



# FY2016 Q2 Earnings Release

**WEMADE ENTERTAINMENT**

**INVESTOR RELATIONS 2016.8.12**



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- Consolidated Companies

Wemade Entertainment, Wemade Next, Wemade Plus, Evo Games, Wemade IO, Joymax(Flero Games,D4Games, Joy Studio) Wemade Entertainment Online, WemadeEntertainment USA, Wemade Entertainment Shanghai, Wemade Hong Kong Limited

# FY2016 Q2 Earnings Release

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# I . FY2016 Q2 Results

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## 1. Operating Highlights

### Mobile Game

#### • Overseas Market

- Signed 'MIR2 mobile game and web game license agreement' with 'Kingnet' in June.  
(30 billion KRW Minimum Guarantee)
- Expect overseas mobile revenues to increase in the coming months as we continue to seek to expand 'Mir' IP opportunities in China
- Participated in 'China Joy' game show in July to increase recognition of Wemade's position as co-holder of 'Mir' IP.

#### • Domestic Market

- Development efforts focused on 'MIR Mobile', 'Icaurs Mobile' - our two famous IPs.
- Cost saving measures, including labor reductions continued in Q2.1

### Online Game

- Icarus North American service kicked off in June.
- PC 'Mir2 China' revenues increased 4% Q/Q.

## 2. Income Statement - Wemade Ent. (Consolidated)

- Total revenues of 26 billion won (-19% Q/Q)
- Net loss of 12.2 billion won due mainly to impairment charge on 'Kakao' shares.

[Million won]

	Q2'16	Q1'16	QoQ	Q2'15	YoY
<b>Revenue</b>	<b>25,917</b>	<b>32,002</b>	-19%	<b>27,925</b>	-7%
Mobile	13,542	16,887	-20%	9,460	43%
Online	12,376	15,115	-18%	18,465	-33%
<b>Op Expense</b>	<b>25,876</b>	<b>31,519</b>	-18%	<b>35,525</b>	-27%
Labor	14,519	15,812	-8%	19,798	-27%
Service Fee	5,714	6,686	-15%	8,190	-30%
Marketing	919	3,320	-72%	1,136	-19%
D&A	2,180	2,300	-5%	2,615	-17%
Taxes	949	1,190	-20%	749	27%
Others	1,594	2,211	-28%	3,038	-48%
<b>Op Income</b>	<b>41</b>	<b>482</b>	-91%	<b>-7,600</b>	<b>Turn around</b>
Non-Op.	-541	174	-	-4,575	-
Financial	-13,385	-39,194	-	1,192	-
Equity Method	11	-95	-	-1,619	-
<b>Income before taxes</b>	<b>-13,874</b>	<b>-38,633</b>	-	<b>-12,602</b>	-
Income tax	-1,708	-8,883	-	-2,257	-
<b>Net Income</b>	<b>-12,165</b>	<b>-29,750</b>	-	<b>-10,345</b>	-
Attributable to Wemade	-11,061	-29,349	-	-5,734	-
Minority Interest	-1,105	-401	-	-4,612	-

## 3. Income Statement - Joymax (Consolidated)

- Total revenues of 7.5 billion won (-6% Q/Q)
- Joymax recorded consolidated operating losses of 1.2 billion due to decrease online revenues.
- Joymax recorded an operating income of 0.5 billion won on a standalone basis.

[Million won]

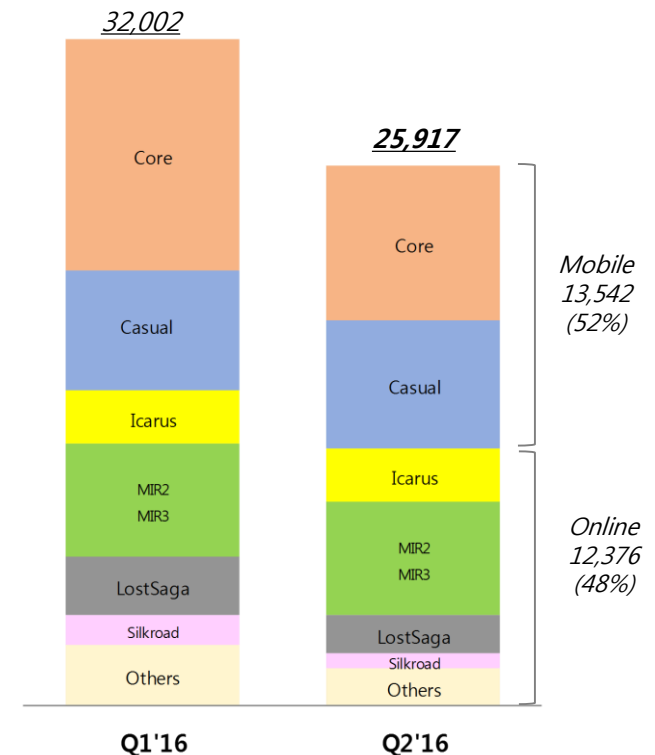
	Q2'16	Q1'16	QoQ	Q2'15	YoY
<b>Revenue</b>	<b>7,526</b>	<b>7,988</b>	<b>-6%</b>	<b>5,777</b>	<b>30%</b>
Mobile	6,828	6,613	3%	2,883	137%
Online	698	1,375	-49%	2,895	-76%
<b>Op Expense</b>	<b>8,767</b>	<b>8,870</b>	<b>-1%</b>	<b>8,300</b>	<b>6%</b>
Labor	3,800	3,784	0%	4,930	-23%
Service Fee	3,430	3,340	3%	1,018	237%
Marketing	254	347	-27%	259	-2%
D&A	472	565	-17%	854	-45%
Taxes	71	34	108%	85	-16%
Others	740	800	-8%	1,154	-36%
<b>Op Income</b>	<b>-1,242</b>	<b>-882</b>	<b>-41%</b>	<b>-2,523</b>	<b>51%</b>
Non-Op.	476	439	9%	-119	-
Financial	-192	-156	-	-1,835	-
Equity Method	-313	-62	-	-92	-
<b>Income before taxes</b>	<b>-1,271</b>	<b>-661</b>	<b>-</b>	<b>-4,569</b>	<b>-</b>
Income tax	-96	-209	-	-178	-
<b>Net Income</b>	<b>-1,175</b>	<b>-452</b>	<b>-</b>	<b>-4,391</b>	<b>-</b>
Attributable to Wemade	-938	-52	-	-4,153	-
Minority Interest	-237	-400	-	-238	-

## 4. Revenue by Game

- Mobile game revenues decreased 20% Q/Q due to decline in 'Mir mobile' royalty revenue from China and decline in 'Soul & Stone' domestic revenue.
- Online game revenues decreased 18% Q/Q due to removal of Q1 one-off revenue adjustment.

### • Q2 Revenue by Game

	[Million won]				
	Q2'16	Q1'16	QoQ	Q2'15	YoY
<b>Mobile</b>	13,542	16,887	-20%	9,460	43%
Core	7,405	11,090	-33%	2,258	228%
Casual <sup>1</sup>	6,136	5,797	6%	7,203	-15%
<b>Online</b>	12,376	15,115	-18%	18,465	-33%
MIR2	4,473	4,484	-0.2%	7,306	-39%
MIR3	921	925	-0.4%	1,379	-33%
Icarus	2,615	2,537	3%	4,549	-43%
Lost Saga	1,843	2,799	-34%	3,483	-47%
Silkroad	728	1,437	-49%	722	1%
Others	1,795	2,933	-39%	1,026	75%
<b>Total</b>	<b>25,917</b>	<b>32,002</b>	<b>-19%</b>	<b>27,925</b>	<b>-7%</b>





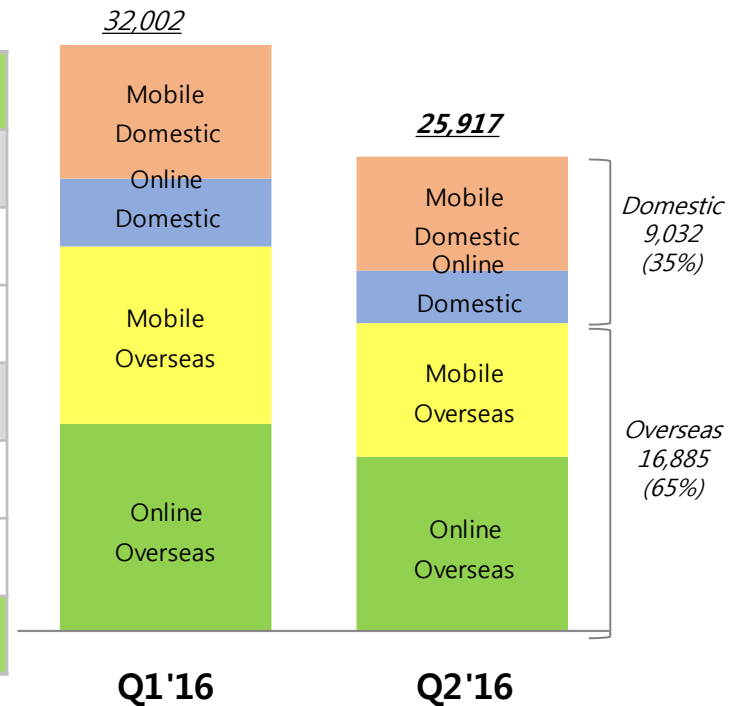
## 5. Revenue by Region

- Domestic revenues decreased 17% Q/Q due to decline in domestic online games such as 'Lost Saga'
- Overseas revenues decreased 20% Q/Q driven by decline in 'Mir mobile' royalty revenue from China along with the removal of one-time revenue adjustment that took place in Q1.

### • Q2 Revenue by Region

[Million won]

	Q2'16	Q1'16	QoQ	Q2'15	YoY
<b>Domestic</b>	9,032	10,845	-17%	13,574	-33%
<i>Mobile</i>	6,216	7,101	-12%	7,907	-21%
<i>Online</i>	2,816	3,744	-25%	5,667	-50%
<b>Overseas</b>	16,885	21,157	-20%	14,351	18%
<i>Mobile</i>	7,326	9,786	-25%	1,553	372%
<i>Online</i>	9,559	11,370	-16%	12,798	-25%
<b>Total</b>	<b>25,917</b>	<b>32,002</b>	<b>-19%</b>	<b>27,925</b>	<b>-7%</b>



## 6. Operating Expenses

- Marketing costs declined 2.4 billion won Q/Q.
- Expect continued decrease in operating expenses in Q3

### • Q2 Operating Expenses

[Million won]

	Q2 '16	Q1 '16	QoQ	Q2 '15	YoY
Labor	14,519	15,812	-8%	19,798	-27%
Service Fee <sup>1</sup>	5,714	6,686	-15%	8,190	-30%
Marketing	919	3,320	-72%	1,136	-19%
D&A	2,180	2,300	-5%	2,615	-17%
Taxes	949	1,190	-20%	749	27%
Others	1,594	2,211	-28%	3,038	-48%
<b>Total</b>	<b>25,876</b>	<b>31,519</b>	<b>-18%</b>	<b>35,525</b>	<b>-27%</b>

## II. Appendix

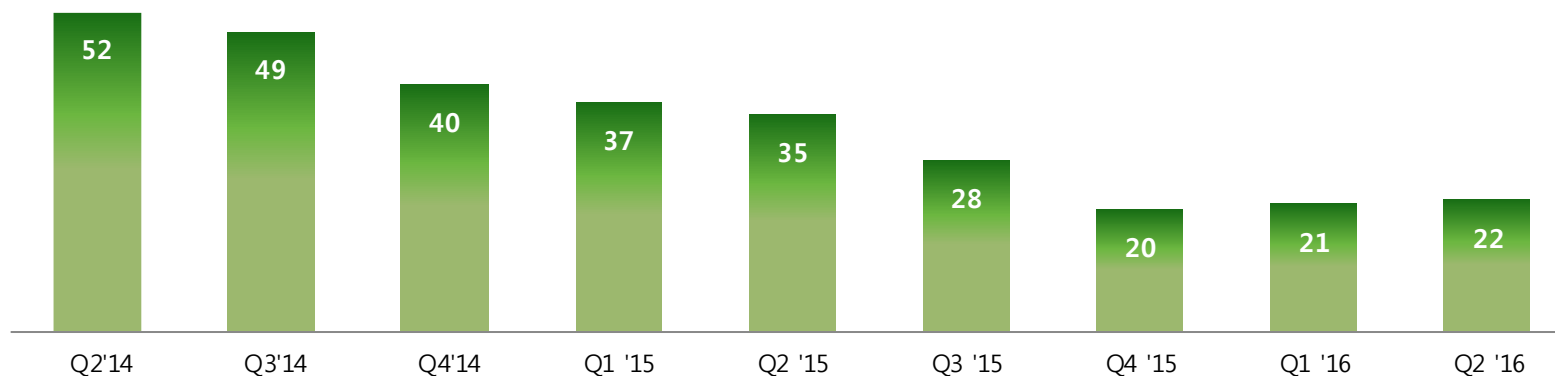
1. Revenue from "Legend of Mir2" (China)
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# 1. Revenue from “Legend of Mir2” (China)

- Revenue from ‘Mir2’ in China increased 4% Q/Q on Yuan basis.
- Mir2 PC revenues seems to have finally reached steady state.

## • Mir2 China Revenue Trend

[Million RMB]



## • Mir2 China Revenue by Currency

[Million RMB, Million USD, Million KRW]

구 분	Q2 '16	Q1 '16	QoQ	Q2 '15	YoY
RMB	21.5	20.75	4%	35.4	-39%
USD	3.3	3.2	3%	5.7	-43%
KRW	3,813.3	3,798.2	0.4%	6,564.2	-39%

## 2. Financial Statement - Wemade (Consolidated)

### • Statements of Financial Position

[Billion won]	2014	2015	2016.6.30
Current Assets	123.1	125.2	<b>117.6</b>
Non Current Assets	418.9	368.3	<b>322.0</b>
Total Assets	542.0	493.5	<b>439.6</b>
Liabilities	73.8	78.7	<b>61.2</b>
Equity	468.2	414.8	<b>378.4</b>
Liabilities & Equity	542.0	493.5	<b>439.6</b>

### • Income Statement

[Billion won]	2014	2015	2016 1H
Revenues	162.7	126.6	<b>57.9</b>
Op Expense	194.1	138.3	<b>57.4</b>
Op Profit	-31.5	-11.7	<b>0.5</b>
Non Op Inc/Exp	310.4	-140.4	<b>-53.0</b>
Income before Taxes	278.9	-152.1	<b>-52.5</b>
Taxes	72.6	-27.9	<b>-10.6</b>
Net Income	206.3	-124.3	<b>-41.9</b>
Attributable to Wemade	211.8	-4.5	<b>-40.4</b>
Minority Interest	-5.5	-6.6	<b>-1.5</b>

### 3. Financial Statement - Joymax (Consolidated)

#### • Statements of Financial Position

[Billion won]	2014	2015	2016.06.30
Current Assets	57.2	47.8	45.1
Non Current Assets	50.7	47.9	48.0
Total Assets	108.0	95.7	93.1
Liabilities	8.9	20.5	19.9
Equity	99.1	75.2	73.2
Liabilities & Equity	108.0	95.7	93.1

#### • Income Statement

[Billion won]	2014	2015	2016 1H
Revenues	30.5	30.3	15.5
Op Expense	35.2	38.2	17.6
Op Profit	-4.7	-7.9	-2.1
Non Op Inc/Exp	1.3	-12.7	0.2
Income before Taxes	-3.4	-20.6	-1.9
Taxes	0.5	0.7	-0.3
Net Income	-4.0	-21.3	-1.6
Attributable to Joymax	-4.3	-20.5	-1.0
Minority Interest	0.3	-0.8	-0.6

# 4. Financial Statement - Joymax

### • Statements of Financial Position

[Billion won]	2014	2015	2016.06.30
Current Assets	32.5	20.4	20.8
Non Current Assets	56.1	58.6	58.2
Total Assets	88.6	79.0	79.0
Liabilities	5.4	5.3	3.5
Equity	83.2	73.7	75.5
Liabilities & Equity	88.6	79.0	79.0

### • Income Statement

[Billion won]	2014	2015	2016 1H
Revenues	10.1	8.6	5.1
Op Expense	15.4	17.8	3.9
Op Profit	-5.3	-9.2	1.2
Non Op Inc/Exp	5.4	-1.1	0.5
Income before Taxes	0.1	-10.3	1.7
Taxes	0.6	1.2	-0.1
Net Income	-0.5	-11.5	1.8

**Thank you**