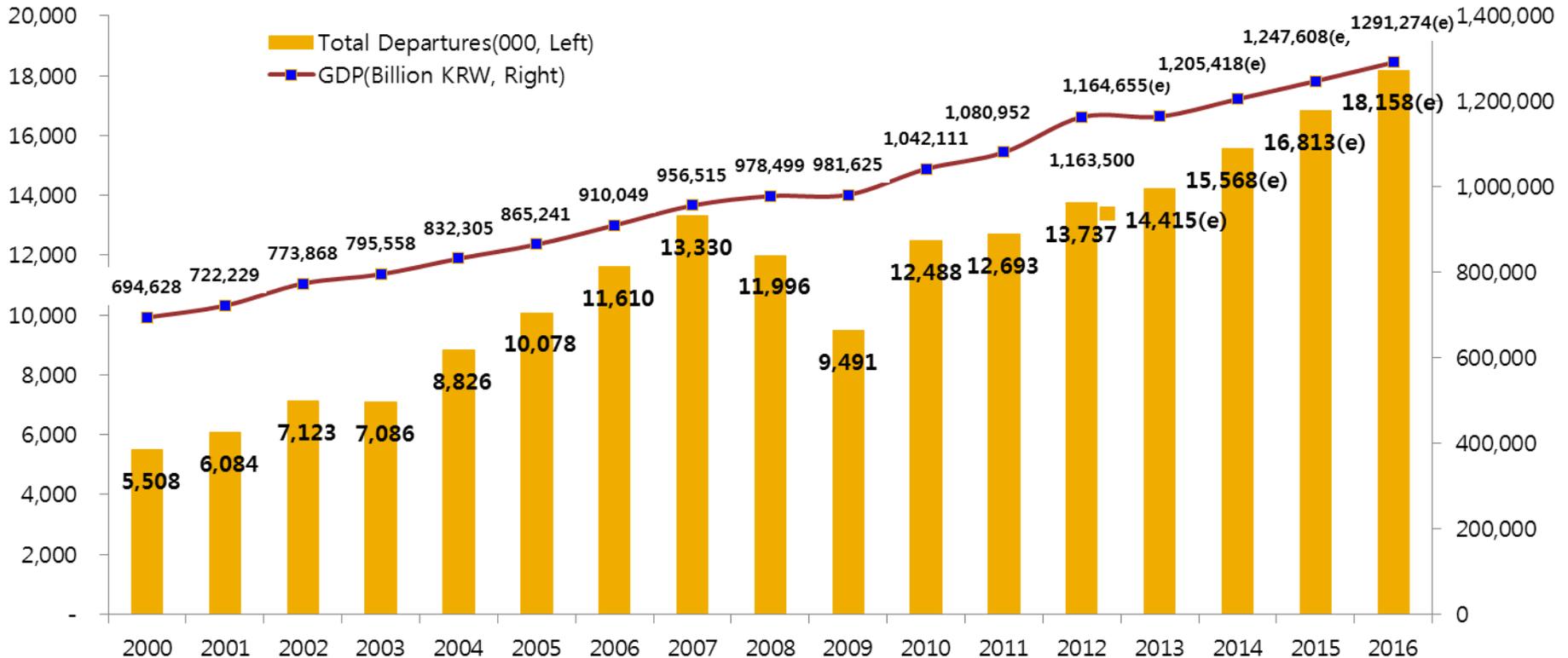


# Chapter 1 Outbound

1. Market Environment
2. MODETOUR
3. Key Strategy

## 8.2% Growth of Korean Departures in 2012, 5% Growth in 2013

### Yearly Korean Departures and GDP



\* No. of Departure: Korea National Tourism Organization(2000~2011), MODETOUR NETWORK(2012~2016)

\* 2000-2011 GDP: Bank of Korea, 2012-2016 GDP: FnGuide Consensus

# Market Environment



| Total Departure  | Supplier |         | Player                                       | Preference                  | Portion      | Trend    |
|------------------|----------|---------|--|-----------------------------|--------------|----------|
| Total Departures | Hotel    | Airline |  | booking directly by oneself | A<br>20%     | stable   |
|                  |          |         | Direct Seller<br>Top 30 excluding Wholesaler | Low Price                   | B<br>30%     |          |
|                  |          |         | Whole-saler<br>HANATOUR<br>MODETOUR          | Relationship                | C<br>20%     | decrease |
|                  |          |         |  |                             | Relationship | D<br>20% |
|                  |          |         | Mom & Pop<br>7,000<br>SOHO Agencies          | Brand                       | E<br>10%     |          |

## Package Breakdown

|             | Air-Ticket                          | Hotel      | Guide      | Transportation & meal | Tour Conductor | Price Competition against Customizing | Portion | Gross Profit Margin |
|-------------|-------------------------------------|------------|------------|-----------------------|----------------|---------------------------------------|---------|---------------------|
| Packaging   | Group Tour including Incentive Tour |            |            |                       |                | 20%                                   | 40%     | 16%                 |
|             | FIT Foreign Independent Tour        |            |            |                       |                | 15%                                   | 20%     | 16%                 |
|             | Air-tel                             |            |            |                       |                | 10%                                   | 10%     | 16%                 |
| Customizing | Individual                          | Individual | Individual | Individual            | Individual     | 0%                                    | 30%     | 2~5%                |

| Destination    |        | S.E. Asia | China   | Japan   | S. Pacific | Europe    | America   |
|----------------|--------|-----------|---------|---------|------------|-----------|-----------|
| Volume Portion | FY2012 | 46%       | 25%     | 10%     | 9%         | 6%        | 4%        |
|                | FY2012 | 37%       | 17%     | 16%     | 12%        | 9%        | 7%        |
| ASP (KRW)      | FY2012 | 899,202   | 775,768 | 719,467 | 1,465,413  | 2,869,626 | 2,493,578 |
|                | FY2011 | 921,462   | 764,965 | 863,185 | 1,441,883  | 2,908,168 | 2,418,431 |

## Sales Structure

|                 |            | Gross Sales             | Gross Profit         | Proportion | Income Statement |              |     |
|-----------------|------------|-------------------------|----------------------|------------|------------------|--------------|-----|
| <br>Packaging   | Package    | Local Service Fee       |                      | 32%        |                  |              |     |
|                 |            | Air Fare                |                      | 52%        |                  |              |     |
|                 |            | Profit                  | Net Margin           | 8.5%       | 15%              | Package Sale | 83% |
|                 |            |                         | Distribution Expense | 6.5%       |                  |              |     |
|                 |            | Profit (air commission) | Net Margin           | 1%         |                  | Ticket Sale  | 5%  |
| <br>Customizing | Air-ticket | Profit (air commission) | Net Margin           | 2%         | 4%               | Ticket Sale  | 7%  |
|                 |            |                         | Distribution Expense | 2%         |                  |              |     |
|                 |            | Fare                    |                      | 96%        |                  |              |     |

1)

(as of 2011)

1) 5%, the rest of Gross Profit, is recognized as Other Gross Profit of Income Statement.

2) According to the business relations, Revenue and Commission reported on financial statement can be changed.

# Distribution Channel



Mom&Pop

about 9,000 SOHO Agencies  
5,000~6,000 Agencies are relate with MODE

Franchise  
(Best Partner)

- 2011Y- 777 Best Partners  
(622 on/off-line, 50 online, 105 Mart)

2012Y- 805

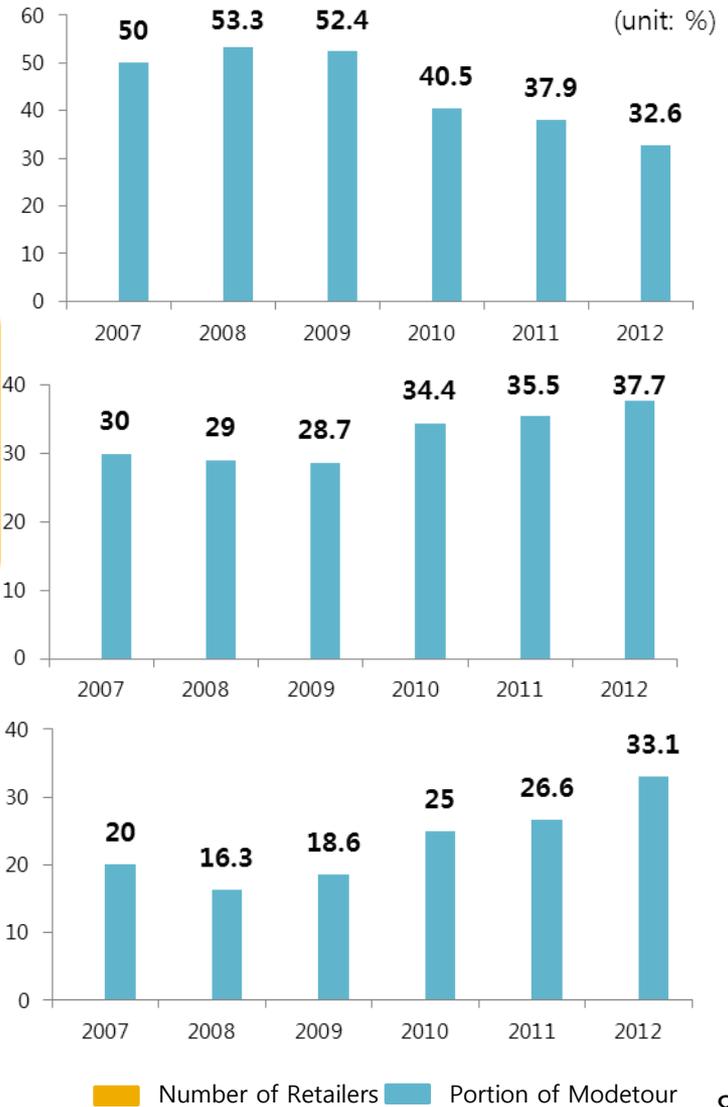
- Sales with MODETOUR signboard

Co-marketing

- Credit Card , Co, Portal sight etc.

samsungcard Home plus E-MART

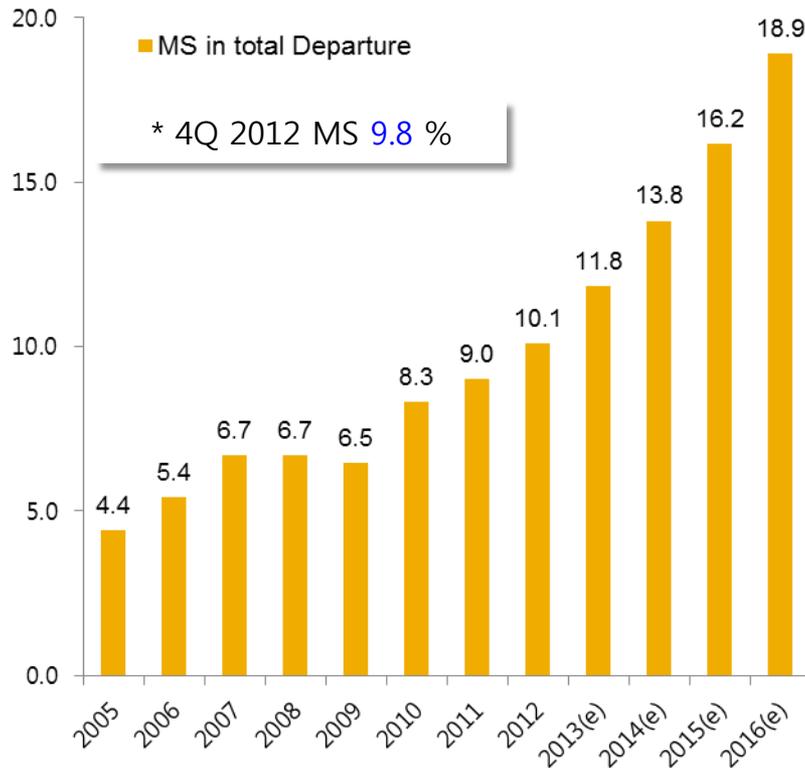
INTER PARK | TOUR Hanwha LOTTE STB  
Travel & Life



## Fast Recovery and Noticeable Market Share Growth

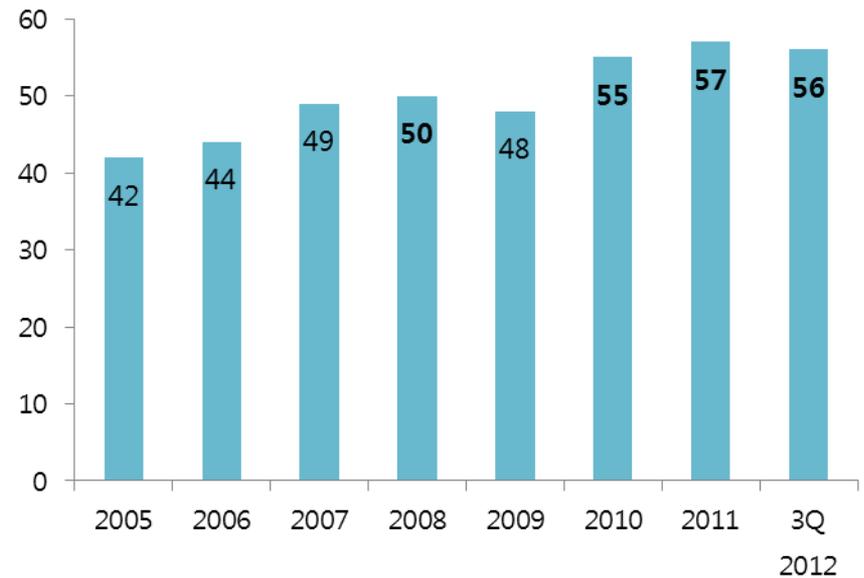
### MODETOUR's MS in Total Departure

(Unit: %, PKG+TKT)



### Relative Market Share(Ratio to HANA TOUR)

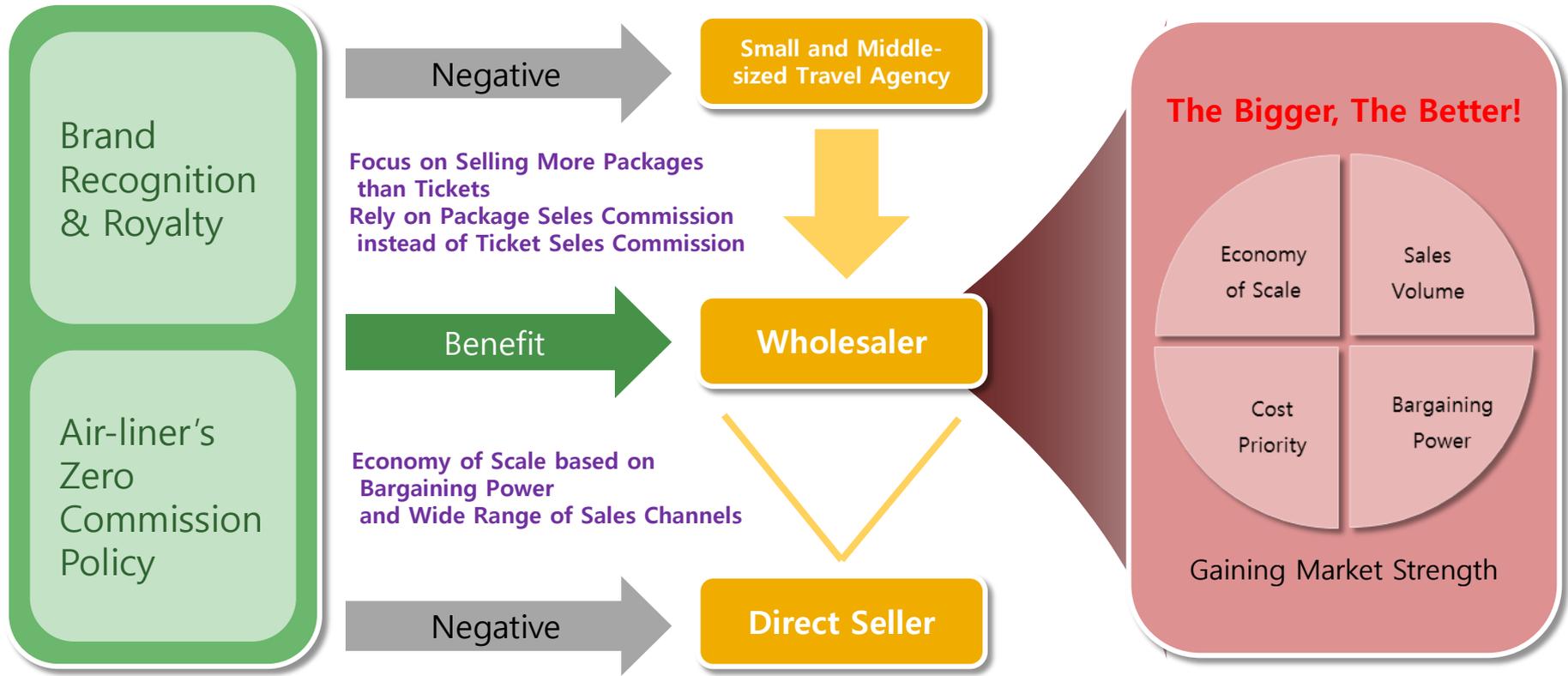
(Unit: %, PKG only)



| YEAR       | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 3Q 2012 |
|------------|------|------|------|------|------|------|------|---------|
| <b>RMS</b> | 42%  | 44%  | 49%  | 50%  | 48%  | 55%  | 57%  | 58%     |

\* Source: Korea National Tourism Organization, Korea Association of Travel Agents

## Market Change



## 3. Brand Marketing

- Strategic marketing for building loyalty and positioning brand image
- Various sales supporting activities through PPL, CF, CM, Billboard, Best Partner retailers
- CRM for returning customers → Enhancing and improving ability of customer satisfaction team
- Co-marketing business → Collecting marketing networks and sales channels (web portals, mart, etc.)

-ing

PLAN

**Marketing Tool:** Billboard, PPL,  
Newspaper Advertising,  
Key-word

**Mileage Travel Card**  
(credit card)  
**Subway Station, Bus**

**Strengthening the ability of Customer Satisfaction Team** **Various CRM Activities**

## Travel Distributor Based on North East Asia



# Korean Travel Market Leader



- Enhance Administration Process
- Securing Human Resources and Personnel Management
- Building Performance-oriented Corporate Culture

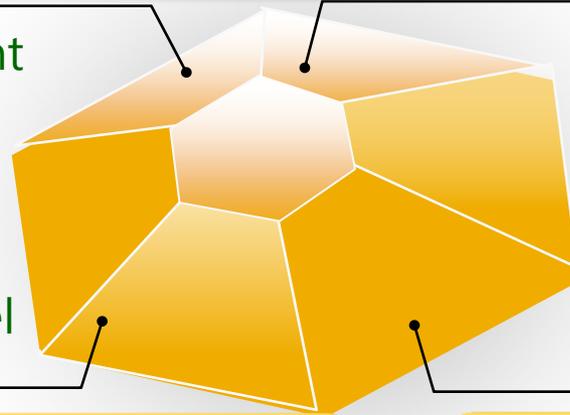
- Entering New Business
- Investing Overseas Main Destination
- Expanding Global Network

Internal Management  
Innovation

Securing Growth Engine

Expanding  
Distribution Channel

Increasing  
Market Share



- Developing New Channel
- Strengthening Loyalty in Wholesale Field
- Expanding Franchise(805 in 1Q, Targeting 900 in 2012)  
& Co-marketing Channel
- Strong Relationship with Mom & Pop Agencies and Skilled Sales People
- Activating On-line Business

- Strengthening Brand Recognition
  - Target Number 1 Brand in Korea
- Priority in Cost & Gaining Price Competitiveness
- Target Marketing for Each Business Channel
- Raising Bargaining Power
  - Securing Air-seats and On-site Services
- Strengthening Service Competitiveness

## Chapter 2 Inbound

1. Market Environment
2. MODETOUR-INTERNATIONAL
3. Key Strategy

# Market Environment



**14% Growth of Foreign Visitors in 2012, 15% Growth in 2013(e)**

**More than 10% increase per year**

**Purpose of tourism arrivals increased by more than 30%**

## Visiting Korea

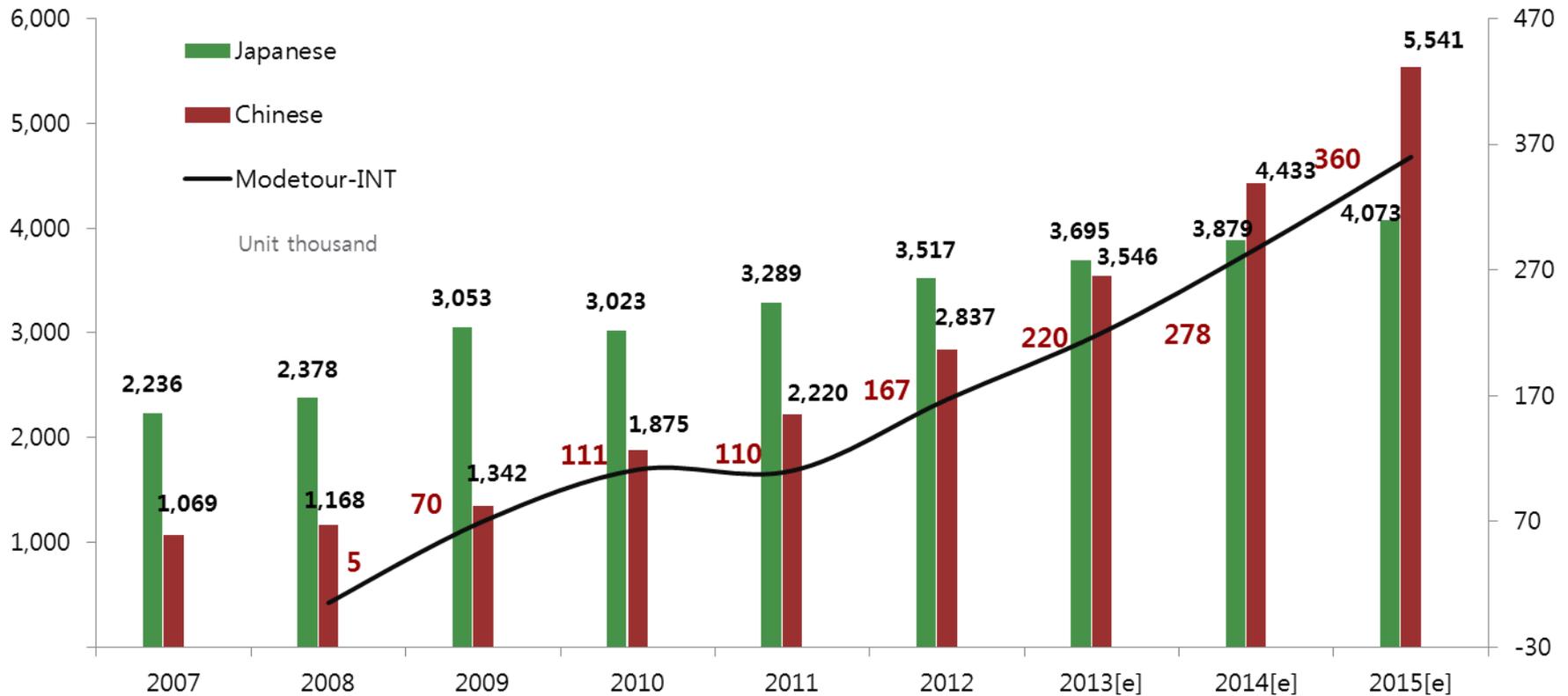


\* No. of Arrivals: Korea National Tourism Organization(2000~2011), Modetour-INT (2012~2015)

# Market Environment



**2012Y Chinese Tourists 30% UP!! Japanese 18% UP Others 15% UP**  
**MODETOUR-INBOUND 100% Growth in**



\* No. of Arrivals: Korea National Tourism Organization(2000~2011), KB Securities ,Modetour-INT (2012~2015)

# Market Environment



| Total Visitors | Supplier     | Player        | Distribution Channel  | M/S | Trend    |
|----------------|--------------|---------------|---|-----|----------|
| Total Visitors | Whole Salers | TOP 10        | Branch Relationship<br>Major Wholesaler                             | 18% | Increase |
|                |              | Others<br>180 | Minor Wholesaler  | 80% | Decrease |
|                |              | Modetour INT  | Relationship Branch<br>About 30 Agencies<br>On-Line Agency (C-trip) | 2%  | Increase |

# MODETOUR-INT



## 2012Y Ranking of Inbound

| Rank |        | Name<br>(Travel Agents) | Unit           |                |              | Amount (\$)       |                   |              |
|------|--------|-------------------------|----------------|----------------|--------------|-------------------|-------------------|--------------|
| Unit | Amount |                         | 2012/10        | 2011/10        | YoY          | 2012/10           | 2011/10           | YoY          |
| 1    | 1      | HIS                     | 276,280        | 282,304        | -2.1%        | 51,374,431        | 46,946,230        | 9.4%         |
| 2    | 3      | HANJIN                  | 217,534        | 209,743        | 3.7%         | 39,479,693        | 37,497,041        | 5.3%         |
| 3    | 19     | KONEST                  | 172,745        | 147,485        | 17.1%        | 11,552,345        | 8,345,400         | 38.4%        |
| 4    | 7      | <b>MODETOUR-INT</b>     | <b>170,481</b> | <b>110,302</b> | <b>54.6%</b> | <b>32,023,606</b> | <b>22,915,590</b> | <b>39.7%</b> |
| 5    | 2      | JTB                     | 159,156        | 102,935        | 54.6%        | 49,092,407        | 33,283,949        | 47.5%        |
| 6    | 13     | SEIL                    | 122,655        | 75,993         | 61.4%        | 20,402,204        | 17,071,320        | 19.5%        |
| 7    | 6      | JEONGOOK                | 121,607        | 114,115        | 6.6%         | 35,400,166        | 31,035,353        | 14.1%        |
| 8    | 16     | <b>HANATOUR-ITC</b>     | <b>117,870</b> | <b>85,464</b>  | <b>37.9%</b> | <b>14,316,843</b> | <b>14,186,654</b> | <b>0.9%</b>  |
| 9    | 8      | LOTTE                   | 116,410        | 122,692        | -5.1%        | 29,915,000        | 27,403,000        | 9.2%         |
| 10   | 5      | CHEESTOURS              | 276,280        | 282,304        | -2.1%        | 51,374,431        | 46,946,230        | 9.4%         |

(source : KATA 2012)

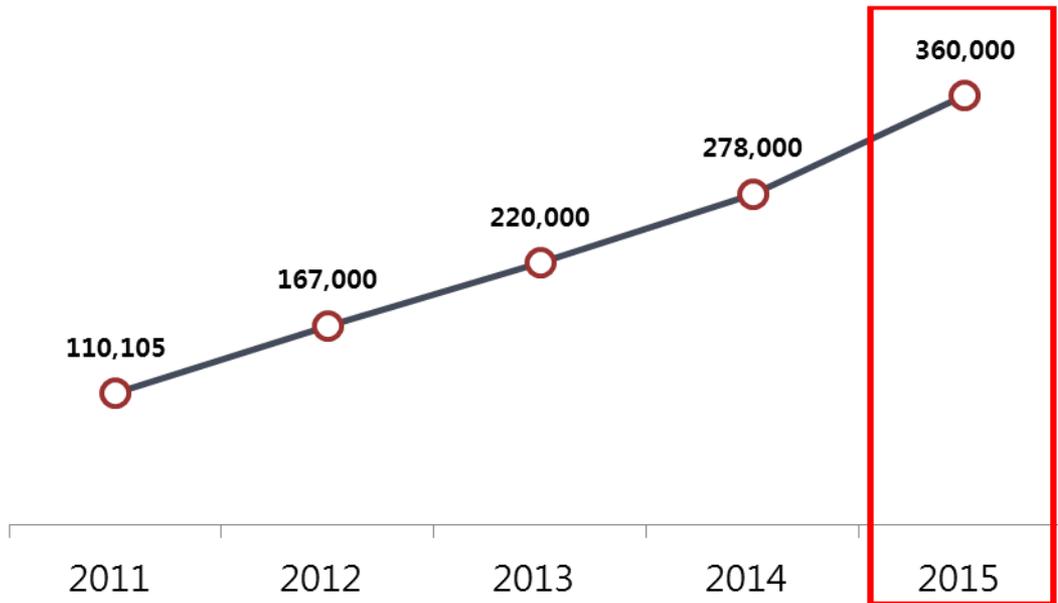
# MODETOUR-INT



No 1 of Chinese inbound Market , No 1 of Growth Rate , No 1 of Amount Growth Rate

| name         | Unit               |          |          | Amount (\$) |           |           | Ranking of Unit |
|--------------|--------------------|----------|----------|-------------|-----------|-----------|-----------------|
|              | Group Tour Visitor |          |          | Receipts    |           |           |                 |
|              | 2012 (FY)          | 2011(FY) | 2010(FY) | 2012 (FY)   | 2011(FY)  | 2010(FY)  | 2012            |
| MODETOUR-INT | 69,021             | 34,615   | 31,527   | 8,839,366   | 5,884,550 | 4,700,405 | 1               |
| DAEWON       | 54,176             | 18,859   | 5,868    | 8,362,084   | 1,009,315 | 581,225   | 2               |
| JTB          | 46,957             | 3,224    | 186      | 6,121,983   | 42,145    | 9,124     | 3               |
| HWABANG      | 35,917             | -        | -        | 5,963,505   | -         | -         | 4               |
| LOTTE        | 39,883             | 42,145   | 9,124    | 4,851,000   | 2,665,000 | 1,433,242 | 5               |
| HANATOUR-ITC | 65,685             | 39,399   | 38,802   | 4,597,535   | 3,507,599 | 3,864,268 | 6               |

# Key Strategy



about 30,000 unit / Each Month  
Value Chain

## Business Expansion

- Hotel(Room)
- Shopping(Brand Shop)
- Transportation(Bus)
- Restaurant(Meal)

Bargaining Power

OP ↑ M/S ↑

# MODETOUR-INT (Distribution Channel)



## China

- Branch in Beijing
- 30 Agencies (My tour)
- On-Line Agency (C-trip)

## Japan

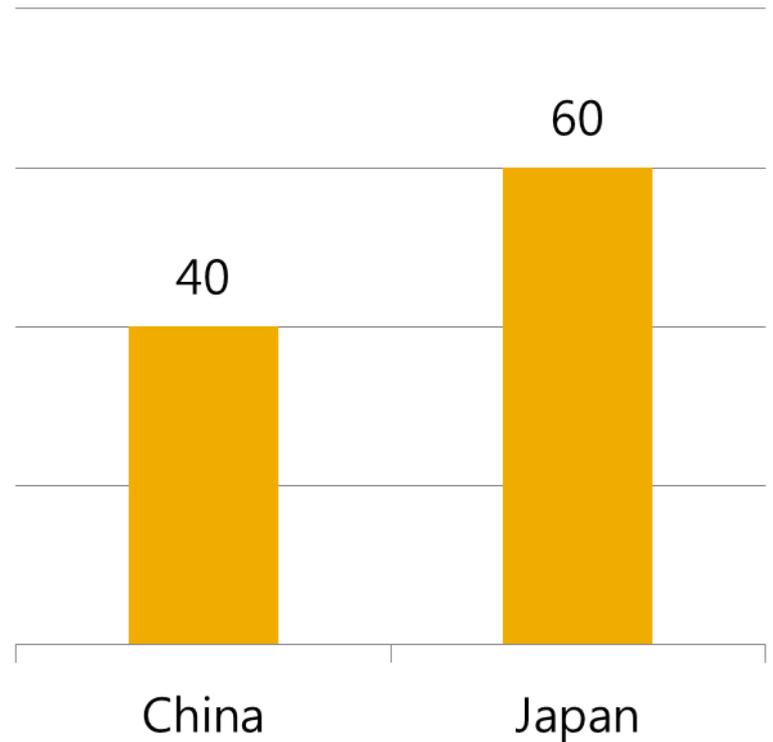
- Tokyo Branch
- 60 Agency (HIS)
- On-Line Agency (KONEST)

## E-South Asia

- Singapore , Thailand , Philippine etc.
- 7 Agencies

## Taiwan

- 7 Agencies



< 2011Y Portion for Arrivals >

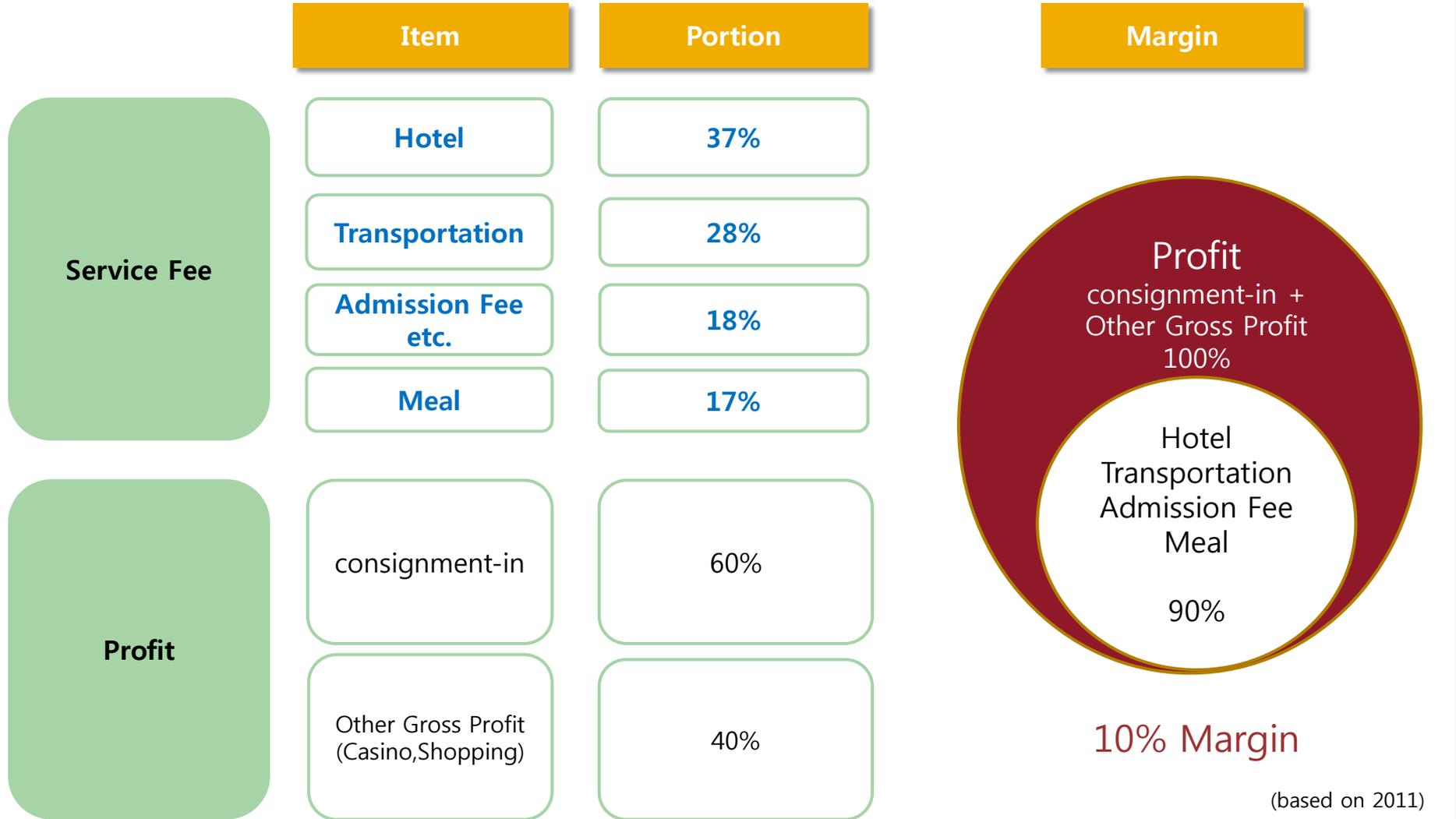
(Based in 2011)

# MODETOUR-INT



|                  | Service   | Proportion | Strategy | Gross Profit Margin |
|------------------|---|------------|----------|---------------------|
| <b>Package</b>   | Tourism, Theme-Tourism, Experiential Tourism etc. | 75%        | Increase | 10%                 |
| <b>Incentive</b> | Educational Travel, Seminar , Medical Tour        | 12%        | Increase | 15%                 |
| <b>M.I.C.E</b>   | Meeting , Incentive , Conference , Exhibition     | 8%         | Increase | 15%                 |
| <b>F.I.T</b>     | Rent a Car, Pass, Hotel , Day Tour , Air-Ticket   | 5%         | Increase | 5%                  |

# MODETOUR-INT (Package Breakdown)



(based on 2011)



# Chapter 3 Others

## 2. Diversification of Business

- M&A with company having competitiveness and specialized in a specific fields such as Backpacking, Cruise, Inbound, etc.
- Positive charter business and long term lease of resort
- Developing new travel destination and gaining semi-exclusive selling right
- Enhancing VVIP package sale

### Subsidiary

(30 April 2012)

#### Cruise International (May 2010)

##### 88.24% Subsidiary with 1 Billion Won

- The Biggest Korean GSA of 10 International Luxury Premium Cruises such as Costa Cruises, Carnival Cruise Lines, Silversea Cruises, and etc.
- Penetrating and Strengthening Newly Rising Cruise Market with Expert Members
- Developing Diversified High-end Product

#### MODETOUR International (Jun. 2008)

##### 67.50% Subsidiary with 1 Billion Won 19% Stake owned by Hotel Shilla investing in 2010

- Penetrating Inbound Travel Business based on China Market
- Expanding Market to South-East Asia and Japan with 'Hanryu', the waves of Korean culture.

#### Mode Tourism Development (April 2012)

- Synergy with MODETOUR International's Inbound Business and Expanding domestic Online Hotel for F.I.T.
- Management Outsourcing of Robero Hotel

## Subsidiary

### TourTainment (Nov. 2006)

Joint Establishment with OLIVE NINE and MBC  
The Largest Shareholder with a 50.00% Stake at Price of 0.4 Billion Won

- Coordinating Overseas Location for Filming Drama & Movie with Air-tickets, Lodging and Local Limousine Services, etc.
- Introducing Travel Products Related with the Locations

### MODETOUR H&D (Sep. 2008)

80% Subsidiary with 0.8 Billion Won

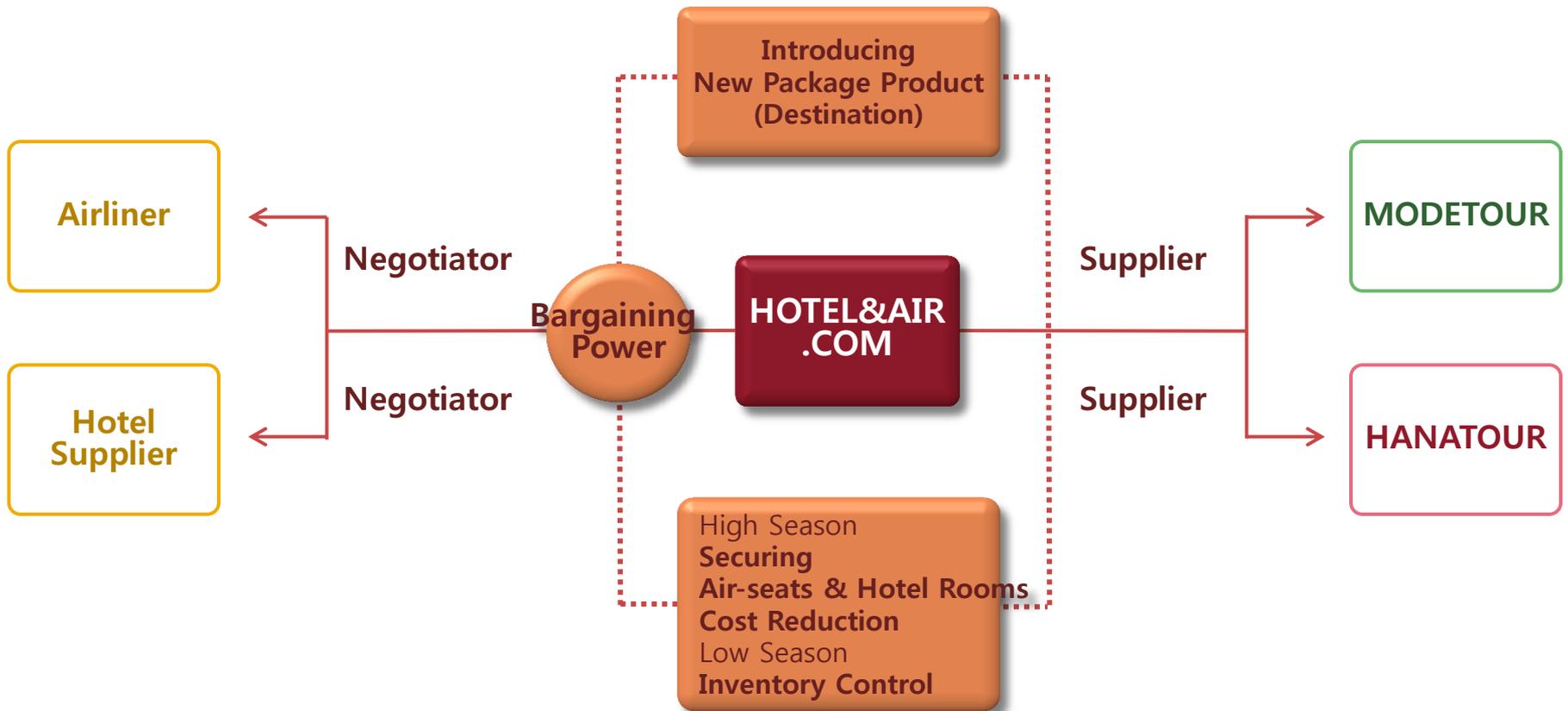
- Online Hotel Reservation - Targeting Korean Domestic Travelers Preferring Hotel, Entering Camping Car Business in 2011
- Package Competitiveness, Easy Reservation System, Rich Contents, Various Contribution Channel and MODETOUR's Brand Power
- Synergy with MODETOUR International's Inbound Business and Expanding Overseas Online Hotel for F.I.T.

# Key Strategy



Hotel & Air.com (Jul. 2011)

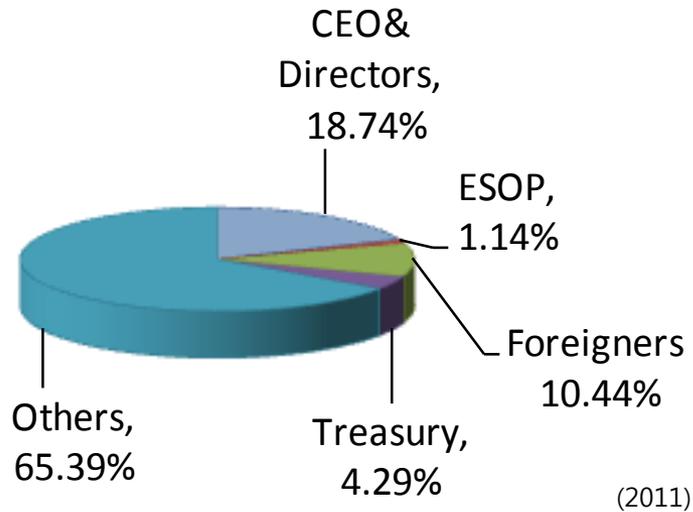
40% Subsidiary with 12 billion KRW and 60% Stake owned by HANATOUR  
CEO: Ho-kwon Son from MODETOUR



# MODETOUR Shareholders



## Shareholders

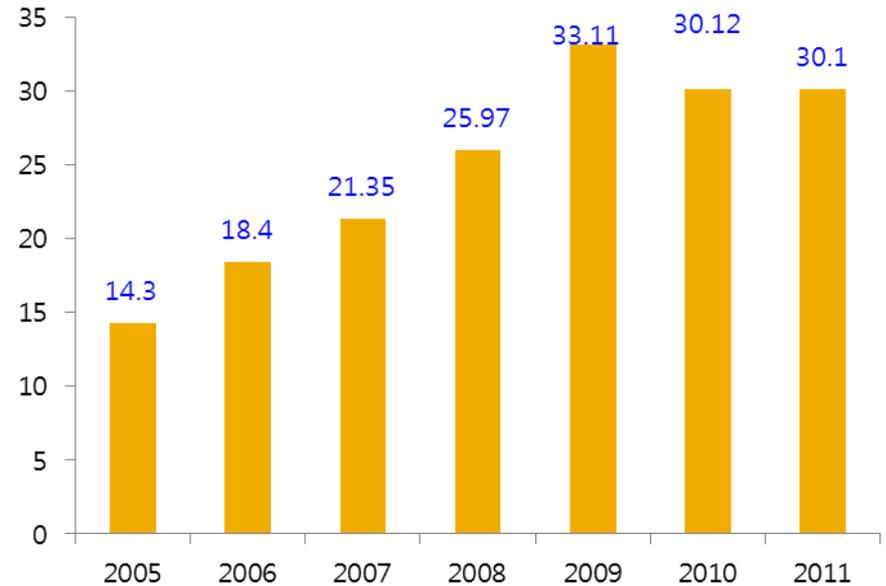


### *principal stockholder*

1. Korea National Pension ( 9.12%)
2. Samsung Asset Management (8.45%)
3. Franklin Templeton Investment (7.28%)

## Dividend Ratio

(Unit: %)



## Comprehensive Travel Company with 23-year Experience

### Organization

| Management            | name             | Field Experience  | Division                         | Ratio                                       | No. | Main Task   |   |
|-----------------------|------------------|-------------------|----------------------------------|---|-----|---|---|
| <b>Chairman</b>       | Woo, Chong-Woong | 38 Years, Founder | <b>Director</b>                  | 0.5%  | 6   | General Management  |   |
|                       |                  |                   | <b>Travel Package Plan</b>       | 34%   | 341 | Design Travel Package   |   |
| <b>CEO</b>            | Hong, Ki-Jung    | 31 Years, Founder | <b>Sale</b>                      | <b>Travel Agency</b>                        | 45% | 348   | Distribution and Reservation Administration |
|                       |                  |                   |                                  | <b>Online &amp; Corporate</b>               | 12% | 127   | Co-marketing Sale & Corporate Business      |
| <b>Vice President</b> | Han, Ok-Min      | 27 Years, Founder | <b>Back Office &amp; Support</b> | 9%  | 114 | Managing Support, Marketing, Strategy Planning, Administration  |   |
|                       |                  |                   | <b>Total Employee</b>            | 100%  | 936 | -   |   |
| <b>CFO</b>            | Yang, Byung-Sun  | 23 Years          | <b>6 Branch Offices</b>          | 33 domestic                                 |     | Business Relations with Mom & Pop Agencies all over the Country |   |
|                       |                  |                   |                                  | Guam, Saipan, London, Paris, Tokyo, Beijing |     | Customer Service at the Destination                             |   |

# Summarized Financial Statement



## Balance Sheet

(Unit: million KRW)

|  | K-IFRS         |                |                | K-GAAP        |               |               |
|--|----------------|----------------|----------------|---------------|---------------|---------------|
|  | 2012           | 2011           | 2010           | 2009          | 2008          | 2007          |
| Current Asset                          | 115,468        | 104,349        | 113,524        | 78,441        | 47,801        | 89,439        |
| Non-Current Asset                      | 33,310         | 24,679         | 10,566         | 7,720         | 26,957        | 8,006         |
| <b>Total Asset</b>                     | <b>148,779</b> | <b>129,028</b> | <b>124,090</b> | <b>86,161</b> | <b>74,758</b> | <b>97,445</b> |
| Current Liabilities                    | 54,891         | 48,418         | 51,865         | 31,111        | 21,810        | 36,024        |
| Non-Current Liabilities                | 9,684          | 9,479          | 6,375          | 4,809         | 3,760         | 3,786         |
| <b>Total Liabilities</b>               | <b>64,575</b>  | <b>57,897</b>  | <b>58,240</b>  | <b>35,921</b> | <b>25,570</b> | <b>39,810</b> |
| Capital Stock                          | 6,300          | 4,200          | 4,200          | 4,200         | 4,200         | 4,200         |
| Capital Surplus                        | 27,765         | 30,033         | 30,033         | 30,033        | 30,033        | 30,033        |
| Capital Adjustment                     | -10,744        | (8,081)        | (8,081)        | (8,081)       | (8,081)       | (1,448)       |
| Accumulated Other Comprehensive Income | -              | -              | -              | -             | -             | 7             |
| Retained Earnings                      | 59,265         | 45,994         | 39,697         | 24,088        | 23,035        | 24,843        |
| Other equity interest                  | 385            | (863)          |                |               |               |               |
| <b>Total Stock Holders Equity</b>      | <b>84,204</b>  | <b>71,131</b>  | <b>65,849</b>  | <b>50,241</b> | <b>49,188</b> | <b>57,635</b> |

\* The financial result of 3Q is not audited by external auditor so it can be revised after the external audit.

# Summarized Financial Statement (K-GAPP)



## Income Statement

(Unit: million KRW)

|                         |            | 2012    | 2011    | 2010    | 2009   | 2008   | 2007   | 2006   |
|-------------------------|------------|---------|---------|---------|--------|--------|--------|--------|
| Gross Profit            | Air-ticket | 11,928  | 14,225  | 22,874  | 19,361 | 25,974 | 30,735 | 24,598 |
|                         | Package    | 113,150 | 99,455  | 88,875  | 38,814 | 53,811 | 60,014 | 39,909 |
|                         | Others     | 7,708   | 7,365   | 5,337   | 3,200  | 3,480  | 3,601  | 1,875  |
|                         | Total      | 132,787 | 121,045 | 117,086 | 61,375 | 83,265 | 94,351 | 66,383 |
| SG&A Expense            |            | 111,636 | 106,177 | 97,658  | 61,139 | 82,347 | 80,036 | 56,628 |
| Operating Profit        |            | 21,151  | 16,024  | 19,427  | 236    | 918    | 14,315 | 9,754  |
| Non-operating Income    |            | 3,541   | 3,427   | 4,146   | 3,391  | 4,411  | 3,462  | 1,945  |
| Non-operating Expense   |            | 1,638   | 1,767   | 2,756   | 2,130  | 4,074  | 1,899  | 268    |
| Net Income before Taxes |            | 22,450  | 18,295  | 20,818  | 1,497  | 1,255  | 15,878 | 11,431 |
| Income Taxes            |            | 5,190   | 5,039   | 4,807   | 283    | 636    | 4,510  | 3,257  |
| Net Income              |            | 17,260  | 13,255  | 16,011  | 1,214  | 619    | 11,367 | 8,174  |
| Earnings Per Share      |            | 0       | 1,649   | 1,852   | 151    | 75     | 1,360  | 1,058  |

\* The financial result of 2011 is not audited by external auditor so it can be revised after the external audit.



# Thank You

**MODETOUR NETWORK Inc.**