

# Shareholder's Letter 3<sup>rd</sup> Quarter 2002



The Big Player in Games

## **Collapse of sales and results in Q3 2002 Sustainable restructuring program agreed upon**

Against the background of the continuing economic recession as well as a sudden deterioration of market conditions in the sector, JoWoOD Productions Software AG reported a sharp drop in results in the third quarter of 2002. Although sales for the first nine months of 2002 of EUR 30.2 million were up compared to the same period previous year they were nevertheless considerably below expectations. EBIT before value corrections of assets and restructuring measures dropped to minus EUR 3.7 million against EUR 0.3 million in the same period in 2001. Hence, at the end of the third quarter JoWoOD had already introduced extensive restructuring measures in order to be able to concentrate on its core competences – focusing on top titles with high sales potential. Group result after value corrections of assets and restructuring measures amounted to minus EUR 30.4 million.

These drastic shortfalls were attributable to firstly, sales of newly published titles being significantly below expectations – particularly in the USA, the Benelux and Scandinavian countries – and the release of individual top titles being delayed. Secondly, a general dramatic drop in prices of B and C titles, followed by a high number of returns putting the results under increased pressure. This was further compounded due to increased competition between wholesalers and competitors, especially in the new distribution areas, so that expected sales could not be realised.

## **Restructuring measures and capital increase**

In addition to the planned extensive restructuring measures in an extraordinary general meeting on December 18<sup>th</sup>, 2002 a capital increase has been approved by issuing up to 5,000,000 shares in the name of the holder with the nominal value of EUR 1 each, in order to further ensure the company's liquidity. Up until January 10<sup>th</sup>, 2003 in excess of EUR 3 million has been successfully placed with strategic investors and employees. As a consequence negotiations with investors and banks were concluded successfully.

## **Outlook Q4 2002**

In other positive news, *Gothic II* has far exceeded expectations and is now the most successful game in JoWoOD's history. In the run up to the highly competitive Christmas season, *Gothic II* was number 1 in the German Media Control charts and successfully outperformed *Lord of the Rings* and *Harry Potter*. As a direct consequence of this success, the fourth quarter 2002 will already show a clear positive trend.

# Consolidated Financial Statements

## 3<sup>rd</sup> Quarter 2002 (IAS)

### Consolidated Balance Sheet

(EUR 000)	30.09.2002	31.12.2001
<b>Assets</b>		
Intangible assets	4,614	5,848
Goodwill	2,256	12,329
Tangible fixed assets	1,452	1,584
Financial assets	19	771
Deferred tax assets	12,009	2,058
<b>Total long-term assets</b>	<b>20,350</b>	<b>22,589</b>
Inventories	17,495	21,083
Receivables	6,539	19,632
Other accounts receivable	2,583	1,463
Cash on hand and in banks	458	1,510
Prepaid expenses and deferred charges	1,320	1,393
<b>Total short-term assets</b>	<b>28,395</b>	<b>45,081</b>
<b>Total assets</b>	<b>48,746</b>	<b>67,670</b>
<b>Shareholders' Equity and Liabilities</b>		
Share capital	7,637	6,037
Additional paid-in-capital	28,216	20,472
Reserves from retained earnings and group result	- 26,664	3,743
<b>Total shareholders' equity and liabilities</b>	<b>9,189</b>	<b>30,252</b>
<b>Minority Interests</b>	<b>- 7,126</b>	<b>- 3,397</b>
Provisions for termination payments	391	308
Other long-term liabilities	4,719	1,764
<b>Total long-term liabilities</b>	<b>5,110</b>	<b>2,072</b>
Short-term bank loans and overdrafts	24,726	22,562
Accounts payable	1,700	6,997
Accruals for taxes and other accruals	11,907	5,196
Other liabilities and deferred income and credits	3,239	3,988
<b>Total short-term liabilities</b>	<b>41,572</b>	<b>38,743</b>
<b>Total shareholders' equity and liabilities</b>	<b>48,746</b>	<b>67,670</b>

# Consolidated Financial Statements

## 3<sup>rd</sup> Quarter 2002 (IAS)

### Consolidated Income Statement

(EUR 000)	1-9/2002		1-9/2001	
	amount	%	amount	%
Sales	30,177	100 %	27,424	100 %
Cost of goods sold	- 26,129	- 87 %	- 16,491	- 60 %
<b>Gross profit</b>	<b>4,048</b>	<b>13 %</b>	<b>10,933</b>	<b>40 %</b>
Distribution expenses	- 10,908	- 36 %	- 7,001	- 26 %
Administrative expenses	- 4,453	- 15 %	- 4,360	- 16 %
Other operating income and expenses	830	3 %	705	3 %
Restructuring measures	- 32,418	- 107 %	0	0 %
<b>Operating result (EBIT)</b>	<b>- 42,901</b>	<b>- 142 %</b>	<b>277</b>	<b>1 %</b>
Financial result	- 1,163	- 4 %	- 536	- 2 %
<b>Result from ordinary operations (EBT)</b>	<b>- 44,065</b>	<b>- 146 %</b>	<b>- 260</b>	<b>- 1 %</b>
Taxes on income	9,389	31 %	- 1,164	- 4 %
<b>Net income before minorities</b>	<b>- 34,675</b>	<b>- 115 %</b>	<b>- 1,423</b>	<b>- 5 %</b>
Minorities	4,278	14 %	3,258	12 %
<b>Group result</b>	<b>- 30,397</b>	<b>- 101 %</b>	<b>1,834</b>	<b>7 %</b>

### Financial Calendar/Stock ID Code

Preliminary results Q4/2002	13 February 2003
Preliminary results 2002	
Number of shares (before capital increase in Q4)	7,637,161
Securities Identification Code	074735
Vienna Stock Exchange	JWD
Reuters	JOWO.VI
Bloomberg	JWD AV
Datastream	O: JOW

### Investor Relations

Karin Krabberger  
 e-mail: investor@jowood.com  
 Tel. +43/1/3614/2966-1015  
 Fax +43/1/3614/2966-1023  
 www.jowood.com

### JoWood Productions Software AG

Technologiepark 4a  
 A-8786 Rottenmann  
 Bahnhofstraße 22  
 A-4802 Ebensee



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