



Webzen 1Q 2004 Earnings Release

April 29, 2004

* The financial results for 1Q 2004 have been prepared on an un-audited basis according to Korean GAAP accounting standards, and may be subject to change during the independent auditing process.

* The statements included in this document that are not historical in nature are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements, based on the Company's current expectations, assumptions, estimates, and projections, are subject to various risks and uncertainties that may cause actual results to differ materially. Webzen disclaims any responsibility to update these forward-looking statements.

* Webzen disclaims responsibility for individual investment decisions based solely on this material.

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Results Summary

- Total revenue growth of 6.65% over last quarter
- Limited increase in overseas revenue boosted by strong domestic growth
- Reduction in operating costs by 6.72%, resulting in enhanced profitability; operating profit margin increased to 57.5% versus last quarter's 51.4%
- Due to foreign currency-related non-operating losses, pretax profit decreased by 21.91%

Summary of 1Q 2004 Results

Units : KRW mm

	1Q 2004	4Q 2004	QoQ (%)	1Q 2003	YoY (%)
Revenues	15,762	14,778	6.65	12,991	21.33
Operating expenses	6,693	7,175	(6.72)	4,199	59.41
Operating profit	9,069	7,603	19.28	8,792	3.15
<i>OP margin</i>	57.5%	51.4%	6.1	67.7%	(10.2)
Non-operating income	4,810	2,500	-	213	-
Non-operating expenses	6,027	48	-	31	-
Recurring profit	7,852	10,055	(21.91)	8,974	(12.51)

Revenue Growth

- Domestic revenue growth of 7.67%; continued solid domestic performance of MU despite concerns over increased competition
- Overseas revenue grew by 1.03%; decrease in royalty from China offset by new revenue source from Japan

Revenue Distribution

Units: KRW mm

	1Q 2004		4Q 2003	Change (%)
Revenues	15,762	100%	14,778	6.65
Domestic	13,667	86.7%	12,694	7.67
Overseas	2,072	13.2%	2,051	1.03
Mobile	14	-	14	-
Other	9	-	19	-

Domestic Revenues

- Individual subscription revenues grew by 14.4%, accounting for 66% of domestic revenues
- Internet café revenues decreased by 3.45% due to the effects of back-to-school seasonality and increasing number of users opting for individual subscriptions

Breakdown of Domestic Revenues

Units: KRW mm

	1Q 2004	4Q 2003	Change (%)
Domestic	13,667	12,694	7.67
Individual	9,033	7,895	14.43
Internet Cafes	4,634	4,799	(3.45)
Mobile	14	14	-
Other	9	19	-

Overseas Revenue

- China revenues negatively affected by the Company's continued firm measures against hacking tool users and problems associated with "free servers"
- Recovery in China expected as major updates planned for in the 2Q and free servers highly inferior in quality
- 4Q Taiwan revenues reflected a one-time positive adjustment; slight decrease over previous quarter in terms of actual sales
- Commercialization of Japanese operations led to 197 million Won in royalty revenues
- MU commercially launched in Thailand on April 19th; royalty from Thailand to be reflected beginning in 2Q 2004

Overseas Revenue by Country

Units: KRW mm

	1Q 2004	4Q 2003	Change (%)
Overseas royalty	2,072	2,051	1.03
China	1,587	2,085	(23.88)
Taiwan	288	396	(27.41)
Japan	197	(312)	-
Thailand	-	(118)	-

Operating Costs

- Decrease of 6.72% in total operating expenses over previous quarter
- Depreciation expenses decreased by 29.35% due to relative decrease in acquisition of tangible assets this quarter and application of declining balance method
- Bad debt expense normalized following one-time accounting policy change last quarter
- Sales commission decreased as result of decrease in revenues from internet café accounts
- As marketing costs tend to be higher towards the end of the year, decrease in marketing costs over last quarter
- 76.2% increase in commissions paid reflects audit fees and increase in commissions paid for electronic payment services

Operating costs

Units: KRW mm

	1Q 2004	4Q 2003	Change (%)
Total operating costs	6,693	7,175	(6.72)
Salaries	1,669	1,687	(1.07)
Depreciation	549	777	(29.35)
Bad debt expense	541	1,249	(56.72)
Sales commission	1,057	1,140	(7.28)
Commissions paid	1,166	661	76.24
Marketing expenses	832	979	(15.01)
Other	879	682	28.95

Non-operating Items

- Net non-operating income decreased by 149.63%, leading to a 21.91% decrease in pretax profit
- Interest income amounted to 839 million Won
- Gains from equity method decreased by 46.85% due to decrease in 9Webzen's net income and losses associated with Flux
- Falling currency rate resulted in significant loss in foreign currency translation with respect to our USD-denominated cash assets; in order to offset the loss, a forward contract made in mid February resulted in gains on valuation of forward currency transaction
- Currently, excluding capital to be invested this year, balance of USD-denominated cash hedged in forward currency contract until end of 2004

Net Non-Operating Income

Units: KRW mm

	1Q 2004	4Q 2003	Change (%)
Net non-operating income	(1,217)	2,452	(149.63)
Interest income	839	292	186.99
Profit (loss) on foreign exchange	(4,192)	995	(421.32)
Gains on equity method	644	1,212	(46.85)
Gains on valuation of forward currency transaction	1,478	-	100.00
Other	14	(47)	30.74

Balance Sheet

Units : KRW mm

	1Q 2004	4Q 2003	Change (%)
Current assets	190,088	185,218	2.63
Quick assets	190,088	185,218	2.63
Inventory	-	-	-
Fixed assets	22,660	21,583	4.99
Investments	10,946	10,059	8.82
PP&E	10,763	10,616	1.39
Intangible assets	951	908	4.69
Total assets	212,748	206,801	2.88
Current liabilities	11,852	13,523	(12.36)
Fixed liabilities	1,895	1,726	9.81
Total liabilities	13,747	15,249	(9.85)
Capital stock	2,185	2,185	-
Capital surplus	139,728	139,728	-
Retained earnings	57,252	49,460	15.76
Capital adjustments	(164)	179	(191.66)
Total shareholders' equity	199,001	191,552	3.89
Total liabilities & SE	212,748	206,801	2.88

Income Statement

Units : KRW mm

	1Q 2004	4Q 2003	Change (%)
Revenues	15,762	14,778	6.65
Online games	13,690	12,717	7.64
Royalty	2,072	2,061	0.53
Merchandise	-	(0.5)	-
Cost of goods sold	2,023	2,135	(5.23)
Gross profit	13,739	12,643	8.66
SG&A	4,670	5,040	(7.36)
Operating profit	9,069	7,603	19.28
Non-operating income	4,810	2,500	92.36
Non-operating expenses	6,027	48	-
Recurring profit	7,852	10,055	(21.91)
Extraordinary gains (losses)	-	(32)	-
Income tax	1,308	1,787	(26.84)
Net income	6,544	8,236	(20.54)