

# WEMADE

## 2Q FY2019 Earnings Results

INVESTOR RELATIONS

2019. 8. 7.

# Disclaimer

---

The financial information under this document is the sales performance of Wemade Co., Ltd. (the "Company") written in accordance with K-IFRS. The result of 2Q 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 has 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.

# 2Q FY 2019 Earnings Results

1. Key Results and Plans
2. 2Q 2019 Summary Consolidated Results
3. Sales Breakdown
  - By Platform and License
  - By Region
4. Operating Expenses
5. Summary Consolidated Financial Statements

# 1. Key Results and Plans

---

## 2Q 2019 Results

- Won a 'Mir' IP license agreement dispute case against Zhejiang Huanyou Network Technology at the ICC International Court of Arbitration in Singapore
- Completed an arbitration hearing held in an infringement of 'Mir2' IP copyright case against SHENGQU GAMES(formerly Shanda Games) at the ICC International Court of Arbitration in Singapore
- Received an injunction against KingNet(Developer) and Tencent(Publisher) to stop providing <Lanyuechuanqi(3D)> service in China by the Hangzhou Intermediate People's Court
- Recognized lump-sum unpaid royalty as revenue from SHENGQU GAMES(formerly Shanda Games) as a result of an order for an interim payment issued by the Tribunal in a 'Legend of Mir3' license agreement extension dispute case at the ICC International Court of Arbitration in Singapore
- Rolled out seven new license games based on 'Mir' IP in China including five games contracted by Wemade (<TuLongCaiJue>, <lieyanzhetian>, <shachengzhange>, <shengshilongcheng>, <longchengchuanqi>) and two games contracted by Actoz Soft (<YiDaoTuLong>, <FuguChuanqi-RexueChuanqiZiliaopian>)

## 3Q 2019 Updates and Plans

- Expecting execution of the final award from 'Mir' IP license agreement dispute case against Zhejiang Huanyou Network Technology at the ICC International Court of Arbitration in Singapore
- Appeal in progress regarding an intellectual property right infringement case of 'Mir' IP against 37 games
- Expecting to have four to five new 'Mir' IP license games and to sign new license agreements with major Chinese companies
- Signed a 'Mir' IP license agreement with Netblue Games in Korea to release a new license mobile game <Legend of Mir2 Again>
- Preparing for tests(CBT/OBT) for domestic launch of <Mir 4> (developed by Wemade Next and published by Wemade Service)
- Ongoing discussions with potential Chinese partners to launch <Mir M> in China
- New strategy game, <Mir W> based on 'Mir' IP, well on track for development by Ndream\* \* Wemade holds stakes as a strategic investor

## 2. 2Q 2019 Summary Consolidated Results

- Revenue (+27% QoQ, +22% YoY)  
: Rose 27% QoQ and 22% YoY thanks to seven new license games and revenue recognition of unpaid royalty
- Operating Income (Turn to profit QoQ, +3,235% YoY) : Turn to profit QoQ and jumped +3,235% YoY
- Net Income (Deficit continues QoQ, Turn to deficit YoY) : Continued deficit QoQ mainly on income tax

[Unit: Million won]

	2Q'19	1Q'19	QoQ	2Q'18	YoY
<b>Revenue</b>	33,873	26,686	27%	27,773	22%
<b>Operating Expenses</b>	31,096	33,950	-8%	27,690	12%
<b>Operating Income</b>	2,777	-7,264	Turn to profit	83	3,235%
Non-operating Income(loss)	131	-306	-	-12	-
Financial Income(loss)	-92	2,696	-	6,522	-
<b>Income before tax</b>	2,817	-4,874	Turn to profit	6,592	-57%
Income tax	2,927	2,346	25%	5,113	-43%
<b>Net Income</b>	-110	-7,220	Deficit continues	1,479	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 (+58% QoQ) : Driven by seven new license games in China and revenue recognition of unpaid royalty
- Mobile (+1% QoQ) : Mainly on release of a new casual mobile game
- Online (+5% QoQ) : Led by self-publishing of <Legend of Mir 2,3> domestic service

[Unit: Million won]

	2Q'19	1Q'19	QoQ	2Q'18	YoY
Mobile	10,258	10,177	1%	7,923	29%
Online	4,107	3,893	5%	3,883	6%
License	19,055	12,047	58%	15,586	22%
Others	453	569	-20%	381	19%
<b>Total</b>	<b>33,873</b>	<b>26,686</b>	<b>27%</b>	<b>27,773</b>	<b>22%</b>

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

### 3. Sales Breakdown

# By Region

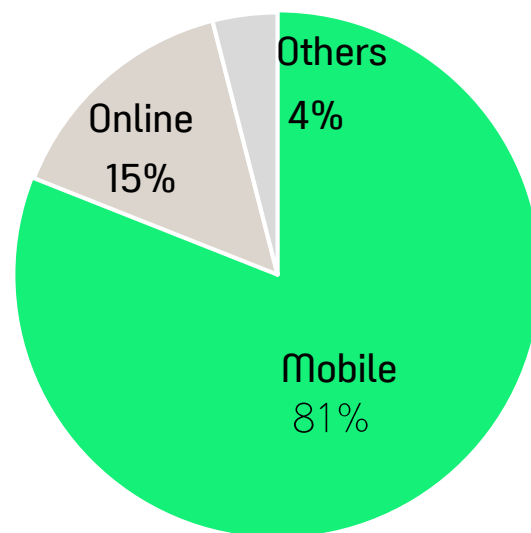
- Domestic (+4% QoQ) : Thanks to self-publishing of <Legend of Mir2,3> PC game and roll out of a new casual game
- Overseas (+46% QoQ) : Up 46% QoQ mainly on seven new license games and revenue recognition of unpaid royalty

[Unit: Million won]

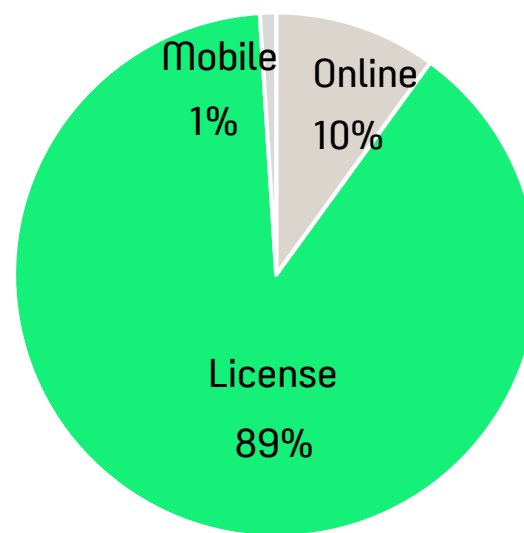
	2Q'19	1Q'19	QoQ	2Q'18	YoY
Domestic	12,546	12,032	4%	9,577	31%
Overseas	21,328	14,655	46%	18,196	17%
Total	33,873	26,686	27%	27,773	22%

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

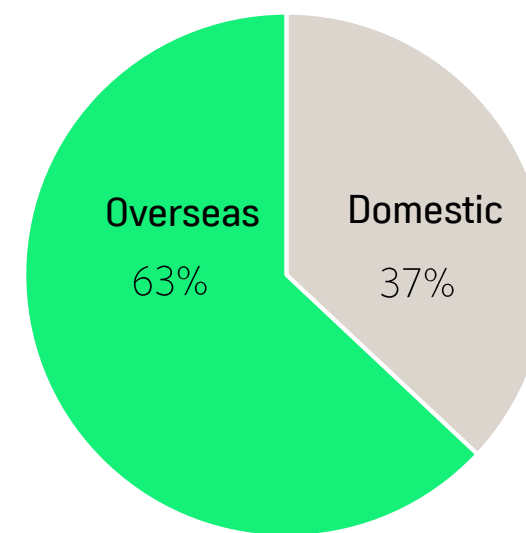
#### • Domestic



#### • Overseas



#### • Total



## 4. Operating Expenses

- Operating Expenses (-8% QoQ, +12% YoY) : Fell 8% QoQ thanks to 62% QoQ decrease in marketing expenses

- 2Q'19 Operating Expenses

[Unit: Million won]

	2Q'19	1Q'19	QoQ	2Q'18	YoY
Labor*	15,049	15,445	-3%	13,514	11%
Service Fee	10,199	9,798	4%	8,926	14%
Marketing	1,830	4,790	-62%	1,830	0%
Depreciation	1,025	1,008	2%	1,192	-14%
Taxes	949	761	25%	738	29%
Others	2,044	2,149	-5%	1,489	37%
<b>Total</b>	<b>31,096</b>	<b>33,950</b>	<b>-8%</b>	<b>27,690</b>	<b>12%</b>

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

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



# 5. Summary Consolidated Financial Statements

## • Consolidated Balance Sheet

[Unit: KRW Bn]

	2017	2018	2Q'19
<b>Total Assets</b>	<b>453.3</b>	<b>350.8</b>	<b>321.1</b>
Current Assets	322.1	177.9	135.6
Non-current Assets	131.2	173.0	185.5
<b>Total Liabilities</b>	<b>111.3</b>	<b>752</b>	<b>63.2</b>
Current Liabilities	936	730	62.2
Non-current Liabilities	177	23	0.9
<b>Total Equity</b>	<b>342.0</b>	<b>275.6</b>	<b>257.9</b>
Capital Stock	87	87	8.7
Retained Earnings	137.3	114.0	105.6
<b>Total Liabilities &amp; Equity</b>	<b>453.3</b>	<b>350.8</b>	<b>321.1</b>

## • Consolidated Income Statement

[Unit: KRW Bn]

	2017	2018	2Q'19
<b>Revenue</b>	<b>109.6</b>	<b>127.1</b>	<b>60.6</b>
Operating Expenses	103.6	163.2	65.0
<b>Operating Profit</b>	<b>6.0</b>	<b>-36.2</b>	<b>-4.5</b>
Non-operating Income(loss)	8.6	0.8	2.4
Income before tax	14.5	-35.4	-2.1
Income tax	15.4	13.1	5.3
<b>Net Income</b>	<b>-0.9</b>	<b>-48.5</b>	<b>-7.3</b>
Controlling Interest	9.7	-13.1	1.4
Non-controlling Interest	-10.6	-35.3	-8.8

\* Above consolidated Income Statement figures are YTD figures

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