



Global Digital Entertainment Leader

Investor Relations

Earnings Release 2005 Q3

Valkyrie

An archer in the game Soul of the Ultimate Nation™

2005 Q3 EARNINGS RELEASE

※ The financial results have been prepared on an unaudited basis, and may be subject to change during the independent auditing process



Results Summary

Revenue decreased 12.4% compared to Q2

Unit: KRW mm

	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
Revenue	6,599	7,532	-12.4%	12,785	-48.4%
Operating Expense	11,562	14,287	-19.1%	8,259	40.0%
Operating Profit	-4,963	-6,755	-	4,526	-
<i>Operating Profit Margin</i>	-75.2%	-89.7%	-	35.4%	-
Pretax Profit	-5,218	-6,327	-	6,704	-
<i>Pretax profit margin</i>	-79.1%	-84.0%	-	52.4%	-

Revenue Breakdown

Domestic Revenue decreased 16% compared to Q2

Unit: KRW mm





	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
Revenue	6,599	7,532	-12.4%	12,785	-48.4%
Domestic	5,315	6,357	-16.4%	10,812	-50.8%
Overseas	1,044	1,109	-5.9%	1,949	-46.4%
Other	240	66	263.6%	24	900.0%

Domestic Revenue Breakdown

Individual and Internet cafe revenues decreased 16% and 17% respectively








Unit: KRW mm

	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
 Domestic	5,315	6,357	-16.4%	10,812	-50.8%
 Individual	3,857	4,601	-16.2%	7,478	-48.4%
 Internet Cafe	1,458	1,756	-17.0%	3,334	-56.3%

Overseas Revenue Breakdown

Overseas revenue decreased 5% from Q2

Unit: KRW mm

	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
 Overseas	1,044	1,109	-5.9%	1,949	-46.4%
 China	110	138	-20.3%	861	-87.2%
 Taiwan	198	205	-3.4%	274	-27.7%
 Japan	554	498	11.2%	269	105.9%
 Thailand	87	59	47.5%	131	-33.6%
 Philippines	95	6	1,483.3%	347	-72.6%
 Vietnam	-	203	-	-	-

*** Philippines(2004 Q3) and Vietnam (2005 Q2) revenue are initial License Fees

Operating Costs

Total Operating Costs decreased 19% compared to Q2

Unit: KRW mm

	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
Total Operating Costs	11,562	14,287	-19.1%	8,529	35.6%
Labor costs	5,410	5,147	5.1%	2,774	95.0%
Depreciation	713	661	7.9%	744	-4.2%
Sales commission	293	381	-23.1%	759	-61.4%
Commission paid	1,077	2,512	-57.1%	1,173	-8.2%
Marketing expenses	1,707	3,248	-47.4%	1,096	55.7%
Other	2,362	2,338	1.0%	1,983	19.1%

Non-Operating Items

Non-operating loss compared to Q2

Unit: KRW mm

	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
Non-Operating Income	-255	427	-	2,178	-
Interest Income	1,191	1,266	-5.9%	986	20.8%
Profit (Loss) on foreign exchange	8	-83	-	592	-98.6%
Gain on Equity method	-1,512	-757	-	578	-
Other	58	1	-	22	163.6%

Equity Method

Loss on equity method during Q3

Unit: KRW mm

	2005 Q3	2005 Q2	QoQ	2004 Q3	YoY
Dom. Flux	-	-	-	-101	-
Overseas 9Webzen	-376	-181	-	1,105	-
Webzen Taiwan	-237	-63	-	-426	-
Webzen China	-339	-272	-	-	-
Webzen America	-560	-241	-	-	-
Total	-1,512	-757	-	578	-

T H A N K Y O U



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