

NCsoft Earnings Release

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NCsoft CORPORATION

OK-san Bldg 157-33, Samsung-dong, Kangnam-gu, Seoul 135-090, KOREA | Tel: +82-2-2186-3300 Fax : +82-2-2186-3550

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WWW.NCSOFT.COM



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■ Disclaimer

Disclaimer

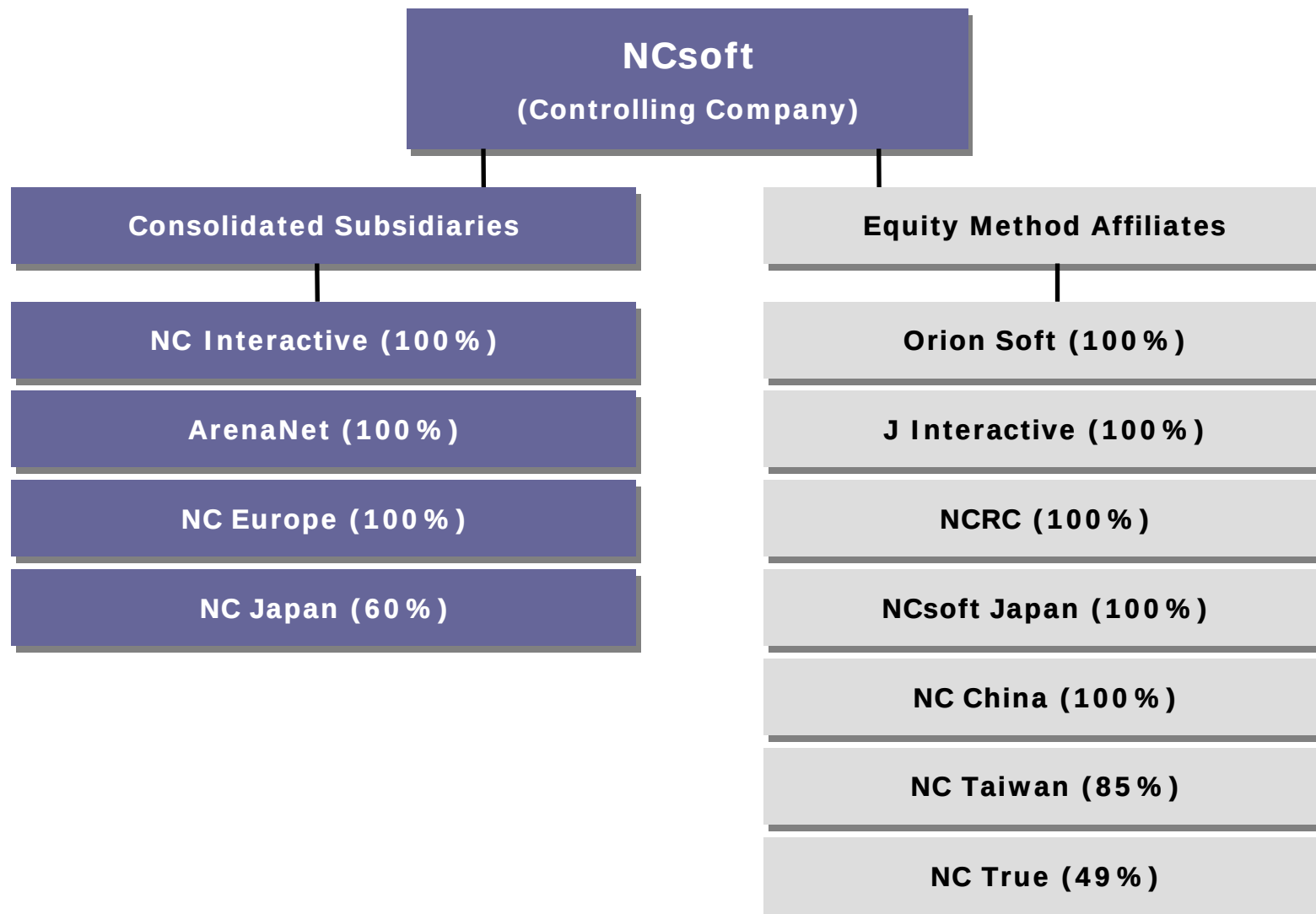
The financial results for Q4 of 2006 have been prepared on an un-audited basis, and may be subject to change during independent auditing process.

Some of the information and data in the material have been prepared based on assumptions. There can be no assurance that the assumptions used by NCsoft are correct and even if they are, that the effect of such assumptions on NCsoft's business and results of operations will be as projected.

Therefore, NCsoft will not be responsible for individual investment decisions based solely on this material.

■ Consolidated Company

The consolidated company



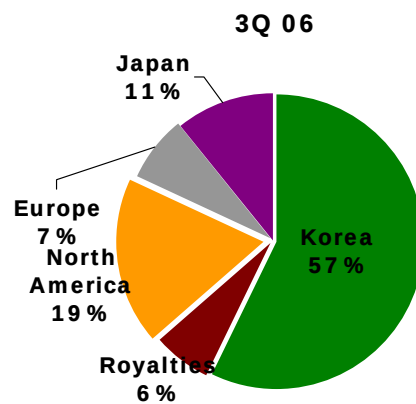
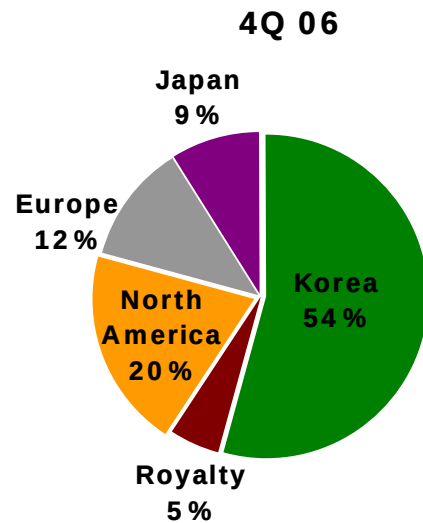
Earnings Highlights

Consolidated Sales & Profit

	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
Net Sales	90,221	84,981	6%	338,679	338,803	0%
- Online Game Sales	85,463	79,589	7%	316,923	309,538	2%
- Royalties	4,758	5,392	-12%	21,756	29,265	-26%
Expenses	74,806	67,486	11%	295,401	262,171	13%
Operating Profit	15,415	17,495	-12%	43,278	76,632	-44%
(%)	17 %	21%		13 %	23%	
Pre-tax Profit	17,652	18,257	-3%	50,016	84,567	-41%
(%)	20 %	21%		15 %	25%	
Net Income (Loss)	18,650	12,801	46%	38,052	66,678	-43%
(%)	21 %	15%		11 %	20%	

Earnings Highlights

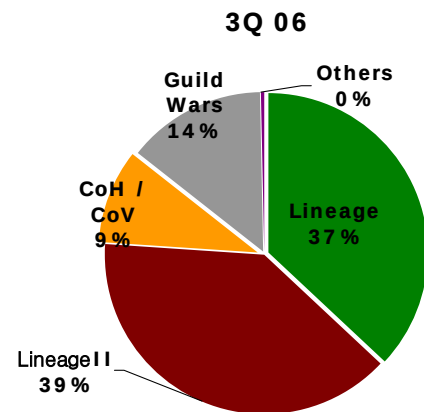
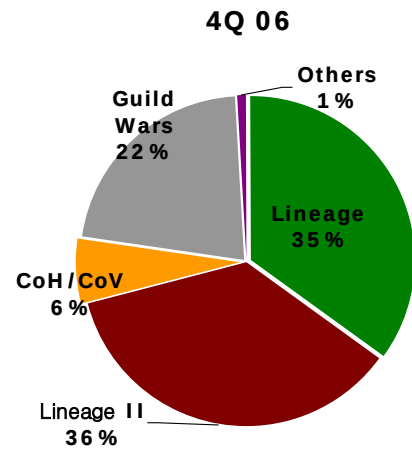
Net Sales Mix by Geography



	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
Korea	53,459	53,940	-1%	215,161	221,778	-3%
- Game Sales	48,826	48,632	0%	193,880	192,832	1%
- Royalties	4,633	5,308	-13%	21,281	28,946	-26%
North America	18,008	15,791	14%	60,869	68,766	-11%
Europe	10,776	6,115	76%	30,065	17,914	68%
Japan	7,978	9,135	-13%	32,584	30,345	7%
Total	90,221	84,981	6%	338,679	338,803	0%

Earnings Highlights

Online Game Sales Mix by Games



	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
Lineage	29,988	29,504	2%	118,049	115,012	3%
Lineage II	30,581	31,135	-2%	119,206	118,953	0%
CoH / CoV	5,532	7,429	-26%	25,016	34,265	-27%
Guild Wars	18,635	11,264	65%	52,600	41,308	27%
Others	727	257	183%	2,052		New
Total	85,463	79,589	7%	316,923	309,538	2%

Earnings Highlights

Royalties Breakdown

	Quarterly			Annual		
(Unit : W Mn)	4Q '06	3Q '06	QoQ(%)	FY '06	FY '05	YoY(%)
Lineage	2,922	3,329	-12%	12,870	15,173	-15%
Taiwan	2,810	3,214	-13%	12,430	14,779	-16%
China	92	94	-2%	357	277	29%
H.K	20	21	-5%	83	117	-29%
Lineage II	1,634	1,935	-16%	8,207	13,139	-38%
Taiwan	1,170	1,446	-19%	6,123	9,450	-35%
China	154	175	-12%	806	2,534	-68%
Thailand	310	314	-1%	1,278	1,155	11%
Guild Wars	65	33	97%	148	-	New
Taiwan	65	33	97%	148	-	New
Ever Quest	-	-	-	-	539	-100%
Others	137	95	44%	531	414	28%
Royalty Total	4,758	5,392	-12%	21,756	29,265	-26%

※ Other royalties include royalty sales in Japan

Earnings Highlights

Consolidated Cost Structure (COGS + SG&A)

(Unit : W Mn)	4Q '06	3Q '06	QoQ(%)	% of total sales	% of total cost	FY '06	FY '05	YOY(%)
Payroll	37,402	29,829	25%	41 %	51 %	130,854	104,498	25%
Depreciation	4,935	4,743	4%	5 %	7 %	19,687	17,102	15%
Other Commission	11,262	11,233	0%	12 %	15 %	57,917	45,673	27%
- Payment processing fees	2,540	2,390	6%	3 %	3 %	9,917	9,732	2%
- Wages for outsourced staff	2,185	2,052	6%	2 %	3 %	8,500	9,974	-15%
- Other Commission	6,537	6,791	-4%	7 %	9 %	39,500	25,967	52%
Sales commission	2,299	2,141	7%	3 %	3 %	8,585	11,558	-26%
Advertising	4,530	3,402	33%	5 %	6 %	20,921	29,593	-29%
Others (*)	14,378	16,138	-11%	16 %	20 %	57,438	53,747	7%
Total :	74,806	67,486	11%	83 %	102 %	295,401	262,171	13%

(*) Bandwidth cost (2,269), Amortization on intangible asset (1,269), Rent(3,508), Box production cost (2,533) etc.

Earnings Highlights

Quarterly Sales by Equity-Method Affiliates

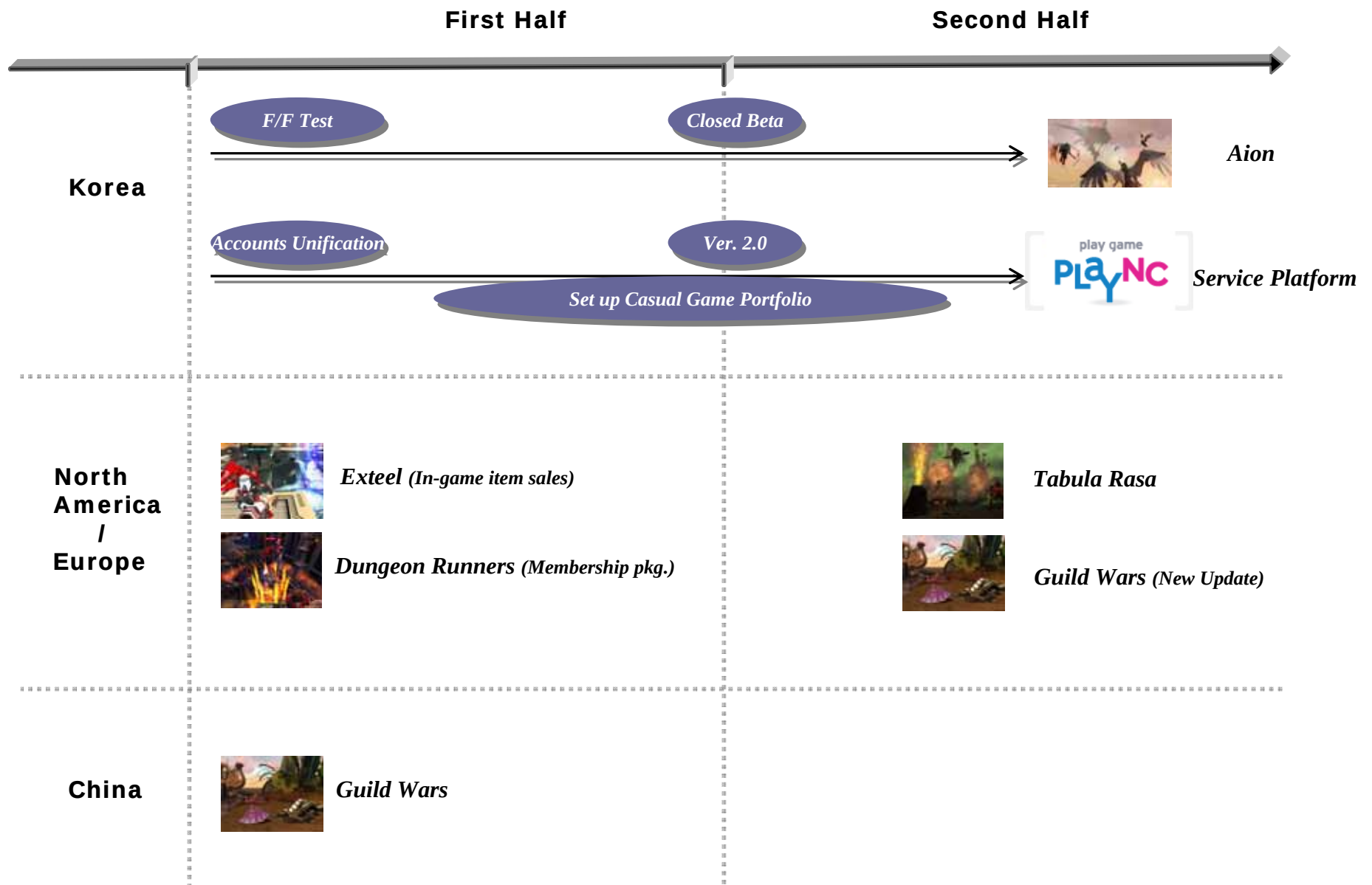
	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
NC Taiwan	2,775 (TW Mn 98.1)	3,582 (TW Mn 120.7)	-23%	15,144 (TW Mn 515.1)	21,103 (TW Mn 661.7)	-28%
NC China	727 (RMB Mn 6.2)	728 (RMB Mn 6.1)	0%	3,343 (RMB Mn 27.9)	8,367 (RMB Mn 66.9)	-60%
NC True	526 (Baht Mn 20.5)	507 (Baht Mn 20.3)	4%	2,203 (Baht Mn 87.4)	1,215 (Baht Mn 47.8)	81%
Total	4,028	4,817	-16%	20,690	30,685	-33%

Earnings Highlights

Equity Method Gain or Loss Breakdown

	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
Korea	(163)	(83)	Loss continued	(302)	16	Turn to red
Orion Soft	(42)	(16)	Loss continued	(114)	16	Turn to red
J Interactive	(121)	(67)	Loss continued	(188)	-	New
Overseas	(897)	(1,257)	Loss continued	(3,655)	(1,791)	Loss continued
NC China	(443)	(597)	Loss continued	(1,263)	38	Turn to red
NC Taiwan	(254)	(18)	Loss continued	(809)	1,303	Turn to red
NC True	(149)	(246)	Loss continued	(945)	(2,026)	Loss continued
NCRC	5	(45)	Turn to black	(89)	(1,106)	Loss continued
NCsoft Japan	(56)	(351)	Loss continued	(549)	-	New
Total	(1,060)	(1,340)	Loss continued	(3,957)	(1,775)	Loss continued

■ Game Official Launch Schedule ('07)



Earnings Guidance

FY 07 Financial Forecast

(Unit : W Mn)	2007 Estimation (I)	YoY (%)	2007 Estimation (II)	YoY (%)	2006
Sales	367,000	8 %	358,000	6 %	338,679
- Online Game Sales	348,000	10%	339,000	7%	316,923
Lineage	113,000	-4%	113,000	-4%	118,049
Lineage II	133,000	12%	133,000	12%	119,206
CoH / CoV	21,000	-16%	21,000	-16%	25,016
Guild Wars	44,000	-15%	44,000	-15%	52,033
Others	37,000	1313%	28,000	969%	2,619
- Royalty Sales	19,000	-13%	19,000	-13%	21,756
Expenses	318,000	8%	316,000	7%	295,401
Operating Profit	49,000	13 %	42,000	-3 %	43,278
(%)	13%		12%		13%
Pre-tax Profit	57,000	14 %	50,000	0 %	50,016
(%)	16 %		14 %		15%

※ NC Taiwan will be consolidated starting from 2007.

Earnings Highlights

Consolidated Balance Sheet

(Unit : W Mn)	2006	2005	Change
Asset	506,490	457,114	49,376
Current Asset	373,405	324,292	49,113
(Cash & cash equivalents)	49,369	30,487	18,882
(Short term investments)	250,849	231,727	19,122
(Accounts Receivables)	39,195	37,505	1,690
Fixed Asset	133,085	132,822	263
(Investment)	40,745	33,567	7,178
(PPE)	84,599	84,972	-373
Liability	85,221	61,434	23,787
Current Liability	79,752	55,693	24,059
Fixed Liability	5,469	5,741	-272
(Debt)	-	-	-
Shareholder's Equity	421,269	395,680	25,589
(Paid in Capital)	10,194	10,177	17

User Statistics

Operating Metrics (Lineage)

Korea

As of December 2006

	Dec. 2004	Mar. 2005	Jun. 05	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 06	Sep. 06	Dec. 2006
Servers	42	43	43	43	43	43	43	43	45
Highest concurrent users	135,075	149,946	151,113	150,863	187,786	161,038	144,109	138,733	144,430
Monthly access	1,298,718	1,197,295	1,166,001	1,220,491	1,627,159	788,180	746,291	716,772	775,579
Personal accounts	250,266	251,483	257,385	256,758	309,452	299,313	262,019	266,564	302,469

Taiwan

	Dec. 2004	Mar. 2005	Jun. 05	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 06	Sep. 06	Dec. 2006
Servers	36	36	36	36	38	39	40	40	40
Highest concurrent users	141,783	155,014	138,623	135,731	134,462	157,365	159,309	168,218	177,571
Monthly access	592,341	579,679	475,066	428,152	472,156	470,855	434,623	445,636	423,212

Japan

	Dec. 2004	Mar. 2005	Jun. 05	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 06	Sep. 06	Dec. 2006
Servers	6	6	6	6	6	6	6	6	6
Highest concurrent users	13,614	16,864	13,498	12,550	14,534	12,448	12,836	12,643	10,599
Monthly access	70,885	69,623	68,182	69,538	74,671	76,027	69,641	76,191	80,019

China

	Dec. 2004	Mar. 2005	Jun. 05	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 06	Sep. 06	Dec. 2006
Servers	11	11	10	10	10	10	11	11	11
Highest concurrent users	9,853	10,473	12,564	14,586	14,149	18,376	20,399	17,246	19,551
Monthly access	115,805	123,665	108,388	140,422	110,182	152,466	139,669	107,644	117,407

U.S

	Dec. 2004	Mar. 2005	Jun. 05	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 06	Sep. 06	Dec. 2006
Servers	3	3	3	3	3	3	3	3	3
Highest concurrent users	1,451	1,660	2,205	1,844	2,200	2,224	2,311	2,780	3,732
Monthly access	7,634	7,623	8,586	6,760	9,059	9,759	9,685	9,727	11,953

* Highest concurrent users: Number of users who play simultaneously at one point in time.

* Monthly access: Unique number of users who log on servers at least once in one month

* Personal accounts: Number of users who pay flat monthly fees

User Statistics

Operating Metrics (Lineage II)

Korea

As of December 2006

	Dec. 2004	Mar. 2005	Jun. 2005	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 2006	Sep. 2006	Dec. 2006
Servers	32	32	32	33	33	33	33	33	33
Highest concurrent users	123,587	109,381	104,900	109,814	119,345	116,897	110,183	97,558	113,369
Monthly access	1,037,068	1,004,145	926,535	944,372	730,837	531,701	508,041	499,894	482,173
Personal account	169,701	167,427	151,997	165,239	174,170	179,298	174,582	165,558	187,005

Taiwan

	Dec. 2004	Mar. 2005	Jun. 2005	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 2006	Sep. 2006	Dec. 2006
Servers	21	21	22	22	22	22	22	22	22
Highest concurrent users	72,557	86,068	87,722	68,617	71,301	78,550	72,713	66,497	55,571
Monthly access	232,223	251,058	240,911	238,620	198,795	205,661	171,408	160,316	123,006

Japan

	Dec. 2004	Mar. 2005	Jun. 2005	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 2006	Sep. 2006	Dec. 2006
Servers	9	9	10	10	10	11	11	12	12
Highest concurrent users	36,200	33,745	39,727	35,381	40,088	44,631	48,843	50,188	52,684
Monthly access	82,409	86,260	104,797	102,774	105,097	111,046	111,569	112,670	113,774

China

	Dec. 2004	Mar. 2005	Jun. 2005	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 2006	Sep. 2006	Dec. 2006
Servers	37	41	44	21	22	23	15	17	15
Highest concurrent users	93,904	122,855	86,463	54,353	43,026	37,806	18,438	18,085	16,888
Monthly access	651,652	700,241	424,355	358,305	354,395	299,675	212,173	204,269	180,584

U.S & Europe

	Dec. 2004	Mar. 2005	Jun. 2005	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 2006	Sep. 2006	Dec. 2006
Servers	9	9	9	9	9	9	9	10	10
Highest concurrent users	17,781	20,912	22,493	23,923	28,309	32,767	32,099	42,287	32,732
Monthly access	61,835	65,644	66,138	66,975	76,435	89,337	83,221	94,000	105,039

Thailand

	Dec. 2004	Mar. 2005	Jun. 2005	Sep. 2005	Dec. 2005	Mar. 2006	Jun. 2006	Sep. 2006	Dec. 2006
Servers			10	10	8	4	5	5	5
Highest concurrent users			15,714	13,567	10,202	11,000	7,941	7,616	6,596
Monthly access			51,810	75,545	59,938	64,920	52,516	45,778	31,727

User Statistics

Operating Metrics (City of Heroes / Villains)

U.S & Europe

As of December 2006

	Dec. 2004	March. 2005	June. 2005	Sep. 2005	Dec. 2005	Mar. 2006	June. 2006	Sep. 2006	Dec. 2006
Servers	11	15	15	15	15	15	15	15	15
Highest concurrent users	15,741	21,283	20,911	22,340	23,730	23,699	22,274	21,500	17,728
Monthly access	124,435	140,481	162,922	150,068	194,000	171,951	171,000	172,420	154,953

Operating Metrics (Guild Wars)

US & Europe

As of December 2006

	June. 2005	Sep. 2005	Dec. 2005	Mar. 2006	June. 2006	Sep. 2006	Dec. 2006
# of Accounts activated to date	650,000	+1,000,000	+1,270,000	+1,490,000	+2,080,000	+ 2,447,000	+ 3,122,000

■ Appendix – Parent Earnings

Sales & Profit

	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
Sales	57,686	56,878	1%	227,456	232,804	-2%
- Korea	48,826	48,632	0%	193,880	192,832	1%
- Royalty	8,860	8,246	7%	33,576	39,972	-16%
Expenses	46,235	42,523	9%	175,610	160,783	9%
Operating Profit	11,451	14,356	-20%	51,846	72,021	-28%
(%)	20 %	25%		23 %	31%	
Pre-tax Profit	18,969	16,411	16%	47,266	81,562	-42%
(%)	33 %	29%		21 %	35%	
Net Income	18,650	12,801	46%	38,052	66,678	-43%
(%)	32 %	23%		17 %	29%	

■ Appendix – Parent Earnings

Sales Breakdown - Korea

	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
Lineage	28,128	27,480	2 %	110,721	106,265	4 %
PC Café	5,682	5,735	-1%	22,218	24,652	-10%
Personal	22,446	21,745	3%	88,503	81,613	8%
Lineage II	20,611	21,077	-2 %	82,558	84,961	-3 %
PC Café	6,179	6,550	-6%	25,682	32,830	-22%
Personal	14,432	14,527	-1%	56,876	52,131	9%
Others	87	74	18 %	601	1,606	-63%
Total	48,826	48,631	0 %	193,880	192,832	1 %

■ Appendix – Parent Earnings

Royalties Breakdown

	Quarterly			Annual		
(Unit : W Mn)	4Q '06	3Q '06	QoQ(%)	FY '06	FY '05	YoY(%)
Lineage	3,494	3,772	-7 %	14,762	17,278	-15 %
Taiwan	2,810	3,214	-13%	12,430	14,779	-16%
Japan	421	350	20%	1,484	1,782	-17%
China	92	94	-2%	357	278	28%
U.S	151	93	62%	408	323	26%
H.K	20	21	-5%	83	116	-28%
Lineage II	5,197	4,333	20 %	18,370	22,061	-17 %
Taiwan	1,170	1,446	-19%	6,122	9,450	-35%
Japan	2,497	1,603	56%	6,843	5,513	24%
China	154	175	-12%	806	2,533	-68%
U.S / Europe	1,066	795	34%	3,321	3,408	-3%
Thailand	310	314	-1%	1,278	1,157	10%
Guild Wars	158	130	22%	387	-	New
Taiwan	65	33	97%	148	-	New
Japan	93	97	-4%	239	-	New
Ever Quest	-	-	-	-	539	-
Others	11	11	0%	57	94	-39 %
Royalty Total	8,860	8,246	7 %	33,576	39,972	-16 %

■ Appendix – Parent Earnings

Cost Structure (COGS + SG&A)

	Quarterly					Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	% of total Sales	% of total Cost	FY '06	FY '05	YoY(%)
Payroll	27,399	21,860	25%	48 %	59 %	95,332	74,607	28%
Depreciation	3,102	2,867	8%	5 %	7 %	11,153	11,225	-1%
Other Commission	5,238	6,194	-15%	9 %	11 %	23,868	23,052	4%
- Payment processing fees	1,581	1,541	3%	3 %	3 %	6,406	6,500	-1%
- Wages for outsourced staff	983	1,074	-8%	2 %	2 %	4,432	4,780	-7%
- Other Commission	2,674	3,579	-25%	5 %	6 %	13,030	11,772	11%
Sales commission	2,299	2,141	7%	4 %	5 %	8,585	11,558	-26%
Advertising	2,552	1,928	32%	4 %	6 %	12,116	18,484	-34%
Others	5,645	7,533	-25%	10 %	12 %	24,556	21,857	12%
Total :	46,235	42,523	9%	81 %	100 %	175,610	160,783	9%

■ Appendix – Parent Earnings

Quarterly Sales by Subs. & JVs

	Quarterly			Annual		
(Unit : W Mn)	4Q 06	3Q 06	QoQ(%)	FY '06	FY '05	YoY(%)
NC Interactive	18,285 (\$Mn 19.3)	16,038 (\$Mn 16.8)	14%	62,013 (\$Mn 64.9)	69,577 (\$Mn 67.9)	-11%
ArenaNet	4,180 (\$Mn 4.7)	3,903 (\$Mn 4.1)	7%	12,708 (\$Mn 13.3)	10,609 (\$Mn 10.4)	20%
NC Japan	7,978 (JPY Mn 999.9)	9,135 (JPY Mn 1,109.9)	-13%	32,585 (JPY Mn 3967.5)	30,345 (JPY Mn 3,261)	7%
NC Taiwan	2,775 (TW Mn 98.1)	3,582 (TW Mn 120.7)	-23%	15,144 (TW Mn 515.1)	21,103 (TW Mn 661.7)	-28%
NC Europe	10,776 (£ Mn 6.0)	6,115 (£ Mn 3.4)	76%	30,081 (£ Mn 17.1)	17,914 (£ Mn 9.6)	68%
NC China	727 (RMB Mn 6.2)	728 (RMB Mn 6.1)	0%	3,343 (RMB Mn 27.9)	8,367 (RMB Mn 66.9)	-60%
NC True	526 (Baht Mn 20.5)	507 (Baht Mn 20.3)	4%	2,203 (Baht Mn 87.4)	1,215 (Baht Mn 47.8)	81%
Total	45,247	40,008	13%	158,077	159,130	-1%

■ Appendix – Parent Earnings

Equity Method Gain or Loss Breakdown

	Quarterly			Annual		
(Unit : W Mn)	4Q '06	3Q '06	QoQ(%)	FY '06	FY '05	YoY(%)
Korea	(163)	(83)	Loss continued	(302)	16	Turn to red
Orion Soft	(42)	(16)	Loss continued	(114)	16	Turn to red
J Interactive	(121)	(67)	Loss continued	(188)	-	New
Overseas	4,658	(756)	Turn to black	(15,304)	1,216	Turn to red
NC Interactive	4,827	2,785	73%	(7,525)	2,170	Turn to red
NC Japan	(558)	573	Turn to red	1,116	4,737	-76%
ArenaNet	(583)	(1,078)	Loss continued	(5,854)	(4,000)	Loss continued
NC China	(443)	(597)	Loss continued	(1,263)	38	Turn to red
NC Taiwan	(254)	(18)	Loss continued	(809)	1,303	Turn to red
NC Europe	1,869	(1,779)	Turn to black	614	100	514%
NC True	(149)	(246)	Loss continued	(945)	(2,026)	Loss continued
NCRC	5	(45)	Turn to black	(89)	(1,106)	Loss continued
NCsoft Japan	(56)	(351)	Loss continued	(549)	-	New
Total	4,495	(839)	-636%	(15,606)	1,232	Turn to red