Global Digital Entertainment Leader

# Investor Relations

## Earnings Release 2005 Q4

※ *The financial results for 2005 4Q have been prepared on an unaudited basis, and may be subject to change during the independent auditing process*

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# Results Summary

**Revenue decreased 16% compared to Q3**

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Revenue | 5,513 | 6,599 | *-16.5%* | 10,949 | *-49.6%* |
| Operating Expense | 11,707 | 11,562 | *1.3%* | 9,997 | *17.1%* |
| Operating Profit | -6,194 | -4,963 | *24.8%* | 952 | - |
| *Operating Profit Margin* | *-112.4%* | *-75.2%* | - | *8.7%* | - |
| Pretax Profit | -5,823 | -5,218 | *11.6%* | 1,653 | - |
| *Pretax profit margin* | *-105.6%* | *-79.1%* | - | *15.1%* | - |

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# Revenue Breakdown

**Domestic and Overseas Revenue decreased 15% and 9% respectively**

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Revenue | 5,513 | 6,599 | -16.5% | 10,949 | -49.6% |
| Domestic | 4,526 | 5,315 | -14.8% | 9,019 | -49.8% |
| Overseas | 949 | 1,044 | -9.1% | 1,790 | -47.0% |
| Other | 38 | 240 | -84.1% | 140 | -72.9% |

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# Domestic Revenue Breakdown

**Individual and Internet café revenues decreased 12% and 23% respectively**

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Domestic | 4,526 | 5,315 | -14.8% | 9,019 | -49.8% |
| Individual | 3,402 | 3,857 | -11.8% | 6,418 | -47.0% |
| Internet Cafe | 1,124 | 1,458 | -22.9% | 2,601 | -56.8% |

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# Overseas Revenue Breakdown

**Taiwan/Japan increase, China/Thailand/Philippines decrease compared to 3Q**

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Overseas | 949 | 1,044 | -9.1% | 1,790 | -47.0% |
| China | 90 | 110 | -18.2% | 1,131 | -92.0% |
| Taiwan | 206 | 198 | 4.0% | -38 | - |
| Japan | 564 | 554 | 1.8% | 572 | -1.4% |
| Thailand | 66 | 87 | -24.1% | 125 | -47.2% |
| Philippines | 26 | 95 | -75.8% | - | - |
| Vietnam | - | - | - | - | - |

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# Operating Costs

**Total Operating Costs decreased 1% compared to Q3**

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Total Operating Costs | 11,706 | 11,562 | 1.2% | 9,997 | 17.1% |
| Labor costs | 5,133 | 5,410 | -5.1% | 3,102 | 65.5% |
| Depreciation | 866 | 713 | 21.5% | 854 | 1.4% |
| Sales commission | 204 | 293 | -30.4% | 569 | -64.1% |
| Commission paid | 1,201 | 1,077 | 11.5% | 1,174 | 2.3% |
| Marketing expenses | 1,782 | 1,707 | 4.4% | 2,062 | -13.6% |
| Other | 2,520 | 2,362 | 6.7% | 2,236 | 12.7% |

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# Non-Operating Items

## Noon-operating loss continued from Q3

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Non-Operating Income | 369 | -255 | - | 700 | -78.6% |
| Interest Income | 1,170 | 1,191 | -1.8% | 1,026 | 14.0% |
| Profit (Loss) on foreign exchange | -85 | 8 | - | -372 | - |
| Gain on Equity method | -803 | -1,512 | - | 86 | - |
| Other | 87 | 58 | 50% | -40 | - |

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# Equity Method

## Loss on equity method during Q4

Unit: KRW mm

| | 2005 Q4 | 2005 Q3 | QoQ | 2004 Q4 | YoY |
|---|---|---|---|---|---|
| Flux | - | - | - | -8 | - |
| 9Webzen | -270 | -376 | - | 1,086 | - |
| Webzen Taiwan | -135 | -237 | - | -974 | - |
| Webzen China | -417 | -339 | - | -17 | - |
| Webzen America | 19 | -560 | - | 0 | - |
| Total | -803 | -1,512 | - | 87 | - |

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# FY2005 Results Summary

**Revenue decreased 45.5% compared to 2004**
**Recorded a –18 billion KRW Operating loss in 2005**

Units: KRW mm

| | FY2004 | FY2005 | YoY |
|---|---|---|---|
| Revenue | 53,192 | 29,015 | *-45.5%* |
| Operating Profit | 20,433 | -18,069 | *Loss* |
| (OP Margin, %) | 38.4% | - | - |
| Pretax Profit | 25,227 | -16,466 | *Loss* |
| Net Income | 21,016 | -13,221 | *Loss* |

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# FY2005 Revenue Summary

## Domestic revenue decreased more than overseas

units: KRW mm

| | FY2004 | FY2005 | YoY |
|---|---|---|---|
| Revenue | 53,192 | 29,015 | -45.5% |
| Domestic | 45,321 | 23,761 | -47.6% |
| Individual | 31,127 | 17,218 | -44.7% |
| Internet Café | 14,194 | 6,543 | -53.9% |
| Overseas | 7,591 | 4,881 | -35.7% |
| Other | 280 | 373 | 33.2% |

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# FY2005 Expense Summary

Labor costs: Increased 96% due to addition of personnel for new game development
Marketing cost: Increased 50% due to advertising in game conferences and new title marketing

units: KRW mm

| | FY2004 | FY2005 | YoY |
|---|---|---|---|
| Labor cost<br>(R&D costs) | 10,034<br>(1,652) | 19,665<br>(8,079) | *96.0%* |
| Marketing cost | 5,265 | 7,894 | *49.9%* |
| Commission paid | 4,838 | 5,887 | *21.7%* |
| Depreciation | 2,777 | 2,803 | *0.9%* |
| *Total R&D costs | 2,344 | 12,499 | |

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