

3Q22 Earnings Results

Investor Relations

2022. 11. 10

KRAFTON

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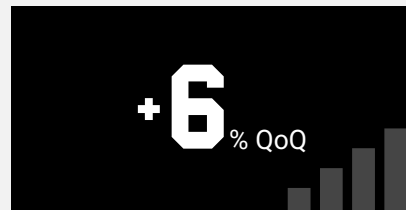
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2022 3Q Results at a Glance

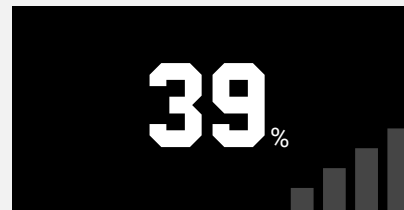
KEY PERFORMANCE



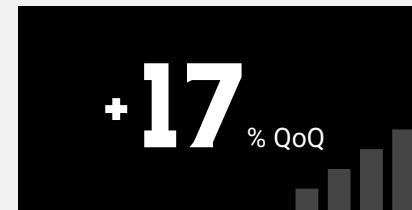
KEY FINANCIAL HIGHLIGHTS



PUBG⁽¹⁾ Revenue



Adj. EBITDA Margin⁽²⁾



Net Profit

Note: (1) PUBG PC, Console, Mobile, Battlegrounds Mobile India, New State combined (2) Adj. EBITDA = EBITDA + Share-based payment expenses

Solidifying the Long-Term Service Track with Steady Traffic and Enhanced Content BMs following F2P Transition

- (Revenue +48% QoQ, +1% YoY) Record-high quarterly revenue in 3 years driven by strong results from monetization content including the Seasonal Workshop



Steady Traffic and Retention after F2P

- Attracting 60k~100k new users daily
- Healthy combination of new/existing/returned users
- Expanding game life cycle through esports



PUBG BATTLEGROUNDS

Monetized Items as Popular Content



- Constant updates of various attractive items
- Progressive skins popular among high-spending users
- Workshop loved by every non/mid/high-spending users



Mobile

One of a Kind Live Service including Content Updates better suited for Mobile Gaming and Diversified User Base

- (Revenue -12% QoQ, -26% YoY) Impacted by the end of pandemic and BGMI ban, but our dominance in the genre continues with steady traffic and stronger monetization



Differentiated Content for Global User Base



Better Monetization with High-quality Content



1x1km Map NUSA



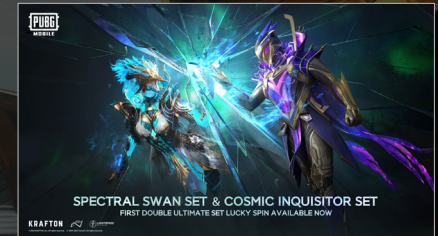
Halloween Events



PUBGM Original Sports Car



Gold Level Skins



Monthly Royale Pass Items



New Gaming Modes



Progressive Weapon Skin



Collaboration with Messi



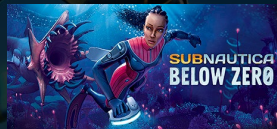
Console

With our Highly Talented Teams and Console Experience, Dual Focus Approach on PC/Console as New Growth Momentum

- (Revenue +22% QoQ, +134% YoY) Subnautica IP's stable revenue and higher key metrics in PUBG Console following DESTON release led to QoQ/YoY jump



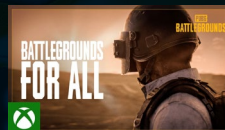
- 2014 Early Access
- 2018 Official Launch
- Metacritic score 87



- 2019 Early Access
- 2021 Official Launch
- Metacritic score 84

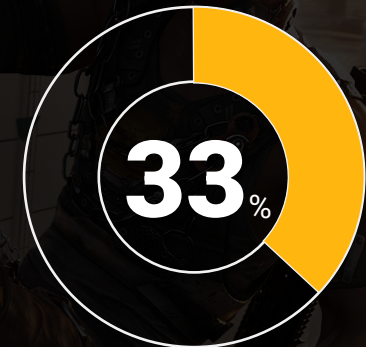
Stable Revenue Contribution of Subnautica Franchise

(Approx. 50% of Console Revenue⁽¹⁾)



Increase in Traffic and Revenue of PUBG Console

(As of 3Q22)



PC+Console Portion of Total Revenue

(As of 3Q22)

Note: (1) Combined console revenue portion of Subnautica and Subnautica: Below Zero out of the total console revenue during 4Q21~3Q22 (only Dec 2021 reflected during 4Q21 after the completion of acquisition)

THE CALLISTO PROTOCOL



- Global Hands-on Previews Overwhelmingly Positive, A True Next-Gen Title
- Full-Scale Global Marketing Campaign to Propel the Launch Momentum
- Long-Awaited Debut on Dec 2, 2022 (PS/Xbox/Steam/Epic Store)

"Horror fans won't want to miss this"

The Independent

"A Firm GOTY Contender"

The Gamer

"The Callisto Protocol isn't just a next-gen survival horror, it's a meaningful and much-needed evolution of the genre"

TheGamer

"Already looks like it will become the next great survival-horror franchise"

GameRevolution

Our Path to Create Global IP

Expanding our presence in North America & Europe, Platforms + Regional Dev Capabilities + Faster IP Expansion

6 Years

PC and Console Live Service

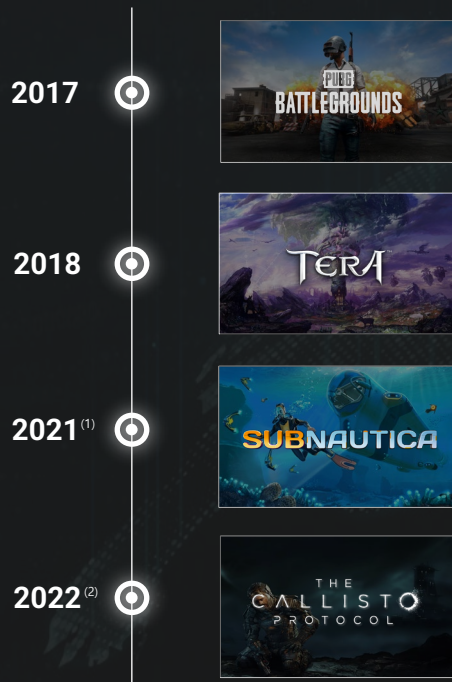
8 Studios

Number of Global Studios⁽³⁾

7+

Pipeline Projects⁽⁴⁾

PC/Console Platform Expansion



Regional and IP Expansion



Genre and User Expansion



Note: (1) Acquisition of Unknown Worlds (Dec 2021), (2) Global launch on Dec 2, 2022, (3) PC and Console studios. (4) PC and Console projects which game titles and genre are subject to change

3Q22 Financials

Revenue **KRW 433.8bn** (-16.9% YoY, +2.4% QoQ)

Record-High PC revenue since 2019 with strengthened live service and monetization offset the drop in mobile revenue due to the end of pandemic

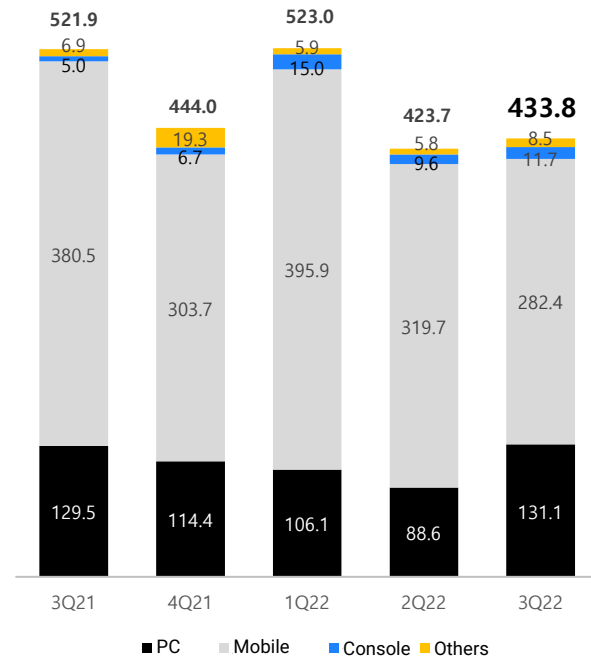
Operating Profit **KRW 140.3bn** (-28.2% YoY, -13.6% QoQ)

Despite steady revenue, operating profit declined QoQ due to the rise in share-based payment expenses and marketing on new game launches in 2H

Net Profit **KRW 226.4bn** (+27.0% YoY, +16.7% QoQ)

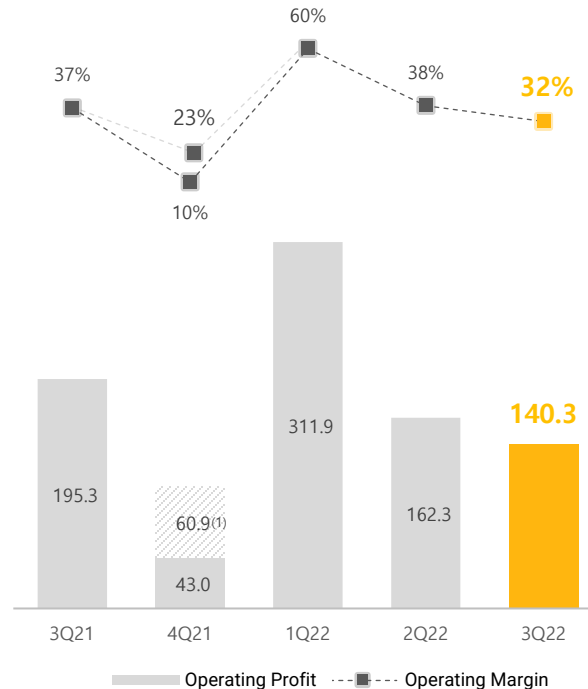
Revenue

KRW bn



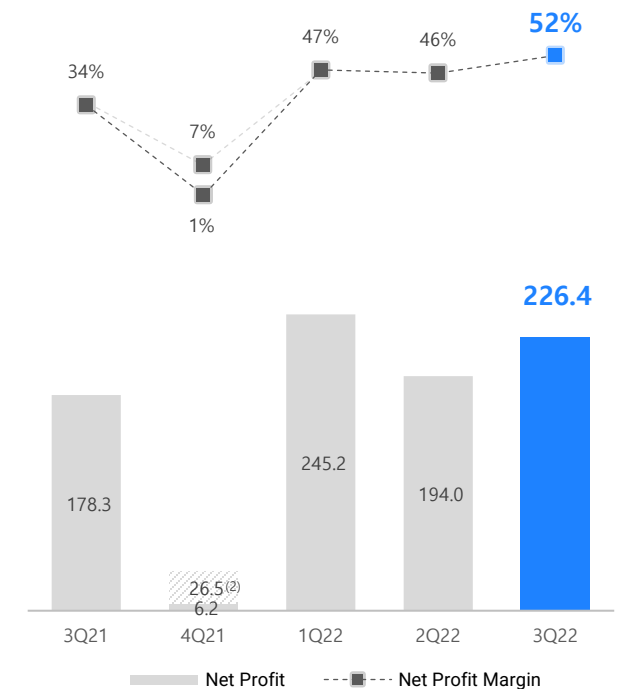
Operating Profit

KRW bn



Net Profit

KRW bn



Note: (1) Share gift by the Chairman (W60.9bn), (2) Impairment losses for intangible assets (W26.5bn)

Expense Breakdown

Operating Costs **KRW 293.5bn** (-10.2% YoY, +12.3% QoQ)

- (Personnel) 102.1bn (+26.3% YoY, +5.4% QoQ)

YoY and QoQ increased due to higher headcount from ongoing business expansion

- (Paid Commissions) 85.5bn (+22.1% YoY, +4.7% QoQ)

YoY and QoQ increased due to the associated expenses related to the launch of The Callisto Protocol, scheduled on December 2

KRW bn	3Q21	4Q21	1Q22	2Q22	3Q22	YoY	QoQ
Operating Costs	326.6	401.0	211.1	261.3	293.5	-10.2%	12.3%
% of Revenue	62.6%	90.3%	40.4%	61.7%	67.7%	5.1%p	6.0%p
Personnel	80.8	94.8	110.5	96.9	102.1	26.3%	5.4%
Platform fees / Cost of Revenue ⁽¹⁾	59.6	57.7	51.6	50.1	47.8	-19.9%	-4.6%
Paid Commissions	70.0	118.1	55.9	81.7	85.5	22.1%	4.7%
Marketing	20.5	46.4	17.5	11.3	19.7	-3.7%	74.6%
Share-based payment expenses	70.6	59.0	(53.2)	(8.4)	7.8	-89.0%	n.a
Others	25.1	25.1	28.8	29.8	30.6	22.1%	2.7%
Operating Profit	195.3	43.0	311.9	162.3	140.3	-28.2%	-13.6%
% Margin	37.4%	9.7%	59.6%	38.3%	32.3%	-5.1%p	-6.0%p
Adj. EBITDA⁽²⁾	283.3	120.6	278.1	174.5	170.9	-39.7%	-2.1%
% Margin	54.3%	27.2%	53.2%	41.2%	39.4%	-14.9%p	-1.8%p
Net Profit	178.3	6.2	245.2	194.0	226.4	27.0%	16.7%

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

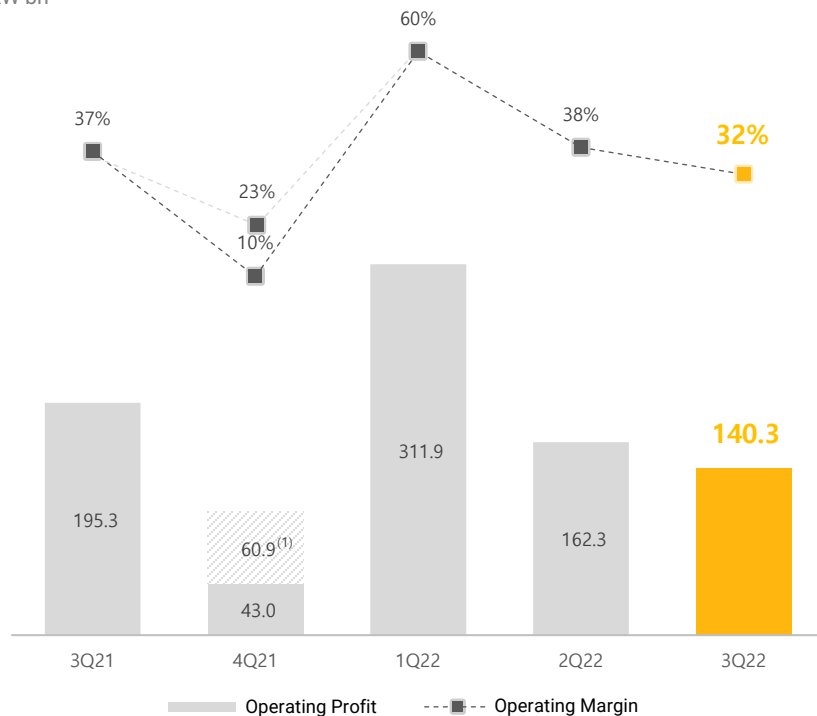
Operating Profit **KRW 140.3bn** (-28.2% YoY, -13.6% QoQ)

Adj. EBITDA **KRW 170.9bn** (-39.7% YoY, -2.1% QoQ)

- Adj. EBITDA decreased 2.1% QoQ, with adj. EBITDA margin of 39.4%

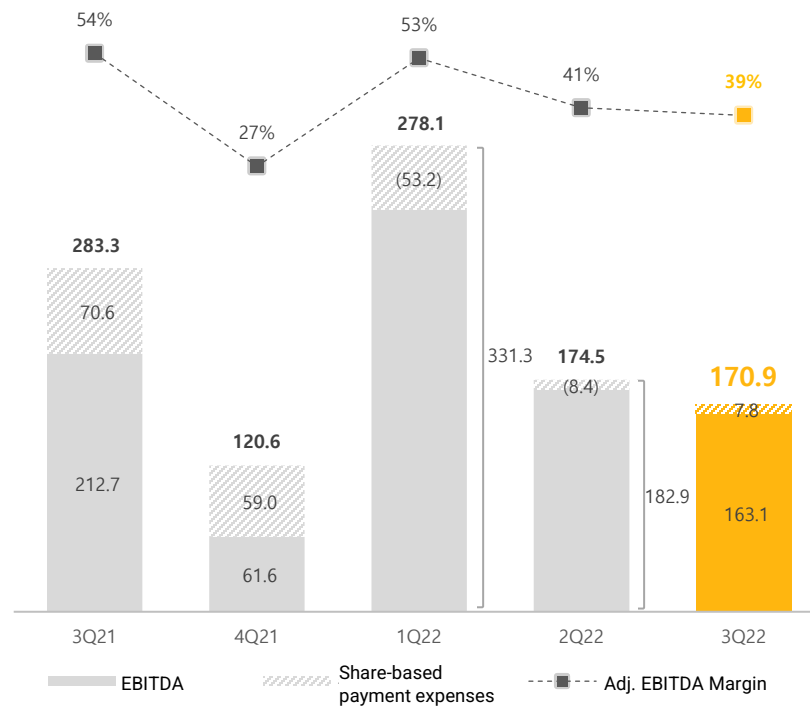
Operating Profit

KRW bn



Adj. EBITDA⁽²⁾

KRW bn



Note: (1) Share gift by the Chairman (W60.9bn), (2) Adj. EBITDA = EBITDA + Share-based payment expenses

Net Profit

Profit Before Income Tax

KRW 309.4bn (+14.6% YoY, +20.5% QoQ)

Net Profit

KRW 226.4bn (+27.0% YoY, +16.7% QoQ)

- Net profit expanded on back of stronger Non-operating profit due to favorable F/X base, with net profit margin of 52%

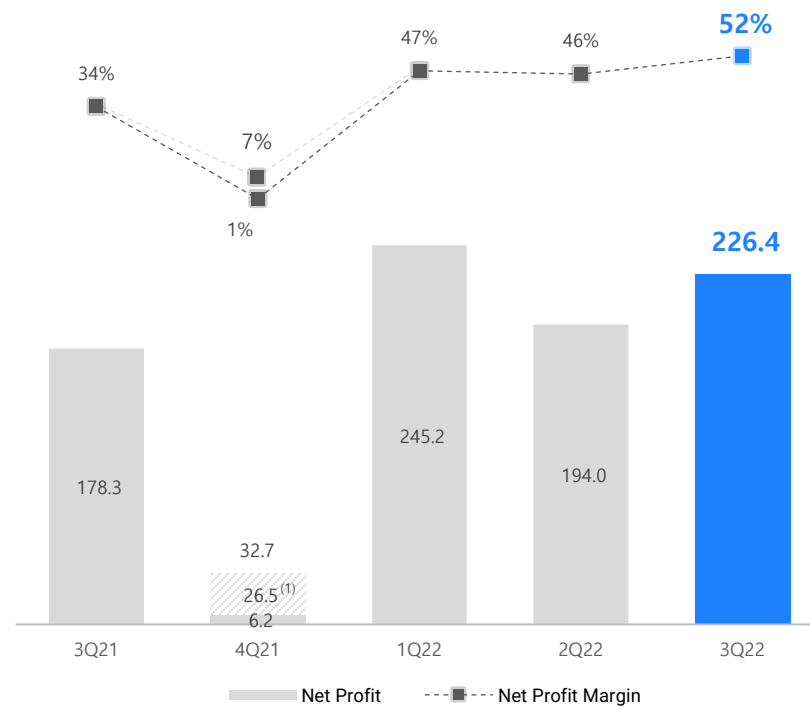
Non-operating Profit & Profit Before Income Tax

KRW bn

KRW bn	3Q21	4Q21	1Q22	2Q22	3Q22
Non-Operating Profit	74.7	(5.7)	17.8	94.5	169.1
Non-Operating Income	86.3	23.9	43.7	108.9	206.1
Other Income	82.3	18.6	37.0	101.3	196.2
Finance Income	4.0	5.3	6.7	7.5	9.9
Non-Operating Expense	11.7	29.7	25.9	14.4	37.0
Other Expense	9.9	28.2	24.3	12.8	35.5
Finance Expense	1.8	1.5	1.7	1.6	1.5
Profit Before Income Tax	269.9	37.2	329.6	256.8	309.4

Net Profit

KRW bn



Note: (1) Impairment losses for intangible assets (W26.5bn)

Summary of Financial Statements

Consolidated Income Statement

KRW bn	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	521.9	444.0	523.0	423.7	433.8
Operating Costs	326.6	401.0	211.1	261.3	293.5
Operating Profit	195.3	43.0	311.9	162.3	140.3
EBITDA	212.7	61.6	331.3	182.9	163.1
Adj. EBITDA	283.3	120.6	278.1	174.5	170.9
Non-operating Profit	74.7	(5.7)	17.8	94.5	169.1
Other Income	82.3	18.6	37.0	101.3	196.2
Other Expenses	9.9	28.2	24.3	12.8	35.5
Finance Income	4.0	5.3	6.7	7.5	9.9
Finance Expenses	1.8	1.5	1.7	1.6	1.5
Profit before Income Tax	269.9	37.2	329.6	256.8	309.4
Income Tax	91.6	31.0	84.4	62.9	83.0
Net Profit	178.3	6.2	245.2	194.0	226.4

Consolidated Statement of Financial Position

KRW bn	3Q21	4Q21	1Q22	2Q22	3Q22
Current Assets	4,441.2	3,653.7	3,715.7	3,811.0	3,979.2
Cash and Cash Equivalents	3,593.9	3,019.3	1,952.8	1,193.6	1,272.2
Non-current Assets	863.0	1,981.4	2,054.2	2,117.7	2,321.6
Total Assets	5,304.2	5,635.1	5,769.9	5,928.7	6,300.8
Current Liabilities	574.1	638.2	529.4	434.7	480.6
Non-current Liabilities	210.0	388.7	393.7	416.2	418.5
Total Liabilities	784.2	1,026.9	923.1	850.8	899.1
Paid-in Capital	4.9	4.9	4.9	4.9	4.9
Capital Surplus	3,837.2	3,839.1	1,474.1	1,475.1	1,475.1
Other Components of Equity	126.2	206.3	155.1	191.1	288.5
Retained Earnings	551.6	557.8	3,212.7	3,406.6	3,633.0
Non-controlling Interests	0.1	0.1	0.1	0.2	0.2
Total Equity	4,520.0	4,608.2	4,846.8	5,077.9	5,401.7

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.



FEAR TAKES NO PRISONERS

THE
CALLISTO
PROTOCOL