

4Q22 & FY2022 Earnings Results

Investor Relations

2023. 2. 8

KRAFTON

Disclaimer

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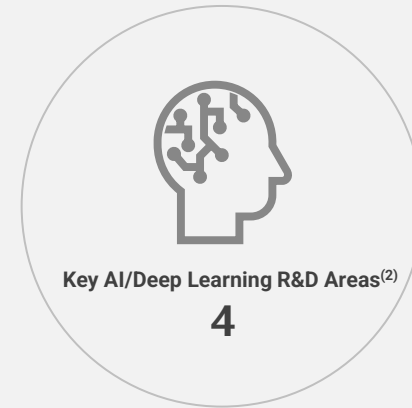
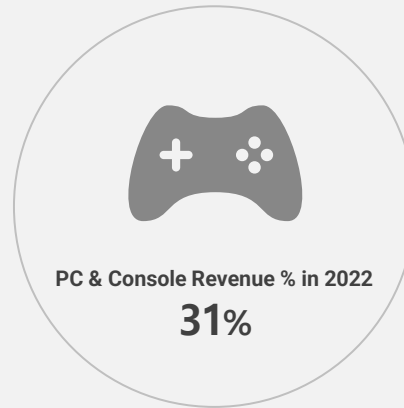
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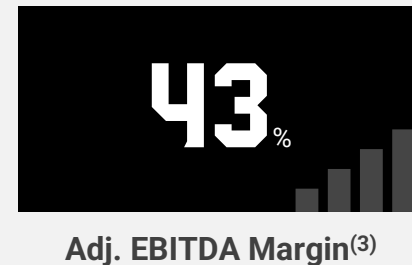
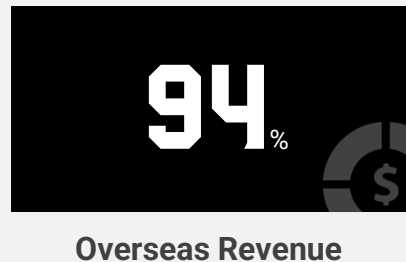
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2022 Results at a Glance

2022 KEY PERFORMANCE



KEY FINANCIAL HIGHLIGHTS

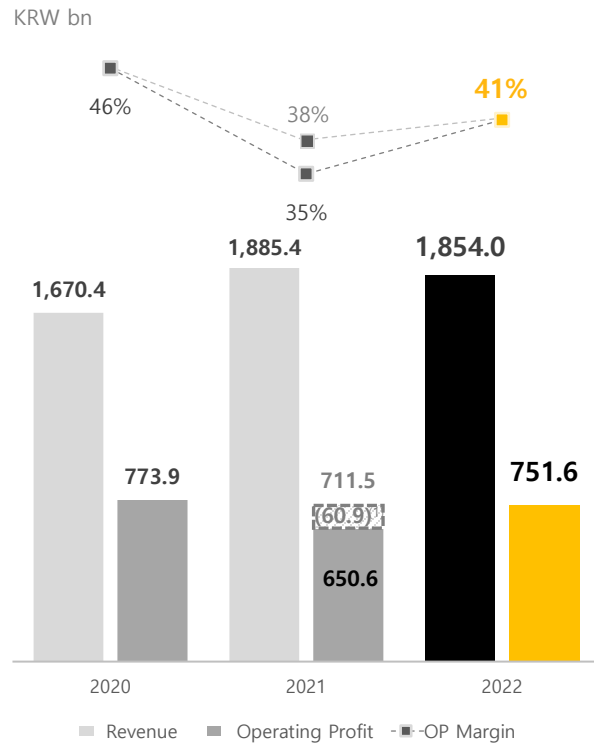


Note: (1) New Registered Users of PUBG PC/Console after F2P transition on Jan 12, 2022, (2) TTS, Chatbot, 3D Avatar, Game AI, (3) Adj. EBITDA = EBITDA + Share-based payment expenses

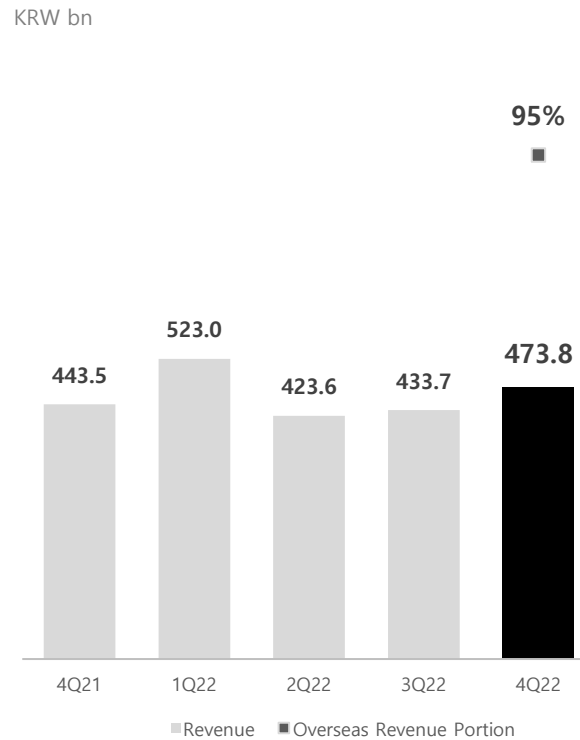
2022 & 4Q22 Financials

Revenue	2022	KRW 1,854.0bn (-1.7% YoY)
	4Q22	KRW 473.8bn (+9.2% QoQ, +6.8% YoY)
Operating Profit	2022	KRW 751.6bn (+15.5% YoY)
	4Q22	KRW 126.2bn (-12.8% QoQ, +178.8% YoY)

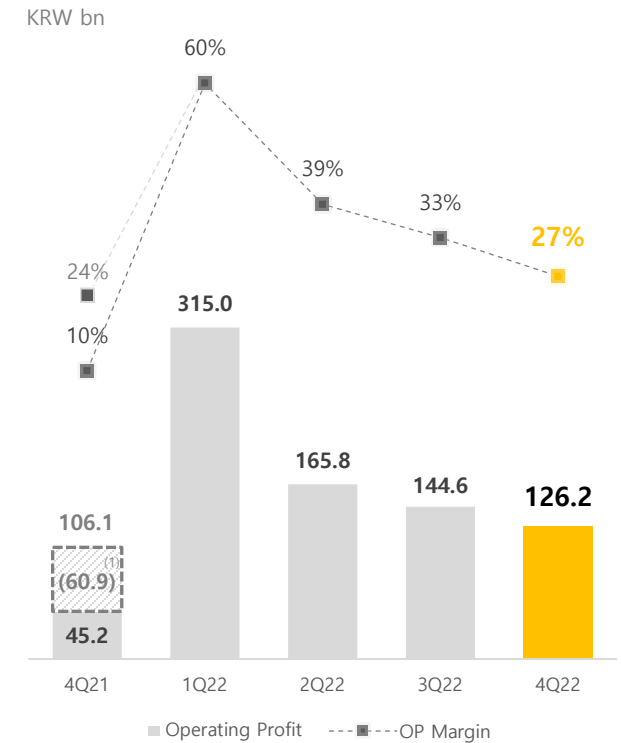
Annual



Quarterly Revenue



Quarterly Operating Profit



Note: (1) Share gift by the Chairman (W60.9bn)

Further Strengthened Live Service since F2P, Traffic and Revenue Boost to Continue with Deeper Focus on Core Gameplay

- (2022 Revenue +16.7% YoY) Expansion of global user base on back of F2P transition, YoY growth driven by fresh, user-friendly contents
- (4Q22 Revenue +6.1% QoQ, +21.6% YoY) QoQ and YoY growth bolstered by stable PUBG revenue and the launch of 'The Callisto Protocol'



Key Highlights since F2P

New Paying User Increase⁽¹⁾ (YoY)

1.8x

4.8x

New User Increase (YoY)

1.6x

Avg. MAU⁽²⁾ Increase (YoY)

PUBG BATTLEGROUNDS

2023 & Long-Term Roadmap



- Stronger Foundation as a Long-Lasting Global Title
- New Metas, Diverse Squadplay to revamp core gameplay
- Tougher, More Fun Sessions and Various Modes
- Traffic and Retention Boost with In/Out-game content
- Sustainable Growth with Improving Monetization Efficiency



Mobile

Sustained Leadership in Mobile BR Genre with Improved Retention and Monetization despite Global Reopening

- (2022 Revenue -11.6% YoY) Decreased YoY due to global reopening and BGMI ban despite strong results in 1H22
- (4Q22 Revenue -9.8% QoQ, -16.1% YoY) Retained traffic despite the low seasonality but decreased QoQ and YoY with continued BGMI ban



Attractive Live Service for Traffic and Monetization



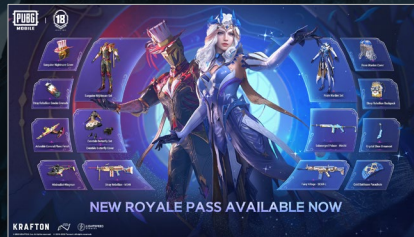
Leading Mobile BR Game with Live Updates



Various Cosmetic Skins



Monthly Pass Items



New Pet Items



New Themed Modes

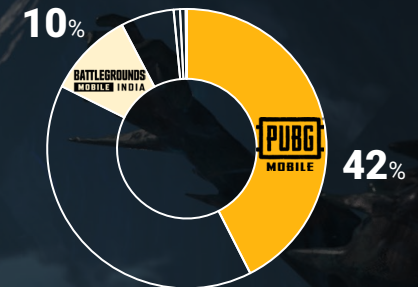


- Traffic Boost with Expanded platforms and Marketing
- Fresh Content Boost with Gear Front mode and UGC mode

Mobile Game Stream Rank⁽¹⁾ (2022, hours)



Mobile Shooter Stream Viewership⁽¹⁾ (2022)



Note: (1) Analysis by Stream Hatchet on major global steaming platforms

Console

Extensive Experience and Technology from Global Console Launch, Expect Increased Console Revenue with New Pipelines

- (2022 Revenue +430.2% YoY) Increased revenue growth due to the launch of 'The Callisto Protocol'
- (4Q22 Revenue +477.7% QoQ, +912.0% YoY) QoQ and YoY increase from steady growth of PUBG, Subnautica and the launch of 'The Callisto Protocol'



Note: (1) Creative studios under KRAFTON developing PC/Console projects, (2) PC/Console projects, game titles and genre may be subject to change

Expense Breakdown

Operating Costs **2022** **KRW 1,102.4bn** (-10.7% YoY)
 4Q22 **KRW 347.6bn** (+20.2% QoQ , -12.7% YoY)

- (Personnel) 2022 +5.7% YoY, 4Q22 -35.9% QoQ, -31.4% YoY

4Q22 decreased QoQ and YoY due to the reversal of provision related to incentives recognized in the past

- (Paid Commissions) 2022 -9.5% YoY, 4Q22 +20.5% QoQ, -13.0% YoY

4Q22 increased QoQ mainly impacted by hosting PUBG Global Championship, decreased YoY on lower server costs

KRW bn	4Q21	1Q22	2Q22	3Q22	4Q22	% QoQ	% YoY	2021	2022	% YoY
Operating Costs	398.3	208.0	257.7	289.1	347.6	20.2%	-12.7%	1,234.7	1,102.4	-10.7%
<i>% of Revenue</i>	<i>89.8%</i>	<i>39.8%</i>	<i>60.8%</i>	<i>66.7%</i>	<i>73.4%</i>	<i>6.7%p</i>	<i>-16.4%p</i>	<i>65.5%</i>	<i>59.5%</i>	<i>-6.0%p</i>
Personnel	92.5	108.3	94.2	98.9	63.4	-35.9%	-31.4%	345.0	364.8	5.7%
Platform fees/Cost of Revenue ⁽¹⁾	57.7	51.6	50.1	47.8	57.7	20.8%	0.0%	192.9	207.1	7.4%
Paid Commissions	118.0	55.8	81.5	85.2	102.7	20.5%	-13.0%	359.4	325.3	-9.5%
Marketing	46.4	17.5	11.3	19.7	81.2	311.7%	75.1%	82.2	129.7	57.7%
Share-based payment expenses	59.0	(53.2)	(8.4)	7.8	(9.7)	-224.9%	-116.5%	167.0	(63.6)	-138.1%
Others	24.8	28.0	29.0	29.7	52.4	76.2%	111.6%	88.2	139.1	57.7%
Operating Profit	45.2	315.0	165.8	144.6	126.2	-12.8%	178.8%	650.6	751.6	15.5%
<i>% Margin</i>	<i>10.2%</i>	<i>60.2%</i>	<i>39.2%</i>	<i>33.3%</i>	<i>26.6%</i>	<i>-6.7%p</i>	<i>16.4%p</i>	<i>34.5%</i>	<i>40.5%</i>	<i>6.0%p</i>
Adj. EBITDA⁽²⁾	122.6	280.5	177.4	174.5	160.3	-8.1%	30.8%	883.1	792.7	-10.2%
<i>% Margin</i>	<i>27.6%</i>	<i>53.6%</i>	<i>41.9%</i>	<i>40.2%</i>	<i>33.8%</i>	<i>-6.4%p</i>	<i>6.2%p</i>	<i>46.8%</i>	<i>42.8%</i>	<i>-4.1%p</i>

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

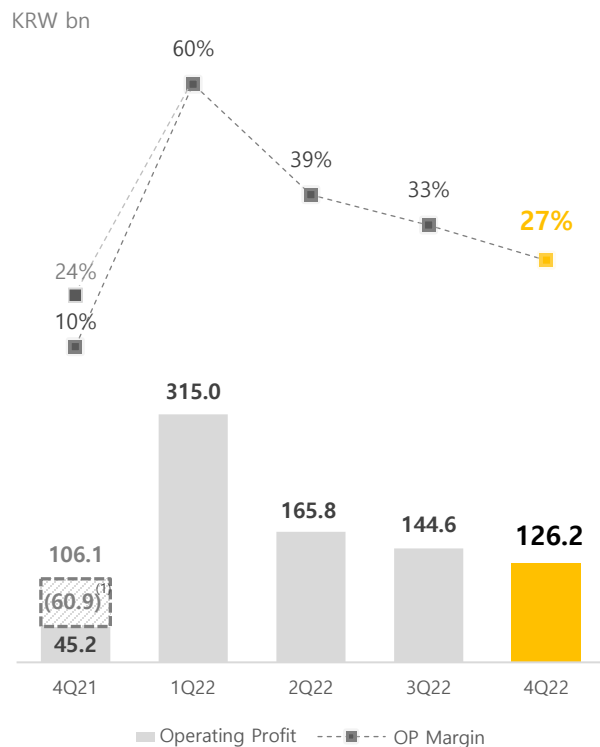
Operating Profit / Adj. EBITDA

Operating Profit **2022** **KRW 751.6bn** (+15.5% YoY)
 4Q22 **KRW 126.2bn** (-12.8% QoQ, +178.8% YoY)

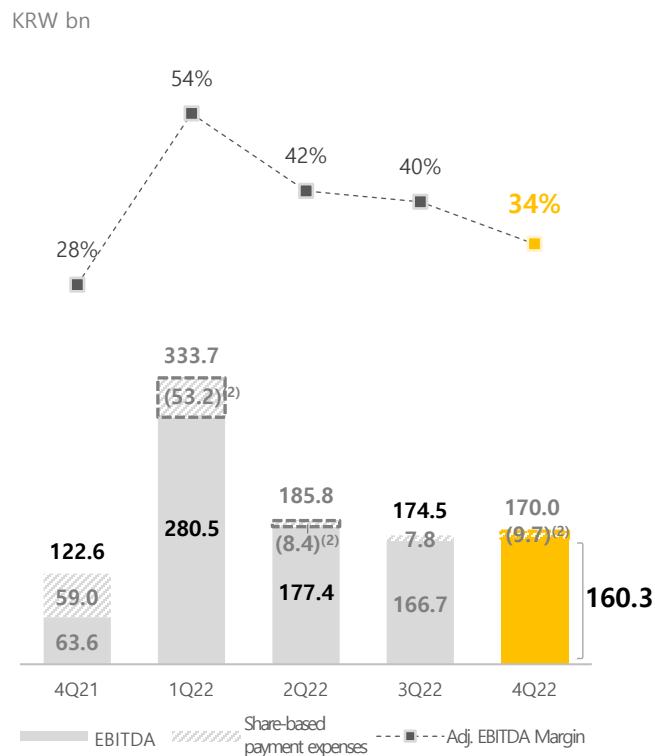
Adj. EBITDA **2022** **KRW 792.7bn** (-10.2% YoY)
 4Q22 **KRW 160.3bn** (-8.1% QoQ, +30.8% YoY)

- 4Q22 Adj. EBITDA increased 31% YoY, with Adj. EBITDA margin of 43%

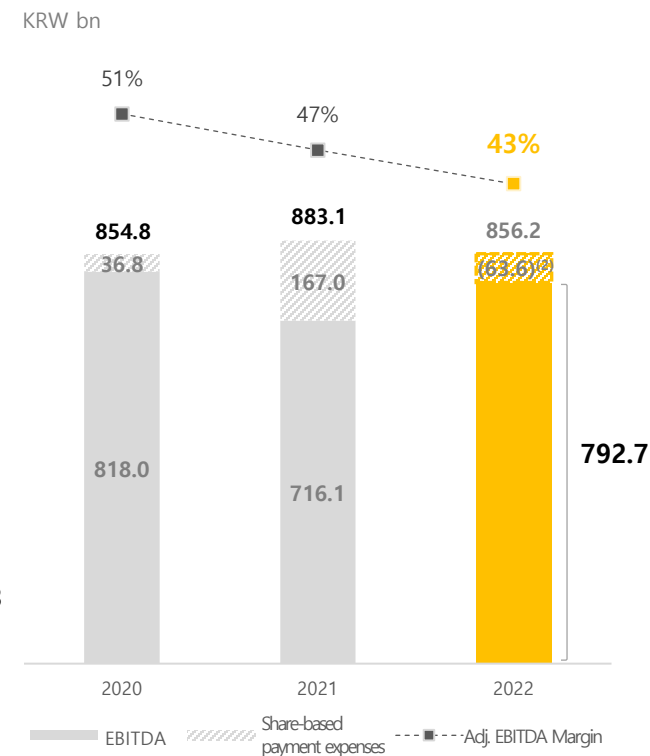
Operating Profit (Quarterly)



Adj. EBITDA (Quarterly)



Adj. EBITDA (Annual)



Note: (1) Share gift by the Chairman (KRW -60.9bn), (2) Reversal of Share-based payment expenses

Net Profit

Profit Before Income Tax	2022	KRW 683.9bn (-10.2% YoY)
	4Q22	KRW -222.9bn (-171.1% QoQ, -664.2% YoY)
Net Profit	2022	KRW 500.2bn (-3.8% YoY)
	4Q22	KRW -165.4bn (-173.1% QoQ, -2,751.1% YoY)

- 4Q22 Net Profit decreased QoQ and YoY due to non-operating loss from impairment of intangible assets

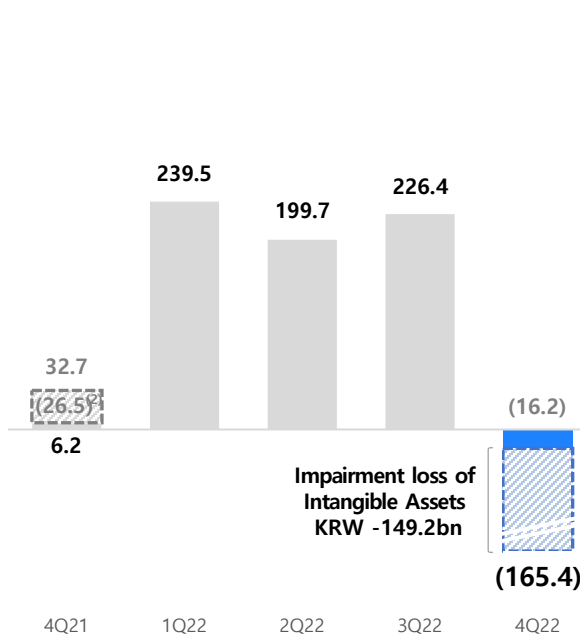
Non-operating, Pretax Profit (Quarterly)

KRW bn

KRW bn	4Q21	4Q22	2021	2022
Non-operating Profit	(5.7)	(349.1)	110.6	(67.7)
Non-Operating Income	23.8	(40.2)	169.0	318.5
Other Income	18.5	(49.8)	158.1	284.8
Finance Income	5.3	9.6	10.9	33.7
Non-Operating Expense	29.5	308.9	58.4	386.2
Other Expense	28.1	306.0 ⁽¹⁾	51.4	378.6 ⁽¹⁾
Finance Expense	1.4	2.8	7.0	7.6
Profit Before Income Tax	39.5	(222.9)	761.2	683.9

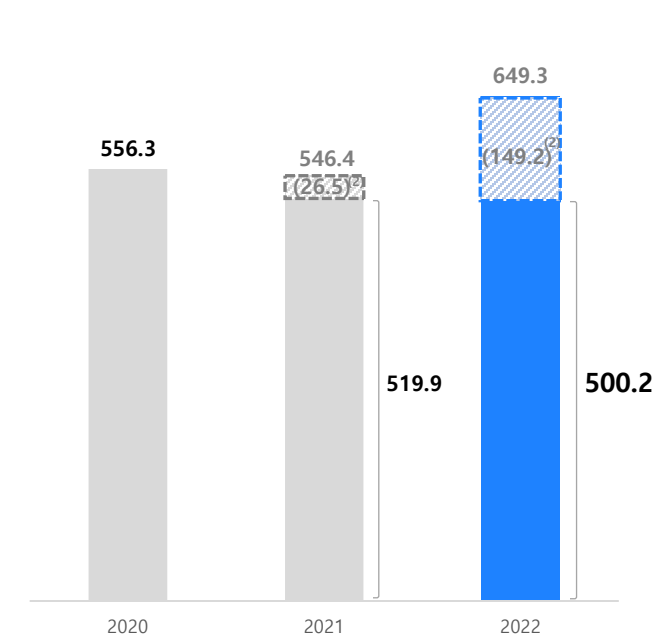
Net Profit (Quarterly)

KRW bn



Net Profit (Annual)

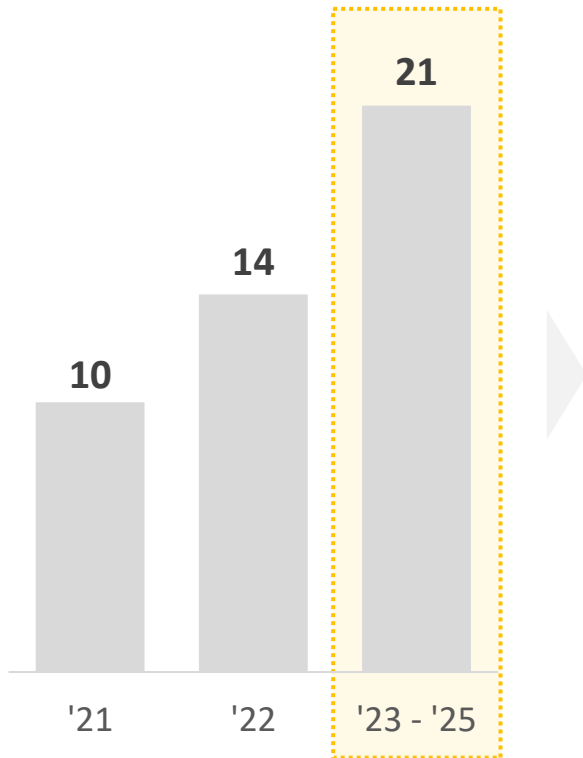
KRW bn



Note: (1) Impairment loss of Intangible Assets (KRW -149.2bn), (2) Impairment loss of Intangible Assets

KRAFTON Pipeline

Incubating Pipeline



Game Release Plan ('23 ~ '25)

Title Categories	Total	'23	'24	'25~	Details
Strategic	6	-	4	2	<ul style="list-style-type: none">• Project BlackBudget• The Next Subnautica• Project Impact• Project GoldRush• Project Windless
Creative Studio (PC, Console)	7	2	3	2	
Creative Studio (Mobile)	4	4	-	-	<ul style="list-style-type: none">• Defense Derby
Publishing	4	1	1	2	

KRAFTON Pipeline – Project Introduction

Project BlackBudget

Challenging ourselves to popularize the extraction shooter genre based on our PUBG production & service experience

- An ever-changing PvPvE open-world and satisfying gunplay that deliver unpredictable and exciting experiences
- Considering releasing it on PC/Console/Mobile



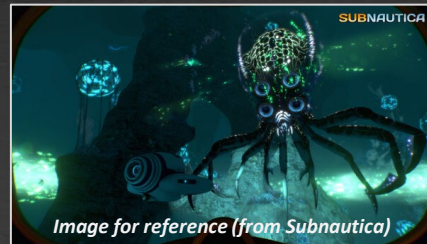
PUBG
STUDIOS

Concept arts
to be released later

The Next Subnautica

The sequel to Subnautica, a survival adventure game that has garnered massive following

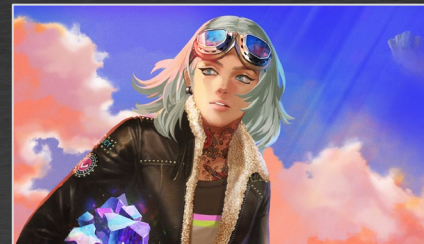
- Developing an expanded Subnautica experience and industry-competitive quality
- Additions include more expansive maps, creatures and interactions, augmented experience, and more



Project GoldRush

Targeting a Western audience of the action-adventure sandbox genre, and challenging to present instant action and rewarding progression

- A Game-as-a-Service inviting players to enjoy pick-up-and play action inside a compelling PvPvE sandbox – solo, or together with friends
- A challenging online world appealing to a new generation of gamers with a distinct identity and novel features



Project Windless

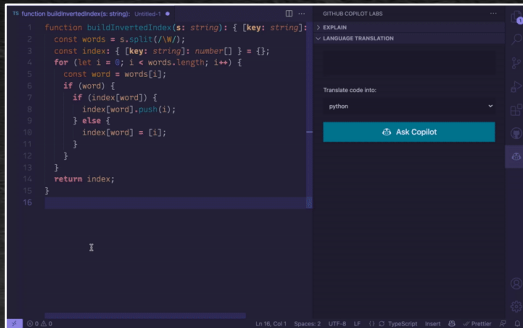
Aspiring for high-quality global game based on the original 'The Bird That Drinks Tears'

- Currently finalizing game concept (on console) and development direction
- Established Montreal studio, recruited key talent with successful track record
 - ❖ Patrik Methé: Far Cry Game Director
 - ❖ Iain McCaig: Star Wars, Avengers Design Director
 - ❖ Gwangjae Son: Krafton Art Director



New Biz – AI / Deep Learning

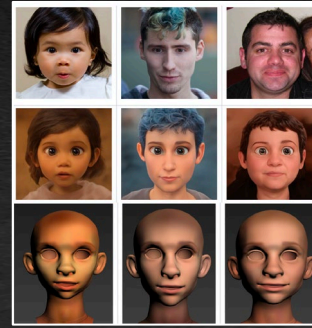
- ✓ **KRAFTON Deep Learning HQ's TTS is the country's best**, and we expect AI / DL tech to bring exciting & innovative changes to our in-house production processes
- ✓ **Set up a dedicated team for increasing game production efficiency & standardizing technology across the company** with AI / DL tech



Programming



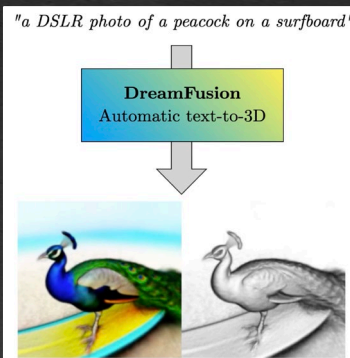
Art



Personalized Avatar



Game AI



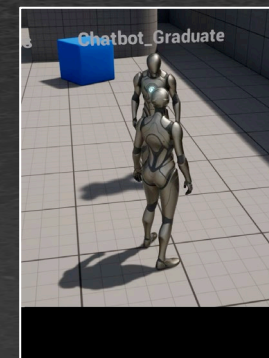
3D Modeling



Difficulty Testing & Design

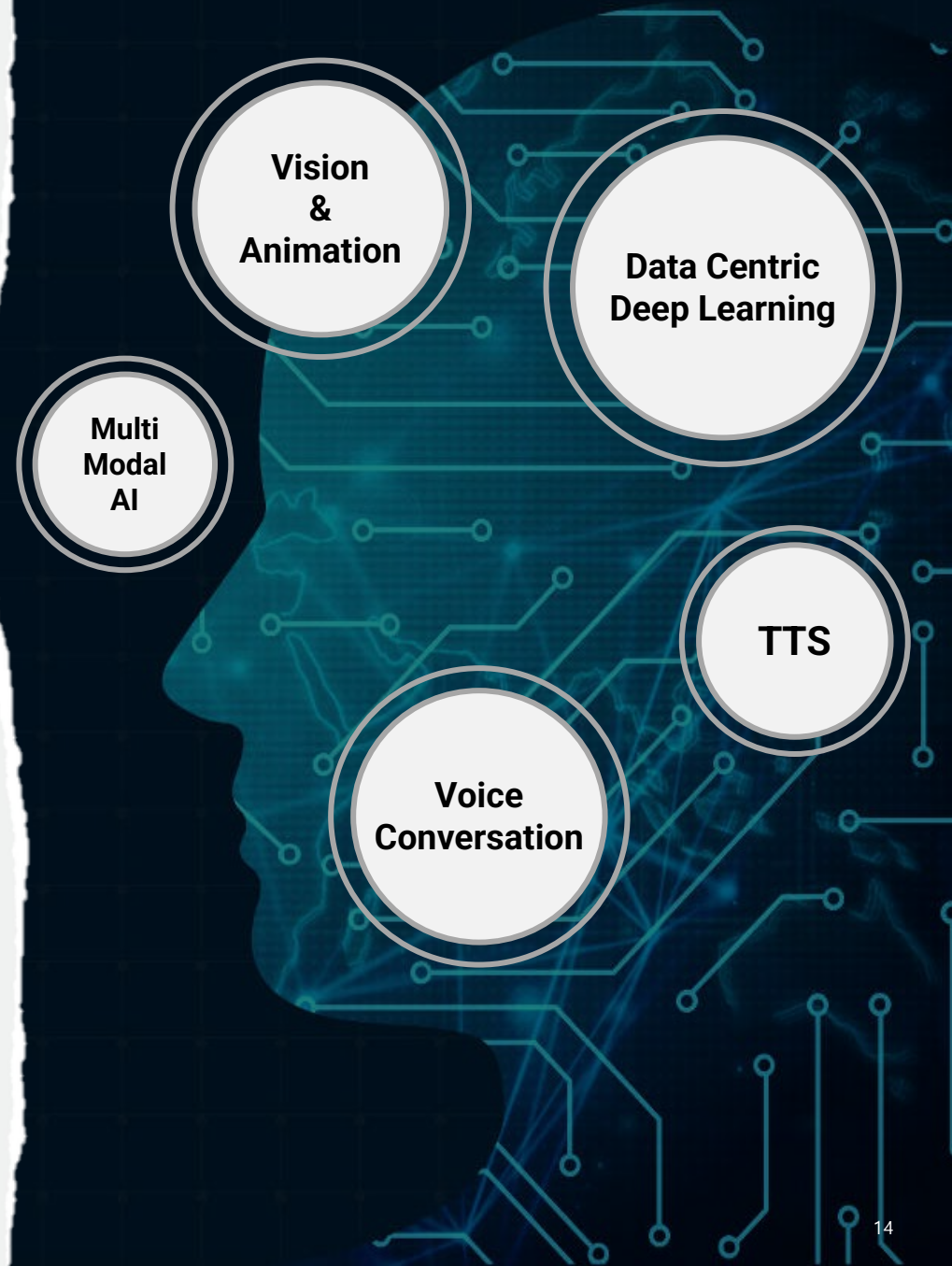


NPC Speech Generation



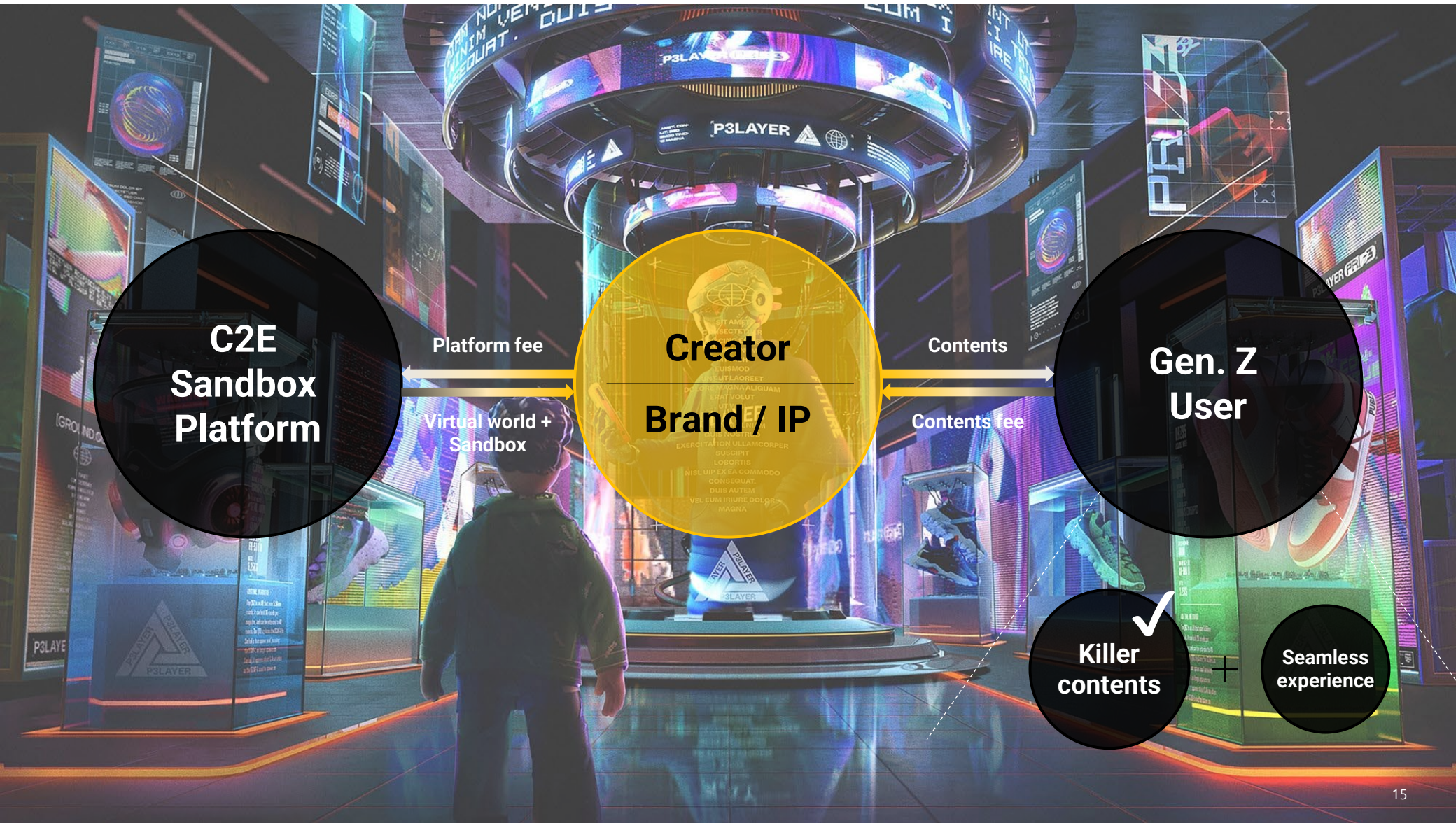
New Biz – AI / Deep Learning

- ✓ Also focusing on **discovering new gameplay** based on AI / DL
- ✓ Developing '**Virtual Game Friend**'
 - Allow users to experience playing with & befriending in-game characters
 - Develop VGF by end of 2023, introduce in games in 2024



New Biz – Open World UGC Game Platform

- ✓ Building an immersive space, with creator tools, and a creator economy system



New Biz – Open World UGC Game Platform



**Platform Business
with Great Potential**

**Utilize Game
Production Tech to
Launch UGC + C2E
Ecosystem**

**Upon Completion
of the JV Process,
Will Operate
Independently**

**Mobile-oriented
Open World
Virtual Space Service**

**Official Release
Within 2023
(Testing Begins H1)**

Mid-to-Long Term Shareholder Return Policy

Focus

- ✓ Shareholder return policy to **create higher shareholder value** as a listed company
- ✓ Build trust with our shareholders and the market **in the long term**
- ✓ **3-Year Plan** (FY2023~2025)

01

Financial Resource

- ✓ $(FCF^{(1)} - \text{Investment}) \times 40\%$
- ✓ '**Investment**' excludes investments made using the IPO proceeds⁽²⁾

02

Execution Method

- ✓ **Buyback and Retirement of Treasury Shares**
- ✓ **Retire 100%** of the purchased shares in the first year, FY2023
- ✓ **Retire minimum 60%** of the purchased shares years ahead

03

Summary of Financial Statements

Consolidated Income Statement

KRW bn	4Q21	1Q22	2Q22	3Q22	4Q22
Revenue	443.5	523.0	423.6	433.7	473.8
Operating Costs	398.3	208.0	257.7	289.1	347.6
Operating Profit	45.2	315.0	165.8	144.6	126.2
EBITDA	63.6	333.7	185.8	166.7	170.0
Adj. EBITDA	122.6	280.5	177.4	174.5	160.3
Non-operating Profit	(5.7)	12.1	100.2	169.1	(349.1)
Other Income	18.5	34.5	103.9	196.2	(49.8)
Other Expenses	28.1	27.4	9.6	35.5	306.0
Finance Income	5.3	6.7	7.5	9.9	9.6
Finance Expenses	1.4	1.6	1.6	1.5	2.8
Profit before Income Tax	39.5	327.0	266.0	313.7	(222.9)
Income Tax	31.1	84.5	63.0	83.1	(61.9)
Profit from Discontinued Operations	(2.2)	(3.0)	(3.4)	(4.2)	(4.4)
Net Profit	6.2	239.5	199.7	226.4	(165.4)

Consolidated Statement of Financial Position

KRW bn	4Q21	1Q22	2Q22	3Q22	4Q22
Current Assets	3,653.7	3,715.7	3,811.0	3,979.2	3,892.6
Cash and Cash Equivalents ⁽¹⁾	3,019.3	2,913.6	3,079.2	3,261.1	3,125.3
Non-current Assets	1,981.4	2,054.2	2,117.7	2,321.6	2,137.7
Total Assets	5,635.1	5,769.9	5,928.7	6,300.8	6,030.3
Current Liabilities	638.2	529.4	434.7	480.6	411.2
Non-current Liabilities	388.7	393.7	416.2	418.5	506.3
Total Liabilities	1,026.9	923.1	850.8	899.1	917.5
Paid-in Capital	4.9	4.9	4.9	4.9	4.9
Capital Surplus	3,839.1	1,474.1	1,475.1	1,475.1	1,447.8
Other Components of Equity	206.3	155.1	191.1	288.5	191.6
Retained Earnings	557.8	3,212.7	3,406.6	3,633.0	3,467.6
Non-controlling Interests	0.1	0.1	0.2	0.2	1.0
Total Equity	4,608.2	4,846.8	5,077.9	5,401.7	5,112.9

Note: (1) FVPL(Fair Value through Profit or Loss) included

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.