



FY2016 & Q4 Earnings Release

WEMADE ENTERTAINMENT

INVESTOR RELATIONS 2017.2.8



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- Consolidated Companies

- Wemade Entertainment, Wemade Next, Wemade Plus, Evo Games, Wemade IO, Joymax(Flero Games, D4Games, Joy Studio)

- Wemade Ent. Online, Wemade Ent. USA, Wemade Hong Kong Limited (Wemade Ent. Shanghai)

- Wemade Science Technology(Yinchuan)

FY2016 & Q4 Earnings Release

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I . FY2016 & Q4 Results

1. Operational Highlights
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1. Operating Highlights

Domestic Market

- Signed 'Icarus M' publishing agreement with 'Netmarble' – 10 billion won license fee
- New mobile game 'The Goddess Kiss' launched in Oct. 2016.
- Expect to launch new mobile games - 'Fishing Strike', 'Aero Strike', 'CandyPang2' in 1st half.

Overseas Market

- 'Mir2' PC game in China maintained its revenues of the Q3 level.
- 'Mir2' mobile game in China slightly decreased Q/Q

2. Q4 Income Statement - Wemade Ent. (Consolidated)

- Total revenues of 22.3 billion won (-20% Q/Q), Operating loss 0.4 billion won.
- Net loss of 9 billion won due mainly to impairment charge on 'Kakao' shares.

[Million won]

	Q4'16	Q3'16	QoQ	Q4'15	YoY
Revenue	22,302	27,758	-20%	32,235	-31%
Mobile	7,561	7,403	2%	7,061	7%
Online	11,403	10,311	11%	12,186	-6%
License	3,338	10,043	-67%	12,988	-74%
Op Expense	22,672	23,780	-5%	30,970	-27%
Labor	11,462	12,181	-6%	15,403	-26%
Service Fee	6,150	5,851	5%	5,698	8%
Marketing	876	674	30%	3,933	-78%
D&A	1,637	2,049	-20%	2,552	-36%
Taxes	899	959	-6%	1,446	-38%
Others	1,648	2,065	-20%	1,939	-14%
Op Income	-371	3,978	Turn to deficit	1,266	Turn to deficit
Non-Op.	-7,543	-750	-	-12,326	-
Financial	-1,477	-29,776	-	-119,353	-
Equity Method	-206	59	-	-2,371	-
Income before taxes	-9,596	-26,488	-	-132,783	-
Income tax	-562	-4,437	-	-19,987	-
Net Income	-9,034	-22,051	-	-112,797	-
Attributable to Wemade	-10,410	-20,380	-	-102,819	-
Minority Interest	1,376	-1,672	-	-9,977	-

2. 2016 Income Statement - Wemade Ent. (Consolidated)

- Annual revenues of 108 billion won (-15% Y/Y)
- Operating income of 4.1 billion won. Mainly due to increase in License revenue and continuous cost saving.
- Net loss of 73 billion won owing to impairment charge on 'Kakao' shares.

[Million won]

	2016	2015	YoY
Revenue	107,979	126,588	-15%
Mobile	30,500	38,994	-22%
Online	47,673	65,850	-28%
License	29,806	21,745	37%
Op Expense	103,848	138,247	-25%
Labor	53,975	75,904	-29%
Service Fee	24,400	30,661	-20%
Marketing	5,790	6,224	-7%
D&A	8,166	10,401	-21%
Taxes	3,997	4,130	-3%
Others	7,519	10,927	-31%
Op Income	4,131	-11,659	Turn around
Non-Op.	-8,659	-17,207	-
Financial	-83,831	-116,421	-
Equity Method	-231	-5,028	-
Income before taxes	-88,591	-150,315	-
Income tax	-15,590	-26,399	-
Net Income	-73,001	-123,916	-
Attributable to Wemade	-71,199	-107,345	-
Minority Interest	-1,801	-16,571	-

3. Q4 Income Statement - Joymax (Consolidated)

- Total revenues of 8.3 billion won (+8% Q/Q)
- Joymax recorded consolidated operating losses of 1.2 billion won due to increase in marketing cost.

[Million won]

	Q4'16	Q3'16	QoQ	Q4'15	YoY
Revenue	8,305	7,689	8%	8,384	-1%
Mobile	7,020	6,381	10%	5,979	17%
Online	1,285	1,308	-2%	2,406	-47%
Op Expense	9,521	8,399	13%	10,777	-12%
Labor	3,496	3,547	-1%	4,675	-25%
Service Fee	4,168	3,523	18%	3,152	32%
Marketing	626	312	101%	1,534	-59%
D&A	355	385	-8%	364	-3%
Taxes	242	47	418%	231	5%
Others	634	586	8%	821	-23%
Op Income	-1,216	-710	-71%	-2,393	49%
Non-Op.	-880	-92	-	-9,358	-
Financial	4,219	-594	-	-1,136	-
Equity Method	74	-482	-	-349	-
Income before taxes	2,198	-1,877	Turn around	-13,236	-
Income tax	442	-28	-	1,093	-
Net Income	1,756	-1,849	Turn around	-14,329	-
Attributable to Wemade	933	-1,694	-	-13,999	-
Minority Interest	823	-155	-	-331	-

4. 2016 Income Statement - Joymax (Consolidated)

- Annual revenues of 31.5 billion won (+4% Y/Y)
- Operating loss of 4.1 billion won; Operating cost saving

[Million won]

	2016	2015	YoY
Revenue	31,507	30,255	4%
Mobile	26,841	17,522	53%
Online	4,666	12,733	-63%
Op Expense	35,558	38,144	-7%
Labor	14,627	19,968	-27%
Service Fee	14,461	8,148	77%
Marketing	1,539	1,976	-22%
D&A	1,778	3,379	-47%
Taxes	394	433	-9%
Others	2,759	4,241	-35%
Op Income	-4,050	-7,889	49%
Non-Op.	-57	-9,610	-
Financial	3,278	-2,650	-
Equity Method	-782	-470	-
Income before taxes	-1,612	-20,619	-
Income tax	109	651	-
Net Income	-1,720	-21,269	-
Attributable to Wemade	-1,752	-20,447	-
Minority Interest	31	-822	-

4. Revenue by Game

- Q4 Online games; increased 11% Q/Q as a result of reflecting one-off sales of down payment as the decision to discontinue service of 'Lost Saga' in China.
- Q4 License; decreased 67% Q/Q due to unrecognized royalty from 'Zhejiang Huanyou Network Tec.'
- Annual total revenues decreased 20% Y/Y, due to lack of new mobile game despite of increase in license revenues.

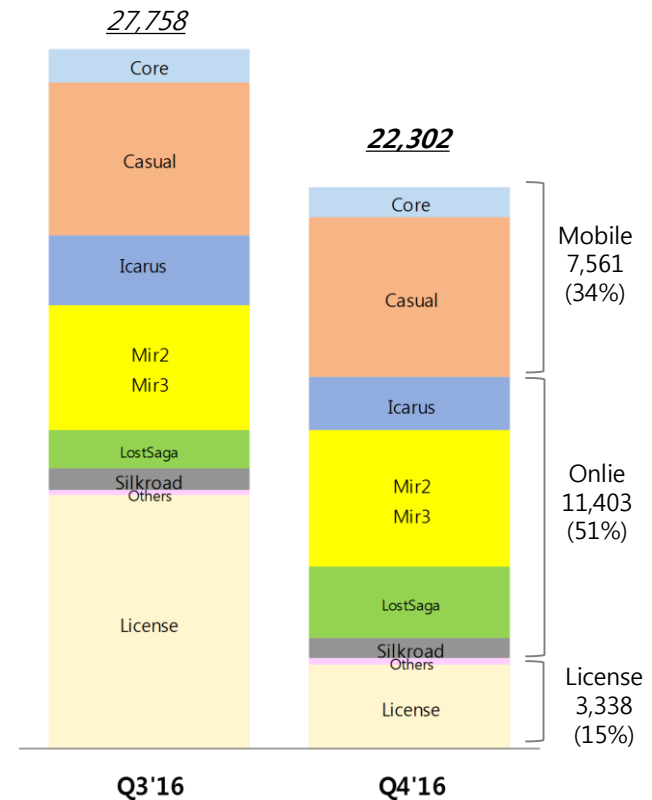
• Q4 Revenue by Game

	Q4'16	Q3'16	QoQ
Mobile	7,561	7,403	2%
Core	1,245	1,324	-6%
Casual ¹	6,316	6,079	4%
Online	11,403	10,311	11%
MIR2	4,533	4,235	7%
MIR3	869	734	18%
Icarus	2,135	2,746	-22%
Lost Saga	2,805	1,546	81%
Silkroad	807	844	-4%
Others	256	205	24%
License	3,338	10,043	-67%
Total	22,302	27,758	-20%

• 2016 Revenue by Game

[Million won]

	2016	2015	YoY
Mobile	30,500	38,994	-22%
Core	6,172	10,405	-41%
Casual	24,328	28,588	-15%
Online	47,673	65,850	-28%
MIR2	17,725	25,252	-30%
MIR3	3,449	5,110	-33%
Icarus	10,032	15,406	-35%
LostSaga	8,994	12,538	-28%
Silkroad	3,816	4,235	-10%
Others	3,658	3,310	11%
License	29,806	21,745	37%
Total	107,979	126,588	-15%



5. Revenue by Region

- Q4 Domestic revenues increased 4% Q/Q thanks to launch of new mobile game 'The Goddess Kiss'
- Q4 Overseas revenues decreased 30% Q/Q due to decline in license revenues.
- Annual domestic and overseas revenues decreased in both, due to lack of new mobile game and decline in existing online game revenues despite of increase in license revenues.

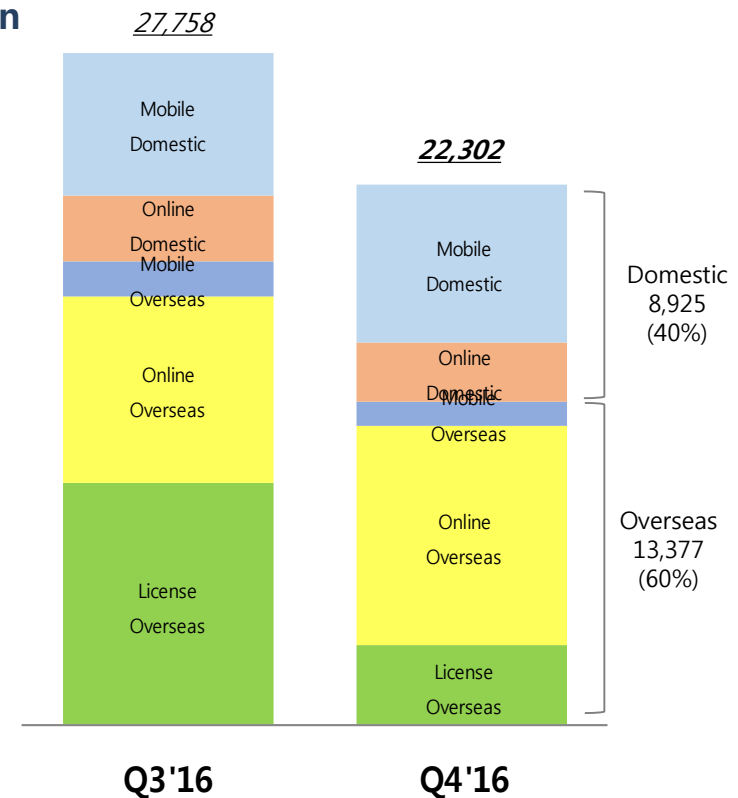
• Q4 Revenue by Region

	Q4'16	Q3'16	QoQ
Domestic	8,925	8,581	4%
Mobile	6,518	5,941	10%
Online	2,407	2,641	-9%
Overseas	13,377	19,177	-30%
Mobile	1,043	1,463	-29%
Online	8,996	7,671	17%
License	3,338	10,043	-67%
Total	22,302	27,758	-20%

• 2016 Revenue by Region

[Million won]

	2016	2015	YoY
Domestic	37,383	53,334	-30%
Mobile	25,774	31,552	-18%
Online	11,608	21,781	-47%
Overseas	70,596	73,255	-4%
Mobile	4,726	7,441	-36%
Online	36,064	44,069	-18%
License	29,806	21,745	37%
Total	107,979	126,588	-15%



6. Operating Expenses

- Q4 expenses decreased 5% Q/Q, mainly due to lower labor costs -6% Q/Q
- Annual expenses decreased 25% Y/Y as a result of reduction in labor costs.

• Q4 Operating Expenses

	Q4'16	Q3'16	QoQ
Labor	11,462	12,181	-6%
Service Fee	6,150	5,851	5%
Marketing	876	674	30%
D&A	1,637	2,049	-20%
Taxes	899	959	-6%
Others	1,648	2,065	-20%
Total	22,672	23,780	-5%

• 2016 Operating Expenses

[Million won]

	2016	2015	YoY
Labor	53,975	75,904	-29%
Service Fee	24,400	30,661	-20%
Marketing	5,790	6,224	-7%
D&A	8,166	10,401	-21%
Taxes	3,997	4,130	-3%
Others	7,519	10,927	-31%
Total	103,848	138,247	-25%

II. Appendix

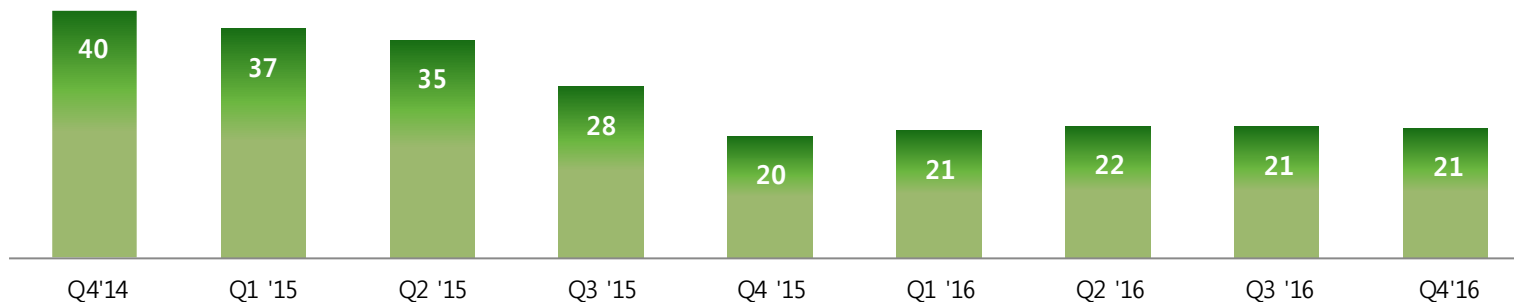
1. Revenue from "Legend of Mir2" (China)
2. Financial Statement – Wemade
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1. Revenue from “Legend of Mir2” (China)

- Revenue from ‘MIR2’ in China increased 1.8% Q/Q on KRW basis.

• Mir2 China Revenue Trend

[Million RMB]



• Mir2 China Revenue by Currency

[Million RMB, Million USD, Million KRW]

	Q4'16	Q3'16	QoQ	Q4'15	YoY
RMB	21.2	21.3	-0.3%	19.9	+6%
USD	3.1	3.2	-3.4%	3.1	-1%
KRW	3,615.1	3,552.0	+1.8%	3,573.1	+1%

2. Financial Statement - Wemade (Consolidated)

• Statements of Financial Position

[Billion won]	2014	2015	2016
Current Assets	123.1	125.2	131.8
Non Current Assets	418.9	368.3	270.9
Total Assets	542.0	493.5	402.7
Liabilities	73.8	78.7	54.5
Equity	468.2	414.8	348.2
Liabilities & Equity	542.0	493.5	402.7

• Income Statement

[Billion won]	2014	2015	2016
Revenues	162.7	126.6	108.0
Op Expense	194.1	138.3	103.8
Op Profit	-31.5	-11.7	4.1
Non Op Inc/Exp	310.4	-140.4	-92.7
Income before Taxes	278.9	-152.1	-88.6
Taxes	72.6	-27.9	-15.6
Net Income	206.3	-124.3	-73.0
Attributable to Wemade	211.8	-4.5	-71.2
Minority Interest	-5.5	-6.6	-1.8

3. Financial Statement - Joymax (Consolidated)

• Statements of Financial Position

[Billion won]	2014	2015	2016
Current Assets	57.2	47.8	46.7
Non Current Assets	50.7	47.9	45.4
Total Assets	108.0	95.7	92.1
Liabilities	8.9	20.5	18.6
Equity	99.1	75.2	73.5
Liabilities & Equity	108.0	95.7	92.1

• Income Statement

[Billion won]	2014	2015	2016
Revenues	30.5	30.3	31.5
Op Expense	35.2	38.2	35.6
Op Profit	-4.7	-7.9	-4.1
Non Op Inc/Exp	1.3	-12.7	2.5
Income before Taxes	-3.4	-20.6	-1.6
Taxes	0.5	0.7	0.1
Net Income	-4.0	-21.3	-1.7
Attributable to Joymax	-4.3	-20.5	-1.8
Minority Interest	0.3	-0.8	0.1

3. Financial Statement - Joymax (Consolidated)

• Statements of Financial Position

[Billion won]	2014	2015	2016
Current Assets	32.5	20.4	22.6
Non Current Assets	56.1	58.6	57.1
Total Assets	88.6	79.0	79.7
Liabilities	5.4	5.3	3.2
Equity	83.2	73.7	76.5
Liabilities & Equity	88.6	79.0	79.7

• Income Statement

[Billion won]	2014	2015	2016
Revenues	10.1	8.6	9.0
Op Expense	15.4	17.8	7.2
Op Profit	-5.3	-9.2	1.8
Non Op Inc/Exp	5.4	-1.1	1.0
Income before Taxes	0.1	-10.3	2.8
Taxes	0.6	1.2	-0.1
Net Income	-0.5	-11.5	2.9

Thank you