

# WEMADE

## 4Q FY 2018 Earnings Results

INVESTOR RELATIONS

February 13, 2019

# Disclaimer

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The financial information under this document is the sales performance of Wemade Entertainment Co., Ltd. (the “Company”) written in accordance with K-IFRS. The result of 4Q 2018 is provided as reference to investors, and some parts of this document are subject to change due to result of external audit.

This document contains forward-looking statements regarding financial situation and performance, as well as information related to plans and goals of the executives of the Company and its subsidiaries. Forward-looking statements include predictive information of the Company, and it may be changed by unknown risks, uncertainties and other factors which may influence the actual results or performance of the Company.

This document is written based on the current financial status. Please note that the actual results and performance of the Company may be materially different than those expressed in this document. The Company have no liability to outwardly perform based on new information or incidents which may be occurred in the future.

## ● Wemade Entertainment (Consolidated)

Wemade Next Co., Ltd., Wemade Plus Co., Ltd., Wemade Icarus Co., Ltd. (Wemade IO Co., Ltd.), ChuanQi IP Co., Ltd., Wemade Tree Co., Ltd., Wemade Rexue Chuanqi HD Co., Ltd. (Evo Games Co., Ltd.), JOYMAX Co., Ltd., FLERO Games Co., Ltd., Joy Studio Co., Ltd., IDLE idea factory Co., Ltd., Wemade Service Co., Ltd., Wemade Online Co., Ltd., Wemade Entertainment USA Inc., WEMADE HONG KONG LIMITED, Wemade Science Technology (Yinchuan) Co., Ltd. Wemade Entertainment Digital Technology (Shanghai) Co., Ltd., Beijing Wemade ChuanQi Science Technology Co., Ltd., Shenzhen Wemade ChuanQi Science Technology Co., Ltd., Shangrao Wemade ChuanQi Science Technology Co., Ltd., Suizhou Wemade Science Technology Co.,Ltd., Chongqing Wemade ChuanQi IP Service Co., Ltd.

# 4Q FY 2018 Earnings Results

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# 1. Key Results and Plans

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## 4Q 2018 Results

- Won an intellectual property right infringement case regarding 'Mir' IP against '37-games' in Beijing Intellectual Property Court
- A new license mobile game, 'Legend of Mir2 Reboot' launched on November 28th in Korea
- 'Rexueheji', a new license mobile game launched in China

## 1Q 2019 Updates and Plans

- The Seoul Central District Court ruled against 'Actoz-Soft' in an intellectual property dispute case
- Scheduled to award four new license contracts and launch three new license games in 1Q
- Started pre-registration of 'Icarus M' in Japan (Scheduled to release on February 21st)
- Preparing for domestic services of 'Mir4', a sequel of 'Legend of Mir', 'Mir M' inherited 'Legend of Mir2' online game and a strategy game, 'Mir W'(developed by NDREAM)

## 2. 4Q 2018 Summary Consolidated Results

- Revenue (+2% QoQ, +11% YoY) : Up 11% YoY thanks to two new license games
- Operating Income (Deficit continues QoQ, Turn to deficit YoY)  
: Due to one-off increase in operating expenses by establishing the allowance for bad debts related to litigation
- Net Income (Deficit continues QoQ, Deficit continues YoY)  
: Mainly on income tax increase and goodwill impairment of FLERO Games (consolidated subsidiary)

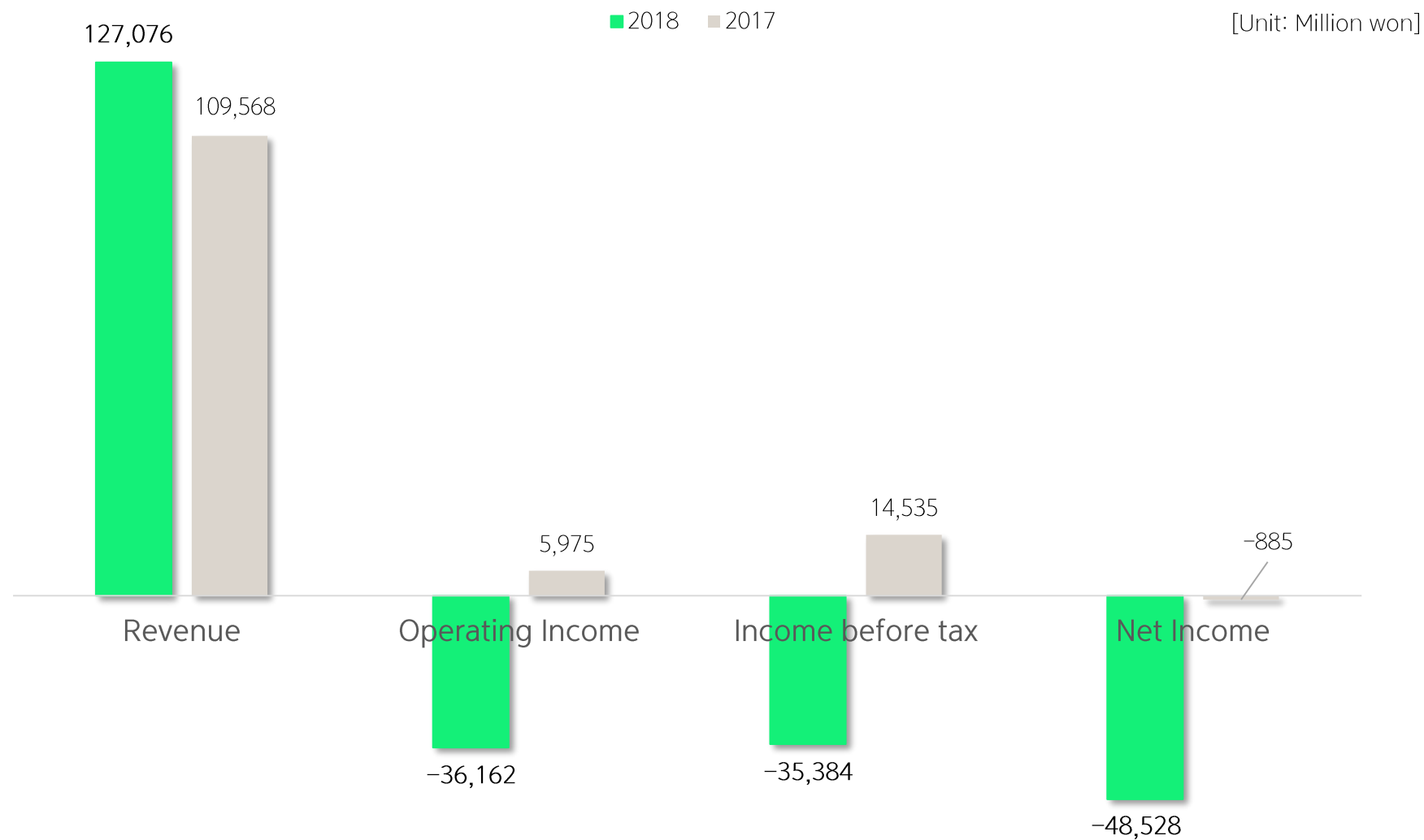
[Unit: Million won]

	4Q'18	3Q'18	QoQ	4Q'17	YoY
<b>Revenue</b>	32,416	31,791	2%	29,144	11%
<b>Operating Expenses</b>	71,697	36,209	98%	23,724	202%
<b>Operating Income</b>	-39,281	-4,418	Deficit continues	5,420	Turn to deficit
Non-Operating income(loss)	-5,879	66	-	-432	-
Financial Income(loss)	696	-1,370	-	-5,452	-
Equity Method	0	0	-	-123	-
<b>Income before tax</b>	-44,464	-5,722	Deficit continues	-586	Turn to deficit
Income tax	2,575	1,707	51%	780	230%
<b>Net Income</b>	-47,039	-7,429	Deficit continues	-1,366	Turn to deficit

\* Any discrepancies in any table between the totals and the sums of the amounts listed are due to rounding.

## 3. FY 2018 Summary Consolidated Results

- Revenue (+16% YoY) : Increased 16% YoY mainly on new mobile game roll-outs
- Operating Income (Turn to deficit, YoY) : Due to one-off establishment of the reserve for bad debts in 4Q 2018
- Net Income (Deficit continues, YoY) : Mainly on goodwill impairment of FLERO Games



# By Platform and License

- License (+39% QoQ) : Jumped 39% QoQ thanks to new license games
- Mobile (-32% QoQ) : Due to moderating sales of 'Icarus M' after release in 3Q 2018 in Korea
- Online (+3% QoQ) : Driven by the user events for existing games

[Unit: Million won]

	4Q'18	3Q'18	QoQ	4Q'17	YoY
Mobile	9,687	14,239	-32%	7,564	28%
Online	4,221	4,102	3%	7,717	-45%
License	18,066	12,983	39%	13,706	32%
Others	442	467	-6%	158	179%
Total	32,416	31,791	2%	29,144	11%

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## 4. Sales Breakdown

## By Region

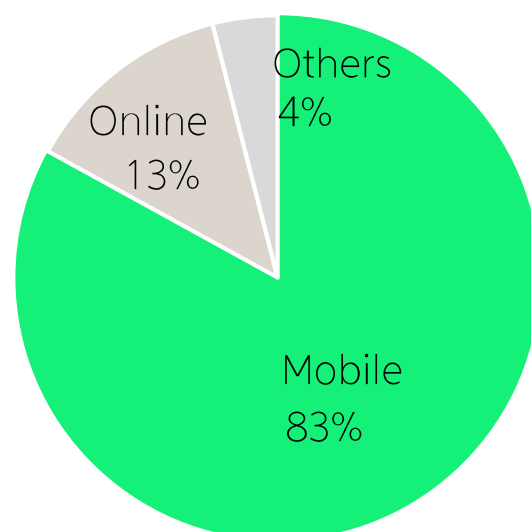
- Domestic (-29% QoQ) : Resulted from slowing sales of 'Icarus M' launched in 3Q 2018
- Overseas (+34% QoQ) : Rose 34% QoQ thanks to new license games launches

[Unit: Million won]

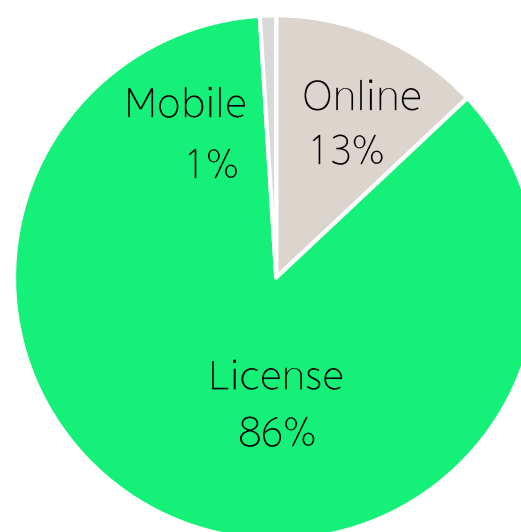
	4Q'18	3Q'18	QoQ	4Q'17	YoY
Domestic	11,550	16,171	-29%	9,466	22%
Overseas	20,866	15,620	34%	19,678	6%
Total	32,416	31,791	2%	29,144	11%

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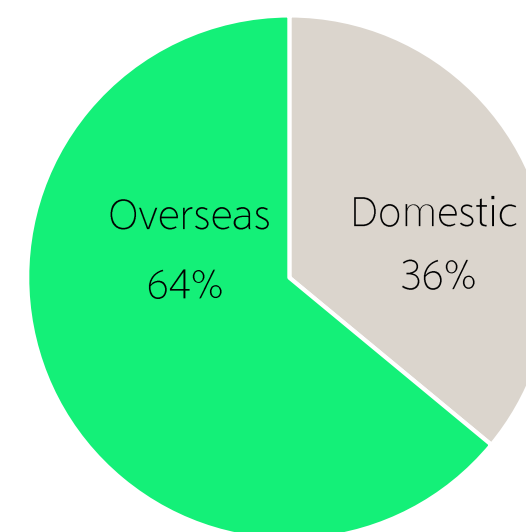
## • Domestic



## • Overseas



## • Total





# 5. Operating Expenses

- Operating Expenses (+98% QoQ, +202% YoY)

: Caused by setting up the allowance for doubtful accounts related to license games under litigation

- 4Q'18 Operating Expenses

[Unit: Million won]

	4Q'18	3Q'18	QoQ	4Q'17	YoY
Labor*	14,571	13,996	4%	11,713	24%
Service Fee	12,411	11,358	9%	7,640	62%
Marketing	1,780	6,498	-73%	757	135%
Depreciation	1,129	1,139	-1%	1,641	-31%
Taxes	599	674	-11%	861	-30%
Others**	41,208	2,544	1,520%	1,111	3,608%
<b>Total</b>	<b>71,697</b>	<b>36,209</b>	<b>98%</b>	<b>23,724</b>	<b>202%</b>

\* Includes wage, retirement benefits, employee benefits, stock compensation cost

\*\* Includes the allowance for doubtful accounts

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## 6. Summary Consolidated Financial Statements

### • Consolidated Balance Sheet

[Unit: KRW Bn]

	2016	2017	2018
<b>Total Assets</b>	<b>403.4</b>	<b>453.3</b>	<b>345.4</b>
Current Assets	132.5	321.1	179.5
Non-current Assets	270.9	132.2	165.9
<b>Total Liabilities</b>	<b>55.2</b>	<b>111.3</b>	<b>79.3</b>
Current Liabilities	20.9	93.6	77.0
Non-current Liabilities	34.3	17.7	2.3
<b>Total Equity</b>	<b>348.2</b>	<b>342.0</b>	<b>266.1</b>
Capital Stock	8.7	8.7	8.7
Retained Earnings	137.5	137.5	114.0
<b>Total Liabilities &amp; Equity</b>	<b>403.4</b>	<b>453.3</b>	<b>345.4</b>

### • Consolidated Income Statement

[Unit: KRW Bn]

	2016	2017	2018
<b>Revenue</b>	<b>108.0</b>	<b>109.6</b>	<b>127.1</b>
Operating Expenses	103.8	103.6	163.2
<b>Operating Profit</b>	<b>4.2</b>	<b>6.0</b>	<b>-36.2</b>
Non-Operating Income(loss)	-92.7	8.6	0.8
Income before tax	-88.5	14.5	-35.4
Income tax	-15.6	15.4	13.1
<b>Net Income</b>	<b>-73.0</b>	<b>-0.9</b>	<b>-48.5</b>
Controlling Interest	-71.0	9.7	-13.2
Non-controlling Interest	-2.0	-10.6	-35.3

※ Above consolidated Income Statement figures are YTD figures

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