

# 4<sup>th</sup> Quarter and FY 2016 Results

February 9, 2017 | Investor Relations

# Disclaimer

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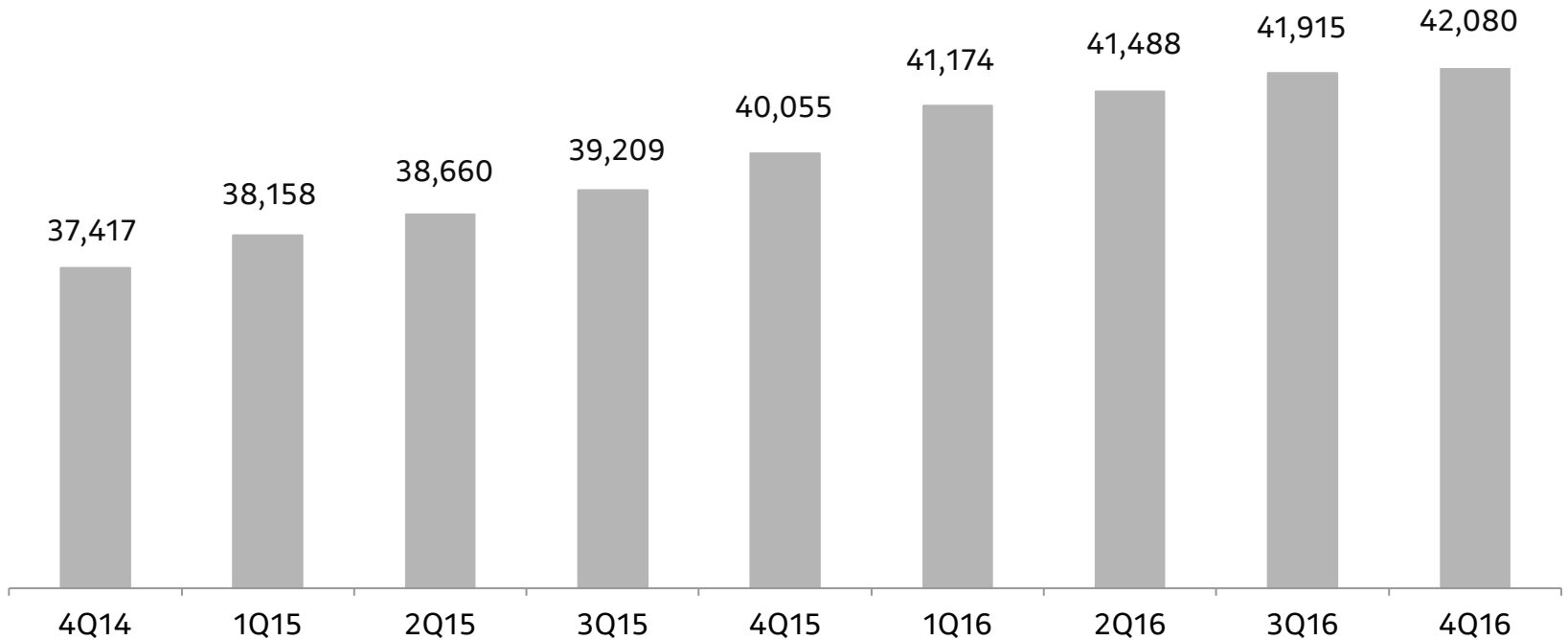
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# Kakao Talk Monthly Active Users (MAUs)



Continue to grow our domestic active users YoY +2,025K, QoQ +165K

Total countries serviced: 230+ (based on country codes), in 16 languages

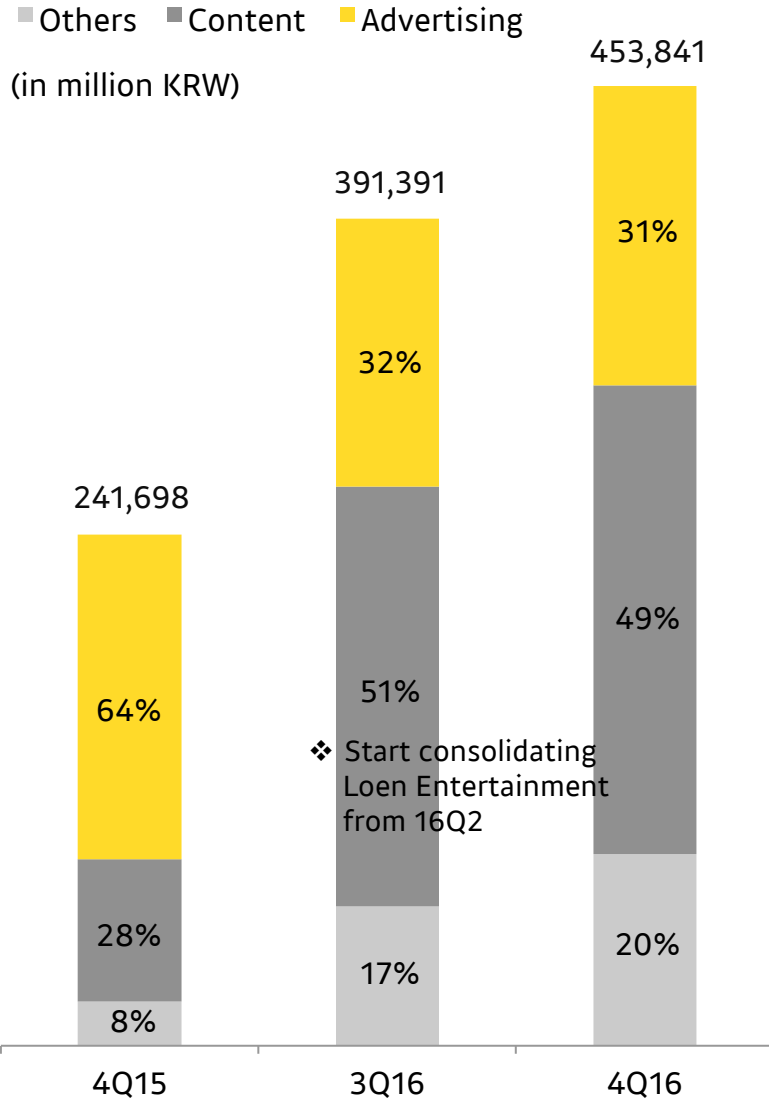


(in thousand)

Korea	37,417	38,158	38,660	39,209	40,055	41,174	41,488	41,915	42,080
Global	48,254	48,207	48,073	48,464	48,321	49,318	49,100	49,189	48,955

Average of monthly MAUs. Global includes domestic MAUs.

# Revenue Categories



A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friends/Yellow ID Talk Reward Brand Emoticon Friend Talk Talk PC Notification Talk *
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
C O N T E N T	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Webtoon • Webnovel	PodoTree Kakao Page Daum Webtoon
	Emoticon	Talk B2C Emoticon
O T H E R S	Commerce	Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer
	Mobility	Kakao Taxi • Black Kakao Driver
	Fintech	Kakao Pay
	Misc.	Loen (production, etc.) Kakao Hairshop

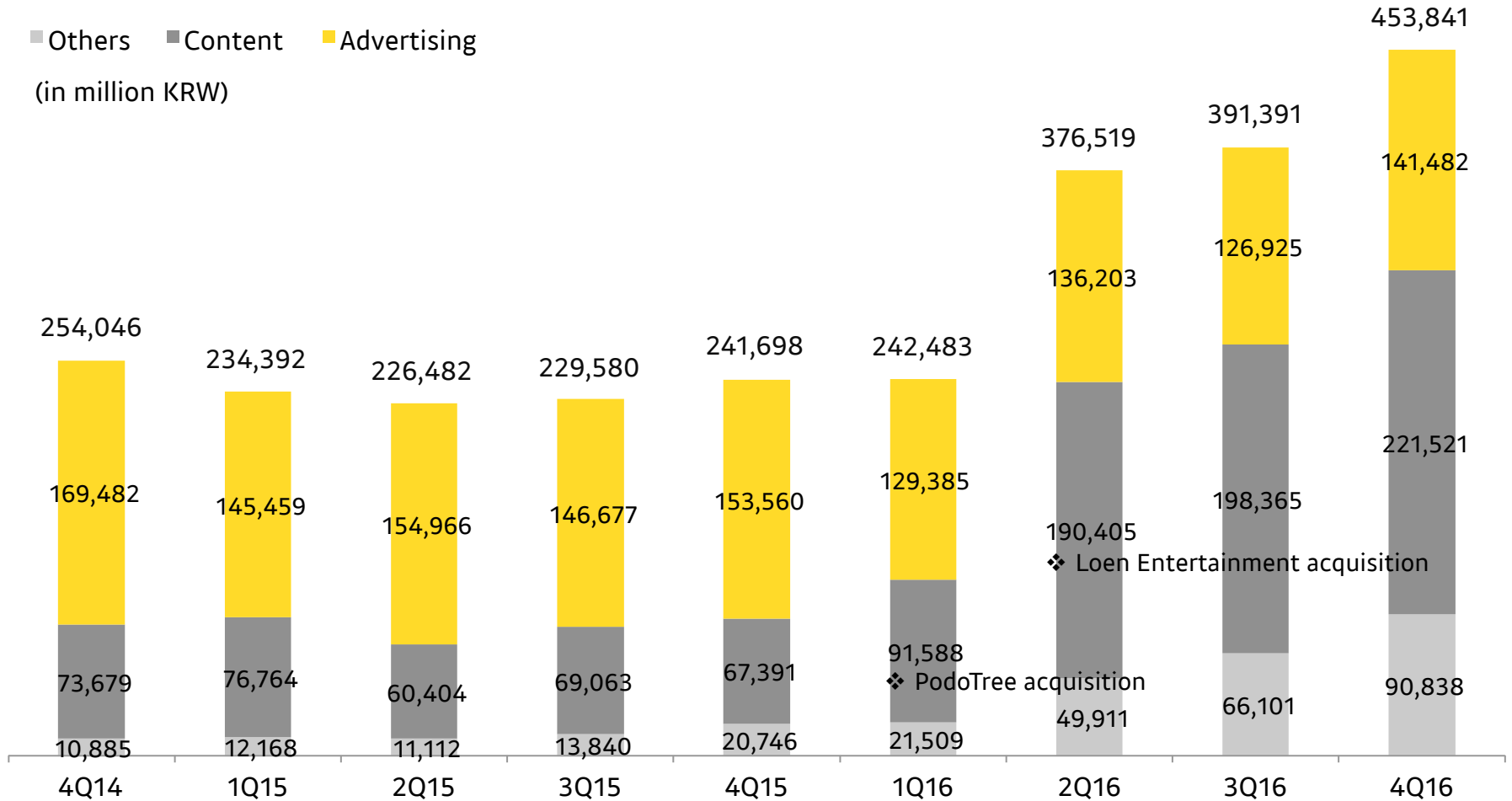
\* Reclassified from Others(Misc.) to Advertising from 4Q16

# Total Revenue

Total Advertising Content Others

Content, including MelOn and games, and commerce growth led YoY 88% up, QoQ 16% up in 4Q16

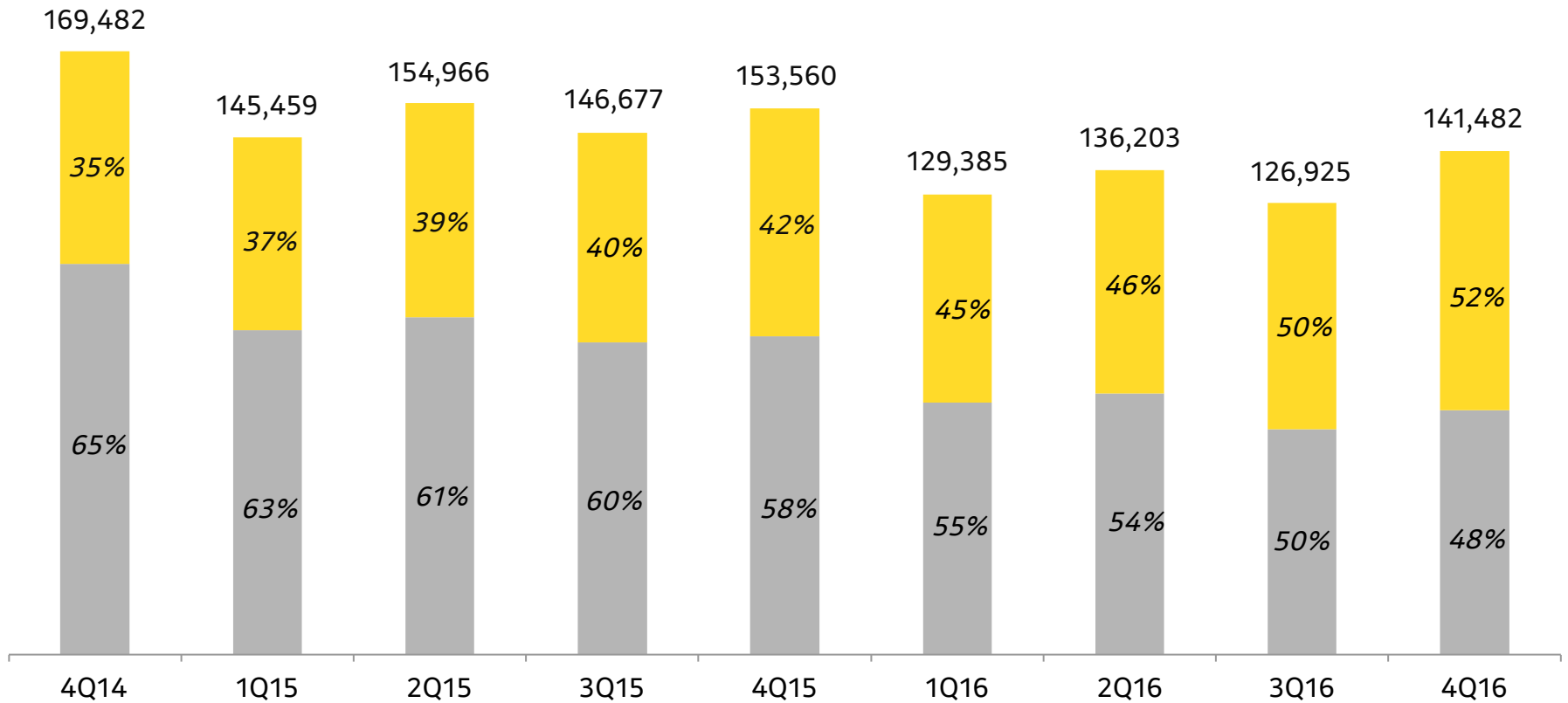
Others Content Advertising  
(in million KRW)



Syndicate restructuring(completed in Sept.) resulted in YoY 8% down, strong seasonality led QoQ 11% up

■ PC ■ Mobile

(in million KRW)

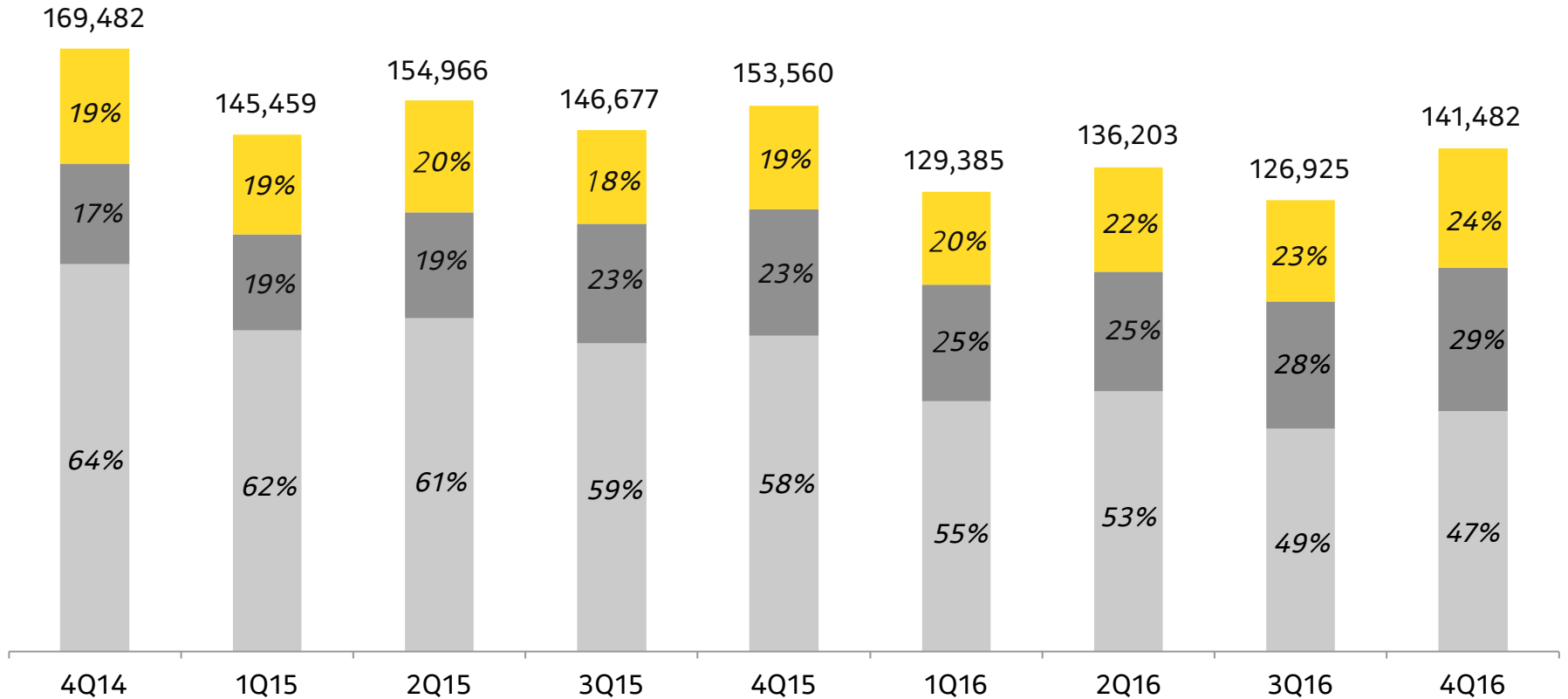


# Advertising- Daum vs. Kakao Platforms

Daum-PC, Daum-mobile and Kakao platform accounted for 47%, 29% and 24%, respectively in 4Q16

■ Daum-PC ■ Daum-mobile ■ Kakao platform

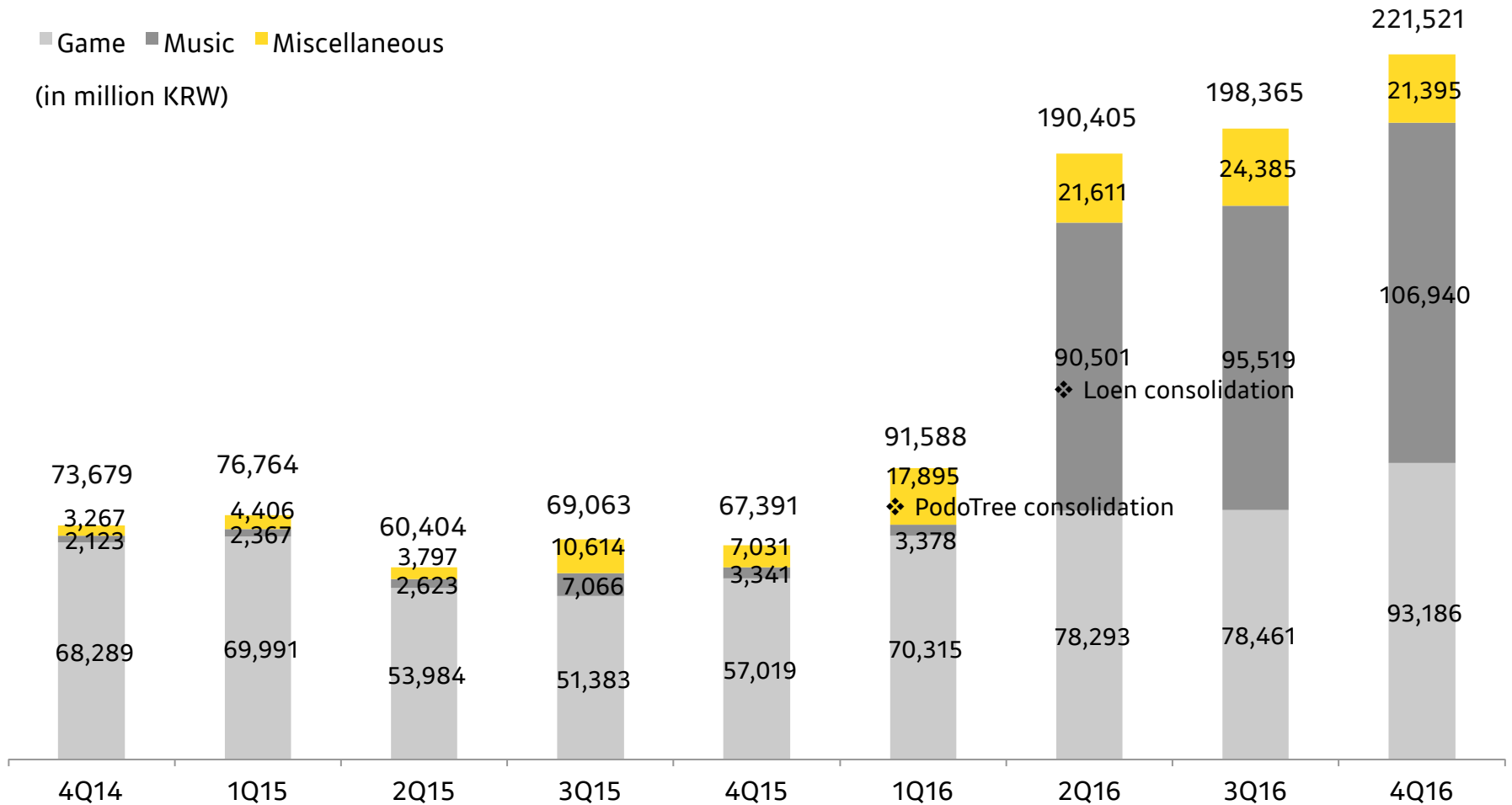
(in million KRW)



## Games, MelOn, and emoticon revenue growth led YoY 229% up, QoQ 12% up in 4Q16

■ Game ■ Music ■ Miscellaneous

(in million KRW)

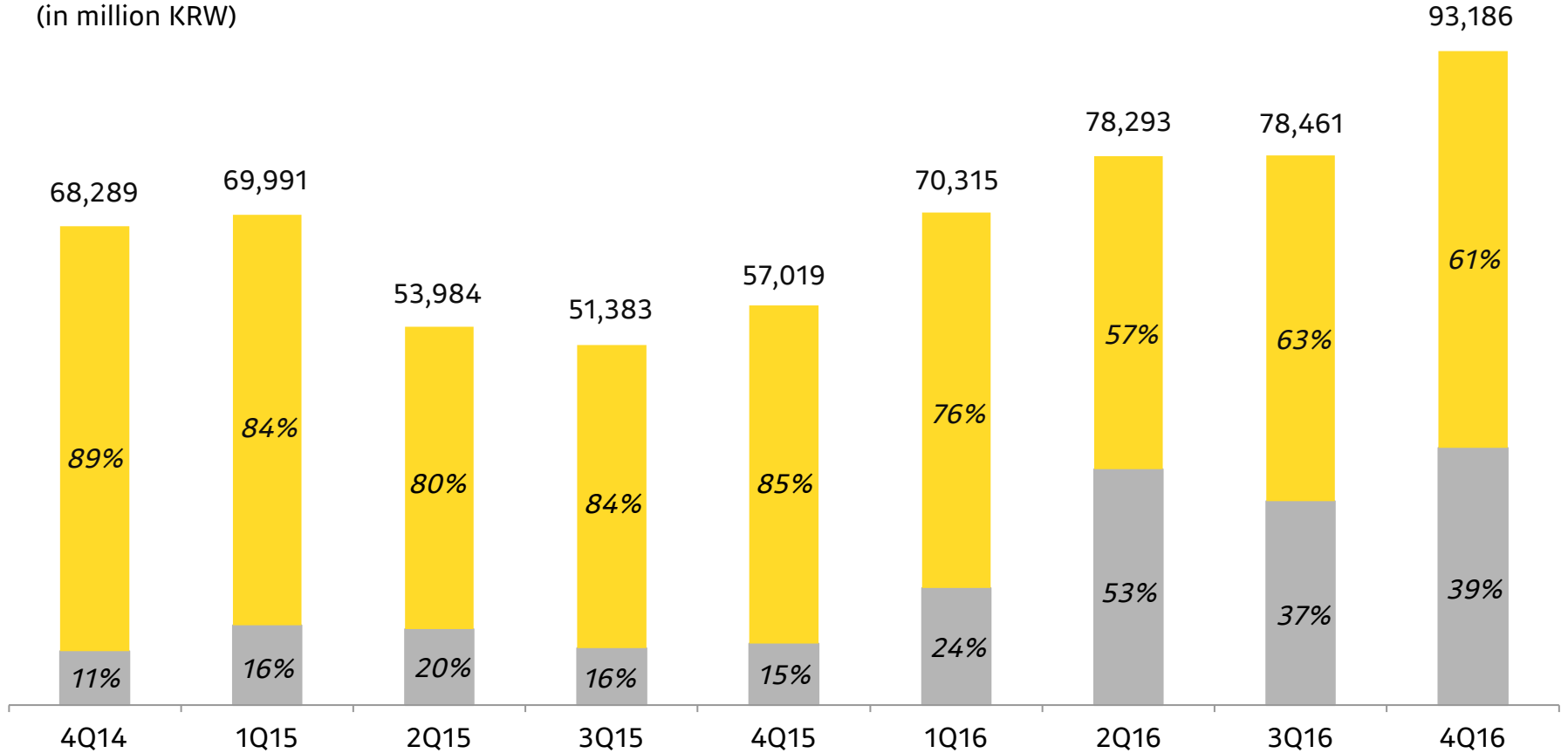




Growth of mobile game publishing and recovery of Black Desert overseas led YoY 63% up, QoQ 19% up

■ PC ■ Mobile

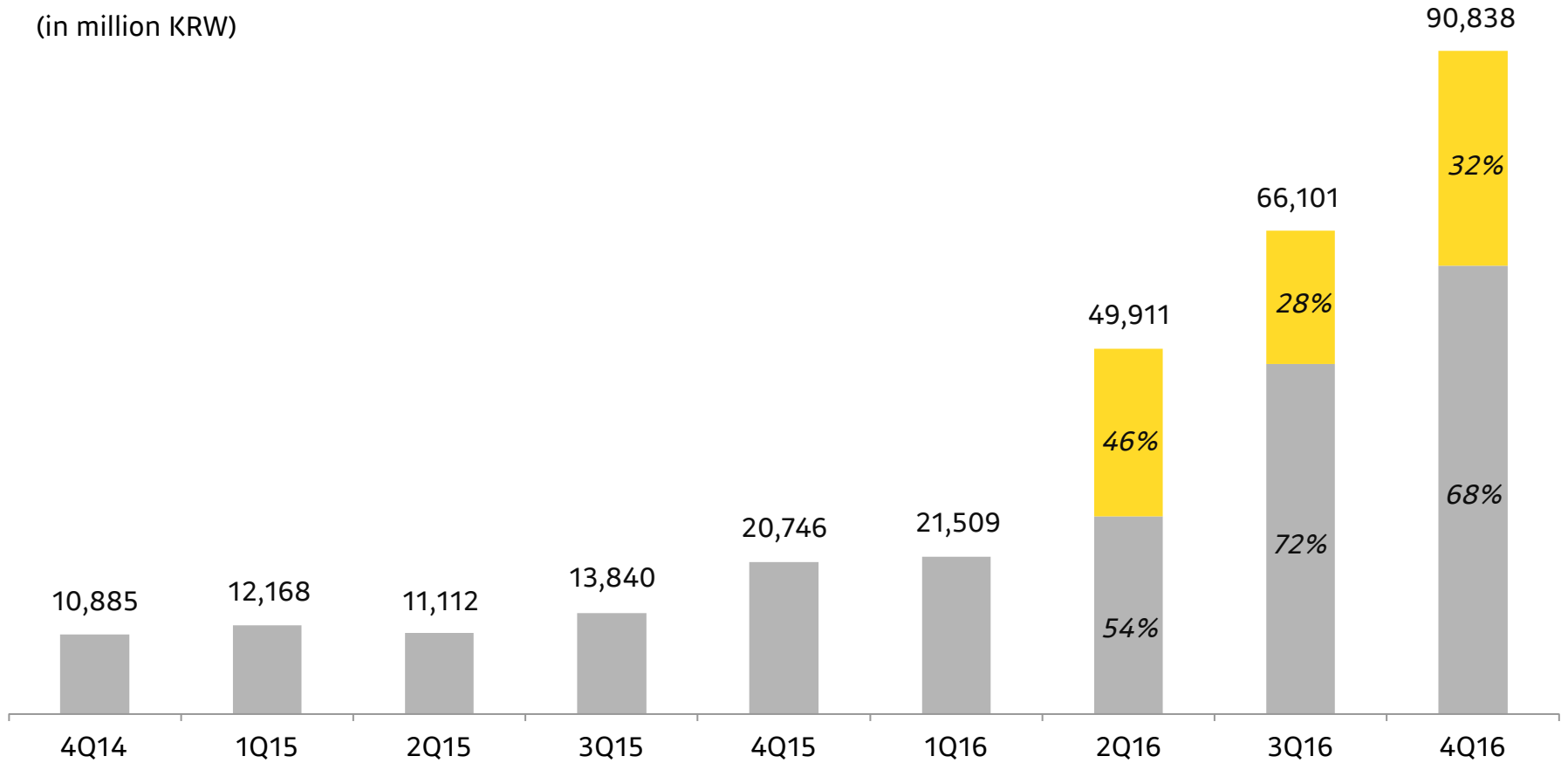
(in million KRW)



**Strong growth in commerce and addition of Loen's other revenue led YoY 338% up, QoQ 37% up in 4Q16**

■ Miscellaneous ■ Loen- others

(in million KRW)



# Summary Results

(in million KRW)

	4Q16	YoY%	QoQ%	FY2016	YoY%
<b>Total Revenue</b>	453,841	88%	16%	1,464,235	57%
Advertising	141,482	-8%	11%	533,995	-11%
Content *	221,521	229%	12%	701,879	157%
Others **	90,838	338%	37%	228,360	295%
<b>Operating Expenses</b>	415,676	88%	15%	1,348,106	60%
<b>Operating Income</b>	38,165	85%	26%	116,129	31%
<i>Operating Margin</i>	8.4%	-0.1%p	0.7%p	7.9%	-1.6%p
<i>EBITDA</i>	69,850	71%	17%	229,908	40%
Finance Income	9,187	89%	247%	24,673	-18%
Finance Expenses	4,246	103%	-40%	23,979	549%
Other, Net	-1,850	-	61%	-16,682	218%
<b>Income before Tax</b>	41,256	91%	96%	100,140	-9%
Income Tax	11,898	22%	59%	32,967	7%
<b>Net Income</b>	29,359	149%	115%	67,173	-15%

\* Loen Entertainment's acquisition of 76.4% stake on March 16, 2016 applied to consolidated results from 2Q 2016

\*\* Others include Loen(others), commerce(Gift Shop, Kakao Friends), mobility(Kakao Taxi, Kakao Driver), Fintech, etc.

# Operating Expenses

(in million KRW)

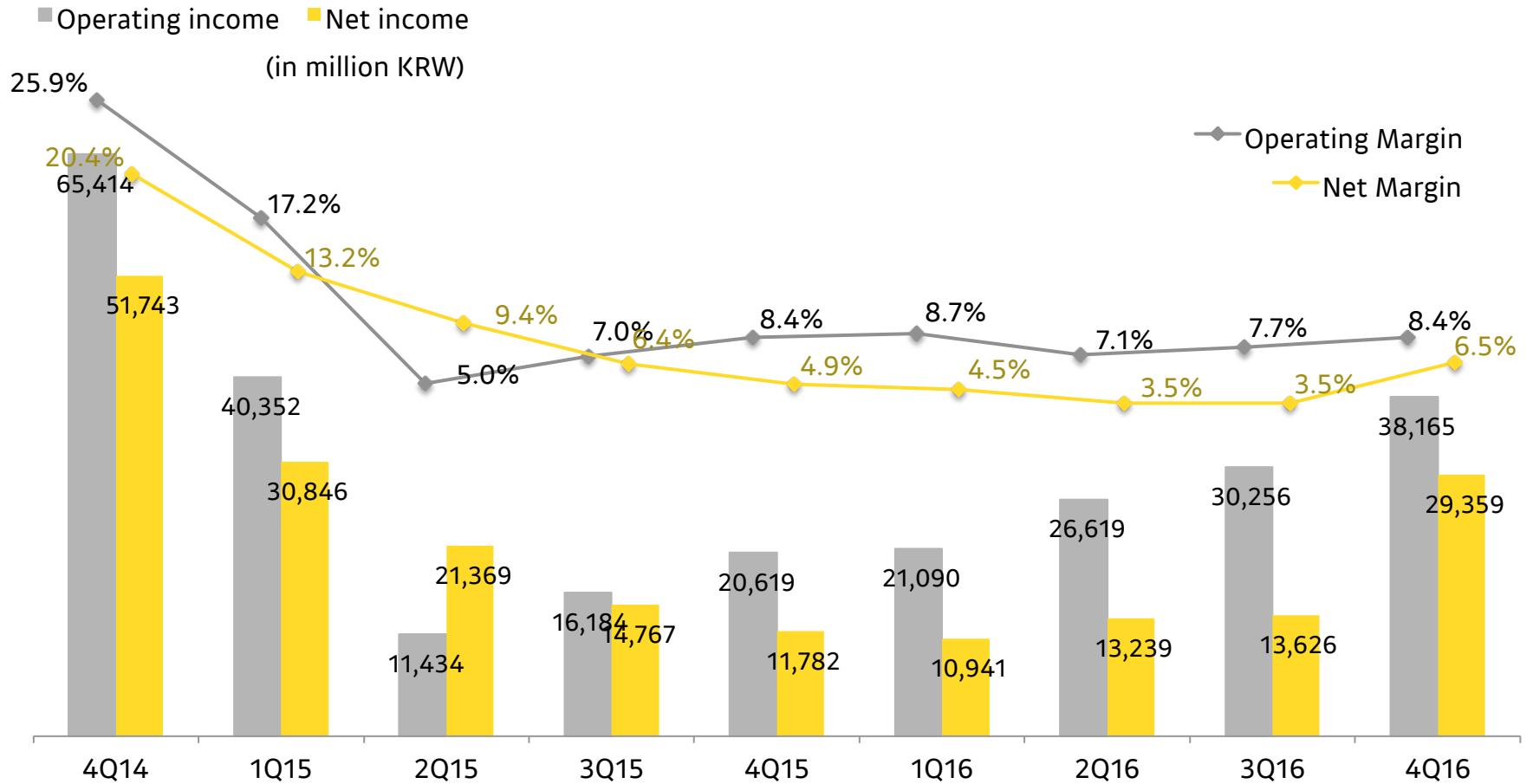
	4Q16	YoY%	QoQ%	FY2016	YoY%
<b>OP Expenses</b>	<b>415,676</b>	<b>88%</b>	<b>15%</b>	<b>1,348,106</b>	<b>60%</b>
Labor costs	83,786	50%	9%	298,518	36%
Fringe benefits	15,085	38%	20%	54,099	6%
Depreciation	14,412	11%	1%	56,195	15%
Rental fees	8,467	89%	5%	29,274	58%
Commissions *	161,994	145%	11%	516,515	112%
Advertising	36,141	176%	51%	83,753	47%
Bad Debt Exp.	1,182	5%	n/a	-1,159	n/a
Amortization	17,273	135%	14%	57,584	119%
Content fees	19,794	56%	-14%	79,731	66%
Ad agency fees	22,654	-14%	17%	83,527	-15%
Event fees	1,002	79%	241%	1,786	50%
Others **	33,885	254%	47%	88,284	213%

\* Increase in revenue share to game developers, settlement fee, and Loen Entertainment's MelOn related fee

\*\* Increase in commodity costs of commerce services and Loen Entertainment's offline distribution business

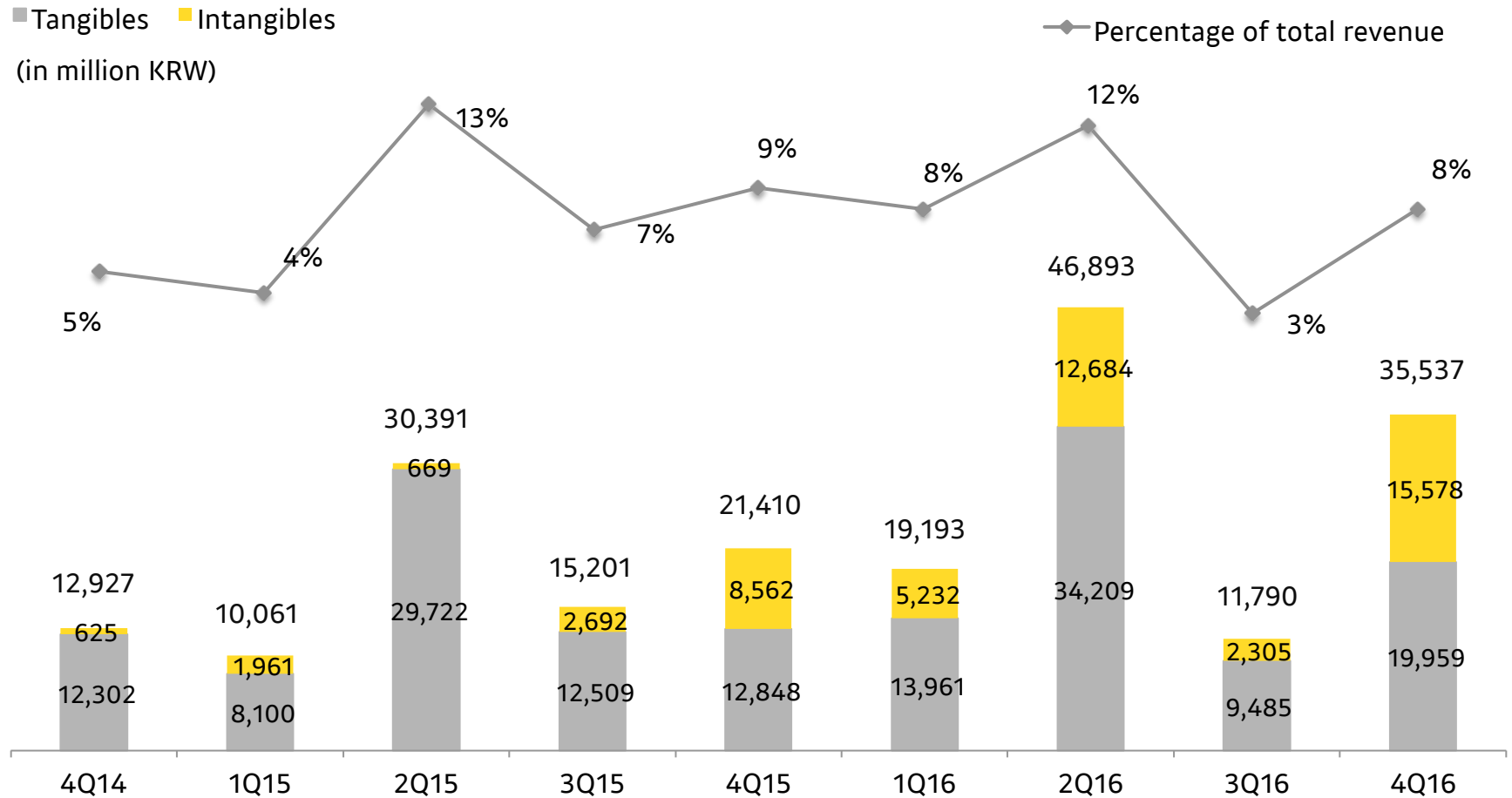
# Income

**Operating income YoY 85% up, QoQ 26% up, Net Income YoY 149% up, QoQ 115% up**



# Capital Expenditure

Accumulated CapEx increased to 113.4 bn Won, YoY 47% up, due to Loen consolidation

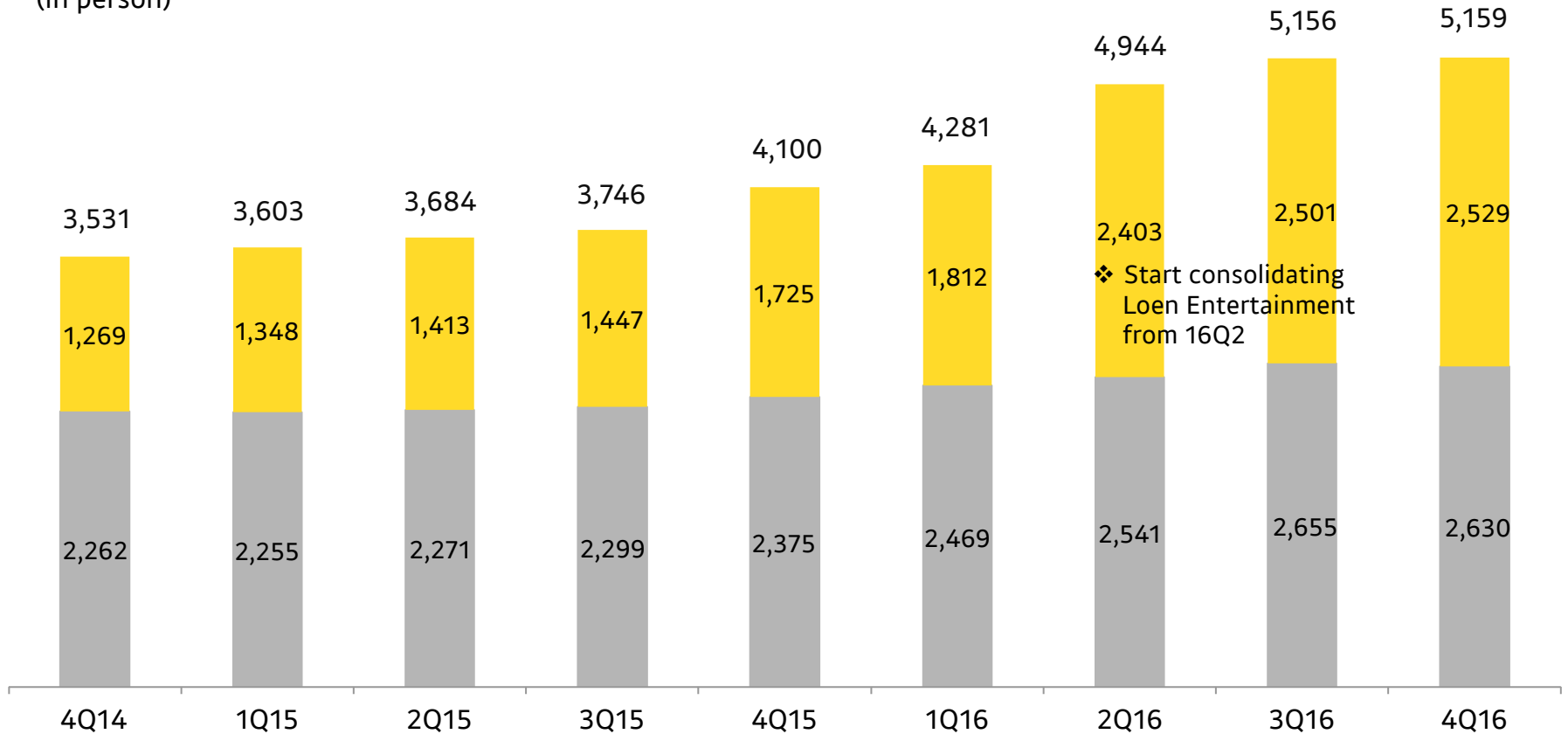


# Employees

**Total 5,159 employees as of 4Q end, QoQ decrease of 25 from Kakao, and 28 increased at subsidiaries**

■ Kakao ■ Subsidiaries

(in person)



# Consolidated Financial Statements

## Consolidated Statements of Income

(in million KRW)	4Q15	1Q16	2Q16	3Q16	4Q16
<b>Revenues</b>	<b>241,698</b>	<b>242,483</b>	<b>376,519</b>	<b>391,391</b>	<b>453,841</b>
Advertising	153,560	129,385	136,203	126,925	141,482
Content	67,391	91,588	190,405	198,365	221,521
Game	57,019	70,315	78,293	78,461	93,186
Music	3,341	3,378	90,501	95,519	106,940
Webtoon/Novel/Emoticon	7,031	17,895	21,611	24,385	21,395
Others	20,746	21,509	49,911	66,101	90,838
<b>Operating Expenses</b>	<b>221,079</b>	<b>221,394</b>	<b>349,900</b>	<b>361,136</b>	<b>415,676</b>
Labor Costs	55,588	63,665	75,563	75,604	83,786
Fringe Benefits	10,934	10,448	16,001	12,566	15,085
Depreciation	12,937	13,005	14,460	14,317	14,412
Rental Fees	4,491	5,340	7,408	8,059	8,467
Commissions	66,001	64,923	142,980	146,618	161,994
Advertising	13,113	7,709	15,967	23,936	36,141
Bad Debt Expenses	1,123	814	-1,332	-1,823	1,182
Amortization	7,346	8,487	16,718	15,107	17,273
Content Fees	12,695	17,369	19,655	22,913	19,794
Ad Agency Fees	26,327	20,580	20,937	19,357	22,654
Event Fees	560	116	374	294	1,002
Others	9,964	8,940	21,170	24,187	33,885
<b>Operating Profit</b>	<b>20,619</b>	<b>21,090</b>	<b>26,619</b>	<b>30,256</b>	<b>38,165</b>
Other Revenues	7,331	3,438	2,206	3,744	15,783
Other Expenses	5,727	5,839	5,179	6,329	14,122
Financial Income	4,870	3,756	9,081	2,648	9,187
Financial Expenses	2,090	3,276	9,351	7,106	4,246
Equity-method, Net	-3,448	-2,513	-2,237	-2,122	-3,511
<b>Profit before Income Tax Expenses</b>	<b>21,554</b>	<b>16,656</b>	<b>21,139</b>	<b>21,089</b>	<b>41,256</b>
<b>Income Tax Expenses</b>	<b>9,771</b>	<b>5,707</b>	<b>7,900</b>	<b>7,463</b>	<b>11,898</b>
<b>Net Profit from Continued Oper.</b>	<b>11,782</b>	<b>10,950</b>	<b>13,239</b>	<b>13,626</b>	<b>29,359</b>
<b>Net Profit</b>	<b>11,782</b>	<b>10,950</b>	<b>13,239</b>	<b>13,626</b>	<b>29,359</b>
Net Profit of Controlling Interests	11,009	13,176	8,834	12,215	25,368
Net Profit of Non-controlling Int.	773	-2,226	4,405	1,411	3,991

## Consolidated Statements of Financial Position

(in million KRW)	2014.12.31	2015.12.31	2016.12.31
<b>Current Assets</b>	<b>798,291</b>	<b>970,067</b>	<b>1,224,286</b>
Cash and Cash Equivalents	451,228	397,177	641,646
S-T Financial Instruments	184,548	373,389	236,748
Accounts Receivable	108,431	88,822	195,347
Other Current Assets	54,084	110,679	150,546
<b>Non-Current Assets</b>	<b>1,969,734</b>	<b>2,218,411</b>	<b>4,258,087</b>
Equity Method Investments	18,712	68,704	117,076
Tangible Assets	196,894	219,052	253,854
Intangible Assets	1,688,974	1,855,604	3,733,284
Other Non-current Assets	65,154	75,051	153,874
<b>Total Assets</b>	<b>2,768,025</b>	<b>3,188,478</b>	<b>5,482,373</b>
<b>Liabilities</b>	<b>227,488</b>	<b>316,078</b>	<b>799,761</b>
Trade and N-T Payables	109,126	89,506	260,744
Income Taxes Payable	20,680	29,448	24,698
Short-Term Debt	50	22,055	200,224
Other Current Liabilities	97,632	175,069	314,095
<b>Non-Current Liabilities</b>	<b>77,309</b>	<b>286,925</b>	<b>977,195</b>
Bonds	-	199,383	319,255
Bonds- CB/EB	-	-	476,422
Deferred Income Tax Liab.	50,083	48,636	143,970
Other Non-Current Liab.	27,226	38,905	37,548
<b>Total Liabilities</b>	<b>304,797</b>	<b>603,003</b>	<b>1,776,956</b>
Paid-in Capital	29,121	30,098	33,858
Capital Surplus	2,258,974	2,274,186	3,105,014
Capital Adjustments	-26,268	-9,032	-11,232
Accum. Other Compre. Inc.	2,114	829	1,137
Retained Earnings	190,678	256,313	305,871
Non-controlling Interests	8,609	33,081	270,770
<b>Total Equity</b>	<b>2,463,228</b>	<b>2,585,475</b>	<b>3,705,417</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,768,025</b>	<b>3,188,478</b>	<b>5,482,373</b>



# Financial Statements (Kakao Only)

## Statements of Income

(in million KRW)	4Q15	1Q16	2Q16	3Q16	4Q16
<b>Revenues</b>	<b>219,619</b>	<b>203,027</b>	<b>206,774</b>	<b>210,165</b>	<b>241,239</b>
Advertising	148,492	124,481	130,580	120,915	136,054
Content	57,435	63,958	56,644	63,996	72,499
Game	47,063	51,562	42,726	48,570	56,091
Music	3,341	3,378	2,991	3,155	3,369
Webtoon/Novel/Emoticon	7,031	9,018	10,928	12,270	13,040
Others	12,268	13,163	19,550	25,254	32,685
<b>Operating Expenses</b>	<b>185,416</b>	<b>173,069</b>	<b>191,670</b>	<b>199,705</b>	<b>225,767</b>
Labor Costs	42,455	45,349	48,830	49,214	52,044
Fringe Benefits	8,550	7,927	11,693	8,421	10,569
Depreciation	12,219	12,354	12,793	12,491	12,276
Rental Fees	1,816	2,205	2,525	2,396	2,616
Commissions	57,930	55,595	57,520	64,514	72,184
Advertising	10,716	3,885	8,418	13,858	22,248
Bad Debt Expenses	1,034	908	116	-320	-216
Amortization	5,338	5,800	5,906	5,708	5,561
Content Fees	12,489	10,863	11,722	13,438	11,646
Ad Agency Fees	25,767	20,012	21,152	19,281	22,562
Event Fees	492	110	359	242	693
Others	6,611	8,061	10,635	10,462	13,556
<b>Operating Profit</b>	<b>34,203</b>	<b>29,958</b>	<b>15,105</b>	<b>10,460</b>	<b>15,472</b>
Other Revenues	3,632	1,660	960	1,780	2,082
Other Expenses	5,418	2,980	6,197	4,203	19,712
Financial Income	1,780	3,557	6,427	517	19,246
Financial Expenses	1,696	1,788	8,510	6,974	4,234
<b>Profit before Income Tax Expenses</b>	<b>32,500</b>	<b>30,407</b>	<b>7,784</b>	<b>1,580</b>	<b>12,853</b>
Income Tax Expenses	11,346	7,054	4,628	-100	5,164
Net Profit from Continued Oper.	21,154	23,353	3,157	1,680	7,689
<b>Net Profit</b>	<b>21,154</b>	<b>23,353</b>	<b>3,157</b>	<b>1,680</b>	<b>7,689</b>

## Statements of Financial Position

(in million KRW)	2014.12.31	2015.12.31	2016.12.31
<b>Current Assets</b>	<b>719,078</b>	<b>718,533</b>	<b>511,067</b>
Cash and Cash Equivalents	392,871	190,785	279,217
S-T Financial Instruments	172,796	361,809	37,190
Accounts Receivable	105,085	87,162	95,980
Other Current Assets	48,326	78,778	98,679
<b>Non-Current Assets</b>	<b>2,036,753</b>	<b>2,398,531</b>	<b>4,319,097</b>
Equity Method Investments	148,110	474,327	2,337,040
Tangible Assets	193,359	210,393	203,866
Intangible Assets	1,651,658	1,652,605	1,694,581
Other Non-current Assets	43,626	61,205	83,610
<b>Total Assets</b>	<b>2,755,831</b>	<b>3,117,064</b>	<b>4,830,163</b>
<b>Liabilities</b>	<b>218,394</b>	<b>265,747</b>	<b>611,750</b>
Trade and N-T Payables	107,084	91,748	174,592
Income Taxes Payable	20,310	24,581	7,256
Short-Term Debt	-	-	200,000
Other Current Liabilities	91,000	149,419	229,902
<b>Non-Current Liabilities</b>	<b>76,643</b>	<b>276,435</b>	<b>844,890</b>
Bonds	-	199,383	319,255
Bonds- CB/EB	-	-	451,126
Deferred Income Tax Liab.	51,095	44,394	45,680
Other Non-Current Liab.	25,548	32,658	28,830
<b>Total Liabilities</b>	<b>295,037</b>	<b>542,182</b>	<b>1,456,641</b>
Paid-in Capital	29,121	30,098	33,858
Capital Surplus	2,258,975	2,291,486	3,057,264
Capital Adjustments	-26,268	-9,032	-11,232
Accum. Other Compre. Inc.	-252	244	5,702
Retained Earnings	199,218	262,086	287,930
<b>Total Equity</b>	<b>2,460,793</b>	<b>2,574,882</b>	<b>3,373,522</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,755,831</b>	<b>3,117,064</b>	<b>4,830,163</b>