2Q 2023 Earnings Results

Investor Relations

2023. 8. 9
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2023 2Q Results at a Glance

KEY PERFORMANCE

PUBG PC Revenue
YoY 35% ↑

Resumed Service
May 29th(1)

Studio Investments
7 (2) / 15 (3)

KEY FINANCIAL HIGHLIGHTS

Revenue
387.1bn KRW

Operating Profit
131.5bn KRW

Operating Profit Margin
34%

Note: (1) Service resumed on May 29, 2023 after a 10-month suspension from July 28, 2022 (2) Studio acquisitions and minority stake investments to be completed from January to May 2023, (3) Post-IPO studio acquisitions and minority stake investments
PC / Console

PUBG PC/Console Maintaining Sustainable Global Live Service with Diverse Updates and Improved Monetization

Enhancing In & Out Game Experience under F2P + No P2W

- Tactical Gears Renewal
- New Arcade Mode: Bluebomb Rush
- Progressive Skin: Deadly Dollhouse SLR

Key Live Service Content for 3Q23

- Aston Martin & Seasonal Workshop
- Street Fighter 6 Collaboration
- Survivor Pass: The Big Score
- PUBG Esports Global Partner Team Skins
- Miramar Map Sub Update
Mobile

PUBGM Generating Solid Traffic and Revenue Led by Growth in New Regions, BGMI Revenue Contribution Expected in 2H23

Live Service Expanding Traffic and Revenue

- New Pass System RP A Series
- Dinoground Mode

IP Collaborations and Revamping Service in India

- Dragon Ball Collaboration Skins & Mode
- India BGIS 2023 Esports Tournament
- Karol G Collaboration Skin & Voice Pack
- X Suit Upgrade Skin
- Aston Martin Vehicle Skins
- BGMI Login Event
Scale-Up the Creative

Scale-Up the Future Growth Potential with Transition from a Global Game Company into a Global Publisher

KRAFTON

1. Publishing Accountability
   Studio/Project supervised by Champions
   Virtual Organization System

2. Publishing Organization
   Publishing by HQ (1PP & 2PP)
   Restructuring to strengthen 2PP

3. Discovering New Creative
   “The Creative” Team of max 30 developers
   Soft Launch in 1.5 years
   Expand Minority Investments
   Securing additional 2PP Titles

Games to be Launched

2021
2022
2023~2026

10
14
24+

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

Game Studio Investments in 2023

Note: (1) To be completed in August 2023 (2) Incubating projects as of August 2023
Focusing on Enhancing Efficiency in Game Development and Discovering New Gameplay Through AI and Deep Learning

Deep Learning R&D Objectives and Core Technologies

- **Game Dev Efficiency**
  - TTS
- **New Gameplay**
  - Language Model & Chatbot
  - Image Generation
  - 3D Avatar & Animation

Project Migaloo

- Deep Learning/AI technology applied to develop core open-world features and content
- Content creation and distribution using sandbox tools
2Q23 Financials

Revenue

KRW 387.1bn (-28.2% QoQ, -8.6% YoY)
Revenue stabilized due to seasonality and major content updates concentrated in 2H23

Operating Profit

KRW 131.5bn (-53.5% QoQ, -20.7% YoY)
QoQ decline from stabilized revenue in 2Q3

Net Profit

KRW 128.5bn (-51.9% QoQ, -33.7% YoY)

Revenue

KRW bn

Operating Profit

KRW bn

Net Profit

KRW bn

Revenue stabilized due to seasonality and major content updates concentrated in 2H23
QoQ decline from stabilized revenue in 2Q3

KRW 387.1bn
KRW 131.5bn
KRW 128.5bn
Expense Breakdown

Operating Costs  KRW 255.6bn (-0.0% QoQ, -0.8% YoY)

- (Personnel) 2Q23 +2.4% QoQ, +9.6% YoY
  Increased QoQ and YoY due to increase in headcount

- (Paid Commissions) 2Q23 +14.6% QoQ, -13.5% YoY
  Increased QoQ on expenses related to PGS1 Esports event, decreased YoY from BGMI service suspension

<table>
<thead>
<tr>
<th>KRW bn</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
<th>QoQ</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>257.7</td>
<td>289.1</td>
<td>347.6</td>
<td>255.7</td>
<td>255.6</td>
<td>-0.0%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>% of Revenue</td>
<td>60.8%</td>
<td>66.7%</td>
<td>73.4%</td>
<td>47.5%</td>
<td>66.0%</td>
<td>18.5%p</td>
<td>5.2%p</td>
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<tr>
<td>Personnel</td>
<td>94.2</td>
<td>98.9</td>
<td>63.4</td>
<td>100.8</td>
<td>103.2</td>
<td>2.4%</td>
<td>9.6%</td>
</tr>
<tr>
<td>Platform Fees/Cost of Revenue(1)</td>
<td>50.1</td>
<td>47.8</td>
<td>57.7</td>
<td>46.7</td>
<td>32.2</td>
<td>-31.2%</td>
<td>-35.8%</td>
</tr>
<tr>
<td>Paid Commissions</td>
<td>81.5</td>
<td>85.2</td>
<td>102.7</td>
<td>61.6</td>
<td>70.6</td>
<td>14.6%</td>
<td>-13.5%</td>
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<tr>
<td>Marketing</td>
<td>11.3</td>
<td>19.7</td>
<td>81.2</td>
<td>5.1</td>
<td>8.7</td>
<td>70.5%</td>
<td>-23.3%</td>
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<tr>
<td>Share-based Payment Expenses</td>
<td>(8.4)</td>
<td>7.8</td>
<td>(9.7)</td>
<td>10.0</td>
<td>9.1</td>
<td>-9.8%</td>
<td>N/M</td>
</tr>
<tr>
<td>Others</td>
<td>29.0</td>
<td>29.7</td>
<td>52.4</td>
<td>31.4</td>
<td>31.9</td>
<td>1.5%</td>
<td>10.0%</td>
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<tr>
<td>Operating Profit</td>
<td>165.8</td>
<td>144.6</td>
<td>126.2</td>
<td>283.0</td>
<td>131.5</td>
<td>-53.5%</td>
<td>-20.7%</td>
</tr>
<tr>
<td>% OP Margin</td>
<td>39.2%</td>
<td>33.3%</td>
<td>26.6%</td>
<td>52.5%</td>
<td>34.0%</td>
<td>-18.5%p</td>
<td>-5.2%p</td>
</tr>
<tr>
<td>Adj. EBITDA(2)</td>
<td>177.4</td>
<td>174.5</td>
<td>160.3</td>
<td>319.0</td>
<td>167.7</td>
<td>-47.4%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>% Adj. EBITDA Margin</td>
<td>41.9%</td>
<td>40.2%</td>
<td>33.8%</td>
<td>59.2%</td>
<td>43.3%</td>
<td>-15.9%p</td>
<td>1.5%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 131.5bn (-53.5% QoQ, -20.7% YoY)

Adj. EBITDA
- KRW 167.7bn (-47.4% QoQ, -5.4% YoY)

- 2Q23 Adj. EBITDA decreased 5% YoY, with Adj. EBITDA margin of 43%

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### Operating Profit

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operating Profit</th>
<th>OP Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q22</td>
<td>165.8</td>
<td>39%</td>
</tr>
<tr>
<td>3Q22</td>
<td>144.6</td>
<td>33%</td>
</tr>
<tr>
<td>4Q22</td>
<td>126.2</td>
<td>27%</td>
</tr>
<tr>
<td>1Q23</td>
<td>283.0</td>
<td>53%</td>
</tr>
<tr>
<td>2Q23</td>
<td>131.5</td>
<td>34%</td>
</tr>
</tbody>
</table>

### Adj. EBITDA (1)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adj. EBITDA</th>
<th>Adj. EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q22</td>
<td>185.8</td>
<td>42%</td>
</tr>
<tr>
<td>3Q22</td>
<td>174.5</td>
<td>40%</td>
</tr>
<tr>
<td>4Q22</td>
<td>170.0</td>
<td>34%</td>
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<tr>
<td>1Q23</td>
<td>309.0</td>
<td>59%</td>
</tr>
<tr>
<td>2Q23</td>
<td>167.7</td>
<td>43%</td>
</tr>
</tbody>
</table>

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

Unit: KRW bn
Net Profit

Profit Before Income Tax  KRW 159.5bn (-56.0% QoQ, -38.7% YoY)

Net Profit  KRW 128.5bn (-51.9% QoQ, -33.7% YoY)

• 2Q23 Net Profit decreased YoY due to decreased Operating Profit and FX effects impacting Non-operating Profit

Non-Operating Profit & Profit Before Income Tax

<table>
<thead>
<tr>
<th>구분</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-operating Profit</td>
<td>84.5</td>
<td>169.1</td>
<td>(349.1)</td>
<td>79.4</td>
<td>28.0</td>
</tr>
<tr>
<td>Non-Operating Income</td>
<td>82.9</td>
<td>206.1</td>
<td>(40.2)</td>
<td>141.8</td>
<td>85.3</td>
</tr>
<tr>
<td>Other Income</td>
<td>108.9</td>
<td>206.1</td>
<td>(40.2)</td>
<td>141.8</td>
<td>85.3</td>
</tr>
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<td>Finance Income</td>
<td>7.5</td>
<td>9.9</td>
<td>9.6</td>
<td>9.9</td>
<td>11.3</td>
</tr>
<tr>
<td>Non-Operating Expense</td>
<td>14.4</td>
<td>37.0</td>
<td>308.9</td>
<td>62.4</td>
<td>57.3</td>
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<tr>
<td>Other Expense</td>
<td>12.8</td>
<td>35.5</td>
<td>306.0[1]</td>
<td>60.5</td>
<td>54.9</td>
</tr>
<tr>
<td>Finance Expense</td>
<td>1.6</td>
<td>1.5</td>
<td>2.8</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Profit Before Income Tax</td>
<td>260.3</td>
<td>313.7</td>
<td>(222.9)</td>
<td>362.4</td>
<td>159.5</td>
</tr>
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</table>

Net Profit

<table>
<thead>
<tr>
<th>Unit: KRW bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q22</td>
</tr>
<tr>
<td>194.0</td>
</tr>
</tbody>
</table>

Note: (1) Impairment loss of Intangible Assets (KRW -149.2bn)
(2) Gains and Losses on Valuation using equity method included in other income and expense
### Incubating Pipeline\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>'21</th>
<th>'22</th>
<th>'23~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>10</td>
<td>14</td>
<td>24+</td>
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### Game Release Plan

<table>
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<tr>
<th>Title Categories</th>
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<th>'23</th>
<th>'24</th>
<th>'25~</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>6</td>
<td>-</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
|                         |       |     |     |      | • Project BlackBudget  
|                         |       |     |     |      | • The Next Subnautica  
|                         |       |     |     |      | • Project Impact  
|                         |       |     |     |      | • Project GoldRush  
|                         |       |     |     |      | • Project Windless  
| Creative Studio (PC, Console) | 8   | 3   | 3   | 2    | • Project Isegye  
| Creative Studio (Mobile)    | 7   | 5   | 1   | -    | • Defense Derby  
| Publishing               | 4    | 1   | 1   | 2    |         |

Note: (1) Incubating Projects as of August 2023
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 release on PC/Console

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 Methe: Far Cry Game Director
  - Iain McCaig: Star Wars, Avengers Design Director
  - Gwangjae Son: Krafton Art Director

Image for reference (from Subnautica)
Concept arts to be released later

Image for reference (from Subnautica)
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**
- (FCF\(^{(1)}\) - Investment) x 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

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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>(KRW bn)</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>423.6</td>
<td>433.7</td>
<td>473.8</td>
<td>538.7</td>
<td>387.1</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>257.7</td>
<td>289.1</td>
<td>347.6</td>
<td>255.7</td>
<td>255.6</td>
</tr>
<tr>
<td>Operating Profit</td>
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<td>283.0</td>
<td>131.5</td>
</tr>
<tr>
<td>EBITDA</td>
<td>185.8</td>
<td>166.7</td>
<td>170.0</td>
<td>309.0</td>
<td>158.7</td>
</tr>
<tr>
<td>Adj. EBITDA</td>
<td>177.4</td>
<td>174.5</td>
<td>160.3</td>
<td>319.0</td>
<td>167.7</td>
</tr>
<tr>
<td>Non-Operating Profit</td>
<td>94.5</td>
<td>169.1</td>
<td>(349.1)</td>
<td>79.4</td>
<td>28.0</td>
</tr>
<tr>
<td>Other Income</td>
<td>101.3</td>
<td>196.2</td>
<td>(49.8)</td>
<td>131.9</td>
<td>74.0</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>12.8</td>
<td>35.5</td>
<td>306.0</td>
<td>60.5</td>
<td>54.9</td>
</tr>
<tr>
<td>Finance Income</td>
<td>7.5</td>
<td>9.9</td>
<td>9.6</td>
<td>9.9</td>
<td>11.3</td>
</tr>
<tr>
<td>Finance Expenses</td>
<td>1.6</td>
<td>1.5</td>
<td>2.8</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Profit Before Income Tax</td>
<td>260.3</td>
<td>313.7</td>
<td>(222.9)</td>
<td>362.4</td>
<td>159.5</td>
</tr>
<tr>
<td>Income Tax</td>
<td>63.0</td>
<td>83.1</td>
<td>(61.9)</td>
<td>95.2</td>
<td>31.0</td>
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<tr>
<td>Profit from Discontinued Operations</td>
<td>(3.4)</td>
<td>(4.2)</td>
<td>(4.4)</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Net Profit</td>
<td>194.0</td>
<td>226.4</td>
<td>(165.4)</td>
<td>267.2</td>
<td>128.5</td>
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#### Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>(KRW bn)</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
</tr>
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<tbody>
<tr>
<td>Current Assets</td>
<td>3,811.0</td>
<td>3,979.2</td>
<td>3,892.6</td>
<td>4,075.3</td>
<td>4,006.8</td>
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<tr>
<td>Cash and Cash Equivalents(1)</td>
<td>3,079.2</td>
<td>3,261.1</td>
<td>3,125.3</td>
<td>3,216.0</td>
<td>3,054.1</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>2,117.7</td>
<td>2,321.6</td>
<td>2,145.2</td>
<td>2,237.1</td>
<td>2,391.1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>5,928.7</td>
<td>6,300.8</td>
<td>6,037.8</td>
<td>6,312.4</td>
<td>6,398.0</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>434.7</td>
<td>480.6</td>
<td>411.5</td>
<td>398.6</td>
<td>492.6</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>416.2</td>
<td>418.5</td>
<td>509.9</td>
<td>513.3</td>
<td>523.4</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>850.8</td>
<td>899.1</td>
<td>921.4</td>
<td>911.9</td>
<td>1,016.0</td>
</tr>
<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>
<tr>
<td>Capital Surplus</td>
<td>1,475.1</td>
<td>1,475.1</td>
<td>1,448.6</td>
<td>1,467.7</td>
<td>1,470.1</td>
</tr>
<tr>
<td>Other Components of Equity</td>
<td>191.1</td>
<td>288.5</td>
<td>190.1</td>
<td>188.0</td>
<td>206.6</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>3,406.6</td>
<td>3,630.0</td>
<td>3,467.6</td>
<td>3,735.0</td>
<td>3,695.8</td>
</tr>
<tr>
<td>Non-controlling Interests</td>
<td>0.2</td>
<td>0.2</td>
<td>5.2</td>
<td>4.9</td>
<td>4.5</td>
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<tr>
<td>Total Equity</td>
<td>5,077.9</td>
<td>5,401.7</td>
<td>5,116.4</td>
<td>5,400.5</td>
<td>5,382.0</td>
</tr>
</tbody>
</table>

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