

Kakao

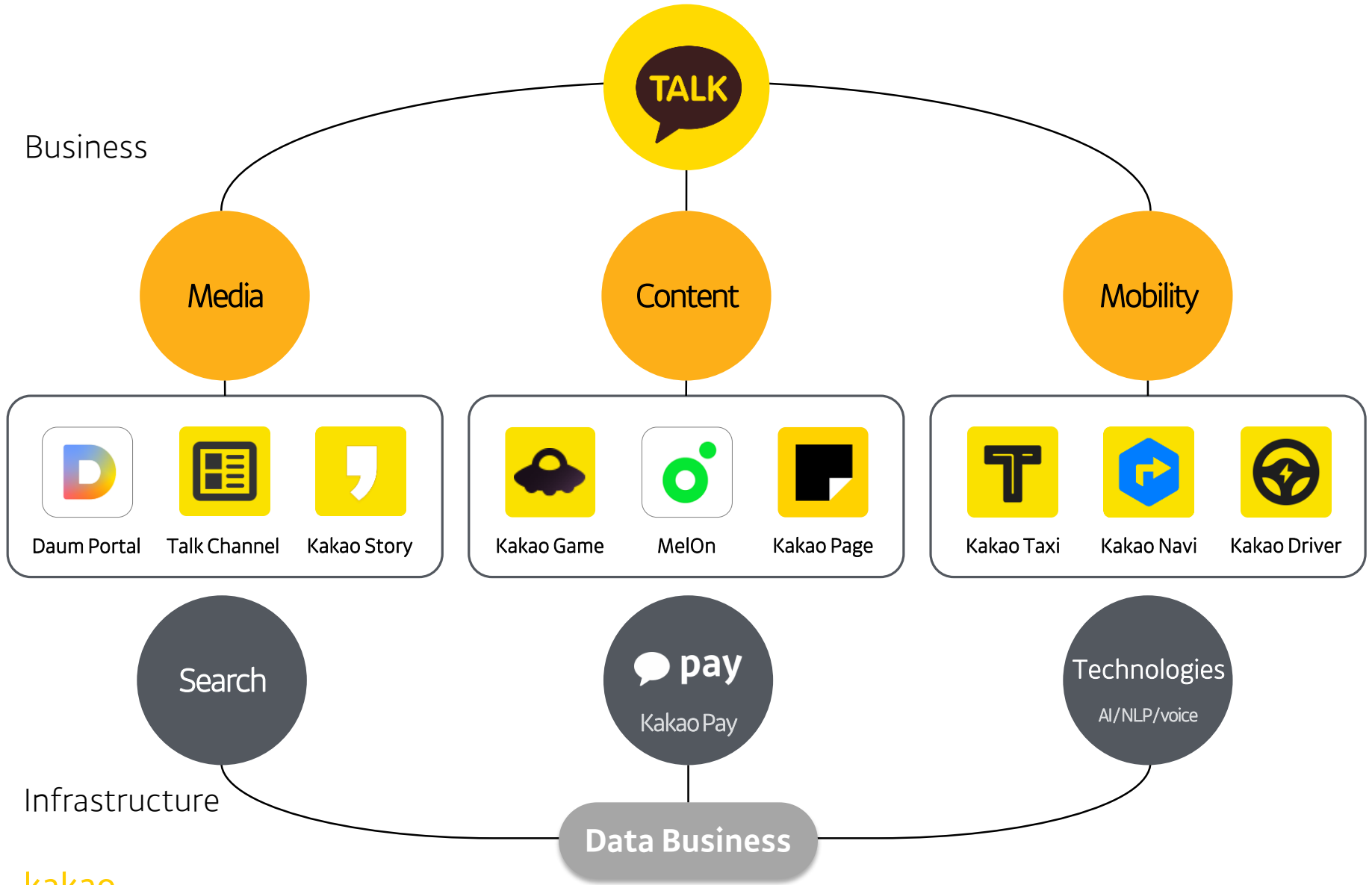
February 2017 | Investor Relations

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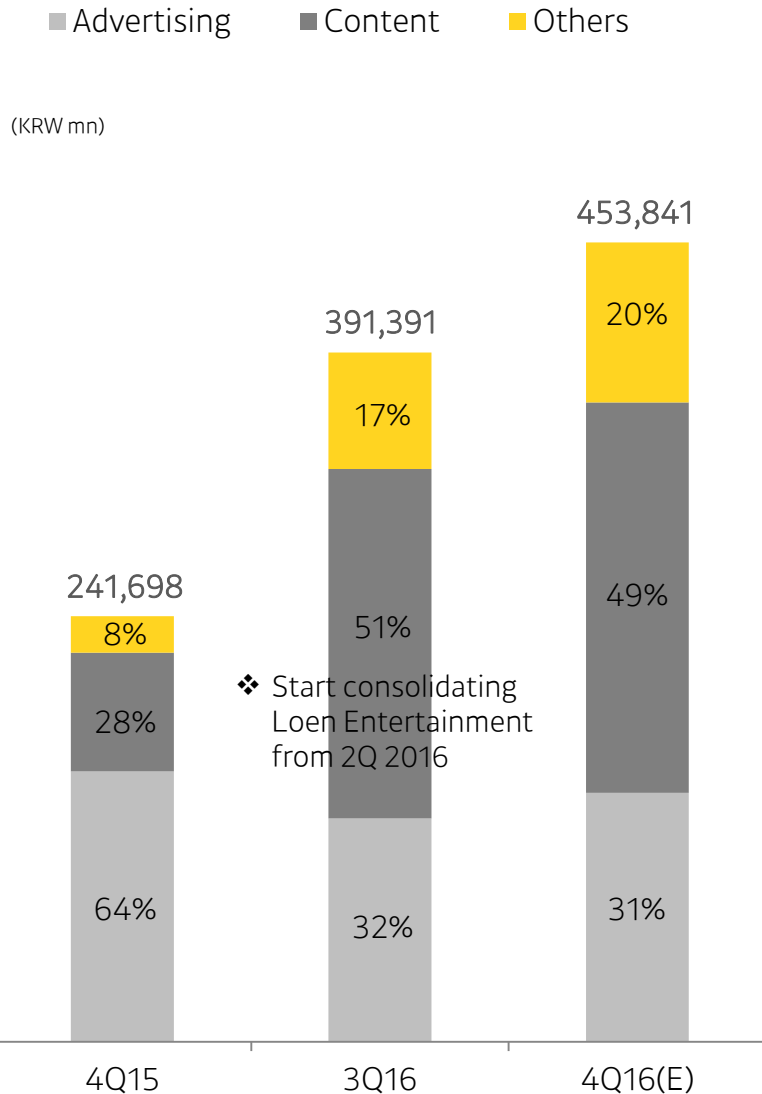
1. Business Area
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4. Advertising
5. Content
6. O2O
7. Commerce
8. Fintech

[Appendix] 4Q 2016 Earnings Results

Business Area



Revenue at a Glance



A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Plus Friend/Yellow ID Talk Reward Brand Emoticon FriendTalk Talk PC Notification Talk ^{Note)}
	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	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

Note) Reclassified from Others(Misc.) to Advertising from 4Q16

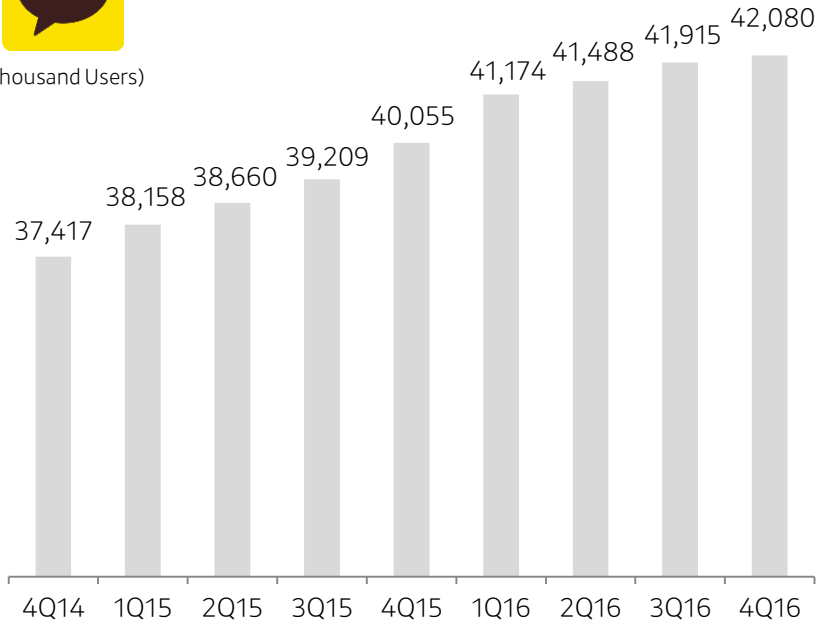
Kakao Talk

- Continue to grow Kakao Talk domestic active users: 165K QoQ
- Reinforce user's content consumption habit by introducing content feed(Talk Channel) and search function (# Search) on Kakao Talk

Monthly Active Users



(Thousand Users)



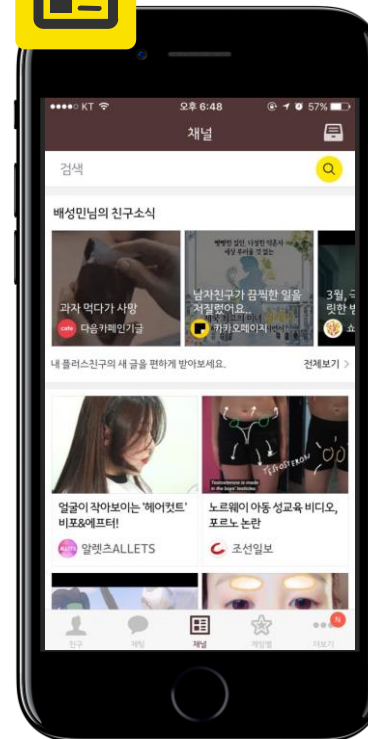
Korea	37,417	38,158	38,660	39,209	40,055	41,174	41,488	41,915	42,080
Global	48,254	48,207	48,073	48,464	48,321	49,318	49,100	49,189	48,955

Average of monthly MAUs. Global includes domestic MAUs.

Talk Channel



26mn MAUs



#(Sharp) Search



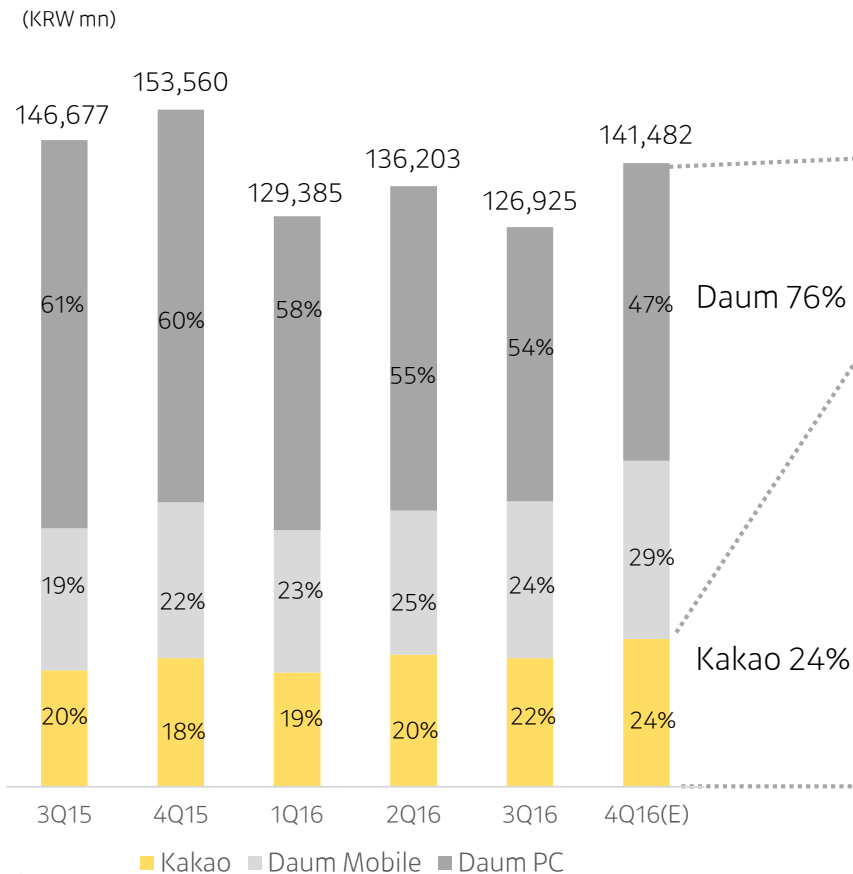
10mn MAUs



Advertising

- New keyword-based ads that is more personalized and optimized for PC/Mobile/Kakao Talk users
- Maximize advertising efficiency by developing premium branding ads and launching new audience ads platform

Advertising Revenue Trend by Platforms



Advertising Product Line-ups

Portals	Search Ads Display Ads Ads Network(Native Ads, DDN, Ad@m) Shopping How
Messenger	Kakao Talk Plus Friend/Yellow ID Brand Emoticon Talk PC Talk Reward Friend Talk Support Talk Notification Talk
SNS	Kakao Story
Shopping	Kakao Style
Video	Kakao TV

Advertising_Daum(Portal)

- Expansion of content through the upcoming Daum-PC homepage update and increase of ads loads corresponding to the context (Apr. 2017)
- Continuously launching new mobile ads such as 1boon, Focus View, Photo View, native ads, etc., reflecting latest trends

PC Portal Advertising Products

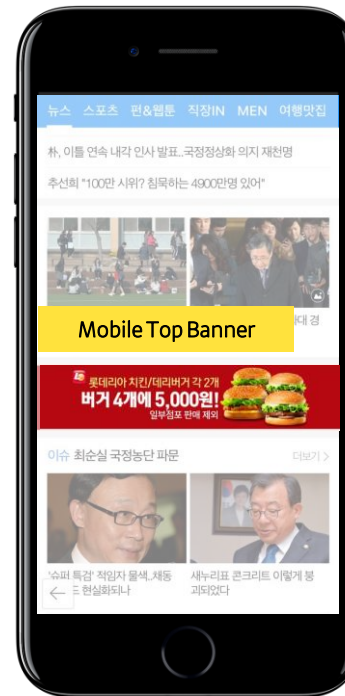
[Daum PC Portal]



www.daum.net

Mobile Advertising Products

[Mobile Daum]



m.daum.net

[Photo View]



Advertising_Kakao

- Kakao accounts for 24% of total advertising revenue in 4Q 2016 (Kakao Talk 50% > Kakao Story 31% > Kakao Style 19%)
- Plan to expand into a business platform, which will enable orders, reservations and settlement within Kakao Talk message

Kakao Advertising Product Line-ups

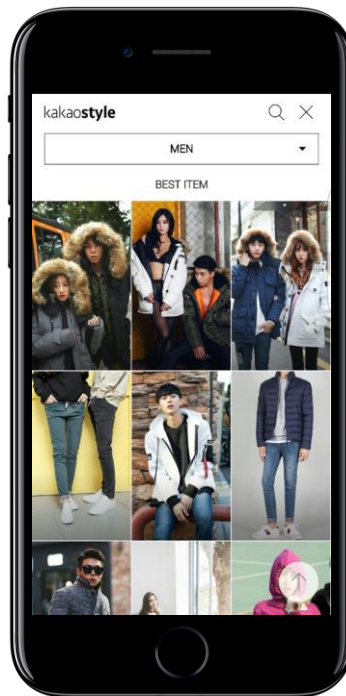
[Plus Friend]



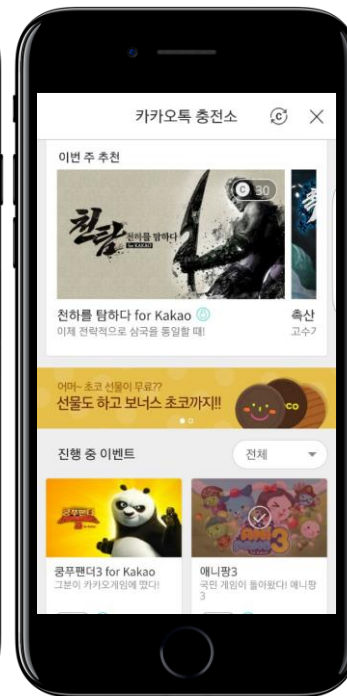
[Kakao Story]



[Kakao Style]



[Talk Reward]



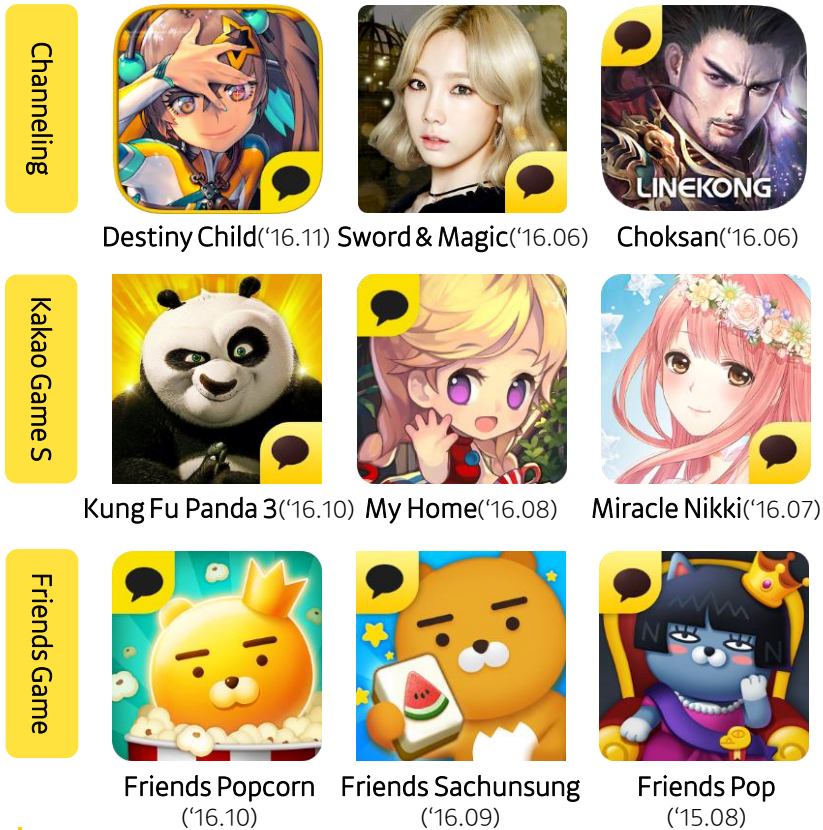
[Brand Emoticon]



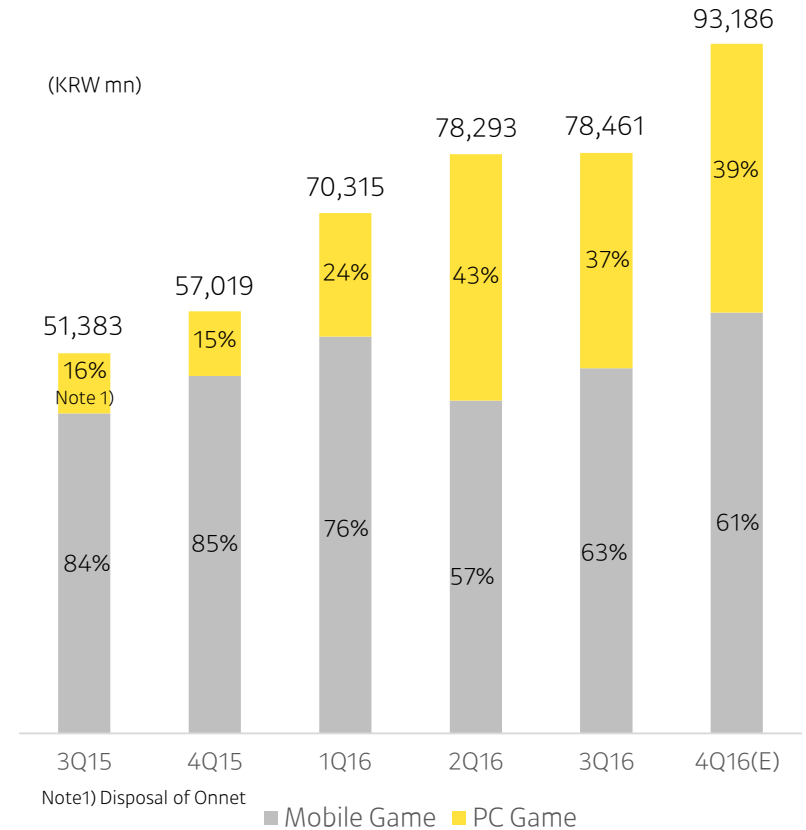
Content_Game

- Strengthening mobile game content by enhancing marketing capability via the AD+ and new Game-Tab and expansion of publishing lineup
- Continuous and diligent update on PC publishing titles and new PC game discovery/sourcing

Mobile Game Line-ups



Revenue Trend by Platforms



Content_Music

- The number of new membership in a day increased 100% after linking with Kakao account from Sep. 2016 (50% of new members joined with Kakao account)
- Diversification of payment methods according to addition of Kakao Pay(Jan. 2017) and improvement of user experience



Loen Business Overview

- ▶ Digital music service(B2C)
: Korea's No.1 digital music platform MelOn
- ▶ Music distribution/Content aggregation(B2B)
: Korea's No.1 K-Pop content distributor
- ▶ Labels & artist management(Production)
: Korea's Top #5 production company

Loen Key Metrics

- ▶ 4Q 2016(E) Revenue 133.2bn KRW, OP 20.2bn KRW
- ▶ 4mn MelOn paying users in February, 2017
- ▶ No.1 in digital music service with 60% market share

Synergy with Kakao

User

User increase and user experience enhancement by utilizing two companies' assets

→ ex. Apply Kakao ID(Sep. '16), Kakao Pay(Jan. '17)

Technology

Service improvement by adopting high-level technology

→ ex. Recommendation tech, music recognition tech, big data processing tech

Marketing

Marketing/promotion based on Kakao platform

→ ex. Kakao Friends emoticon marketing

Content

Content distribution expansion

→ ex. Talk Channel, Daum Search and etc.

Content_Others

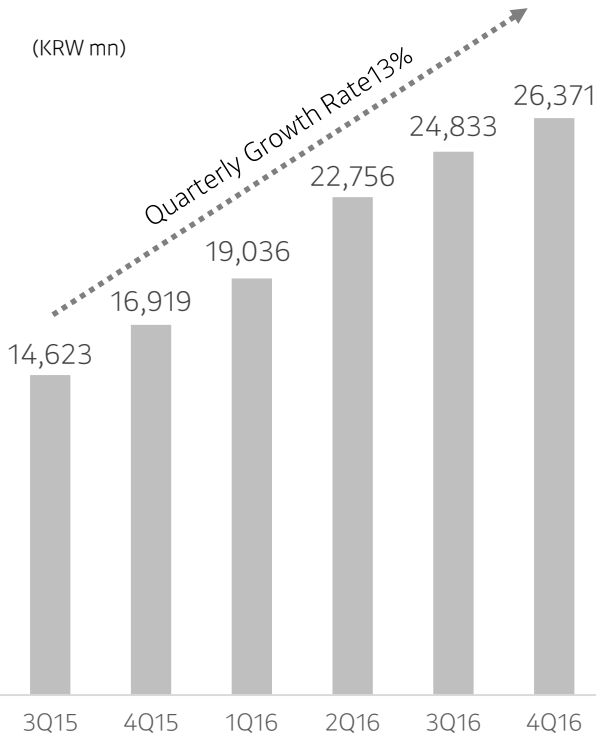
- Kakao Page, No1. mobile literature service app in Korea, continues to increase number of paying users
- Signed a contract with Tencent's Dongman, China's largest cartoon/animation service company, for the series of 20 literature from Kakao Page and Daum Webtoon

Kakao Page

▶ 10mn users(Feb. 2017)

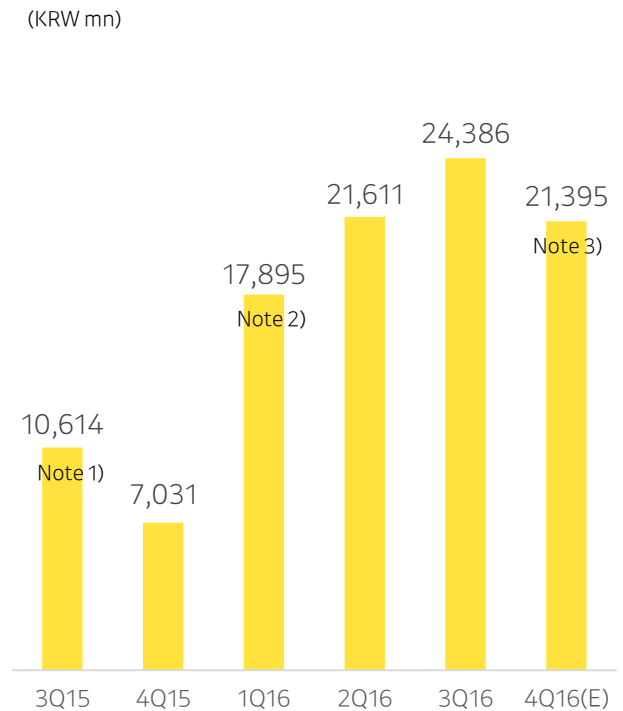


Kakao Page Transaction Volume Trend



Other Content Revenue Trend

▶ Kakao Page, Webtoon, B2C Emoticon etc.



Note1) Accounting changes of Kakao Page
 Note2) Consolidation of Podo Tree
 Note3) Accounting changes of Podo Tree

Mobility + Biz Platform

- 'Smart Mobility' areas such as taxi, chauffeur service, parking, etc., will be developed and serviced by Kakao
- Non-mobility area, not limited to O2O, will be serviced via advanced Kakao Talk Plus Friend

Smart Mobility

Connect with diverse business opportunities and user experiences in a mobile context



Kakao Taxi



Kakao Driver



Kakao Parking



Kakao Map



Kakao Navi



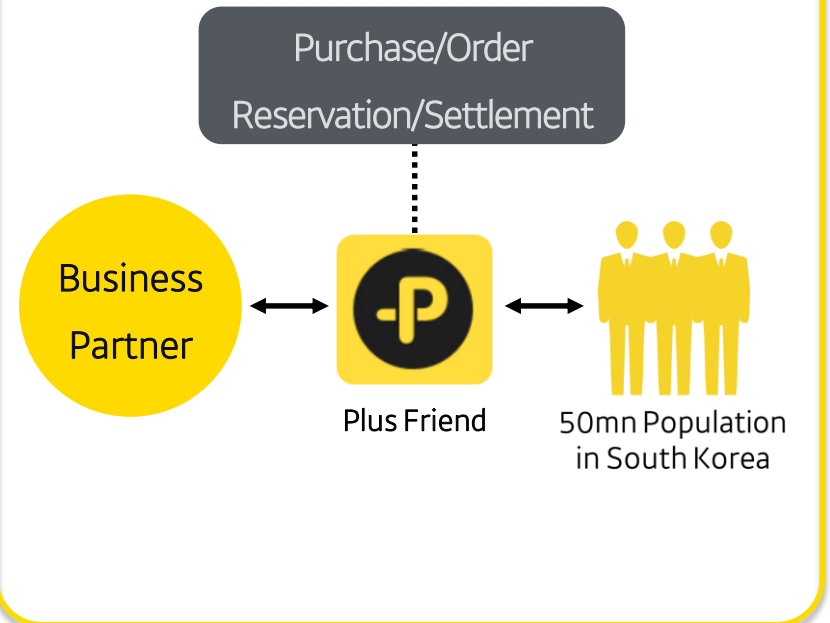
Kakao Bus



Kakao Metro

Biz Platform

Evolution of Plus Friends into an open platform covering wide range of business area



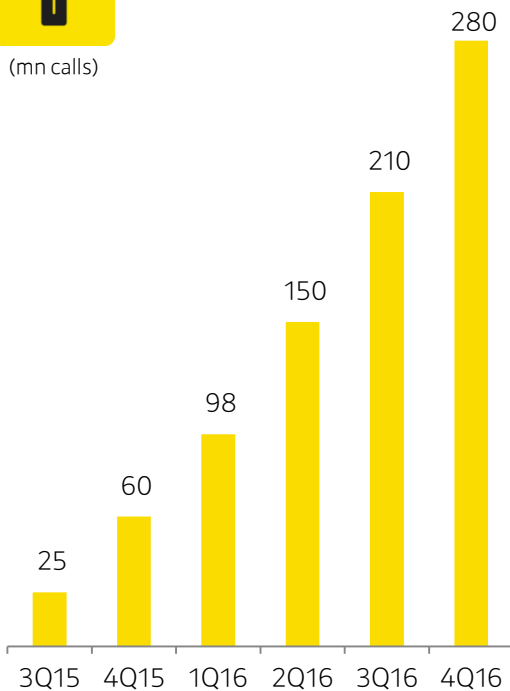
Smart Mobility

- New partnership with Korea Smart Card Co. to jointly introduce an auto pay option on the KakaoTaxi app
- Kakao Driver user increased significantly to 2.2 million in 4Q due to the influence of mass marketing

Kakao Taxi Cumulative Calls



(mn calls)



Kakao Taxi Test Drive Marketing

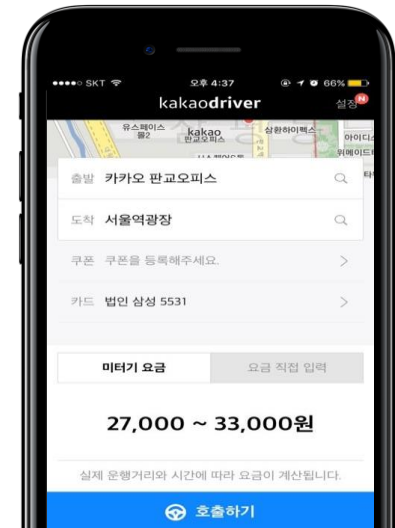
- ▶ Completed the test drive marketing event with Volkswagen and Ford since July
- ▶ The Marketing currently ongoing with Mercedes-Benz and Chevrolet
- ▶ B2B Taxi scheduled to launch in 2H17



- 진행기간 2017. 2. 5(일) ~ 3. 7(화), 09:00 ~ 19:00
- 지역 서울, 인천 (2017. 2. 5 ~ 2. 19), 광주, 부산 (2017. 2. 21 ~ 3. 7)
- 대상 해당 지역 카카오택시 이용 고객 중 랜덤 선택

Kakao Driver

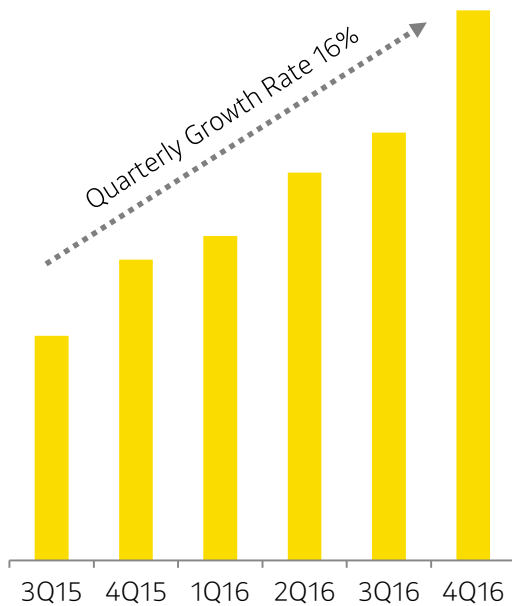
- ▶ Continually adding features including basic fare by area, location preferred call option for drivers, and fixed fare option for users etc.
- ▶ High user satisfaction driven by quick connection and automatic payment etc.
- ▶ Expanding user base through mass marketing



Commerce_Gift Shop

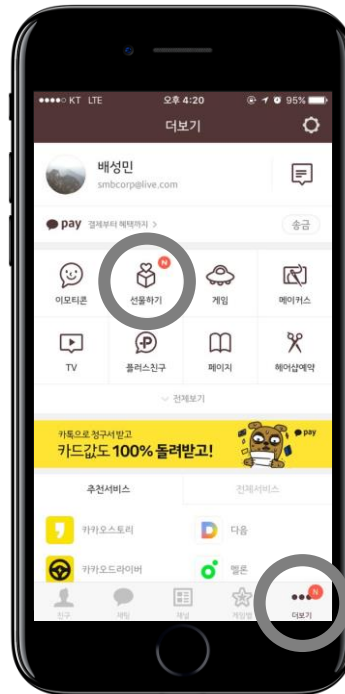
- Mobile commerce service embedded in Kakao Talk, which allows users to easily exchange gifts with their friends. Currently, 2,000 brands and 100,000 products are available
- Carry out sustainable growth through UX upgrades such as category expansion, multi-product purchase and feedback function

Gift Shop
Revenue Growth Trend



Example of Gift Shop Use

[Kakao Talk 5th Tab]



[Bestseller Tab]



[Allows a recipient to input an address]



Commerce_Kakao Friends

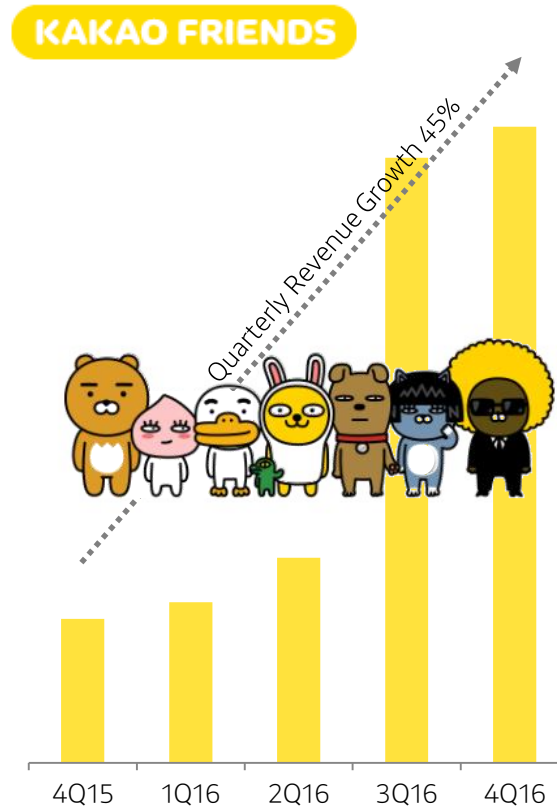
- 22 sales channels including offline, online and Gift Shop as of Dec. 2016 (Hongdae Flagship Store opened on Nov. 25, 2016)
- Licensing business grows with branding effect via flagship stores
- New stores: Shinsegae Dongdaegu(Jan. 2017), DDP(Mar. 2017)

The Most Popular Characters in Korea,
Started as Emoticon Content



kakao

An Average 45% Quarterly
Increase in Sales



2 Flagship Stores Cover
More Than 50% of Revenue

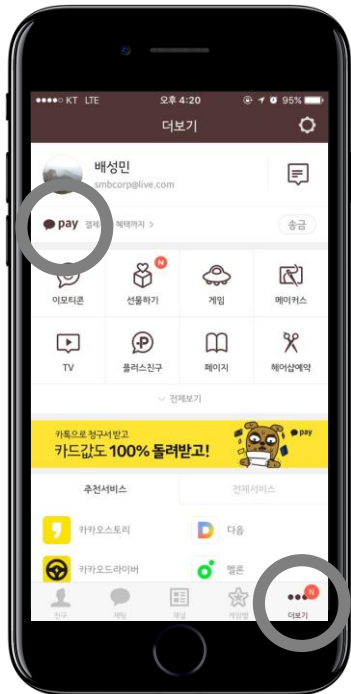


Fintech

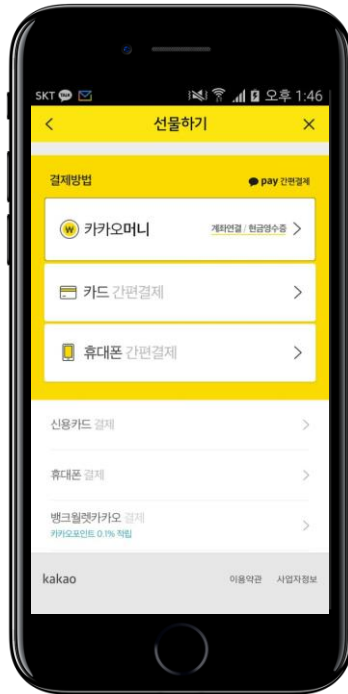
- Kakao Pay subscribers 14 million, total transaction amount exceeded 300 billion KRW in 4Q
- Ant Financial Services Group agreed to make a US\$200 million strategic investment in Kakao Pay Corp., Kakao's new fintech subsidiary (Feb. 2017)
- Applied for the mobile banking business license (Jan. 6, 2017), official launch of Kakao Bank will be in 1H

Example of Kakao Pay Use

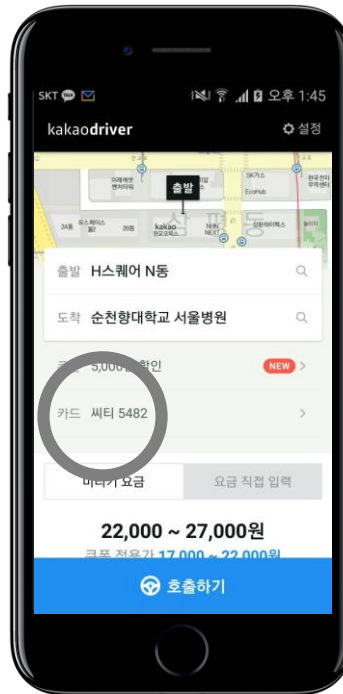
[Kakao Talk 5th tab]



[Gift Shop payment]



[Kakao Driver Auto payment]



[Kakao Money transfer]

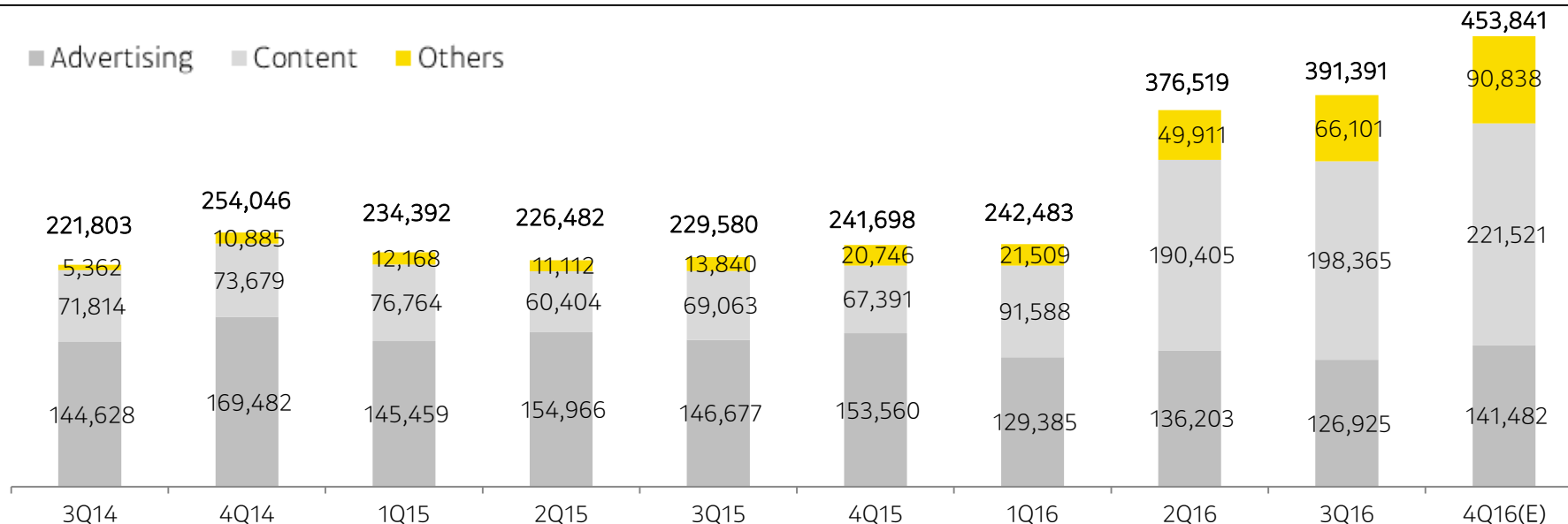


[Billing]



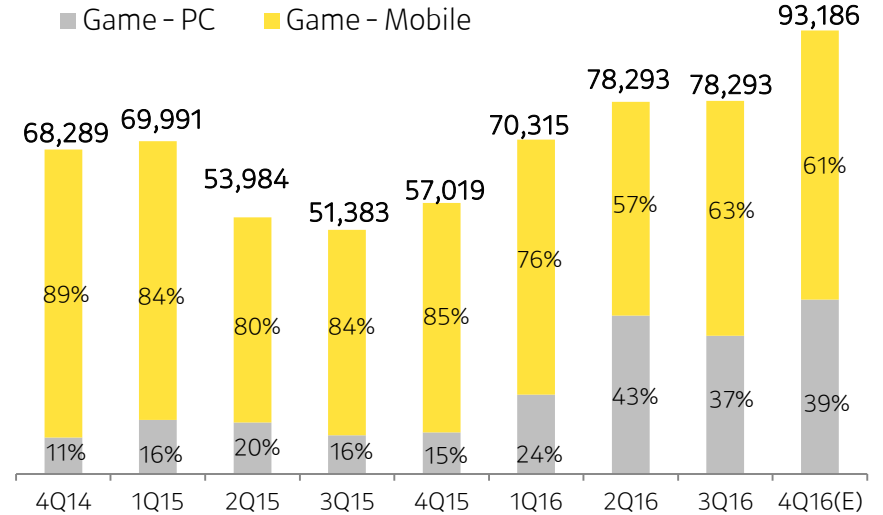
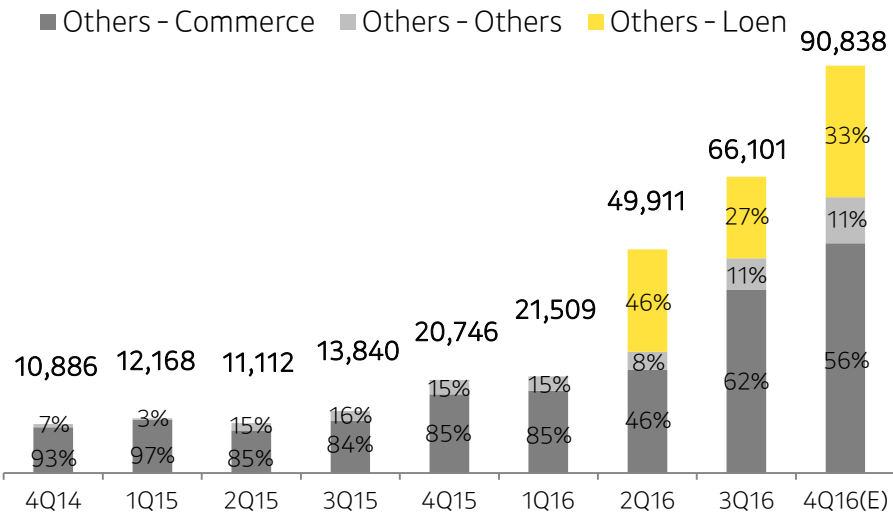
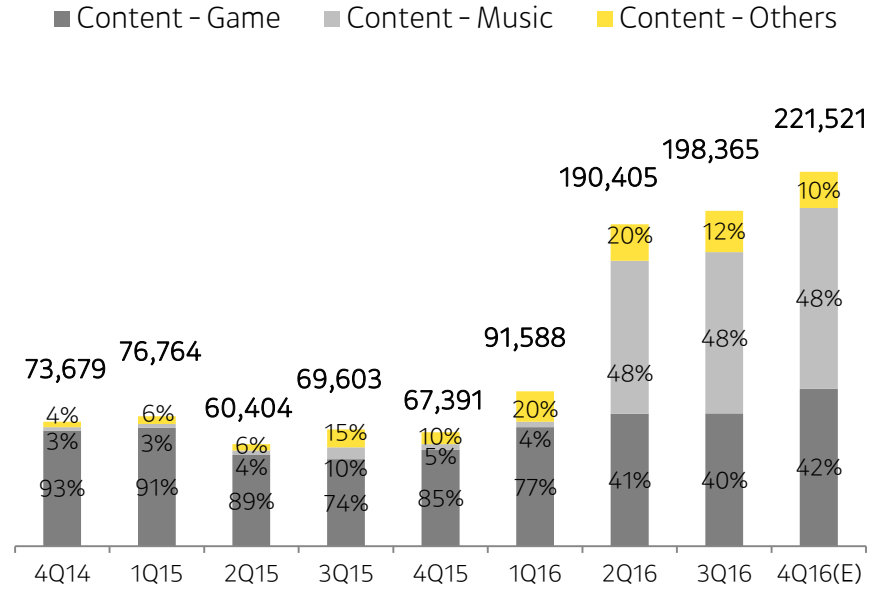
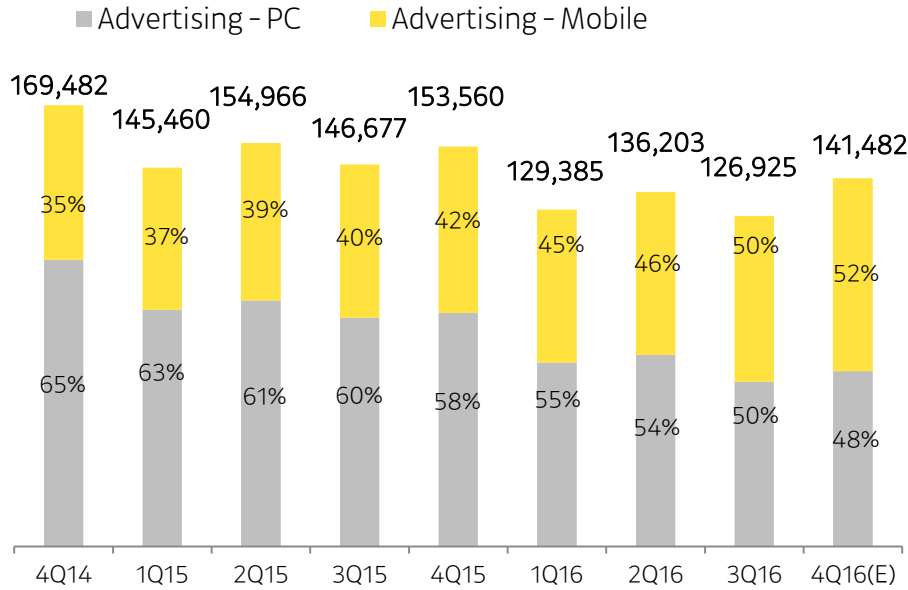
[Appendix] Earnings Results - Revenue

Quarterly Revenue Breakdown (KRW mn)



Categories	Services	Brands
Advertising	Portals Messenger SNS Shopping Video	Daum PC Daum Mobile Kakao Talk Plus Friend/Yellow ID Brand Emoticon Talk PC Talk Reward Friend Talk Notification Talk Kakao Story Kakao Style Kakao TV
Content	Game Music Webtoon • novel Emoticon	Kakao Game Kakao Games Melon Kakao Music Kakao Page Daum Webtoon Talk B2C Emoticon
Others	Commerce Mobility Fintech Miscellaneous	Kakao Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer Kakao Taxi • Black Kakao Driver Kakao Pay Loen Entertainment (content, production, etc.) Kakao Hairshop

[Appendix] Earnings Results - Revenue Breakdown (KRW mn)



[Appendix] Consolidated Financial Statements

Consolidated Statements of Income

(KRW mn)	4Q15	1Q16	2Q16	3Q16	4Q16(E)
Revenues	241,698	242,483	376,519	391,391	453,841
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
Operating Expenses	221,079	221,394	349,900	361,136	415,676
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
Operating Profit	20,619	21,090	26,619	30,256	38,165
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
Profit before Income Tax Expenses	21,554	16,656	21,139	21,089	41,256
Income Tax Expenses	9,771	5,707	7,900	7,463	11,898
Net Profit from Continued Oper.	11,782	10,950	13,239	13,626	29,359
Net Profit	11,782	10,950	13,239	13,626	29,359
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

(KRW mn)	2014.12.31	2015.12.31	2016.12.31(E)
Current Assets	798,291	970,067	1,224,286
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
Non-Current Assets	1,969,734	2,218,411	4,258,087
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
Total Assets	2,768,025	3,188,478	5,482,373
Current Liabilities	227,488	316,078	799,761
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
Non-Current Liabilities	77,309	286,925	977,195
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
Total Liabilities	304,797	603,003	1,776,956
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
Total Equity	2,463,228	2,585,475	3,705,418
Total Liabilities & Equity	2,768,025	3,188,478	5,482,373

[Appendix] Financial Statements (Kakao Only)

Statements of Income					
(KRW mn)	4Q15	1Q16	2Q16	3Q16	4Q16(E)
Revenues	219,619	203,027	206,774	210,165	241,239
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
Operating Expenses	185,416	173,069	191,670	199,705	225,767
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
Operating Profit	34,203	29,958	15,105	10,460	15,472
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
Profit before Income Tax Expenses	32,500	30,407	7,784	1,580	12,853
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
Net Profit	21,154	23,353	3,157	1,680	7,689

Statements of Financial Position			
(KRW mn)	2014.12.31	2015.12.31	2016.12.31(E)
Current Assets	719,078	718,533	511,067
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
Non-Current Assets	2,036,753	2,398,531	4,319,097
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
Total Assets	2,755,831	3,117,064	4,830,163
Current Liabilities	218,394	265,747	611,750
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
Non-Current Liabilities	76,643	276,435	844,890
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
Total Liabilities	295,037	542,182	1,456,641
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
Total Equity	2,460,793	2,574,882	3,373,522
Total Liabilities & Equity	2,755,831	3,117,064	4,830,163