

A knight in ornate blue and gold armor stands in a medieval town square. The knight's armor is highly detailed with gold filigree and a plumed helmet. The background shows a blurred town square with buildings and a banner.

3Q18 Earnings Results

Pearl Abyss Corp.
2018. 11. 9

PEARLABYSS

Disclaimer

Financial results and operating performance data contained in this presentation are for investors' reference, and may change as a result of final settlement results. We do not assure the perfect accuracy of the financial results described in this presentation. Also, the data may change due to future events.

This presentation contains future “expectation” data. This is related to future events and show the company's future expectations on financial and business results. However, the actual results may differ due to unexpected changes in global and domestic financial markets, changes in the industry and changes in the company's business plan.

We do not take any responsibility for any loss due to this data.

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1. 3Q18 Summary

◆ 2018 : Platform Extension of “Black Desert” IP / Obtain Competitive IP “EVE Online”

Provided the foundation for platform extension of “Black Desert” IP and business expansion.

■ Black Desert IP

Online

- **Remaster launched in all service regions**
 - User indicator increased in Japan, Korea, North America and Europe
- **3rd Anniversary of Domestic Launch**
 - Over 2.4million cumulative players, 300 million hours of play time
 - Global cumulative players exceeded 10 million, 2.4 billion hours of play time

Mobile

- **First global expansion:** Released in Taiwan, Hong Kong and Macau on August 8
- **Continuously provide new content for users**
 - Domestic : User index increased, driven by new content updates including new character “Beast Master”
 - Taiwan : New content such as Node Wars and Nightmare have been updated more than twice as fast as Korea.

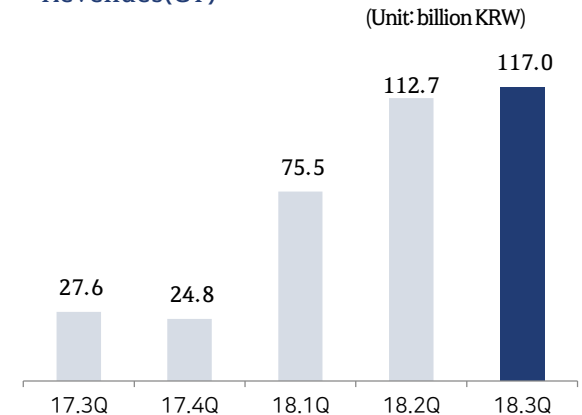
■ EVE IP

- **Obtain Global IP :** Acquired CCP Games, developers of “EVE Online”

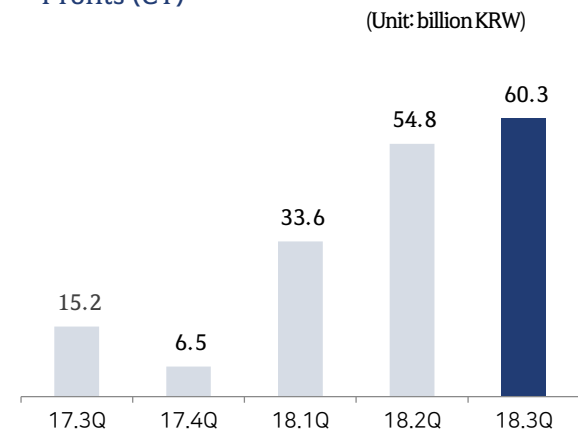
■ Others

- **Established local corporations for overseas markets:** Establish PA Japan and PA U.S.

Revenues(CY)



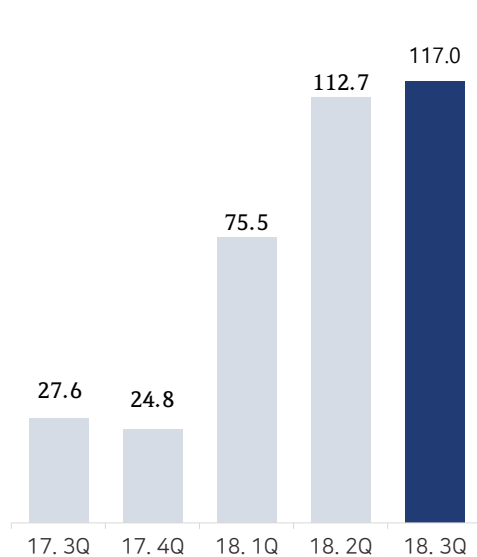
Profits (CY)



2. Summary of performance

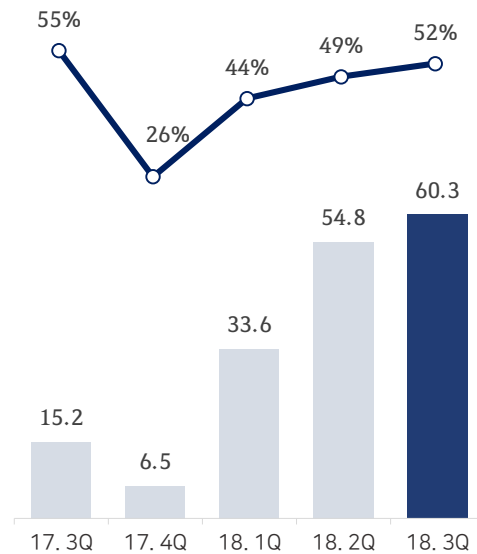
- ◆ KRW 117 billion in operating revenue, KRW 60.3 billion in operating profit and KRW 51.7 billion in net profit recorded in the 3rd quarter of 2018
- ◆ Operating revenue (323.8%), operating profit (297.2%) and net profit (281.4%) increased compared to the same period last year

<Operating Revenue>



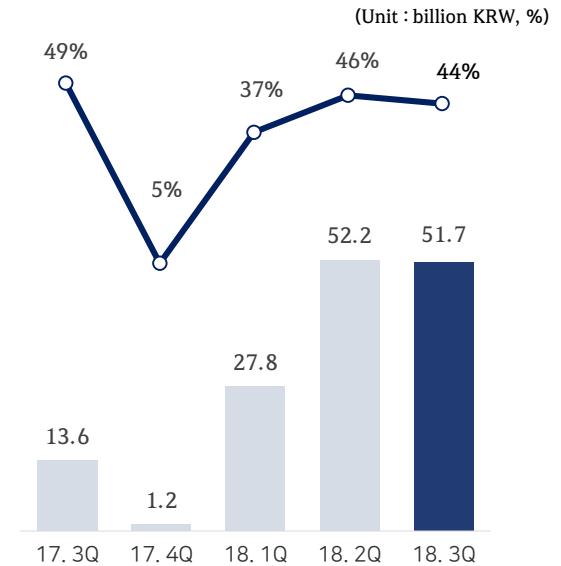
KRW 117 billion in sales
YoY 323.8% Increase
QoQ 3.8% Increase

<Operating Profit>



KRW 60.3 billion in operating profit
YoY 297.2% Increase
QoQ 10.0% Increase

<Net Profit>

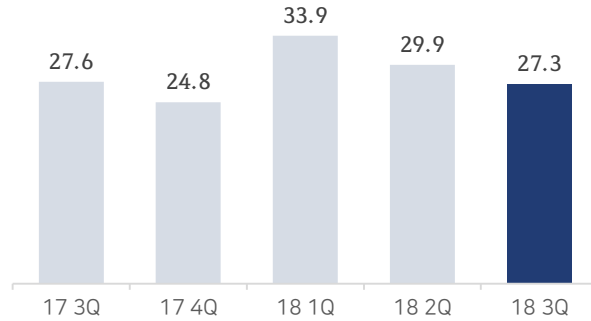


KRW 51.7 billion in net profit
YoY 281.4% Increase
QoQ 0.9% Decrease

3. Revenues_Details

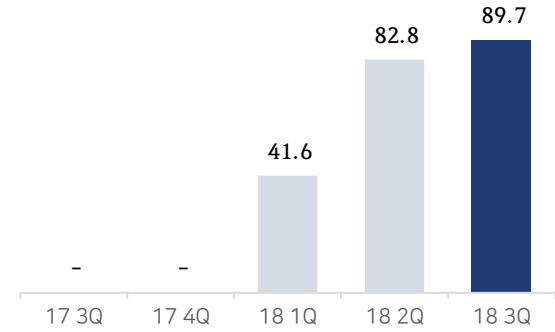
Progress of Revenues (Platforms)

PC-Online



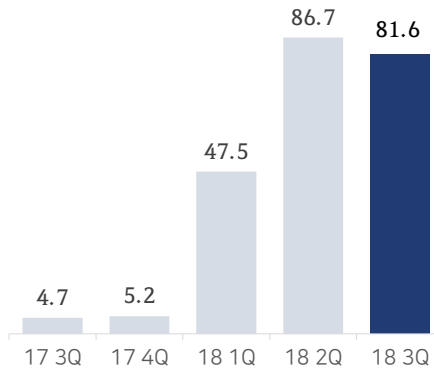
Mobile

(Unit : billion KRW)

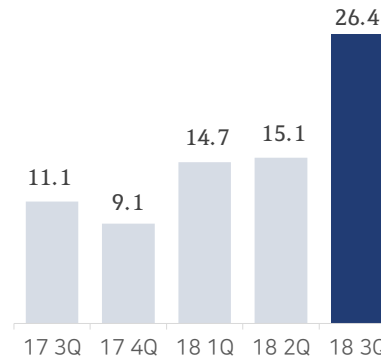


Progress of Revenues (Regions)

Korea

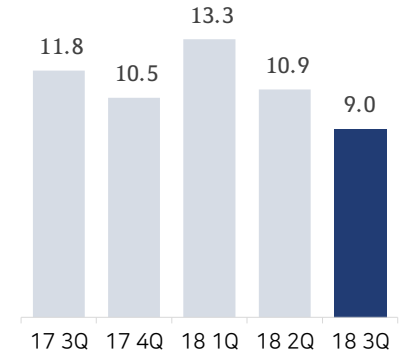


Asia



US / EU / Other

(Unit : billion KRW)



4. Expenses

◆ KRW 56.7 billion in 3Q operating expenses, a 2% decrease compared to 2Q

- Labor Costs : Labor costs decreased due to the removal of incentives, effective as of 2Q
- Commissions : Commissions increased, driven by the increase in Black Desert Mobile sales
- Advertising : Marketing expenses increased due to the launch of Black Desert Mobile in Taiwan

(Unit : Million KRW, %)

Category	3Q17	4Q17	1Q18	2Q18	3Q18	Compared to Sales	QoQ	YoY	
Operating Expenses	12,489	18,239	41,934	57,860	56,676	100%	48.4%	-2.0%	353.8%
Labor	5,762	7,351	9,789	14,975	11,879	21.0%	10.2%	-20.7%	106.2%
Commissions	1,455	2,082	17,836	29,998	31,461	55.5%	26.9%	4.9%	1,520.9%
Advertising	1,941	5,209	10,506	9,195	9,959	17.6%	8.5%	8.3%	584.5%
Stock Compensation	1,345	1,346	1,345	975	418	0.7%	0.4%	-57.1%	-68.9%
D&A	425	577	645	700	873	1.5%	0.8%	24.7%	105.3%
Others	1,561	1,674	1,813	2,017	2,086	3.7%	1.8%	3.4%	33.6%

※ Quarterly status of employees and the proportion of development staff

(Unit: Employees, %)

Category	3Q17	4Q17	1Q18	2Q18	3Q18	QoQ	YoY
Employees	311	356	440	513	570	100.0%	+83.3%
Development	209	233	268	311	347	66.5%	+11.6%
Business / Staff	78	99	140	162	175	33.5%	+8.0%
Subsidiaries	24	24	32	40	48	+20.0%	100.0%

5. 4Q18 highlight



PC

- **Massive content update:** New character “Archer,” etc.
- **User Care:** Participation in TwitchCon 2018 game show in North America October 26-28
- **Direct service expansion:** Start direct service in Russia (PearlAbyss H.K)

Mobile

- **Massive content update :** World Management, Desert Region, etc.
- **Preparing to launch in Japan and the global market**

Console

- **Xbox OBT :** November 8-12, North America / Europe
- **Scheduled release in 2018**



PC

- **User Care :** EVE VEGAS October 19-21
- **EVE China:** Preparing to re-publish in China (Publisher: NetEase)

6. New Lineup

PC (Console)

- **Project K** : MMO-FPS
- **EVE Universe (project NOVA)**: FPS MMO

[Project K]



- **Project OMEGA**: New MMO Game

[EVE Universe]



Mobile

- **EVE Echoes**: Sci-fi MMO for mobile, under development by NetEase
- **EVE: War of Ascension**: Sci-fi strategy genre

[EVE: Echoes]



- **Project V** : Casual-MMO

[EVE: War of Ascension]



Appendix

- ▶ Consolidated Financial Statements

A1. Consolidated Financial Statements

[Statement of Financial Position]

(Unit :Million KRW)	31 DEC 2017	30 SEP 2018
Assets		
I . Current Assets	279,877	399,712
Cash and Cash Equivalents	240,510	240,627
ST Financial Instruments	16,286	77,868
Other comprehensive income	-	4,171
AFS financial assets	4,771	-
Account receivables & Other receivables	16,692	47,416
Others	1,618	29,629
II . Non-Current Assets	16,703	66,864
Account receivables & Other receivables	3,066	15,927
LT Financial Instruments	126	128
Available-for-sale financial assets	-	2,187
Investment in affiliated companies	603	798
Tangible Assets	6,238	31,781
Intangible Assets	4,222	8,377
Deferred tax asset	2,450	1,226
Other non-current assets	-	6,440
Total Assets	296,580	466,576

(Unit :Million KRW)	31 DEC 2017	30 SEP 2018
Liabilities		
I . Current Liabilities	19,757	50,940
Other liabilities	7,153	11,321
Income taxes payable	1,527	18,542
Other provisions	72	-
Others current liabilities	11,004	21,076
II . Non-Current Liabilities	1,626	20,204
Finance lease liabilities	-	20,204
Other non current liabilities	973	-
Defined benefit liabilities	654	-
Total Liabilities	21,383	71,144
Capital		
I . Capital stock	6,033	6,438
II . Capital Surplus	181,490	192,217
III . Capital Adjustments	3,115	(19,122)
IV . Other comprehensive Income	(575)	(940)
V . Retained Earnings	85,134	216,838
VI . Non-controlling interests	-	-
Total Capital	275,197	395,432

※ This financial statement may change as a result of final settlements.

A2. Consolidated Financial Statements

[Comprehensive Income Statement]

(Unit :Million KRW)	2017 (2017.01.01~2017.12.31)	1Q18	2Q18	3Q18	2018 YTD (2018.01.01~2018.09.30)
Sales	117,219	75,518	112,682	116,986	305,186
Operating Expenses	52,488	41,934	57,860	56,676	156,470
Operating Income	64,731	33,584	54,822	60,310	148,716
Financial Income	(6,147)	761	6,063	(1,774)	5,050
Non-Operating Income	(94)	(135)	6	152	23
Income from Equity Method	121	73	114	(6)	181
Income before Income Tax	58,611	34,283	61,005	58,682	153,970
Income Tax Expenses	9,061	6,450	8,844	6,972	22,266
Net Profit	49,550	27,833	52,161	51,710	131,704

※ This financial statement may change as a result of final settlements.

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