

1Q 2022 Earnings Results

Investor Relations

2022. 5. 12

KRAFTON

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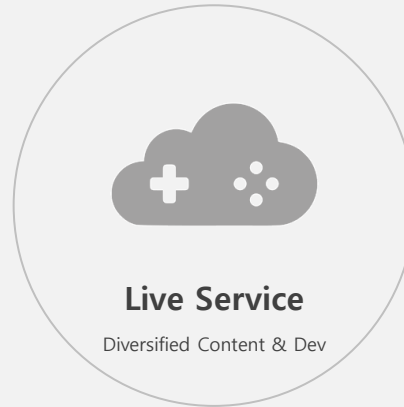
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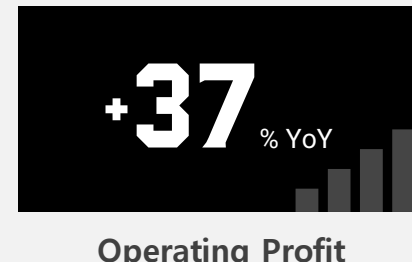
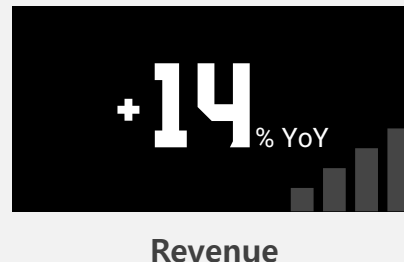
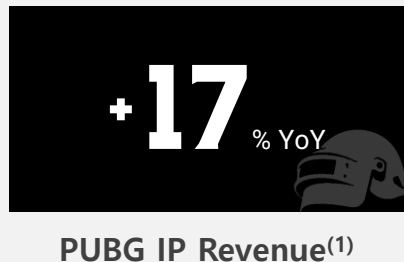
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2022 1Q Results at a Glance

KEY PERFORMANCE



KEY FINANCIAL HIGHLIGHTS



Note: (1) Revenue is the total of PUBG PC, Console, Mobile, BGMI, and New State

PC / Console

Looking Ahead Next 10+ Years, Successful F2P, Full-Packed Live Service, and Increased Traffic will Further Solidify Growth

2022 PUBG LIVE SERVICE PLAN



User
Engagement

NOT JUST A GAME

THIS IS BATTLE ROYALE



Sales
Efficiency

Training Mode
Weapon Balancing

Sanhok Rollback
Galaxy Squad

2Q



NieR: Automata
B-duck

Cyber Threat
MK12
Release in
JUN

Weapon Balancing
Released in JUL

Release
in JUL
Release
in JUL
Release
in SEP

3Q



Released in 3Q

Release
in JUL
Release
in AUG

Shop Feature
Social Feature

Vikendi Reborn
Release
in OCT

4Q



Released in 4Q

Release
in OCT
Release
in DEC



Survivor Pass



Collaboration/Yourshop



Map Update



Progressive Skin



Mode Update



New BM



Dev Content

Mobile

Continued Growth from PUBGM, BGMI with Diversifying BM and Content, Fresh BR Experience from New State via New Map



Stronger Traffic Retention & Monetization



<Spider-Man: No Way Home>

<Lamborghini Vehicle Skins>

Collaboration with premium brand/IPs

"Strengthened Live Service Efficiency"



Premium skin & collaboration, fancy visual effects



Localized Strategy Specialized for India



<QuickVoice Card Item>

<TV Ad Marketing>

Localized BM & marketing targeting Indian users

"Increased Revenue Contribution"



Successful live service and revenue increase in India



Increased Playtime with Fast Paced BR



<Extreme BR Mode>

<Round Deathmatch Mode>

Repositioning the core gameplay

"New Battle Royale Experience"



Differentiate New State through large-scale updates

New Growth (I) – Pipeline

Growing Global Presence with Highly Immersive, yet Different New Titles from Independent Studios in North America

Project M

Unknown Worlds

- A turn-based strategy game set in a Sci-Fi world (PC, Mobile)
- Following the 'Easy-to-Learn, Hard-to-Master' formula, aiming to be a game that is fun to watch others play
- Unique gaming experience created by Subnautica dev, Unknown Worlds!
- Targeting the second half of '22 for Early Access

THE CALLISTO PROTOCOL

PUBG

Striking Distance Studios

- Quad A (AAAA), All day!
- Highest level of quality + maximum horror experience + distinguished action mechanics
- Targeting the second half of '22 for launch

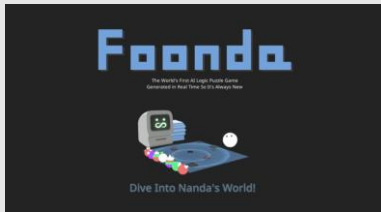
New Growth (II) – Special Project 2 (SP2), Deep Learning

Leveraging Our Core Strength and R&D in Deep Learning into Both Gaming/Non-Gaming, Investing More on Global Deep Tech

SP2 → **New Era of Gaming**



<Wish Talk>



<Foonda>

Unannounced Projects

- 10 AI/Deep learning based games
- New gameplay and user experience

Deep Learning R&D → **Impacting Non-Gaming Areas with Virtual Human & Chatbot**

Foundation Model

- KOR language model (GPT-3)
- Completed 13bn parameter sized model learning
- Applicable to various fields

Project Wilson & VR

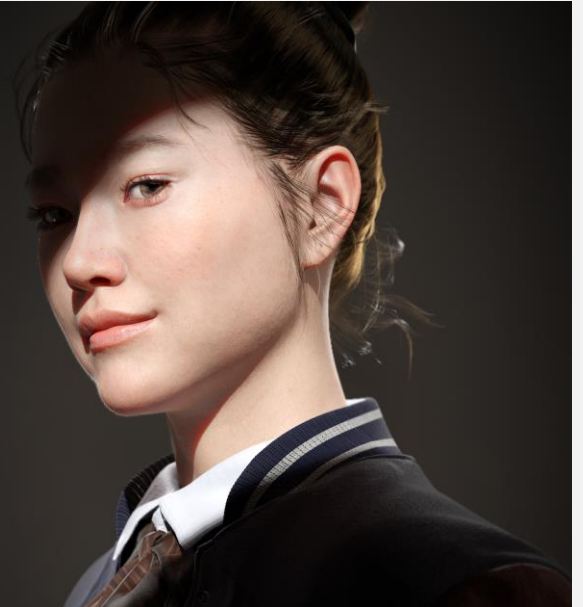
- KOR / ENG chatbot technology
- Open domain conversation
- Hyper-real 3D avatar creation

Project Beluga

- Best KOR TTS tech in Korea
- Production of audio content
- To be released during 2022

Virtual Human

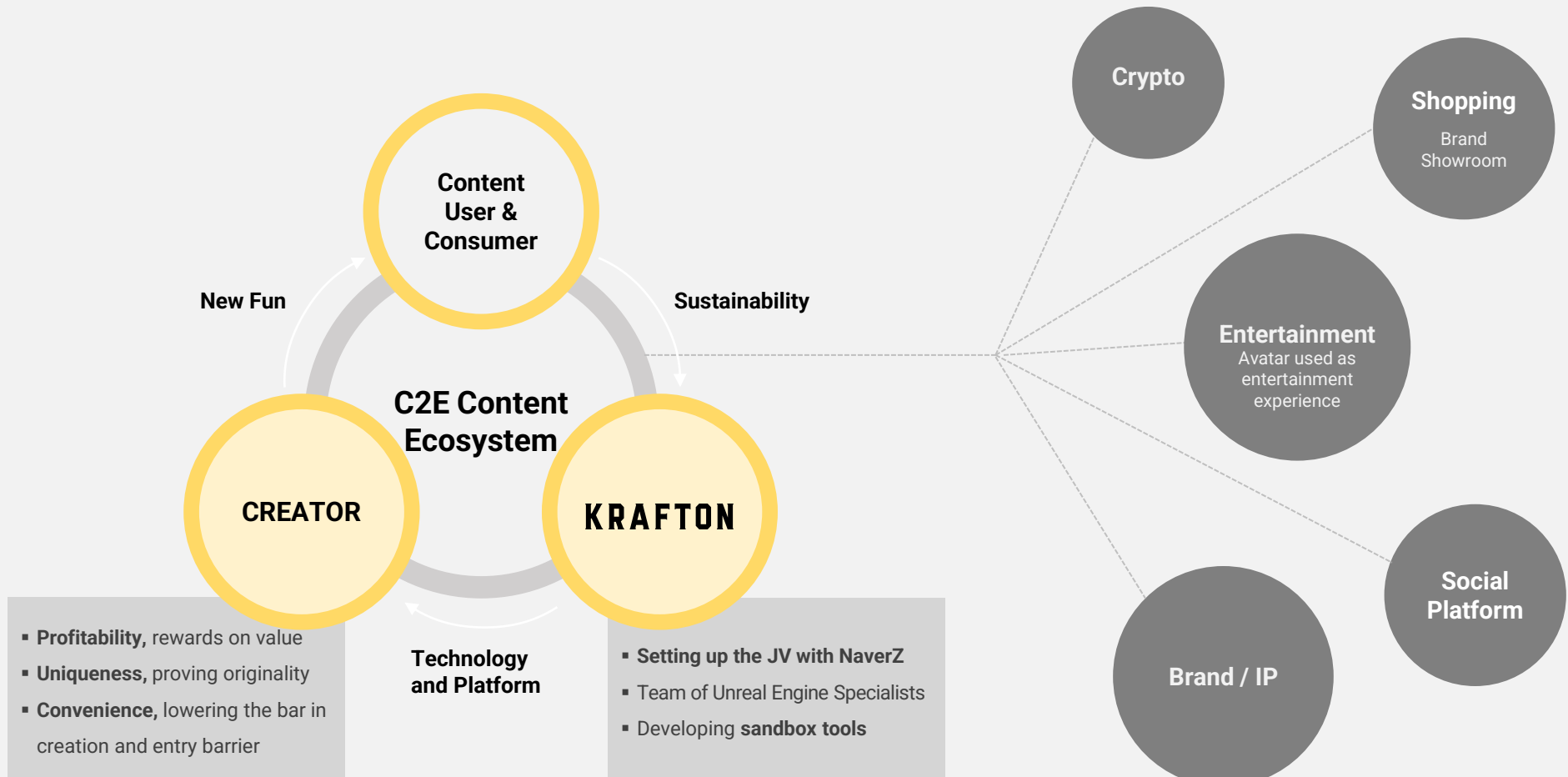
- GPT-3 based chatbot
- Best voice AI tech in Korea
- Animation for hyper-real 3D avatar character



**“Continue R&D in Foundation Model,
Achieve Multi-Modality to Create More Immersive Interactive Experience”**

New Growth (III) – Web 3.0, NFT Metaverse Platform

To Provide New Value for Gamers & Creators thru Content Production Tools where Fresh Interactive Content is Created Endlessly



1Q22 Financials

Revenue **KRW 523.0bn** (+13.5% YoY, +17.8% QoQ)

Sustained growth momentum of PUBG, on back of accumulated game development and global service expertise, led to another record high quarterly revenue

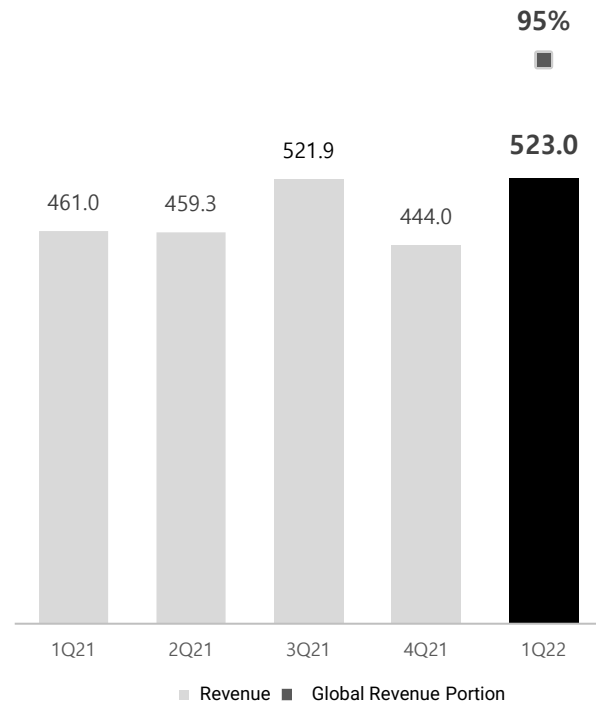
Operating Profit **KRW 311.9bn** (+37.3% YoY, +625.5% QoQ)

High YoY and QoQ growth driven by solid revenue and cost normalization

Net Profit **KRW 245.2bn** (+26.4% YoY, +3,829.7% QoQ)

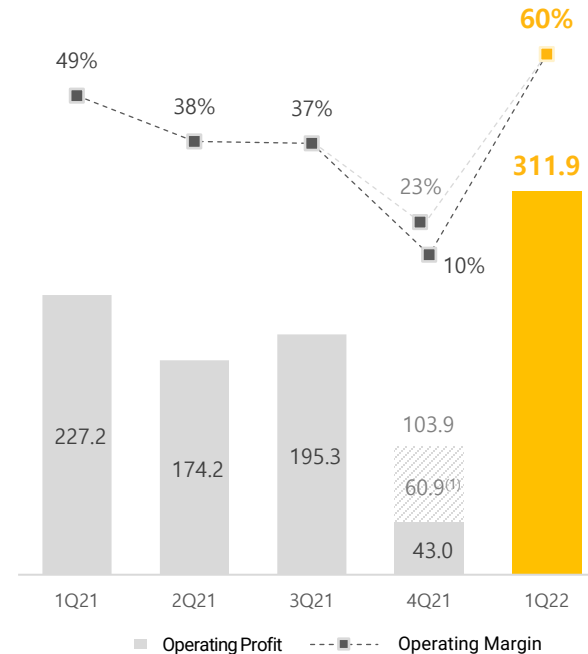
Revenue

KRW bn



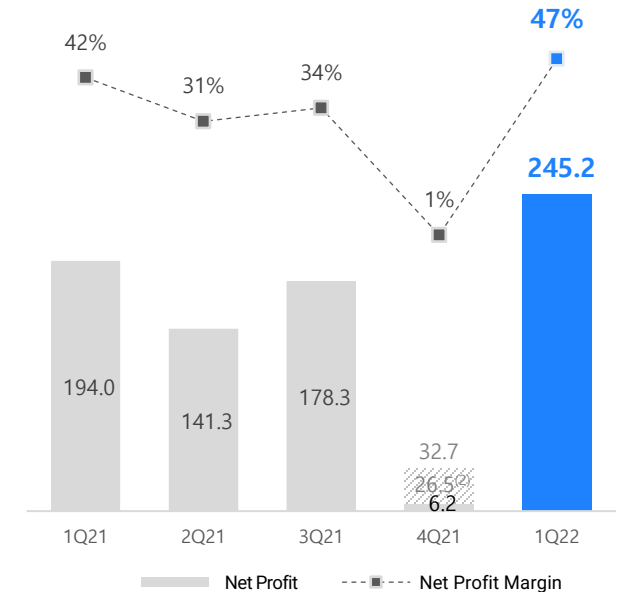
Operating Profit

KRW bn



Net Profit

KRW bn



Note: (1) One-off related to share-based payment expenses (W60.9bn), (2) Impairment losses for intangible assets (W26.5bn)

Revenue Breakdown

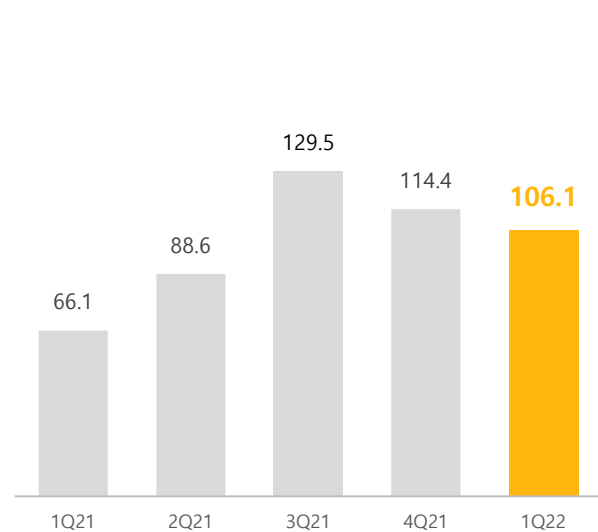
Revenue **KRW 523.0bn** (+13.5% YoY, +17.8% QoQ)

- (PC) KRW 106.1bn (+60.6% YoY, -7.2% QoQ)
High YoY growth backed by new BM expansion, yet, QoQ declined due to the impact of free G-Coins distributed thru Starter Pack sales and legacy user rewards
- (Mobile) KRW 395.9bn (+4.5% YoY, +30.4% QoQ)
YoY and QoQ growth driven by the improvement in user engagement and sales efficiency, strong live service structure

PC

KRW bn

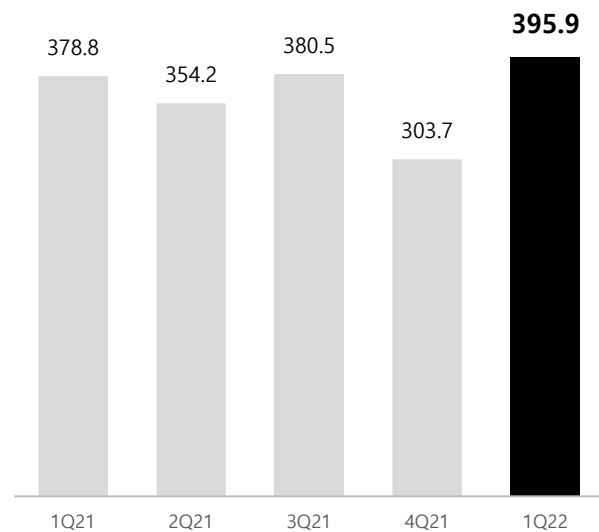
PUBG, Subnautica, Below Zero and more



Mobile

KRW bn

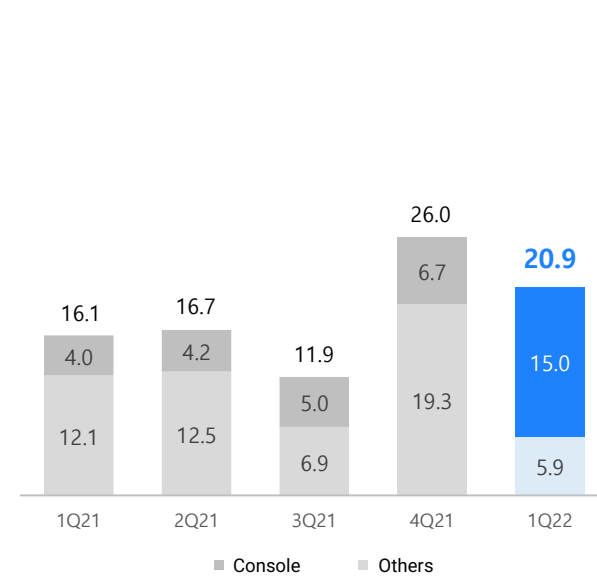
PUBGM, BGMI, New State, Technology Service and more



Console / Others

KRW bn

PUBG, Subnautica, Below Zero, Esports and more



Expense Breakdown

Operating Costs KRW 211.1bn (-9.7% YoY, -47.4% QoQ)

- (Personnel) KRW 110.5bn (+30.5% YoY, +16.6% QoQ)

YoY and QoQ rose on the increase in headcount from business expansion, employees subject to performance incentives, and inclusion of consolidated subsidiaries

- (Paid Commissions) KRW 55.9bn (-26.5% YoY, -52.6% QoQ)

Sharp YoY and QoQ decline due to the absence of global-scale eSport events (PGI.S in 1Q21, PGC in 4Q21)

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22	YoY	QoQ
Operating Costs	233.8	285.2	326.6	401.0	211.1	-9.7%	-47.4%
% of Revenue	50.7%	62.1%	62.6%	90.3%	40.4%	-10.4%p	-50.0%p
Personnel	84.7	93.4	80.8	94.8	110.5	30.5%	16.6%
Platform fees / Cost of Revenue ⁽¹⁾	35.8	40.2	59.6	57.7	51.6	44.2%	-10.6%
Paid Commissions	76.1	95.3	70.0	118.1	55.9	-26.5%	-52.6%
Marketing	7.4	8.0	20.5	46.4	17.5	134.8%	-62.3%
Share-based payment expenses	10.0	27.4	70.6	59.0	(53.2)	-630.8%	-190.3%
Others	19.8	20.9	25.1	25.1	28.8	46.1%	14.5%
Operating Profit	227.2	174.2	195.3	43.0	311.9	37.3%	625.5%
% Margin	49.3%	37.9%	37.4%	9.7%	59.6%	10.4%p	50.0%p
Adj. EBITDA⁽²⁾	252.1	218.2	283.3	120.6	278.1	10.3%	130.6%
% Margin	54.7%	47.5%	54.3%	27.2%	53.2%	-1.5%p	26.0%p
Net Profit	194.0	141.3	178.3	6.2	245.2	26.4%	3,829.7%

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

Operating Profit / Adj. EBITDA

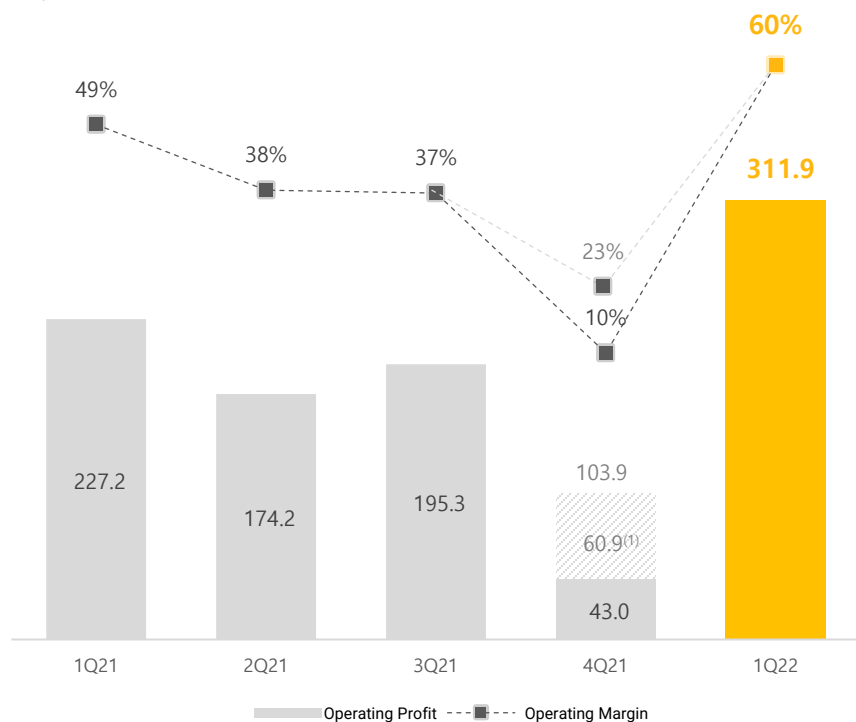
Operating Profit **KRW 311.9bn** (+37.3% YoY, +625.5% QoQ)

Adj. EBITDA **KRW 278.1bn** (+10.3% YoY, +130.6% QoQ)

- Adj. EBITDA increased 10.3% YoY, with adj. EBITDA margin of 53.2%

Operating Profit

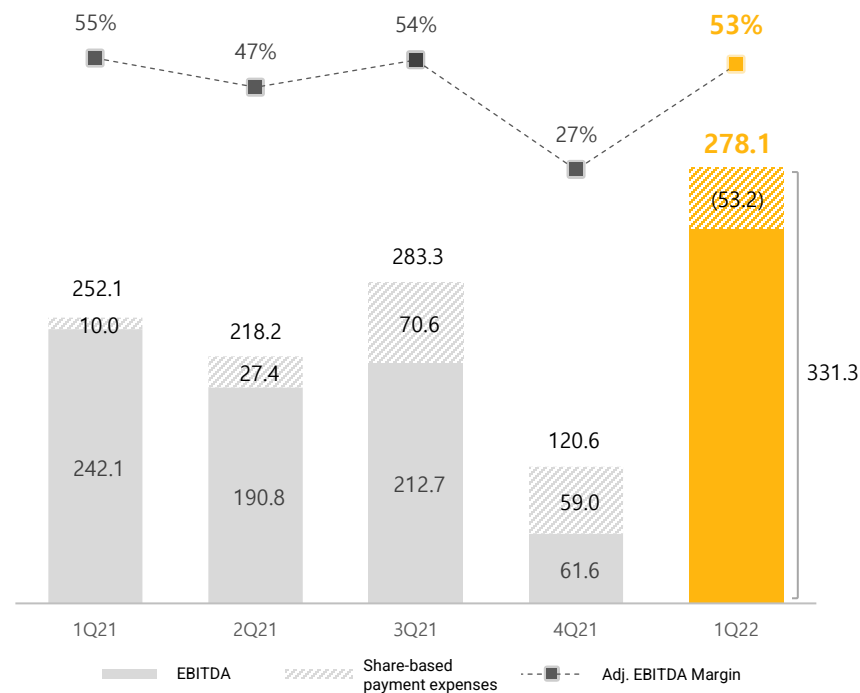
KRW bn



Note: (1) One-off related to share-based payment expenses (W60.9bn), (2) Adj. EBITDA = EBITDA + Share-based payment expenses

Adj. EBITDA⁽²⁾

KRW bn



Net Profit

Profit Before Income Tax **KRW 329.6bn** (YoY +21.5%, QoQ +785.2%)

Net Profit **KRW 245.2bn** (YoY +26.4%, QoQ +3,829.7%)

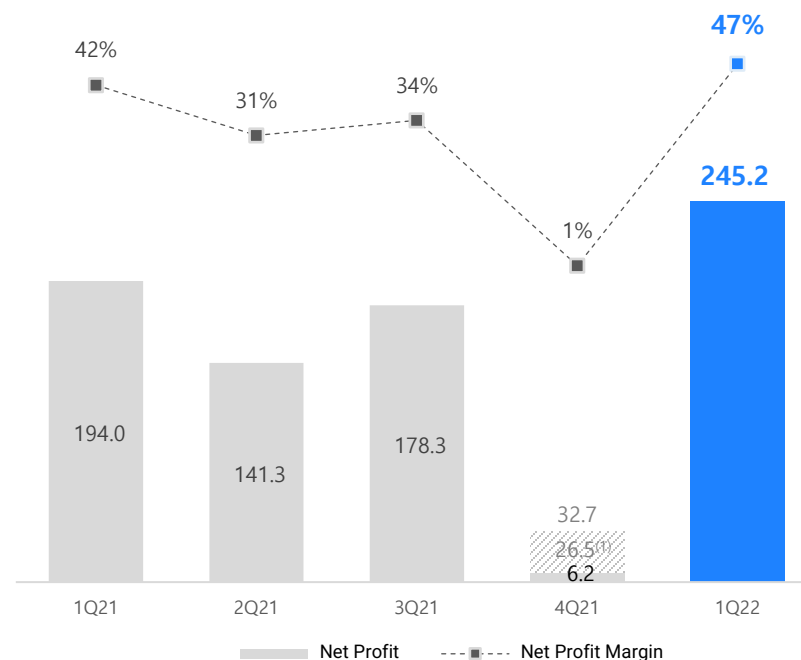
- Strong net profit growth on increased operating profit and non-operating profit, with net profit margin of 47%

Non-operating Profit & Profit Before Income Tax

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
Non-Operating Profit	44.2	(2.4)	74.7	(5.7)	17.8
Non-Operating Income	53.7	5.4	86.3	23.9	43.7
Other Income	52.8	4.7	82.3	18.6	37.0
Finance Income	0.8	0.7	4.0	5.3	6.7
Non-Operating Expense	9.5	7.7	11.7	29.7	25.9
Other Expense	7.8	5.7	9.9	28.2	24.3
Finance Expense	1.7	2.1	1.8	1.5	1.7
Profit Before Income Tax	271.4	171.8	269.9	37.2	329.6

Net Profit

KRW bn



Note: (1) Impairment losses for intangible assets (₩26.5bn)

Summary of Financial Statements

Consolidated Income Statement

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	461.0	459.3	521.9	444.0	523.0
Operating Costs	233.8	285.2	326.6	401.0	211.1
Operating Profit	227.2	174.2	195.3	43.0	311.9
EBITDA	242.1	190.8	212.7	61.6	331.3
Adj. EBITDA	252.1	218.2	283.3	120.6	278.1
Non-operating Profit	44.2	(2.4)	74.7	(5.7)	17.8
Other Income	52.8	4.7	82.3	18.6	37.0
Other Expenses	7.8	5.7	9.9	28.2	24.3
Finance Income	0.8	0.7	4.0	5.3	6.7
Finance Expenses	1.7	2.1	1.8	1.5	1.7
Profit before Income Tax	271.4	171.8	269.9	37.2	329.6
Income Tax	77.4	30.5	91.6	31.0	84.4
Net Profit	194.0	141.3	178.3	6.2	245.2

Consolidated Statement of Financial Position

KRW bn	1Q21	2Q21	3Q21	4Q21	1Q22
Current Assets	1,440.6	1,554.8	4,441.2	3,653.7	3,715.7
Cash and Cash Equivalents	750.2	624.5	3,593.9	3,019.3	1,952.8
Non-current Assets	657.1	735.7	863.0	1,981.4	2,054.2
Total Assets	2,097.7	2,290.5	5,304.2	5,635.1	5,769.9
Current Liabilities	509.7	532.0	574.1	638.2	529.4
Non-current Liabilities	166.9	188.9	210.0	388.7	393.7
Total Liabilities	676.6	720.8	784.2	1,026.9	923.1
Paid-in Capital	4.3	4.3	4.9	4.9	4.9
Capital Surplus	1,003.8	1,065.6	3,837.2	3,839.1	1,474.1
Other Components of Equity	181.1	126.5	126.2	206.3	155.1
Retained Earnings	232.0	373.3	551.6	557.8	3,212.7
Non-controlling Interests	0.0	0.0	0.1	0.1	0.1
Total Equity	1,421.1	1,569.7	4,520.0	4,608.2	4,846.8

Q&A

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.

A digital rendering of a cityscape. In the foreground, a wide, grey concrete bridge or overpass curves from the left towards the right. Below the bridge, there are several trees with dense, brownish-orange foliage, suggesting an autumn setting. The ground is a mix of green grass and patches of brown earth. In the background, a variety of modern buildings are visible. Some are tall and slender, while others are more blocky and industrial. A prominent building on the left has a series of horizontal slats. Another building in the center has a curved, dome-like top. The sky is a deep blue with scattered white clouds. The overall lighting is soft, creating a calm but slightly somber atmosphere.

THE FALLEN CITY AWAITS