



FY2014 Q3 Earnings Release

WEMADE ENTERTAINMENT

INVESTOR RELATIONS 2014.11.14



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● Consolidated Companies

WeMade Entertainment, Joymax (IO Entertainment, Fever Studio, Linyworks, D4Games),

WeMade Creative, WeMade Entertainment Online, WeMade Entertainment USA,

WeMade Entertainment Shanghai

FY2014 Q3 Earnings Release

I. FY2014 Q3 Results

1. Operational Highlights
2. Income Statement - WeMade
3. Income Statement - Joymax
4. Revenue by Game
5. Revenue by Region
6. Operating Expenses

II. Appendix

1. Revenue from "Legend of Mir2" (China)
2. Financial Statement - WeMade
3. Financial Statement - Joymax

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2. Income Statement – WeMade
3. Income Statement – Joymax
4. Revenue by Game
5. Revenue by Region
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1. Operating Highlights

Mobile Game

• Domestic Market

- Revenues increased slightly in Q3 thanks to contribution from new titles such as 'Café Storia' and 'Shinmoo' despite decreases in existing game revenues.
- Expecting modest mobile revenue growth in Q4 with the launch of new titles such as 'Wind Soul' and 'Blood Stone'.

• Overseas Market

- Revenues increased in Q3 as a result of steady growth of 'Atlan Story-global' and a major update in 'LINE-Windrunner'
- Expanded overseas service with launch of 'Air Hunter' in China, 'LINE-Sweets' in Japan and 'Metal Skies-global'.
- Expecting overseas revenue growth in Q4 with launch of 'Ark Sphere' in Japan and global version of 'Every town', and 'Viking Island'

Online Game

- 'Icarus' seems to have attained a sustainable run rate in Q3.
- 'Mir2' in China decreased in Q3 due mostly to seasonality.
- China alpha-test of 'Lost Saga' currently in progress.
- 'Chanchun2' localization process continuing after the August CBT.

2. Income Statement - WeMade

- Total revenues of 41.8 billion won. (-2% QoQ, -24% YoY)
- Operating loss of 5.2 billion won. (+0.2% QoQ) Operating expense of 47 billion won similar to Q2.

[Million KRW]

| | Q3 '14 | Q2 '14 | QoQ | Q3 '13 | YoY |
|----------------------------|---------------|---------------|------------|---------------|------------------------|
| Revenue | 41,800 | 42,505 | -2% | 54,768 | -24% |
| Mobile | 17,431 | 16,761 | 4% | 33,054 | -47% |
| Online | 24,369 | 25,744 | -5% | 21,714 | 12% |
| Op Expense | 46,996 | 47,710 | -1% | 51,989 | -10% |
| Labor | 25,396 | 25,869 | -2% | 25,234 | 1% |
| Service Fee | 12,054 | 11,594 | 4% | 18,171 | -34% |
| Marketing | 1,636 | 2,393 | -32% | 807 | 103% |
| D&A | 2,950 | 2,904 | 2% | 2,684 | 10% |
| Taxes | 882 | 890 | -1% | 1,014 | -13% |
| Others | 4,077 | 4,059 | - | 4,078 | - |
| Op Income | -5,196 | -5,205 | - | 2,780 | Turn to deficit |
| Non-Op. | 25 | -250 | - | -827 | - |
| Financial | 1,117 | -433 | - | -928 | - |
| Equity Method | 985 | 1,453 | -32% | 74 | 1,222% |
| Income before taxes | -3,069 | -4,435 | - | 1,100 | Turn to deficit |
| Income tax | -2,104 | -2,759 | - | 350 | - |
| Net Income | -965 | -1,676 | - | 750 | Turn to deficit |
| Attributable to WeMade | -505 | -1,403 | - | -1,759 | - |
| Minority Interest | -460 | -272 | - | 2,509 | Turn to deficit |

3. Income Statement - Joymax

- Total revenues of 7.1 billion won. (-3% QoQ, -46% YoY)
- Operating loss of 1.5 billion won as a result of decreased online game revenues - 'Silkroad & Digimon Masters'.
- Labor costs increased 9% QoQ as a result of revaluation of employees stock-based compensation costs related the merger between Joymax and Link tomorrow.

[Million KRW]

| | Q3'14 | Q2'14 | QoQ | Q3'13 | YoY |
|----------------------------|---------------|---------------|-------------|---------------|------------------------|
| Revenue | 7,078 | 7,331 | -3% | 13,013 | -46% |
| Mobile | 3,845 | 3,657 | 5% | 8,748 | -56% |
| Online | 3,233 | 3,674 | -12% | 4,265 | -24% |
| Op Expense | 8,560 | 8,344 | 3% | 8,568 | 0% |
| Labor | 5,429 | 4,960 | 9% | 5,334 | 2% |
| Service Fee | 800 | 870 | -8% | 911 | -12% |
| Marketing | - | 159 | -100% | 19 | -100% |
| D&A | 972 | 932 | 4% | 946 | 3% |
| Taxes | 49 | 66 | -26% | 74 | -34% |
| Others | 1,310 | 1,357 | -3% | 1,285 | 2% |
| Op Income | -1,483 | -1,013 | - | 4,445 | Turn to deficit |
| Non-Op. | 66 | -36 | - | -285 | - |
| Financial | 346 | 192 | 80% | 80 | 333% |
| Equity Method | - | - | - | - | - |
| Income before taxes | -1,071 | -857 | - | 4,241 | Turn to deficit |
| Income tax | -74 | -154 | - | 1,246 | - |
| Net Income | -997 | -703 | - | 2,994 | Turn to deficit |
| Attributable to Joymax | -1,178 | -626 | - | 1,161 | Turn to deficit |
| Minority Interest | 181 | -77 | Turn around | 1,833 | -90% |

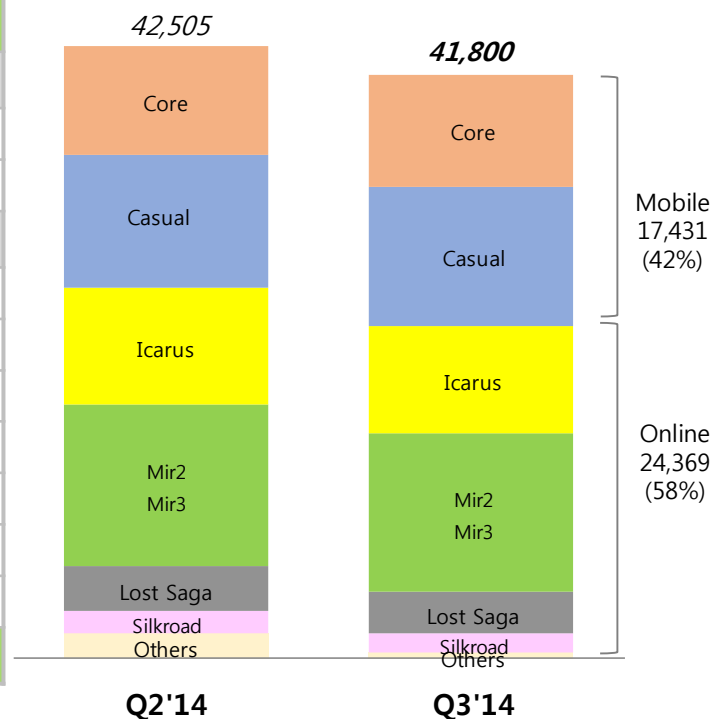
4. Revenue by Game

- Mobile revenues increased 4% QoQ with launch of new title 'Café Storia' and increase in overseas revenues.
- Online revenues decreased 5% QoQ as a result of decline in 'Icarus', 'Silkroad' and 'Digimon Masters'.

[Million KRW]

| | Q3'14 | Q2'14 | QoQ | Q3'13 | YoY |
|----------------------------|---------------|---------------|------------|---------------|-------------|
| Mobile | 17,431 | 16,761 | 4% | 33,054 | -47% |
| <i>Core</i> | 7,776 | 7,560 | 3% | 6,089 | 28% |
| <i>Casual</i> ¹ | 9,655 | 9,200 | 5% | 26,965 | -64% |
| Online | 24,369 | 25,744 | -5% | 21,714 | 12% |
| <i>MIR2</i> | 9,459 | 9,748 | -3% | 10,872 | -13% |
| <i>MIR3</i> | 1,482 | 1,432 | 4% | 2,134 | -31% |
| <i>Icarus</i> | 7,541 | 8,128 | -7% | - | - |
| <i>Lost Saga</i> | 2,977 | 3,181 | -6% | 3,869 | -23% |
| <i>Silkroad</i> | 1,276 | 1,497 | -15% | 1,683 | -24% |
| <i>Digimon Masters</i> | 1,233 | 1,332 | -7% | 1,821 | -32% |
| <i>Others</i> | 399 | 425 | -6% | 1,335 | -70% |
| Total | 41,800 | 42,505 | -2% | 54,768 | -24% |

* 1 Mobile-Casual includes SNG

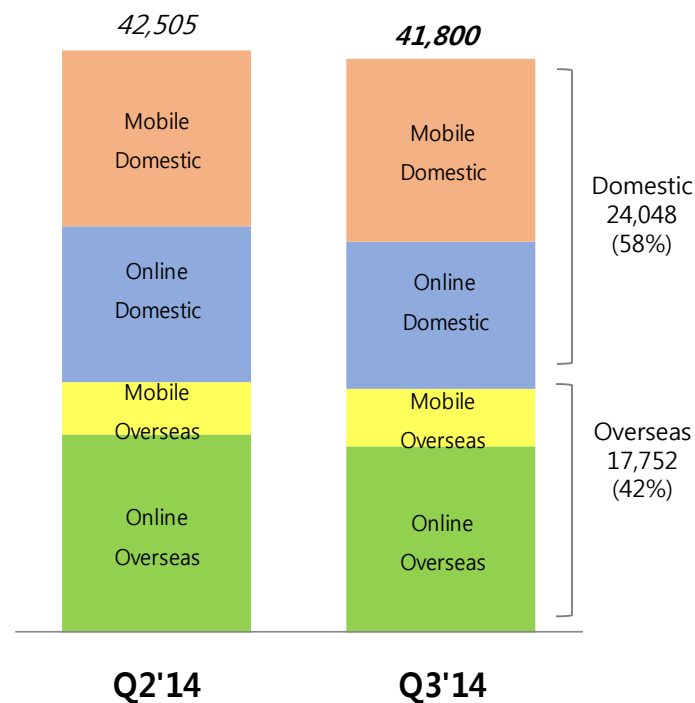


5. Revenue by Region

- Domestic revenues of 24 billion won similar to Q2. Overseas revenues decreased 3% QoQ.
- Overseas revenues from mobile increased 8% QoQ as a result of steady growth of 'Atlan Story-global' and 'LINE-Windrunner' content update.
- Overseas revenues from online decreased 6% QoQ due to seasonality.

[Million KRW]

| | Q3 '14 | Q2 '14 | QoQ | Q3 '13 | YoY |
|-----------------|---------------|---------------|------------|---------------|-------------|
| Domestic | 24,048 | 24,204 | -1% | 28,953 | -17% |
| <i>Mobile</i> | 13,271 | 12,904 | 3% | 24,792 | -46% |
| <i>Online</i> | 10,777 | 11,300 | -5% | 4,161 | 159% |
| Overseas | 17,752 | 18,301 | -3% | 25,815 | -31% |
| <i>Mobile</i> | 4,160 | 3,856 | 8% | 8,262 | -50% |
| <i>Online</i> | 13,592 | 14,444 | -6% | 17,553 | -23% |
| Total | 41,800 | 42,505 | -2% | 54,768 | -24% |



6. Operating Expense

- Labor costs declined 2% QoQ despite decreases in the number of employees due to revaluation of employees stock-based compensation costs.
- Service fee grew 4% QoQ related to mobile game revenues increase.
- Marketing costs declined 32% QoQ as a result of reduced marketing budget for 'Icaurs'.

[Million KRW]

| | Q3 '14 | Q2 '14 | QoQ | Q3 '13 | YoY |
|--------------------------|---------------|---------------|------------|---------------|-------------|
| Labor | 25,396 | 25,869 | -2% | 25,234 | 1% |
| Service Fee ¹ | 12,053 | 11,594 | 4% | 18,171 | -34% |
| Marketing | 1,636 | 2,393 | -32% | 807 | 103% |
| D&A | 2,951 | 2,904 | 2% | 2,684 | 10% |
| Taxes | 882 | 890 | -1% | 1,014 | -13% |
| Others | 4,077 | 4,059 | - | 4,078 | - |
| Total | 46,996 | 47,710 | -1% | 51,989 | -10% |

*¹ Service fee includes commission to Google / Apple & Kakao

II. Appendix

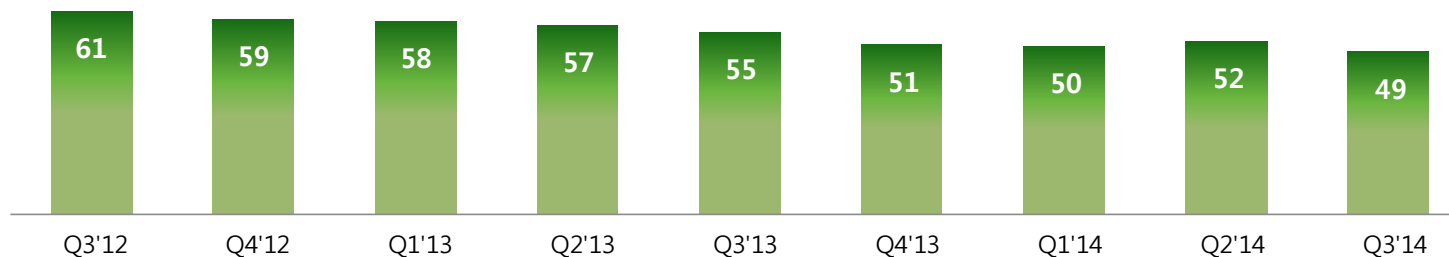
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1. Revenue from “Legend of Mir2” (China)

- Q2 revenues decreased 6% QoQ on Yuan basis due to seasonality.
- KRW revenues decreased 4% QoQ impact of KRW depreciation.

• Mir2 China Revenue Trend

[Million RMB]



• Mir2 China Revenue by Currency

[Million RMB, Million USD, Million KRW]

| 구분 | Q3 '14 | Q2 '14 | QoQ | Q3 '13 | YoY |
|-----|---------|---------|-------|---------|--------|
| RMB | 48.7 | 52.0 | -6.3% | 54.6 | -10.9% |
| USD | 7.9 | 8.3 | -5.2% | 8.9 | -11.5% |
| KRW | 8,161.2 | 8,503.3 | -4.0% | 9,779.0 | -16.5% |

2. Financial Statement - WeMade (Consolidated)

• Statements of Financial Position

| [Billion won] | 2012 | 2013 | Sep.30,'14 |
|----------------------|-------|-------|--------------|
| Current Assets | 175.5 | 144.1 | 131.5 |
| Non Current Assets | 185.1 | 225.3 | 218.4 |
| Total Assets | 360.6 | 369.4 | 349.9 |
| Liabilities | 21.7 | 25.4 | 25.8 |
| Equity | 338.9 | 344.0 | 324.1 |
| Liabilities & Equity | 360.6 | 369.4 | 349.9 |

• Income Statement

| [Billion won] | 2012 | 2013 | 2014 (Q1~Q3) |
|------------------------|-------|-------|-----------------|
| Revenues | 119.9 | 227.4 | 124.1 |
| Op Expense | 121.9 | 215.1 | 145.0 |
| Op Profit | -2.0 | 12.3 | -20.9 |
| Non Op Inc/Exp | -2.8 | 6.5 | 1.8 |
| Income before Taxes | -4.8 | 18.9 | -19.1 |
| Taxes | 2.9 | 6.5 | -4.5 |
| Discontinued Ops | -0.3 | -0.1 | - |
| Net Income | -7.9 | 12.3 | -14.6 |
| Attributable to WeMade | -4.3 | - | -13.4 |
| Minority Interest | -3.7 | 12.3 | -1.1 |

3. Financial Statement - Joymax (Consolidated)

• Statements of Financial Position

| [Billion won] | 2012 | 2013 | Sep.30,'14 |
|----------------------|-------|-------|--------------|
| Current Assets | 50.4 | 73.5 | 60.3 |
| Non Current Assets | 57.7 | 46.1 | 48.3 |
| Total Assets | 108.1 | 119.6 | 108.6 |
| Liabilities | 8.2 | 10.5 | 8.9 |
| Equity | 99.9 | 109.1 | 99.7 |
| Liabilities & Equity | 108.1 | 119.6 | 108.6 |

• Income Statement

| [Billion won] | 2012 | 2013 | 2014 (Q1~Q3) |
|------------------------|------|------|-----------------|
| Revenues | 27.6 | 51.4 | 23.3 |
| Op Expense | 29.2 | 33.3 | 26.6 |
| Op Profit | -1.6 | 18.1 | -3.4 |
| Non Op Inc/Exp | -2.1 | 2.7 | 1.1 |
| Income before Taxes | -3.7 | 20.8 | -2.3 |
| Taxes | 1.1 | 6.2 | 0.2 |
| Net Income | -4.8 | 14.6 | -2.4 |
| Attributable to Joymax | -4.1 | 7.1 | -2.8 |
| Minority Interest | -0.7 | 7.5 | 0.3 |

Thank You