INVESTOR RELATIONS

September 2021

KRAFTON

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Our Vision

WHY

We believe **games** will become the world's most **powerful medium**.

HOW

Based on our **creativity**, steadfast dedication toward **new challenges** and **technological development**,

WHAT

We will **further expand our original IPs** and build **immersive**, **virtual worlds**, where our fans play together and share fun moments.

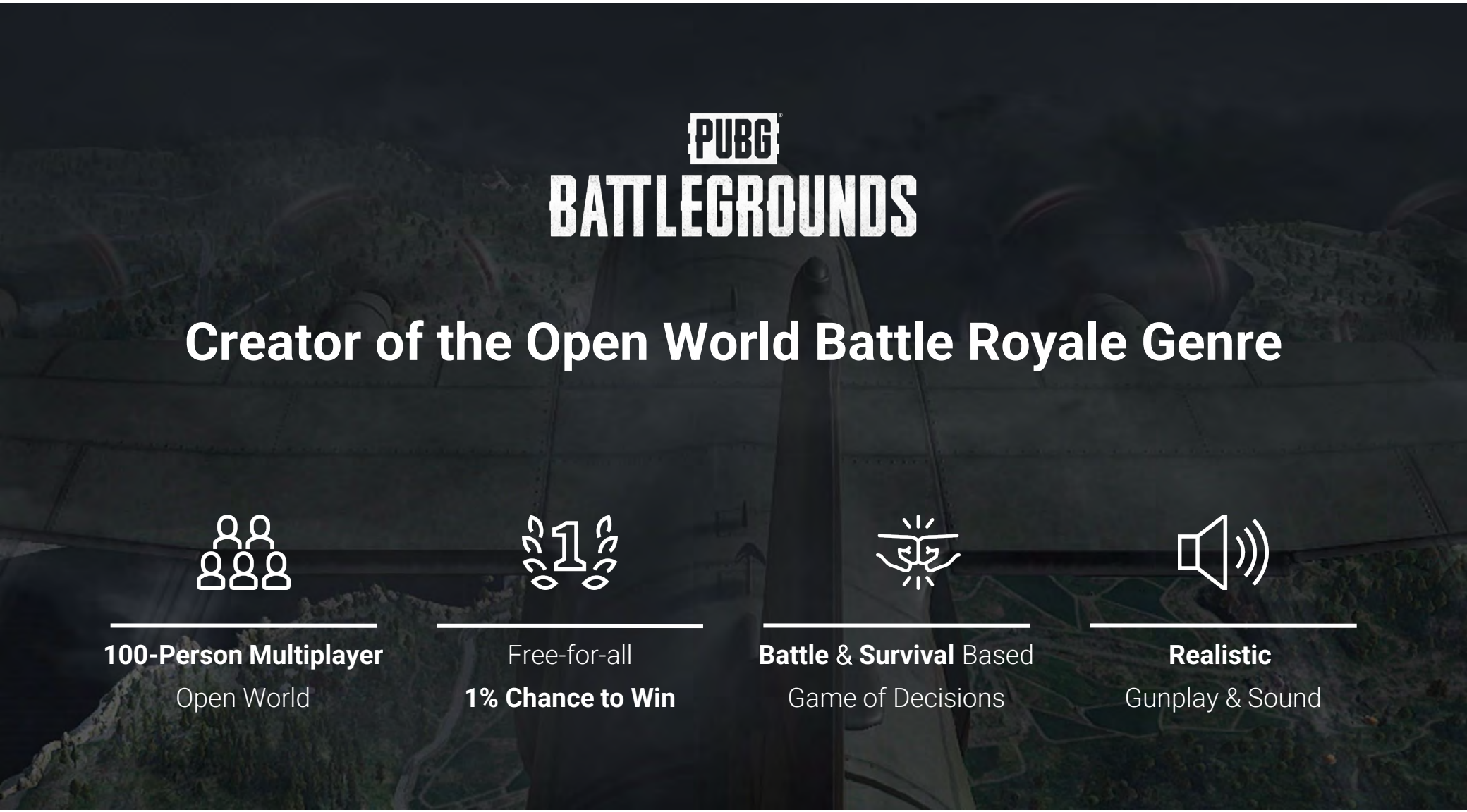
We will meet everyone in the world we are building.

WHO WE ARE

Who We Are

PUBG
BATTLEGROUNDS
IP Owner
Developer
Publisher
Service Provider

Who We Are


PUBG
BATTLEGROUNDS
Creator of the Open World Battle Royale Genre
100-Person Multiplayer
Open World
Free-for-all
1% Chance to Win
Battle & Survival Based
Game of Decisions
Realistic
Gunplay & Sound

Who We Are

PUBG: Blockbuster Hit Across the Developed and Emerging Markets

REACHED NO.1 GAME IN 90% OF 174 COUNTRIES SERVICED GLOBALLY(1)

Countries Where PUBG Has Reached No.1(1)

Source: App Annie.
Note: (1) Based on App Annie data on the highest ranking by downloads in 174 countries where PUBG has been serviced, either on iOS or Android.

Who We Are

Beyond a Genre-Defining Title That Reshaped the Gaming Industry

No.1 PC Game

Best-Selling PC Game of All Time[1]
67mn Copies Sold
(75+mn Including Console)[2]

No.1 Mobile Game

Worldwide Gross Revenue in 2020[3]
No.1 Downloads in 150+ Countries[4]

1+ Billion Downloads

of Cumulative Downloads Globally as of March 2021[6]

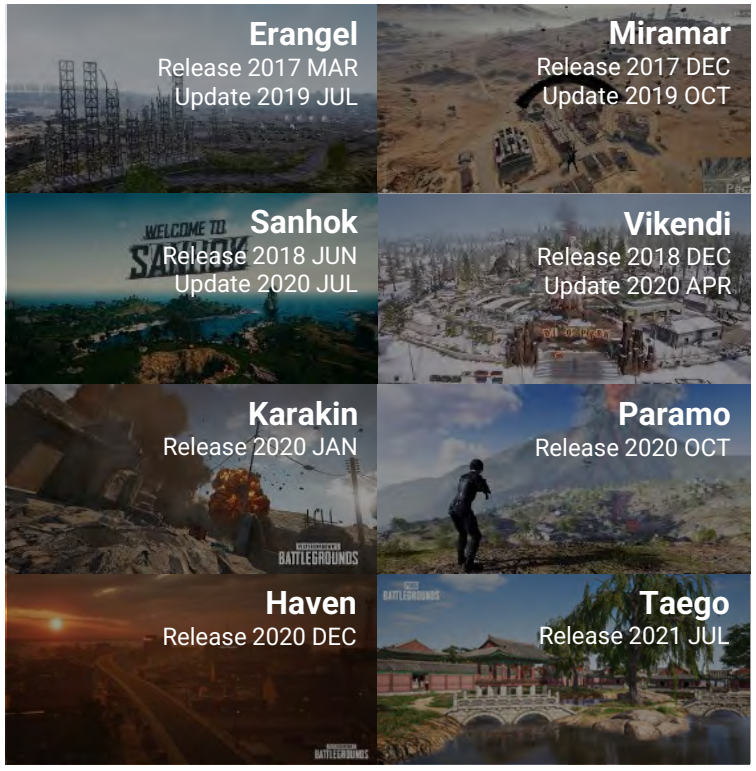
Only Game in History to Top the Charts in US & China Concurrently[5]

Source: Sensor Tower, Newzoo, Newsrun. (1) PC platform only (including Steam downloads and number of CDs sold); Number of copies sold on PC platform for No.2-4 games (Minecraft, Diablo III, Garry's Mod) based on latest available figures in public sources; (2) As of March 2021; (3) According to Sensor Tower; (4) Number of countries where PUBG has reached No. 1 by downloads as of May 2021 according to App Annie; (5) As of March 2018 on Appstore in US and China according to App Annie; (6) Number of downloads of PUBG Mobile globally (except for mainland China) as of March 2021

Who We Are

GAMES-AS-A-SERVICE

New Map Updates



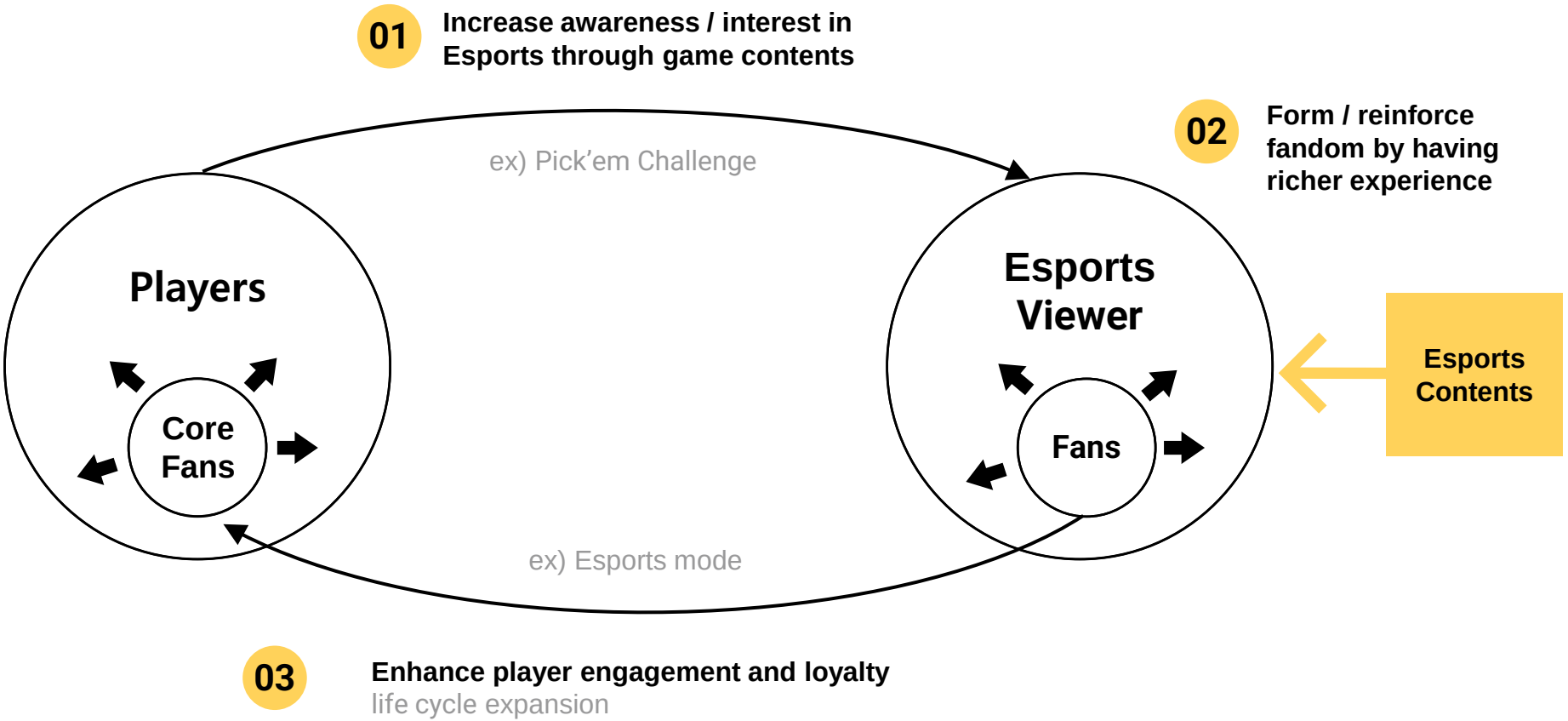
Kiki
2021 DEC

30+ Modes

Collaborations with Leading Brands

Who We Are

Extend Life Cycle of the Game by Creating a Virtuous Cycle with Viewers and Players



Who We Are

Successfully Pioneering New Form of Esports

2017

- G-Star
- Gamescom

2018

- PUBG GLOBAL INVITATIONAL BERLIN 2018
- 1st Official Esports Competition by PUBG

2019

- PUBG ASIA INVITATIONAL MACAO 2019
- PUBG NATIONS CUP SEOUL 2019
- PUBG GLOBAL CHAMPIONSHIP
- GLL
- Faceit
- MET

2020

- Regional Leagues
  - PUBG CONTINENTAL SERIES 3 NORTH AMERICA
  - PUBG CONTINENTAL SERIES 3 APAC
  - PUBG CONTINENTAL SERIES 3 EUROPE
  - PUBG CONTINENTAL SERIES 3 ASIA
- PUBG CONTINENTAL SERIES

2021

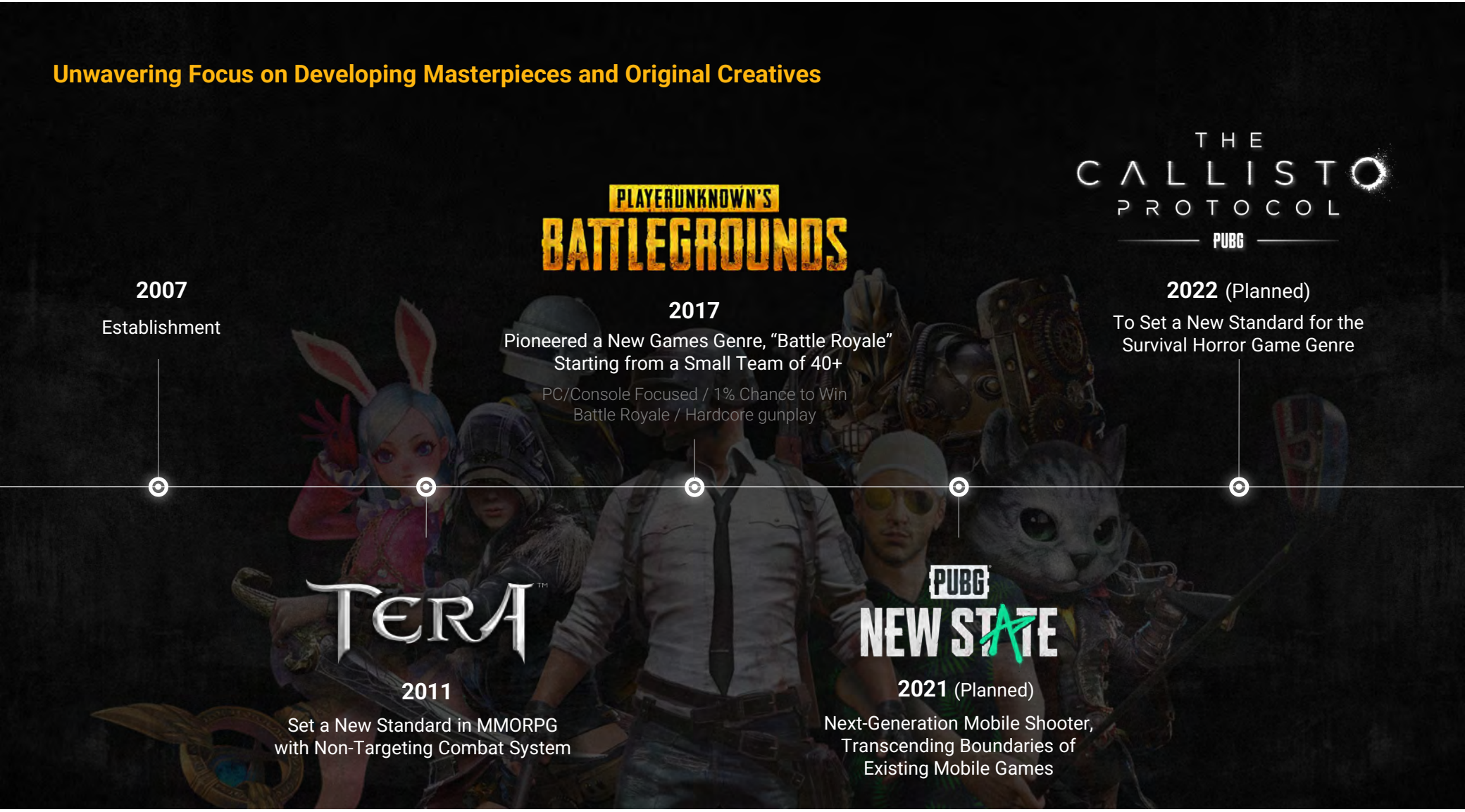
- PUBG GLOBAL INVITATIONAL

Major 3rd Party Competitions

WHAT MADE IT POSSIBLE

What Made It Possible

Unwavering Focus on Developing Masterpieces and Original Creatives



2007

Establishment

2011

Set a New Standard in MMORPG
with Non-Targeting Combat System

2017

Pioneered a New Games Genre, "Battle Royale"
Starting from a Small Team of 40+

PC/Console Focused / 1% Chance to Win
Battle Royale / Hardcore gunplay

2021 (Planned)

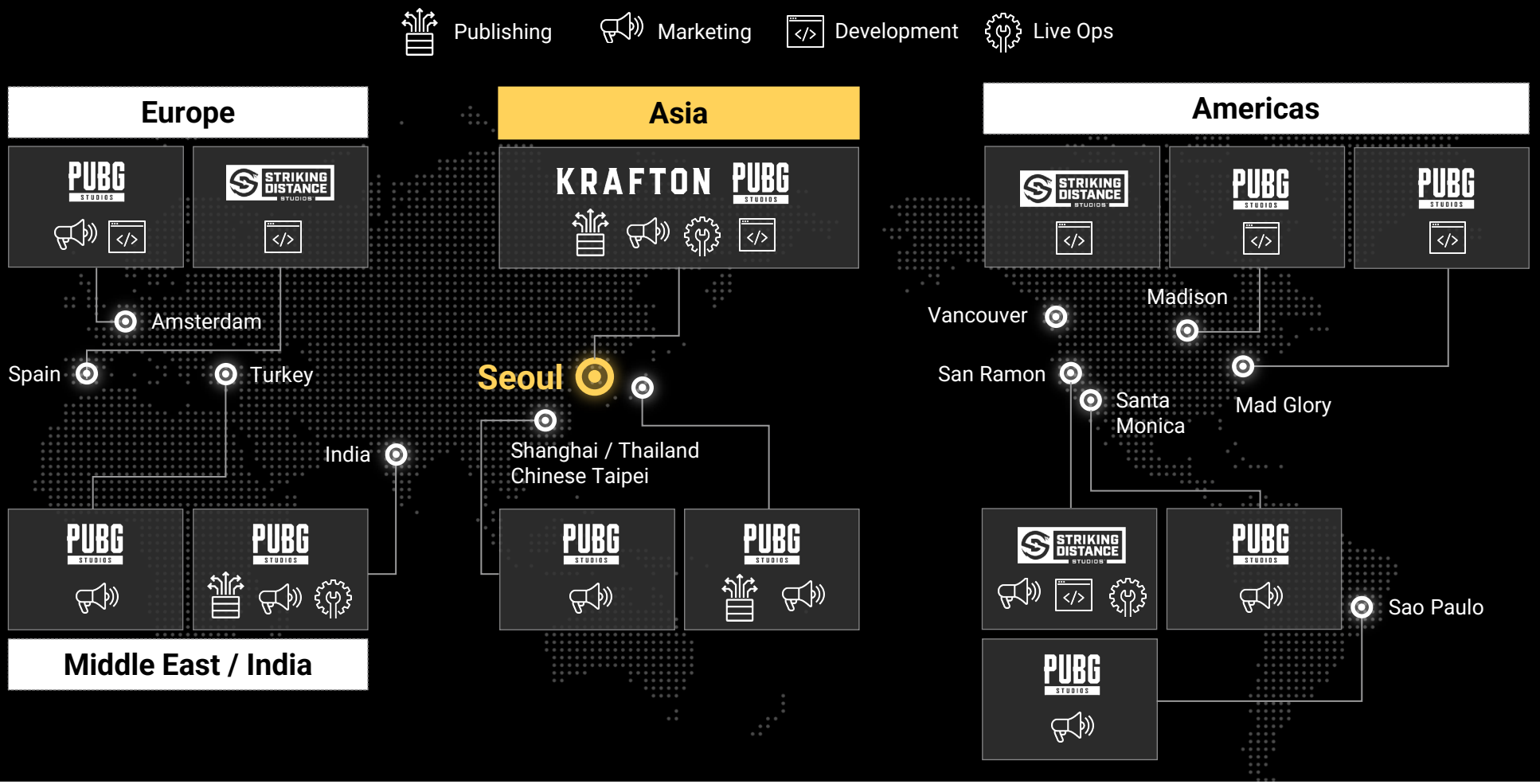
Next-Generation Mobile Shooter,
Transcending Boundaries of
Existing Mobile Games

2022 (Planned)

To Set a New Standard for the
Survival Horror Game Genre

What Made It Possible

Reinforcing Global Collaboration System for Development of Masterpiece & Service



What Made It Possible

KRAFTON: A Magnet for Global Creative Talents

GLEN SCHOFIELD
Striking Distance Studios
Chief Executive Officer

CALL OF DUTY · DEAD SPACE

DAVE CURD
PUBG Creative Director

PLAYERUNKNOWN'S BATTLEGROUNDS · CALL OF DUTY

JENNY RYU
Head of Art Department of Krafton

CALL OF DUTY · THE LORD OF THE RINGS

STEVE PAPOUTSIS
Striking Distance Studios
Chief Development Officer

DEAD SPACE · BATTLEFIELD HARDLINE

PAWEL SMOLEWSKI
Thunder Tier One
Executive Producer

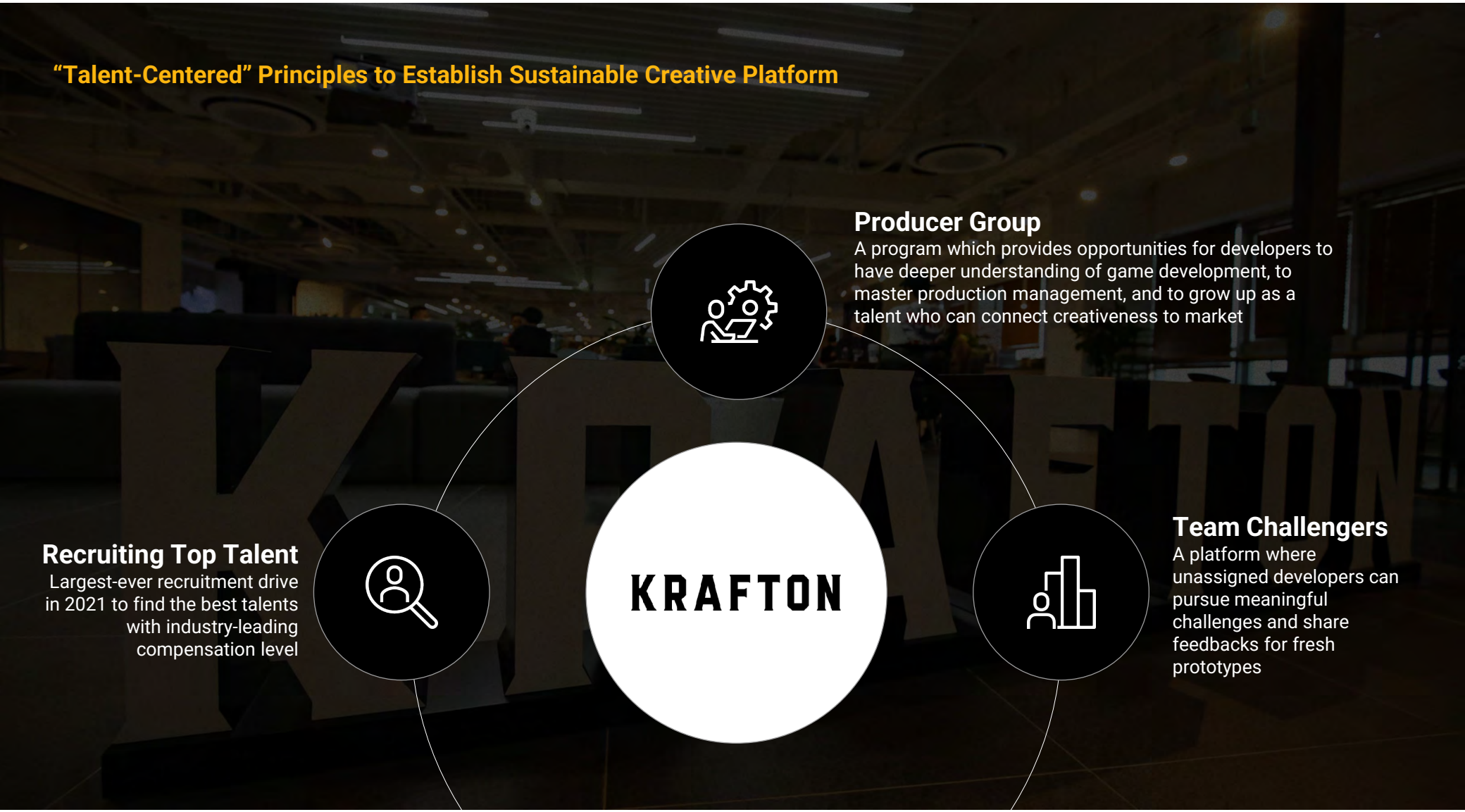
PLAYERUNKNOWN'S BATTLEGROUNDS · ARMA III

KEVIN LIN
Non-Standing Director
Member of the Strategy Committee

twitch

What Made It Possible

“Talent-Centered” Principles to Establish Sustainable Creative Platform



Producer Group
A program which provides opportunities for developers to have deeper understanding of game development, to master production management, and to grow up as a talent who can connect creativeness to market

Recruiting Top Talent
Largest-ever recruitment drive in 2021 to find the best talents with industry-leading compensation level

Team Challengers
A platform where unassigned developers can pursue meaningful challenges and share feedbacks for fresh prototypes

What Made It Possible

Best-in-Class Mobile Game Development Capabilities, Amid Heavy Reliance on Chinese Developers for most AAA Games in Mobile Transition

Graphic Rendering

Global Illumination: Lighting effect for realistic graphics beyond limitation on mobile devices

Auto-Instancing Draw: Drawing hundred-thousand objects in a massive open-world map at high speed

Auto Exposure: Implementing human eyes' adaptation to darkness

Grand Atlas Texturing: Caching optimized for mobile devices for max. efficiency in processing

Platform Server

Development / Operation of Cloud platform Server Systems: Covering tens of millions of DAUs worldwide

Implementation of Micro-service Platform Architecture: Parallel processing / auto-scaling with latest cloud technology stack

Operating Global Servers with AWS + Azure Data Pipeline and Analysis Tools: Real-time storage of massive-scale game data

Mobile CPU & GPU Optimization

Character Multi-part Mesh Runtime Merging: Parallel processing of character details to optimize CPU load

Parallel Processing of Movement Logics for multiple characters to optimize CPU load

Optimized Physical Processing: Enabling detailed physical processing on mobile devices (e.g. destroy effect for windows)

Optimized Operation Sensitivity: Minimized input delay on touchscreen

Optimized Heat Control for Mobile Devices: Real-time monitoring and optimization of CPU load

Network Sync. / Optimization

Network Replication Graph: Rapid synchronization with the calculation of update frequency per object characteristics, broadcasting of correlations, and scaling

Synchronization and Storage Method for Real-time Packet Delay: Movement, physics, and ballistic trajectory calculation

Network Packet Compression Algorithm

Encryption of Security Packet

Anti-Cheat

Implementation of Multi-factor Anti-Cheat Technology for Detection / Prevention of System Abusers

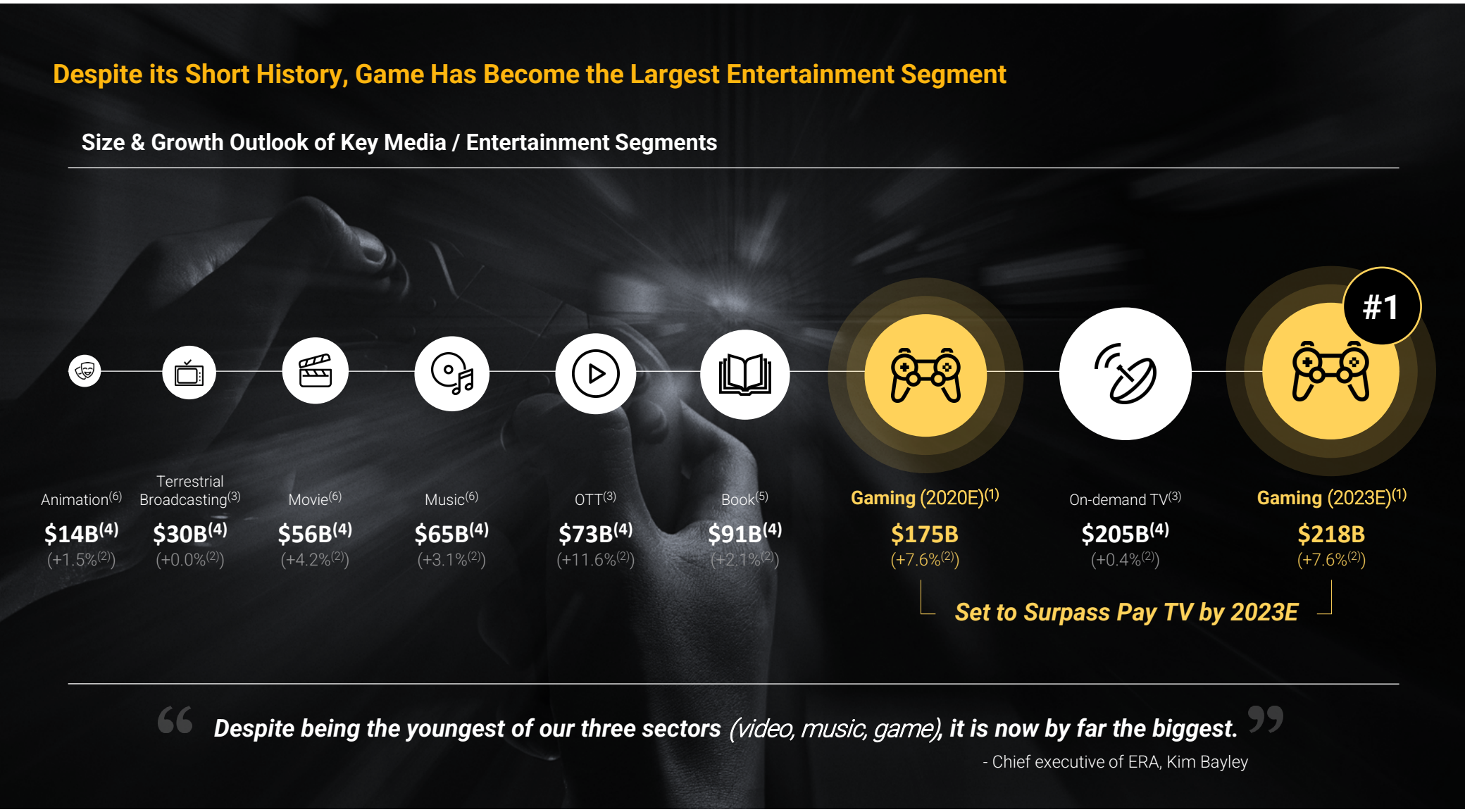
- Anti-cheat based on code encryption
- Detection of hack tools based on pattern analysis
- Real-time detection based on log analysis and AI

THE FUTURE WE ENVISION

The Future We Envision

Despite its Short History, Game Has Become the Largest Entertainment Segment

Size & Growth Outlook of Key Media / Entertainment Segments



> ***Despite being the youngest of our three sectors** (video, music, game), **it is now by far the biggest.***
>
> - Chief executive of ERA, Kim Bayley

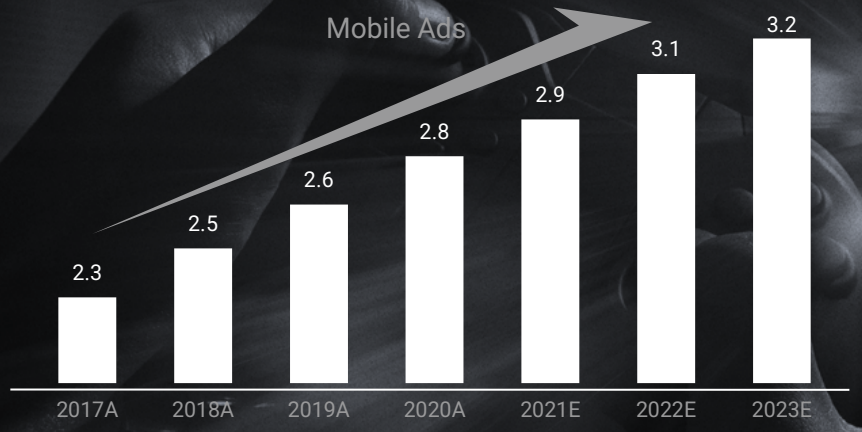
Source:(1) Newzoo data as of January 2021; (2) 2020-2023 expected compound annual growth rate; (3) PwC, Global Entertainment & Media Outlook 2019-2023; (4) Estimated revenue for 2023E; (5) Research and Markets report as of May 2020; (6) Korea Creative Content Agency, 2019 Foreign Contents Market Analysis

The Future We Envision

As a Mainstream Content with 2.8B Global Users, Game is Ever Expanding its Presence

Game: Mega Content Market with 2.8B Gamers

Number of Gamers in the World (bn)(1)



Clear & consistent growth trajectory across all platforms (Mobile / PC / Console)

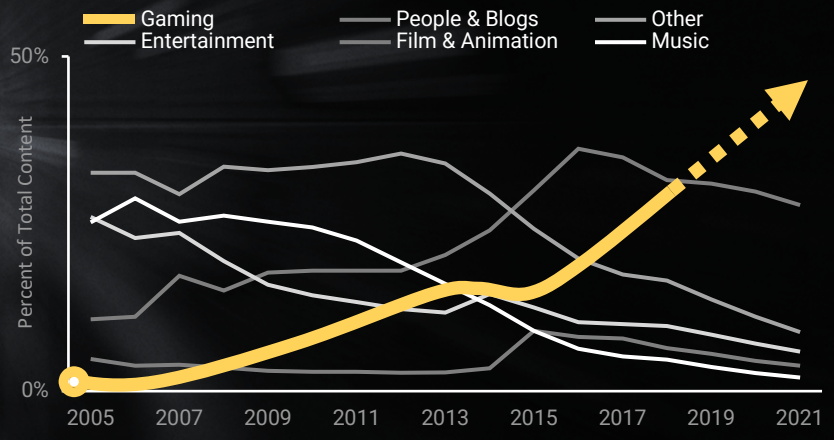
- Expected to further accelerate post COVID-19

75% of the population are gamers in the US(2), a mecca of global entertainment & media

Growth to further expedite, mainly driven by emerging markets with continued **increase in smartphone penetration** and **young average population**

Generating Highest User Attraction among Other Content

% of Viewership by Major Category on YouTube



50B Hours
Hours Watched for Gaming Content per Annum on YouTube

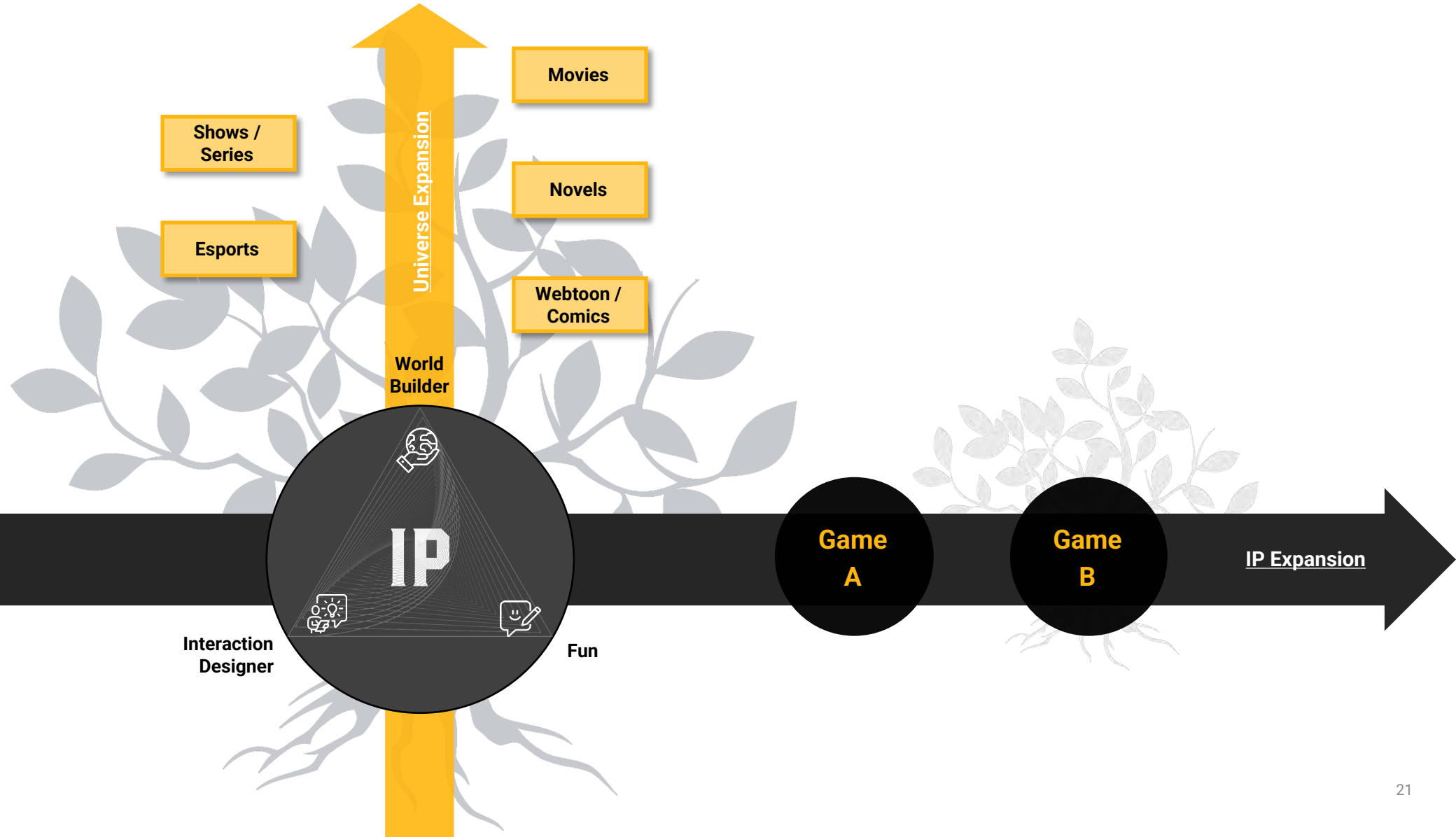
665M
Number of Viewers of Gaming Videos in the World

> ***Gaming has always been the backbone of YouTube since founded***
>
> - YouTube's Gaming Director

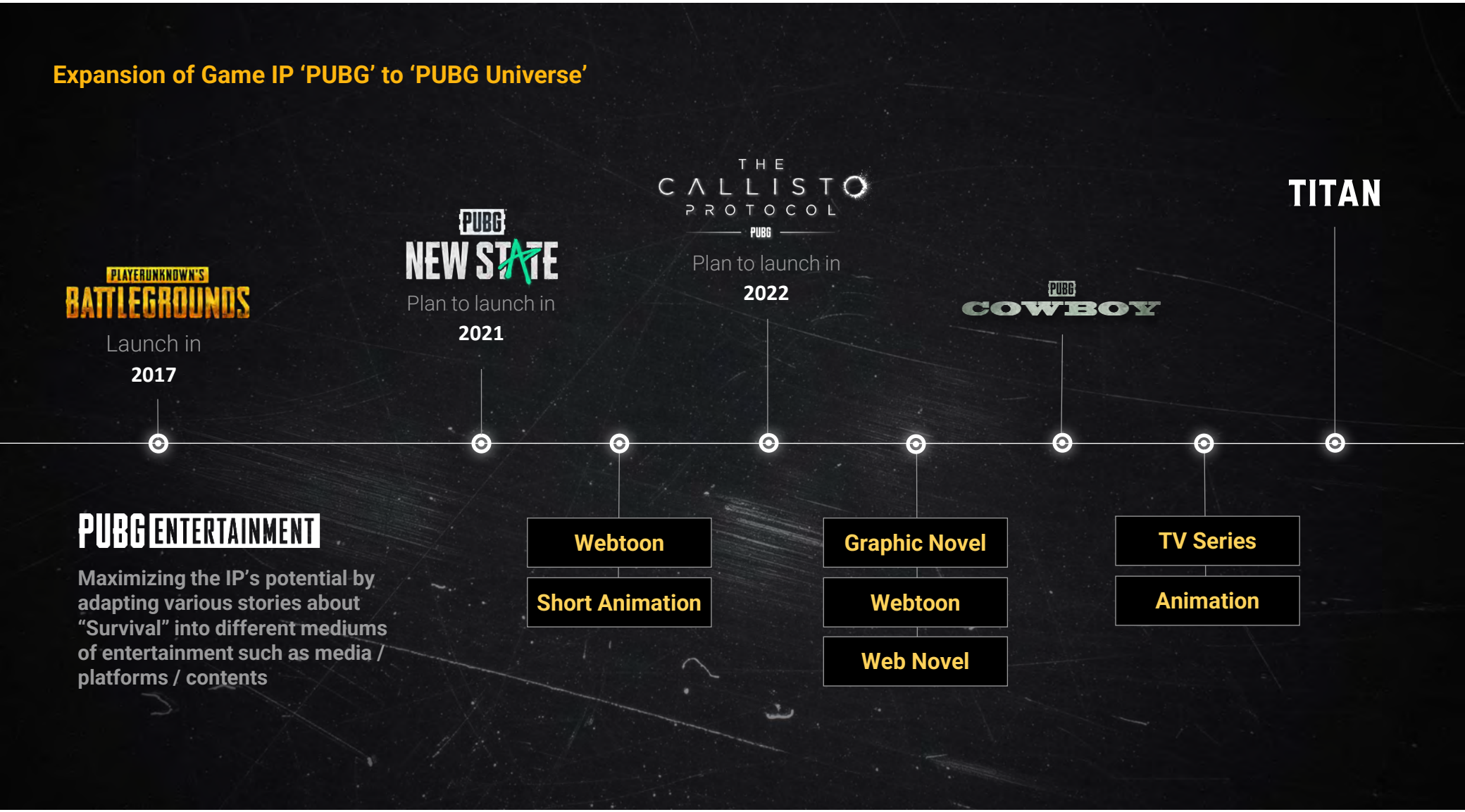
Source: Newzoo, The NPD Group, YouTube. (1) Number of users who have played games on PC, console or mobile for the last 6 months; (2) Data as of July 2020 from The NPD Group.

The Future We Envision

KRAFTON Has Been Creating Original Game IPs & Expanding the IP Universe into Various Entertainment Formats



The Future We Envision



The Future We Envision

The Future We Envision

Studios Focus on Development Based on Creative Identity, while KRAFTON Provides Publishing, Tech, Biz Support

Independent Studios

- BLUEHOLE — TERA / ELYON
- PUBG STUDIOS — PUBG / NEW STATE
- RISING WINGS — KING SERIES / CASTLE CRAFT
- STRIKING DISTANCE STUDIOS — THE CALLISTO PROTOCOL
- DreaMotion — RONIN / ROAD TO VALOR

KRAFTON

- Approve new games, milestones
- Approve studio budget, staffing
- Role as a Publisher

Independent Studios

- Content development, game operation / publishing plans and budget allocation decided by the EPD

KRAFTON

- Publishing
- Tech (Dev Support)
- Business Support
- Incubating System

The Future We Envision

KRAFTON's Unique Development Culture: A Bottom-up Development System

Nurturing Differentiated Development Culture Aligned with the Studios' Respective Characteristics and Environment

	Conception / Pre-production	Development	Publishing
KRAFTON HQ	• Review / approve **yearly budget and staffing** for each studio		
	• Actively involve in or directly manage **approval / supervision of new projects** - Final approval from the CPO	• Approve **beta test / launch** based on development and production quality reviewed by the feedback group & the CPO	• Carry out **Global Publishing** for game launch and live service
Independent Studio	• Discover new projects through the Bottom-up Development System	• Milestone review process: Concept & Discovery → Design & Planning → Vertical Slice → Full Production	• Content development, game operation / publishing plans and budget allocation **decided by the EPD**

The Future We Envision

Ready to Provide Global Direct Publishing with Strengthened Publishing Capabilities

Publishing Tech – Technical Expansion of Service

- **Global Publishing Platform**: base technology that enables efficient operation to service multiple titles via various global game platforms
- Enhance **data analysis capabilities** (gamer / service / product)
- Acquire **Marketing Tech** capabilities (establish CRM base)

Marketing

- Strengthen marketing capabilities with **a focus on Creatives and Community**
- (Leveraging Publishing Tech) **Growth / Digital Marketing**

Regional Business

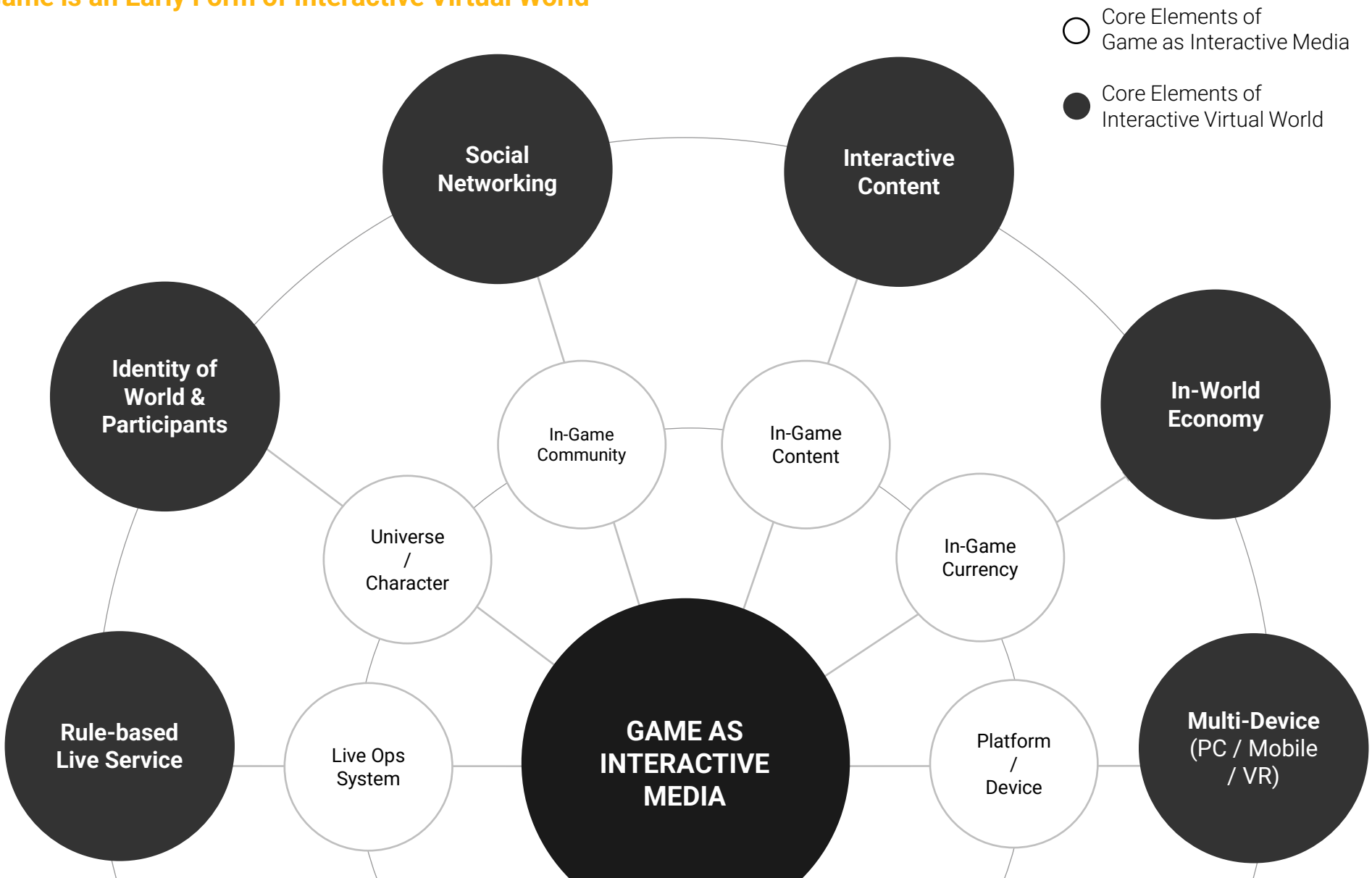
- **Go-to-market strategy**: gain better understanding and insight into emerging markets such as India, and build local networks
- Double down on communication with regional communities and maintain high level of popularity/anticipation
- Interpret/share regional community needs & partnerships

Platform

- Improve understanding of each platform and reinforce technical competitiveness, content delivery capability
- **Platform Relationship**: App Market, Cloud, Streaming
- Implement the best launching strategies per platform and advance live ops & monetization

The Future We Envision

Game is an Early Form of Interactive Virtual World



The Future We Envision

The Future We Envision

KRAFTON Ultimately Pursues an Enhanced Interactive Experience such as Virtual Friend, through the Development of Deep Learning Technology

1 Language Model: GPT-3 (Generative Pre-trained Transformer 3)

- Model capable of generating human-like responses even with unrefined free texts inputs
- Understands / interprets natural language inputs based on an enormous dialogue data base and generates appropriate answers

2 Open Domain Conversation Agent (Chatbot with memory)

- Deliver the user's natural language as language model input, and deliver output as a dialogue
- Capable of free conversation, not limited to a specific topic or area

4 Speech to Text & Text to Speech

- Recognizes / expresses detailed emotions, not limited to simple transformations
- Capable of creating a voice by cloning
  or converting other voices

3 Computer Vision (Character Animator)

- Technology that recognizes the appearance or motion of an object and automatically creates an image
- Automatically create the connection motion between snapshots according to the given physics law or defined material

FINANCIALS

2Q21 Results at a Glance

KEY PERFORMANCE

PUBG IP
Presence

~59 MILLION
Global Daily Active Users(1)

PUBG: NEW STATE
Pre-registration (2)

~32 MILLION

Battlegrounds Mobile India
Registered Users(3)

~50 MILLION

Games-as-a-Service (4)

6 COLLABORATIONS, 5 MODES

MORE THAN NUMBERS

Total
Revenue Growth

+7 % YoY

PUBG Mobile Global
Revenue Growth

~+30 % QoQ

PUBG PC
In-game ARPU

~+80% QoQ

Adj. EBITDA(5) Margin
Profitability

47 %
(+2.0%p YoY)

Note: (1) Global average DAU is the total sum of PUBG Mobile, PC, Console and BGMI in 2Q 2021 (2) Pre-registration as of September 1, 2021 excluding iOS, China, Vietnam and India (3) Registered users as of August 2021 after BGMI launch
(4) Collaborations (PC: El Solitario, Mobile: Godzilla vs Kong, Mclaren, Kartrider Rush+, KFC, Line Friends), Modes (PC: POBG, Racing, Mobile: Godzilla vs Kong, Titan Strikes, Insectoid), (5) Adj. EBITDA = EBITDA + Share-based payment expenses

2Q21 Results at a Glance

Revenue **KRW 459.3bn** (+7.0% YoY, -0.4% QoQ)

Growth sustained from mobile and PC segments driven by differentiated expertise in live ops and in-game monetization efforts

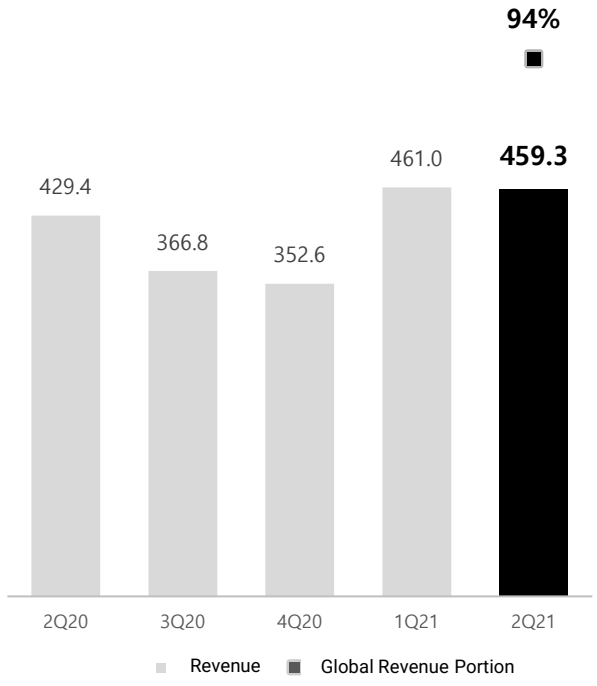
Operating Profit **KRW 174.2bn** (-0.3% YoY, -23.3% QoQ)

Despite the high base, continuous revenue growth offset the risen expenses from business expansion resulting in similar OP compared to the same period last year

Net Profit **KRW 141.3bn** (+16.6% YoY, -27.2% QoQ)

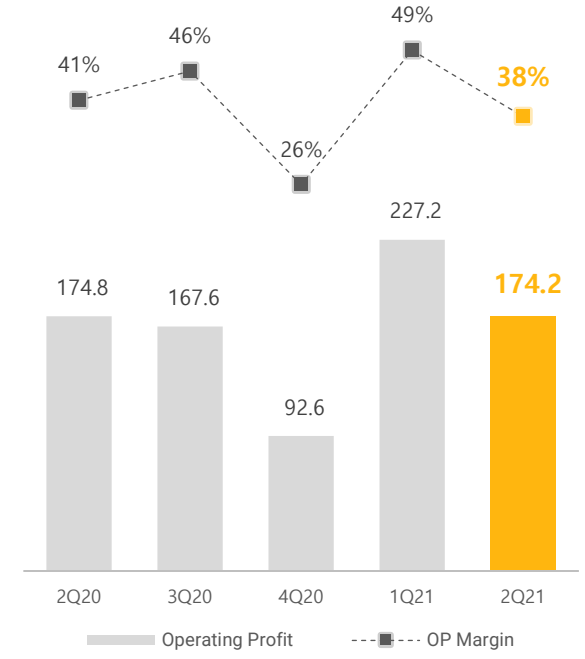
Revenue

KRW bn



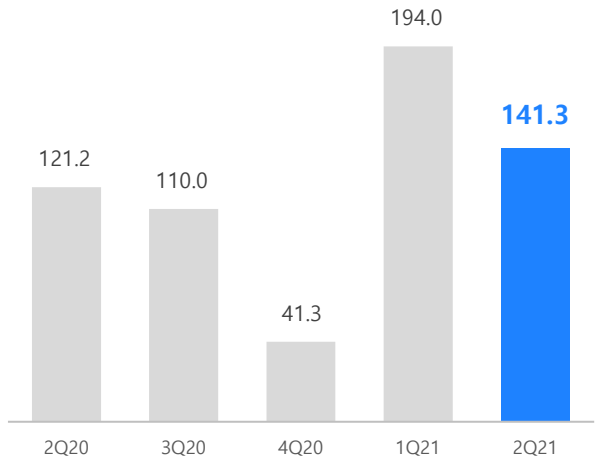
Operating Profit

KRW bn



Net Profit

KRW bn



Revenue Breakdown

Revenue **KRW 459.3bn** (+7.0% YoY, -0.4% QoQ)

- Mobile segment revenue reached KRW 354.2bn, a 4.3% increase YoY

  Successful in-game monetization, including various updates and brand collaborations led to a record high quarterly revenue for PUBG Mobile

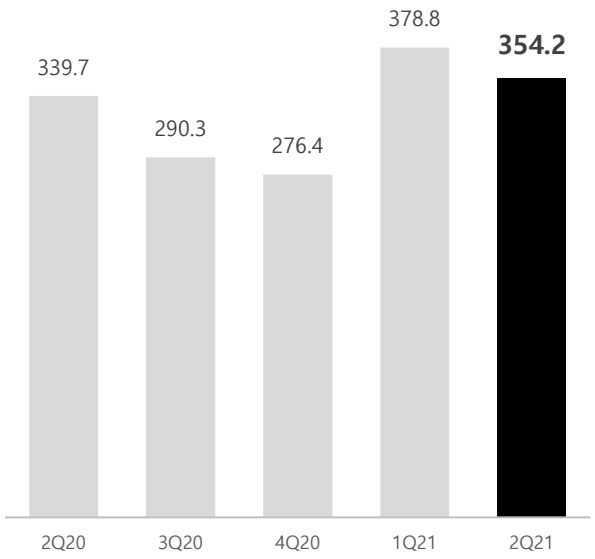
- PC segment revenue reached KRW 88.6bn, a 23.1% increase YoY

  Weapon Skin Upgrade System introduced in June bolstered the increase in paying users as well as record high in-game ARPU in PUBG PC

Mobile

KRW bn

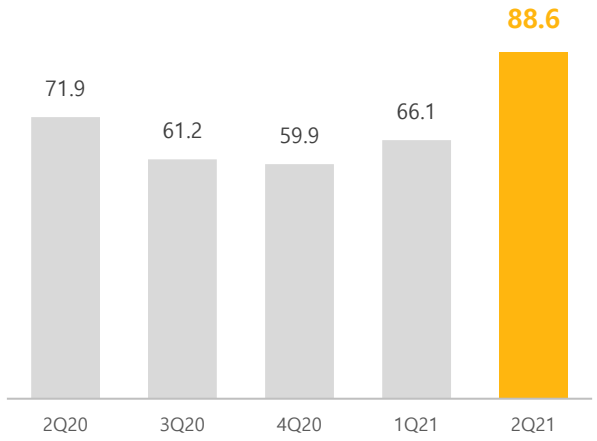
PUBGM, Technology Service and more



PC

KRW bn

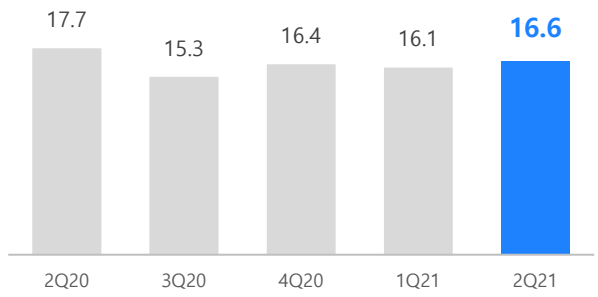
PUBG, TERA, ELYON



Console / Other

KRW bn

PUBG, TERA, STADIA and more



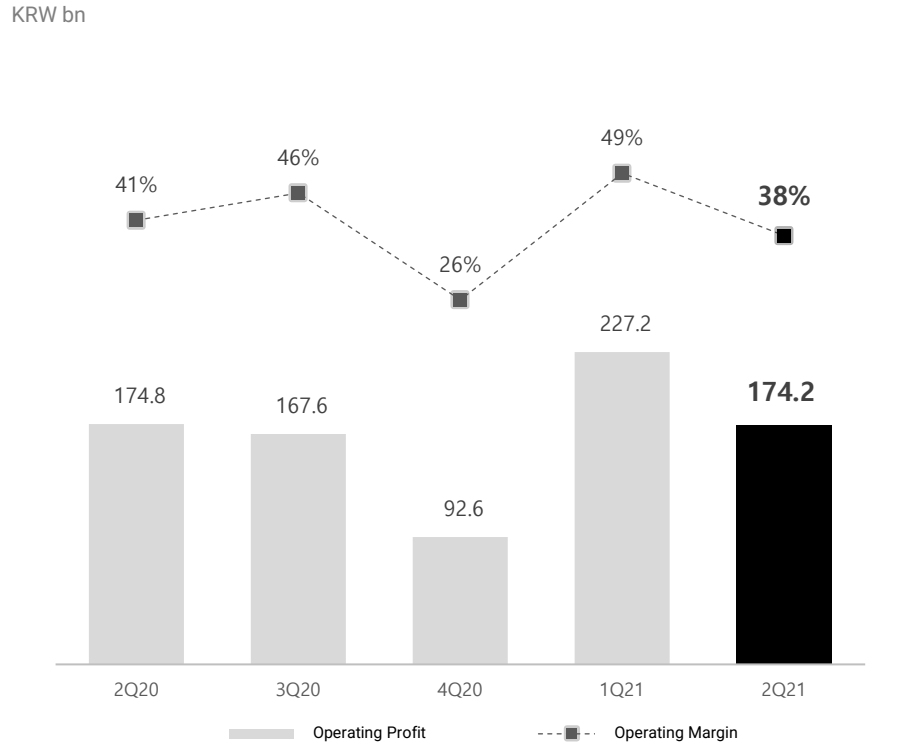
Profits

Operating Profit **KRW 174.2bn** (-0.3% YoY, -23.3% QoQ)

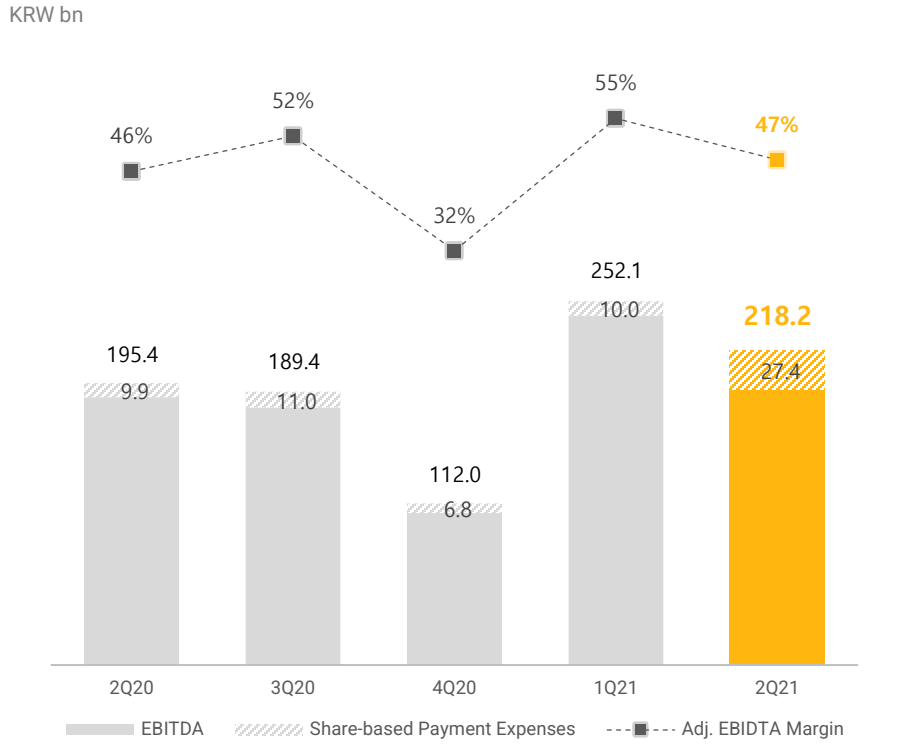
Adj. EBITDA **KRW 218.2bn** (+11.7% YoY, -13.5% QoQ)

• Adj. EBITDA reflecting share-based payment expenses with some one-offs increased 11.7% YoY, with adj. EBITDA margin of 47%

Operating Profit



Adj. EBITDA(1)



Note: (1) Adj. EBITDA = EBITDA + Share-based payment expenses

Expense Breakdown

Operating Costs **KRW 285.2bn** (+12.0% YoY, +22.0% QoQ)

- Personnel costs increased 16.6% YoY, and increased 14.1% QoQ at KRW 73.9bn

  Increase in headcount due to the inclusion of newly consolidated subsidiary, Dreamotion, ongoing business expansion as well as salary-base raise

- Paid commissions increased 21.7% YoY, and increased 25.2% QoQ at KRW 95.3bn

  Caused by hosting eSports tournaments (PGI. S, PCS4) in 1H21, outsourcing costs from developing new titles, server costs for BGMI Early Access launch

KRW bn	2Q20	3Q20	4Q20	1Q21	2Q21	YoY	QoQ
Operating Costs	**254.6**	**199.2**	**260.1**	**233.8**	**285.2**	**12.0%**	**22.0%**
% of Revenue	59.3%	54.3%	73.7%	50.7%	62.1%	2.8%p	11.4%p
Personnel	63.4	61.9	86.7	64.8	73.9	16.6%	14.1%
Platform fees / Cost of Revenue (1)	40.6	40.3	34.2	35.8	40.2	-0.9%	12.3%
Paid Commissions	78.3	54.8	80.9	76.1	95.3	21.7%	25.2%
Marketing	9.5	10.2	12.3	7.4	8.0	-16.1%	7.0%
Share-based payment expenses / Performance-based incentives	48.3	16.8	28.3	30.0	46.9	-2.9%	56.6%
Others	14.5	15.2	17.6	19.7	20.9	43.7%	5.9%
Operating Profit	**174.8**	**167.6**	**92.6**	**227.2**	**174.2**	**-0.3%**	**-23.3%**
% Margin	40.7%	45.7%	26.3%	49.3%	37.9%	-2.8%p	-11.4%p
Adj. EBITDA(2)	**195.4**	**189.4**	**112.0**	**252.1**	**218.2**	**11.7%**	**-13.5%**
% Margin	45.5%	51.6%	31.8%	54.7%	47.5%	2.0%p	-7.2%p
Net Profit	**121.2**	**110.0**	**41.3**	**194.0**	**141.3**	**16.6%**	**-27.2%**

Note: (1) Platform fees / Cost of Revenue consist of Steam, market commissions, etc (2) Adj. EBITDA = EBITDA + Share-based payment expenses

2H21 Strategy – PUBG IP

IP Life Cycle Extension Through Fresh and Attractive Content and Monetization Scheme for 60 Million Global Avg. DAU

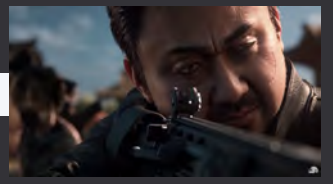
Advanced global live service expertise encompassing PC, mobile, in-game contents (maps, events, collaborations) and PUBG Universe

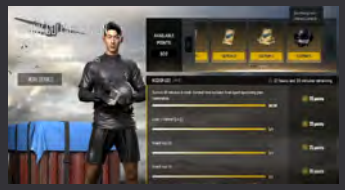
From casual to core user base, we cater to different game play preferences, with season/event passes, WSUS(1), and many more to come!

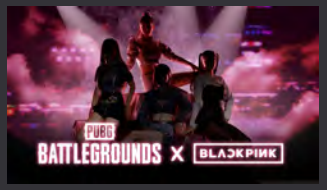
Strengthen user engagement with differentiated expertise in live ops

<PUBG Universe – Ground Zero>

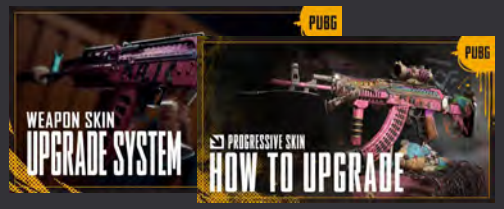
<TAEGO Map launched in July>


<Don Lee Character Skin>


<Heung-Min Son x PUBG>



<BlackPink x PUBG>



<Weapon Skin Upgrade System>

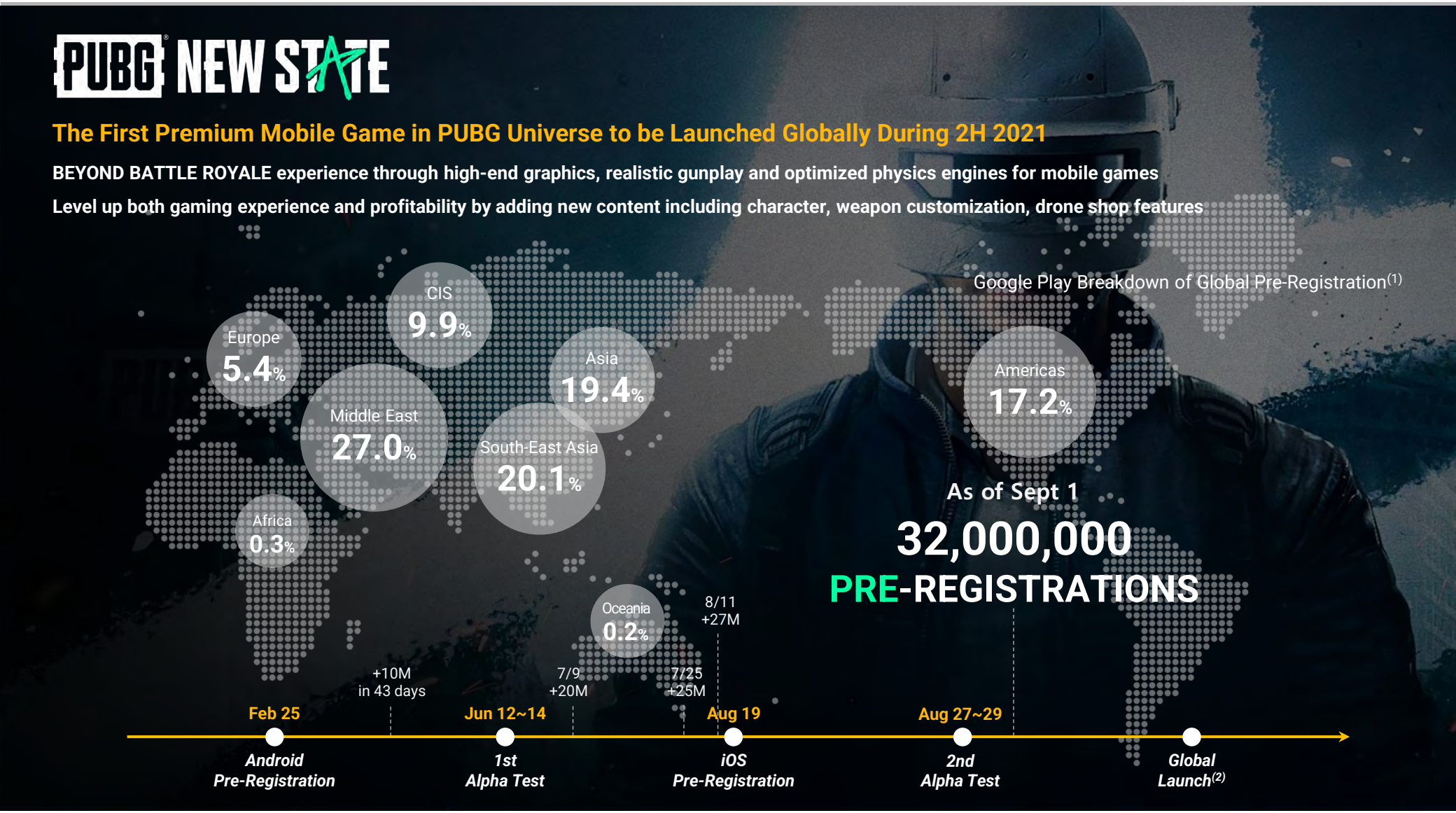
Kiki

Coming in DEC 2021

<KiKi Map – To be launched in Dec.>

Note: (1) WSUS: Weapon Skin Upgrade System

2H21 Strategy – PUBG: NEW STATE



Note: (1) Pre-registration as of August 2021, excluding iOS, China, Vietnam (2) Global launch excluding China and Vietnam

2H21 Strategy – PUBG: NEW STATE (continued)

Expansion of Game Influence by Providing More Diverse Content for Global Users

Creating a Virtuous Cycle: Global content from the lore of PUBG Universe → Build core fanbase → Increase entire PUBG player base

Solidify the user base of NEW STATE by feeding community/social/entertainment content and occupy user time spent even outside of gaming

TARGET 1

- Gamers familiar with BR genre but in need of new fresh contents
- Gamers wanting premium-quality mobile BR game experience

Cycle

GAME

+160%

Pre-registration trend during Alpha

Non-Game Content

Global Content

<Universe Cinematic: Fall of Troi>

+15M views

Cycle

TARGET 2

- Former PUBG PC / Mobile players who left the game
- Mobile FPS gamers

TARGET 3

- Gamers with other mobile game experiences
- PC and Console gamers

2H21 Strategy – New Markets

Status as 'National Game' in Fast-growing India and MENA region

PLAYERUNKNOWN'S BATTLEGROUNDS MOBILE

	Game App Gross Revenue Ranking	Cumulative Downloads	DAU
India 5th[1] Largest Economy in the World Average Age of 28	**#1** 2020 Gross Revenue[3]	**~270M** ~40% of total smartphone users[4]	**17M+** Jul 2020 Average DAU
MENA Region 240mn total Gamers[2] 18% 16A-20A Mobile Game Market CAGR	**#1** Current rank in 15 out of 16 countries[4]	**~250M** ~50% of total population[6]	**18M+** May 2020 Average DAU

Source: Newzoo, Statista, Economist Intelligence Unit, News Articles. (1) Economist Intelligence Unit 2020 Nominal GDP; (2) 2020 Newzoo data; (3) India: Sensor Tower data, total game application revenue ranking (including Androids and App Store); (4) Middle East and North Africa countries (16 in total): Algeria, Bahrain, Egypt, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, Turkey, UAE, Yemen. Based on ranking by grossing as of May 25, 2021 according to App Annie.; (5) Cumulative downloads: as of Feb 2021. Total smartphone users: 2020 data from Statista; (6) World Bank data – 2019 MENA region population.

2H21 Strategy – New Markets

KRAFTON's Strategic Initiatives for Pre-empting Leadership in Emerging Markets

Initial Success

PUBG MOBILE

"The" Most Iconic Game in India

#1 Mobile App
Ranking by Gross Revenue Among All Mobile Apps(1)

270M+ Downloads
Representing ~40% of Smartphone Users(2)

29M+ Average DAU
As of Jul 2020

Strengthening Local Network

PUBG India Established
Nov 2020

100
Planned # of Local Talents

US$ 100M
Expected Investment

Bridgehead for Expansion into Middle East

Leading Social Platform

PLAYERUNKNOWN'S BATTLEGROUNDS

As a social Phenomenon

- Game with the most users in India
- Longer play time compared to casual games
- Active player interaction via voice chat

Positioning as a Leading Social Platform in India

Source: Company data, Sensor Tower, App Annie, News Articles. (1) Cumulative downloads: as of Mar 2021. Total smartphone users: 2020 data from Statista

Summary of Financial Statements

Consolidated Income Statement

(Unit: KRWbn)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	**429.4**	**366.8**	**352.6**	**461.0**	**459.3**
Operating Costs	254.6	199.2	260.1	233.8	285.2
Operating Profit	**174.8**	**167.6**	**92.6**	**227.2**	**174.2**
EBITDA	185.5	178.4	105.2	242.1	190.8
Adj. EBITDA	**195.4**	**189.4**	**112.0**	**252.1**	**218.2**
Non-operating profit and loss	-17.8	-25.1	-94.9	44.2	-2.4
Other Income	0.1	-0.7	11.2	52.8	4.7
Other Expenses	17.5	23.9	105.3	7.8	5.7
Finance Income	1.0	0.9	0.6	0.8	0.7
Finance Expenses	1.4	1.5	1.4	1.7	2.1
Profit before Income Tax	**157.0**	**142.5**	**-2.3**	**271.4**	**171.8**
Income Tax	35.8	32.5	-43.6	77.4	30.5
Net Profit	**121.2**	**110.0**	**41.3**	**194.0**	**141.3**

Consolidated Statement of Financial Position

(Unit: KRWbn)	2Q20	3Q20	4Q20	1Q21	2Q21
Current Assets	1,224.1	1,322.2	1,292.5	1,440.6	1,554.8
Cash and Cash Equivalents	349.6	690.4	719.8	750.2	624.5
Non-current Assets	284.2	317.9	426.6	657.1	735.7
Total assets	**1,508.3**	**1,640.1**	**1,719.1**	**2,097.7**	**2,290.5**
Current Liabilities	374.6	361.6	406.7	509.7	532.0
Non-current Liabilities	125.4	119.3	98.3	166.9	188.9
Total Liabilities	**500.0**	**480.9**	**505.0**	**676.6**	**720.8**
Paid-in Capital	4.0	4.0	4.3	4.3	4.3
Capital Surplus	985.7	985.8	1,003.8	1,003.8	1,065.6
Other Components of Equity	131.9	172.7	168.1	181.1	126.5
Retained Earnings	-113.4	-3.4	37.9	232.0	373.3
Non-controlling Interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**1,008.3**	**1,159.2**	**1,214.1**	**1,421.1**	**1,569.7**