1Q 2023 Earnings Results

Investor Relations

2023. 5. 9
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2023 1Q Results at a Glance

KEY PERFORMANCE

- **PUBG PC/Console Revenue**
  - 70% ↑ YoY

- **Scale-Up the Creative**
  - 24+ Projects \(^{(1)}\)

- **Studio Investments**
  - 4 \(^{(2)}\)/12 \(^{(3)}\)

KEY FINANCIAL HIGHLIGHTS

- **Record High Quarterly Revenue**
  - 538.7 bn

- **Operating Profit**
  - 283.0 bn

- **Operating Profit Margin**
  - 53%

Note: (1) Incubating Projects as of May 2023, (2) Studio acquisitions and minority stake investments to be completed from January to May 2023, (3) Post-IPO studio acquisitions and minority stake investments
PUBG PC/Console Recorded the Highest Ever In-game Revenue with Expanded Traffic and New Monetization Content

User Engagement

2023 Live Service Plan

6 Years and Beyond

Monetization

Survivor Pass: The Big Score
Survivor Pass
Update
Global Partner
Team Skin
Progressive Skin
Global Partner
Team Skin
Progressive Skin
PGC Pick'em

Intense BR
Clan System
Map Rotation
Update
Map Update
Gunplay Update
Scheduled in July
Arcade Center

Steampunk Bundle
Yourshop
Gunplay Update

To be Unveiled in 3Q

To be Unveiled in 4Q

Outline
Survivor Pass
Key Monetizations
Map Update
Progressive Skin
Mode Update
Esports
Dev Content/Features

2Q

3Q

4Q
Mobile

Solid Mobile Revenue Trend Driven by the Traffic Growth in New Regions and Live Service Content Innovations

“New Diverse Content Tailored to User Engagement Expanded Traffic Inflows in Emerging and Some Key Markets”

New Content Attracting Healthy Traffic
Enhanced Monetization with High-quality Content

5th Anniversary Mode
UGC Mode World of Wonder
Bugatti Collaboration
Progressive Skins

ROYAL PASS
Payload Mode
Gold Level Skins
Bearbrick Collaboration
Scale-Up the Future Growth Potential with Transition from a Global Game Company into a Global Publisher

Scale-Up the Creative in 2023

“Project Pipelines + Minority Investments”
- 1PP Black Budget
- 2PP
- 1PP The Next Subnautica
- 2PP
- 1PP Project Windless
- 2PP
- 1PP Project Gold Rush
- 2PP
- Vector North
- 1PP Project Impact

“Strengthen Game Development Process and Publishing Capabilities”
1. Healthy Communication between HQ and Creative Studios
   - Virtual Organization for Each Game Project
2. Strengthen Game Development Process
   - More meticulous evaluations, reviews, tests across the entire dev process
3. KRAFTON as a Global Publisher
   - HQ will focus on discovering creatives, development support, and publishing

“Scale-Up Future Growth Potential with High Quality Games”

Note: (1) To be completed in May 2023, (2) Incubating Projects as of May 2023
Beyond Game

Focusing on Enhancing Efficiency in Game Development and Discovering New Gameplay Through AI/Deep Learning

Virtual Game Friend

- Virtual Friends just like usual friends who play games together
- Can offer advice and strategic suggestions enabled by RL
- Able to engage in conversations about topics beyond games

Innovations in Game Development Process

Project Migaloo

- AI/Deep Learning technology applied to develop core components and content in the open-world

Game Development Efficiency

- Programming, art, personal avatars, 3D modeling, game design
1Q23 Financials

Revenue

KRW 538.7bn (+13.7% QoQ, +3.0% YoY)
Solid revenue from strong PC revenue and favorable seasonality for mobile, PUBG PC led the growth setting a new record high for quarterly revenue

Operating Profit

KRW 283.0bn (+124.3% QoQ, -10.1% YoY)
Rose QoQ on sound revenue growth leveraging PUBG IP, Increased 12% YoY from 1Q22 OP of 261.7bn when excluding share-based payment expenses

Net Profit

KRW 267.2bn (Turned to Profit QoQ, +9.0% YoY)
**Expense Breakdown**

**Operating Costs**  
**KRW 255.7bn (-26.4% QoQ, +22.9% YoY)**

- **(Personnel) KRW 100.8bn (+59.0% QoQ, -6.9% YoY)**
  
  Declined YoY due to the limited increase in headcount

- **(Paid Commissions) KRW 61.6bn (-40.0% QoQ, +10.3% YoY)**
  
  Declined QoQ on falling expenses related to Esports and outsourcing, Rose YoY on higher server and engine costs

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>QoQ</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Costs</strong></td>
<td>208.0</td>
<td>257.7</td>
<td>289.1</td>
<td>347.6</td>
<td>255.7</td>
<td>-26.4%</td>
<td>22.9%</td>
</tr>
<tr>
<td>% of Revenue</td>
<td>39.8%</td>
<td>60.8%</td>
<td>66.7%</td>
<td>73.4%</td>
<td>47.5%</td>
<td>-25.9%p</td>
<td>7.7%p</td>
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<tr>
<td>Personnel</td>
<td>108.3</td>
<td>94.2</td>
<td>98.9</td>
<td>63.4</td>
<td>100.8</td>
<td>59.0%</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Platform Fees/Cost of Revenue (1)</td>
<td>51.6</td>
<td>50.1</td>
<td>47.8</td>
<td>57.7</td>
<td>46.7</td>
<td>-19.0%</td>
<td>-9.4%</td>
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<tr>
<td>Paid Commissions</td>
<td>55.8</td>
<td>81.5</td>
<td>85.2</td>
<td>102.7</td>
<td>61.6</td>
<td>-40.0%</td>
<td>10.3%</td>
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<td>Marketing</td>
<td>17.5</td>
<td>11.3</td>
<td>19.7</td>
<td>81.2</td>
<td>5.1</td>
<td>-93.7%</td>
<td>-70.9%</td>
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<td>Share-based Payment Expenses</td>
<td>(53.2)</td>
<td>(8.4)</td>
<td>7.8</td>
<td>(9.7)</td>
<td>10.0</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>Others</td>
<td>28.0</td>
<td>29.0</td>
<td>29.7</td>
<td>52.4</td>
<td>31.4</td>
<td>-40.0%</td>
<td>12.3%</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>315.0</td>
<td>165.8</td>
<td>144.6</td>
<td>126.2</td>
<td>283.0</td>
<td>124.3%</td>
<td>-10.1%</td>
</tr>
<tr>
<td>% OP Margin</td>
<td>60.2%</td>
<td>39.2%</td>
<td>33.3%</td>
<td>26.6%</td>
<td>52.5%</td>
<td>25.9%p</td>
<td>-7.7%p</td>
</tr>
<tr>
<td><strong>Adj. EBITDA (2)</strong></td>
<td>280.5</td>
<td>177.4</td>
<td>174.5</td>
<td>160.3</td>
<td>319.0</td>
<td>99.0%</td>
<td>13.7%</td>
</tr>
<tr>
<td>% Adj. EBITDA Margin</td>
<td>53.6%</td>
<td>41.9%</td>
<td>40.2%</td>
<td>33.8%</td>
<td>59.2%</td>
<td>25.4%p</td>
<td>5.6%p</td>
</tr>
</tbody>
</table>

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 283.0bn (+124.3% QoQ, -10.1% YoY)

Adj. EBITDA

KRW 319.0bn (+99.0% QoQ, +13.7% YoY)

- Adj. EBITDA increased 14% YoY, with Adj. EBITDA margin of 59%

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Operating Profit

Unit: KRW bn

1Q22: 315.0
2Q22: 165.8
3Q22: 144.6
4Q22: 126.2
1Q23: 283.0

OP Margin:

- 60% (1Q22)
- 53% (2Q22)
- 39% (3Q22)
- 33% (4Q22)
- 27% (1Q23)

Adj. EBITDA(1)

Unit: KRW bn

1Q22: 333.7
2Q22: 185.8
3Q22: 174.5
4Q22: 160.3
1Q23: 319.0

Adj. EBITDA Margin:

- 54% (1Q22)
- 42% (2Q22)
- 40% (3Q22)
- 34% (4Q22)
- 59% (1Q23)

Note: (1) Adj. EBITDA = EBITDA + Share-based payment expenses, (2) Reversal of Share-based payment expenses
Net Profit

Profit Before Income Tax  
**KRW 362.4bn** (Turned to Profit QoQ, +8.9% YoY)

Net Profit  
**KRW 267.2bn** (Turned to Profit QoQ, +9.0% YoY)

- Net profit rose QoQ and YoY on increased non-operating profit impacted by low base from impairment of intangible assets in 4Q22 and FX effects, with net profit margin of 50%

### Non-Operating Profit & Profit Before Income Tax

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-operating Profit</strong></td>
<td>17.8</td>
<td>94.5</td>
<td>169.1</td>
<td>(349.1)</td>
<td>79.4</td>
</tr>
<tr>
<td>Non-Operating Income</td>
<td>43.7</td>
<td>108.9</td>
<td>206.1</td>
<td>(40.2)</td>
<td>141.8</td>
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<tr>
<td>Other Income</td>
<td>37.0</td>
<td>101.3</td>
<td>196.2</td>
<td>(49.8)</td>
<td>131.9</td>
</tr>
<tr>
<td>Finance Income</td>
<td>6.7</td>
<td>7.5</td>
<td>9.9</td>
<td>9.6</td>
<td>9.9</td>
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<tr>
<td><strong>Non-Operating Expense</strong></td>
<td>25.9</td>
<td>14.4</td>
<td>37.0</td>
<td>308.9</td>
<td>62.4</td>
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<tr>
<td>Other Expense</td>
<td>24.3</td>
<td>12.8</td>
<td>35.5</td>
<td>306.0</td>
<td>60.5</td>
</tr>
<tr>
<td>Finance Expense</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>2.8</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Profit Before Income Tax</strong></td>
<td>332.7</td>
<td>260.3</td>
<td>313.7</td>
<td>(222.9)</td>
<td>362.4</td>
</tr>
</tbody>
</table>

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

### Net Profit

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
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<td>(222.9)</td>
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</tr>
</tbody>
</table>

- 47%  50%
- 46%  50%
- 52%  50%

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

- 16.2

- 3%

- 35%

- 35%

- 50%

- 165.4
KRAFTON Pipeline

Incubating Pipeline

Game Release Plan

<table>
<thead>
<tr>
<th>Title Categories</th>
<th>Total</th>
<th>‘23</th>
<th>‘24</th>
<th>‘25~</th>
<th>Details</th>
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<tbody>
<tr>
<td>Strategic</td>
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<td>-</td>
<td>4</td>
<td>2</td>
<td>• Project BlackBudget</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• The Next Subnautica</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Project Impact</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Project GoldRush</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Project Windless</td>
</tr>
<tr>
<td>Creative Studio (PC, Console)</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>• Project Isegye</td>
</tr>
<tr>
<td>Creative Studio (Mobile)</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>-</td>
<td>• Defense Derby</td>
</tr>
<tr>
<td>Publishing</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
# KRAFTON Pipeline – Project Introduction

<table>
<thead>
<tr>
<th>Project BlackBudget</th>
<th>The Next Subnautica</th>
<th>Project GoldRush</th>
<th>Project Windless</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenging ourselves to popularize the extraction shooter genre based on our PUBG production &amp; service experience</td>
<td>The sequel to Subnautica, a survival adventure game that has garnered massive following</td>
<td>Targeting a Western audience of the action-adventure sandbox genre, and challenging to present instant action and rewarding progression</td>
<td>Aspiring for high-quality global game based on the original ‘The Bird That Drinks Tears’</td>
</tr>
<tr>
<td>▪ An ever-changing PvPvE open-world and satisfying gunplay that deliver unpredictable and exciting experiences</td>
<td>▪ Developing an expanded Subnautica experience and industry-competitive quality</td>
<td>▪ A Game-as-a-Service inviting players to enjoy pick-up-and-play action inside a compelling PvPvE sandbox – solo, or together with friends</td>
<td>▪ Currently finalizing game concept (on console) and development direction</td>
</tr>
<tr>
<td>▪ Considering release on PC/Console</td>
<td>▪ Additions include more expansive maps, creatures and interactions, augmented experience, and more</td>
<td>▪ A challenging online world appealing to a new generation of gamers with a distinct identity and novel features</td>
<td>▪ Established Montreal studio, recruited key talent with successful track record</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▶ Patrik Methe: Far Cry Game Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▶ Iain McCaig: Star Wars, Avengers Design Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▶ Gwangjae Son: Krafton Art Director</td>
</tr>
</tbody>
</table>

**Image for reference (from Subnautica)**

Concept arts to be released later
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)

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

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

Note: (1) 'FCF' is calculated by deducting Capital Expenditures (CAPEX) and Payment of Lease Liabilities from Operating Cash Flow as reported in the Consolidated Statement of Cash Flow, (2) 'Investment' is calculated by Cash outflows related to non-CAPEX investments, mainly M&A activities such as acquisitions and investments, excluding investments made using the proceeds from the Initial Public Offering
## Summary of Financial Statements

### Consolidated Income Statement

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>523.0</td>
<td>423.6</td>
<td>433.7</td>
<td>473.8</td>
<td>538.7</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>208.0</td>
<td>257.7</td>
<td>289.1</td>
<td>347.6</td>
<td>255.7</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>315.0</td>
<td>165.8</td>
<td>144.6</td>
<td>126.2</td>
<td>283.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>333.7</td>
<td>185.8</td>
<td>166.7</td>
<td>170.0</td>
<td>309.0</td>
</tr>
<tr>
<td>Adj. EBITDA</td>
<td>280.5</td>
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<td>9.9</td>
<td>9.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Finance Expenses</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>2.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Profit Before Income Tax</td>
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<td>260.3</td>
<td>313.7</td>
<td>(222.9)</td>
<td>362.4</td>
</tr>
<tr>
<td>Income Tax</td>
<td>84.5</td>
<td>63.0</td>
<td>83.1</td>
<td>(61.9)</td>
<td>95.2</td>
</tr>
<tr>
<td>Profit from Discontinued Operations</td>
<td>(3.0)</td>
<td>(3.4)</td>
<td>(4.2)</td>
<td>(4.4)</td>
<td>-</td>
</tr>
<tr>
<td>Net Profit</td>
<td>245.2</td>
<td>194.0</td>
<td>226.4</td>
<td>(165.4)</td>
<td>267.2</td>
</tr>
</tbody>
</table>

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

### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
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<tr>
<td>Current Assets</td>
<td>3,715.7</td>
<td>3,811.0</td>
<td>3,979.2</td>
<td>3,892.6</td>
<td>4,075.3</td>
</tr>
<tr>
<td>Cash and Cash Equivalents(^{(1)})</td>
<td>2,913.6</td>
<td>3,079.2</td>
<td>3,261.1</td>
<td>3,125.3</td>
<td>3,216.0</td>
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<tr>
<td>Non-current Assets</td>
<td>2,054.2</td>
<td>2,117.7</td>
<td>2,321.6</td>
<td>2,145.2</td>
<td>2,237.1</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,769.9</td>
<td>5,928.7</td>
<td>6,300.8</td>
<td>6,037.8</td>
<td>6,312.4</td>
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<tr>
<td>Current Liabilities</td>
<td>529.4</td>
<td>434.7</td>
<td>480.6</td>
<td>411.5</td>
<td>398.6</td>
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<tr>
<td>Non-current Liabilities</td>
<td>393.7</td>
<td>416.2</td>
<td>418.5</td>
<td>509.9</td>
<td>513.3</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>923.1</td>
<td>850.8</td>
<td>899.1</td>
<td>921.4</td>
<td>911.9</td>
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<tr>
<td>Paid-in Capital</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
</tr>
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<td>Capital Surplus</td>
<td>1,474.1</td>
<td>1,475.1</td>
<td>1,475.1</td>
<td>1,448.6</td>
<td>1,467.7</td>
</tr>
<tr>
<td>Other Components of Equity</td>
<td>155.1</td>
<td>191.1</td>
<td>288.5</td>
<td>190.1</td>
<td>188.0</td>
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<tr>
<td>Retained Earnings</td>
<td>3,212.7</td>
<td>3,406.6</td>
<td>3,633.0</td>
<td>3,467.6</td>
<td>3,735.0</td>
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<tr>
<td>Non-controlling Interests</td>
<td>0.1</td>
<td>0.2</td>
<td>0.2</td>
<td>5.2</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>4,846.8</td>
<td>5,077.9</td>
<td>5,401.7</td>
<td>5,116.4</td>
<td>5,400.5</td>
</tr>
</tbody>
</table>
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.