

WEMADE

1Q FY2019 Earnings Results

INVESTOR RELATIONS

May 8th, 2019

Disclaimer

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 1Q 2019 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 (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, Wemade Tree Pte. Ltd.

1Q FY 2019 Earnings Results

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1. Key Results and Plans

1Q 2019 Results

- Won an intellectual property right dispute case against ACTOZ SOFT in Seoul Central District Court
- Signed a new license agreement with 37-games in China regarding <Yi Dao Chuan Shi> (Mobile)
- Rolled out new license games based on 'Mir' IP in China(<Lieyanwuzun>, <Yi Dao Chuan Shi>)
- Both HOUND 13* and Pulsar Creative* successfully released their new mobile games <Hundred Soul> and <LYN:The Lightbringer> respectively * Wemade holds stakes as a strategic investor

2Q 2019 Updates and Plans

- Hangzhou Intermediate People's Court has granted an injunction against KingNet(Developer) and Tencent(Publisher) to stop providing <Lanyuechuanqi(3D)> service in China
- Scheduled to complete final hearing on infringement of 'Mir 2' IP copyright against SHENGQU GAMES(formerly Shanda Games) in Singapore International Chamber of Commerce Court of Arbitration(ICC)
- Expecting to have 4-5 new license games based on 'Mir' IP and to sign new license agreements with major Chinese game companies including 37-games
- Preparing domestic launch of <Mir 4> in 2019 and having discussions with potential Chinese partners to launch <Mir M(Rexue Chuanqi HD)> in China

2. 1Q 2019 Summary Consolidated Results

- Revenue (-18% QoQ, -24% YoY)
: Due to unrecognized sales of several games which established the allowance for bad debts in 4Q 2018
- Operating Income (Deficit continues QoQ, Turn to deficit YoY)
: Caused by increasing marketing expenses related to global service of existing games
- Net Income (Deficit continues QoQ, Turn to deficit YoY) : Continued deficit QoQ

[Unit: Million won]

	1Q'19	4Q'18	QoQ	1Q'18	YoY
Revenue	26,686	32,416	-18%	35,096	-24%
Operating Expenses	33,950	71,697	-53%	27,642	23%
Operating Income	-7,264	-39,281	Deficit continues	7,454	Turn to deficit
Non-Operating Income(loss)	-306	-5,879	-	103	-
Financial Income(loss)	2,696	696	-	652	-
Equity Method	0	0	-	-	-
Income before tax	-4,874	-44,464	Deficit continues	8,209	Turn to deficit
Income tax	2,346	2,575	-9%	3,749	-37%
Net Income	-7,220	-47,039	Deficit continues	4,460	Turn to deficit

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

3. Sales Breakdown

By Platform and License

- License (-33% QoQ)
: Mainly on unrecognized sales of a few license games related to the reserve for bad debts set up in 4Q 2018 despite two new license games releases
- Mobile (+5% QoQ) : Driven by overseas release of <Icarus M> (in Japan & Taiwan)
- Online (-8% QoQ) : Due to decrease in sales of several existing games

[Unit: Million won]

	1Q'19	4Q'18	QoQ	1Q'18	YoY
Mobile	10,177	9,687	5%	6,083	67%
Online	3,893	4,221	-8%	3,682	6%
License	12,047	18,066	-33%	25,172	-52%
Others	569	442	29%	159	258%
Total	26,686	32,416	-18%	35,096	-24%

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3. Sales Breakdown

By Region

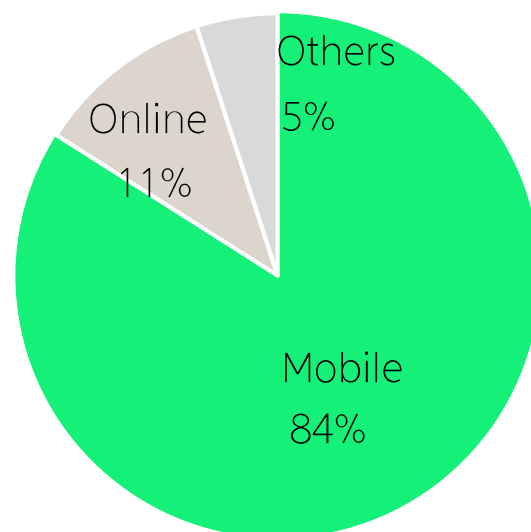
- Domestic (+4% QoQ) : Thanks to contents updates of existing games
- Overseas (-30% QoQ) : Fell 30% QoQ due to unrecognized sales of several license games related to the allowance for bad debts created in 4Q 2018

[Unit: Million won]

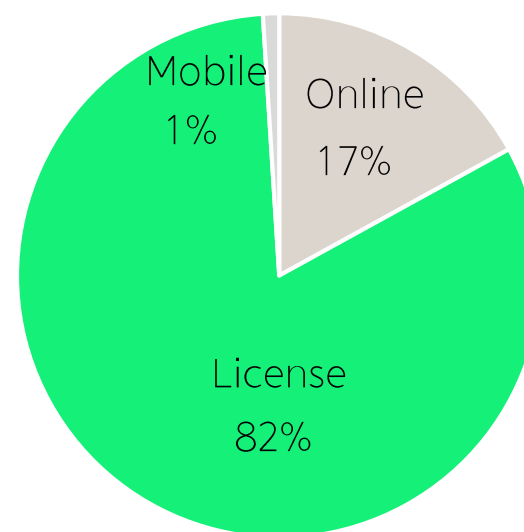
	1Q'19	4Q'18	QoQ	1Q'18	YoY
Domestic	12,032	11,550	4%	7,762	55%
Overseas	14,655	20,866	-30%	27,334	-46%
Total	26,686	32,416	-18%	35,096	-24%

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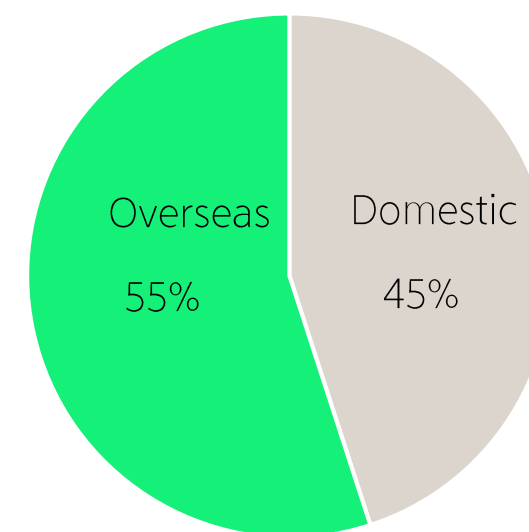
• Domestic



• Overseas



• Total



4. Operating Expenses

- Operating Expenses (-53% QoQ, +23% YoY)
: Resulted from both high base effect from the bad debt allowance established in 4Q 2018 and marketing expense increase for overseas services of existing games

- 1Q'19 Operating Expenses

[Unit: Million won]

	1Q'19	4Q'18	QoQ	1Q'18	YoY
Labor*	15,445	14,571	6%	12,604	23%
Service Fee	9,798	12,411	-21%	10,964	-11%
Marketing	4,790	1,780	169%	666	619%
Depreciation	1,008	1,129	-11%	1,340	-25%
Taxes	761	599	27%	681	12%
Others	2,149	41,208**	-95%	1,387	55%
Total	33,950	71,697	-53%	27,642	23%

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

** Includes the allowance for doubtful accounts in 4Q'18

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5. Summary Consolidated Financial Statements

• Consolidated Balance Sheet

	[Unit: KRW Bn]		
	2017	2018	1Q'19
Total Assets	453.3	345.4	340.8
Current Assets	321.1	179.5	157.1
Non-current Assets	132.2	165.9	183.6
Total Liabilities	111.3	79.3	82.2
Current Liabilities	93.6	77.0	80.1
Non-current Liabilities	17.7	2.3	2.2
Total Equity	342.0	266.1	258.5
Capital Stock	8.7	8.7	8.7
Retained Earnings	137.5	114.0	101.6
Total Liabilities & Equity	453.3	345.4	340.8

• Consolidated Income Statement

	[Unit: KRW Bn]		
	2017	2018	1Q'19
Revenue	109.6	127.1	26.7
Operating Expenses	103.6	163.2	34.0
Operating Profit	6.0	-36.2	-7.3
Non-Operating Income(loss)	8.6	0.8	-0.3
Income before tax	14.5	-35.4	-4.9
Income tax	15.4	13.1	2.3
Net Income	-0.9	-48.5	-7.2
Controlling Interest	9.7	-13.1	-2.5
Non-controlling Interest	-10.6	-35.3	-4.7

※ Above consolidated Income Statement figures are YTD figures

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