

Kakao

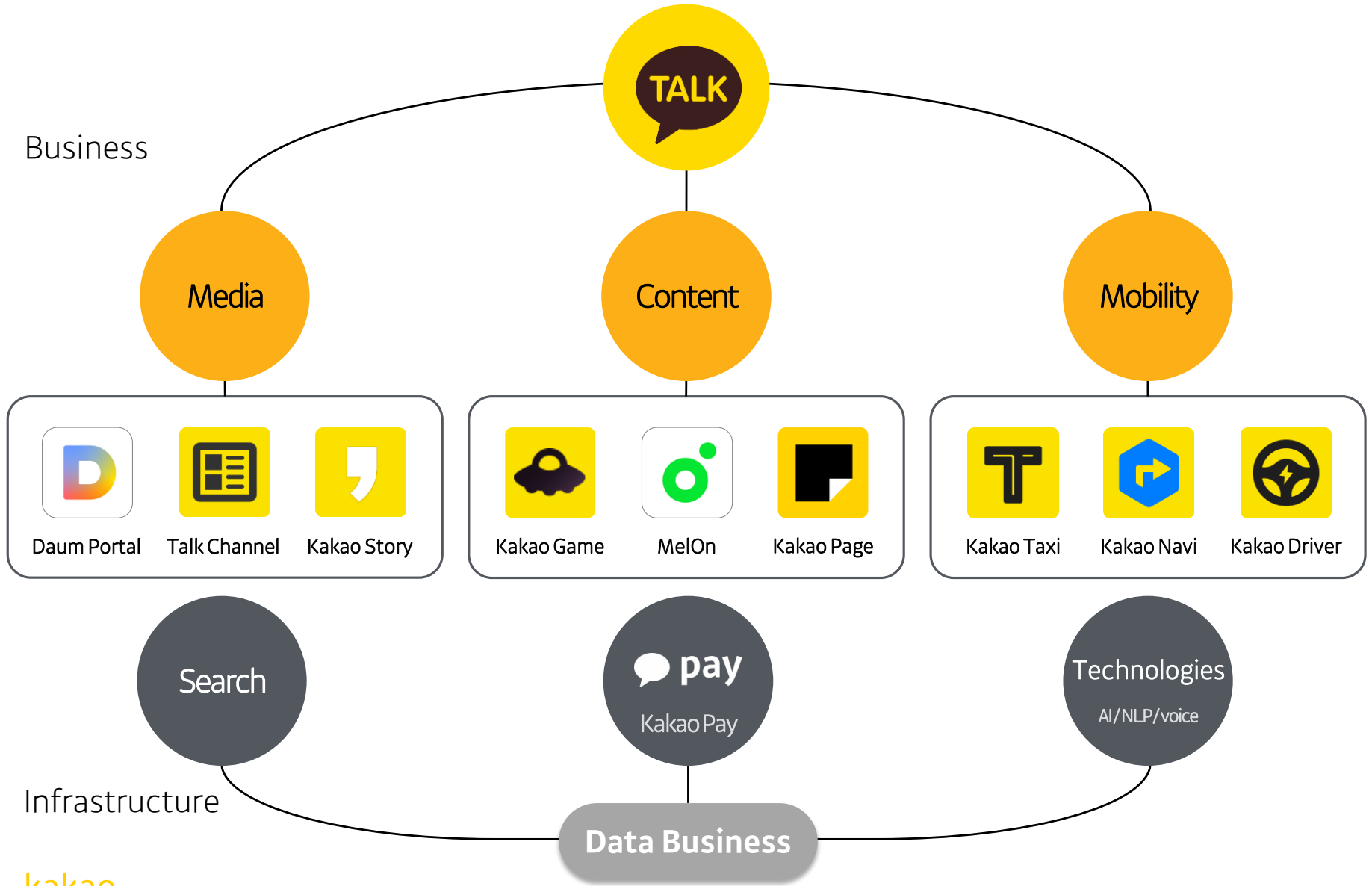
May 2017 | Investor Relations

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[Appendix] 1Q 2017 Earnings Results

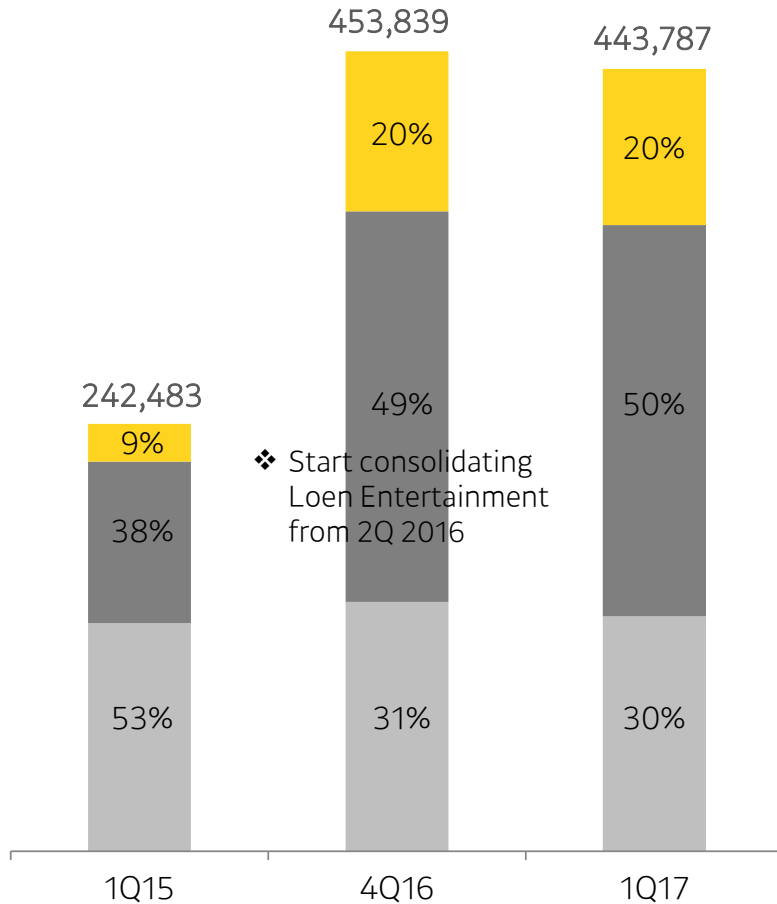
Business Area



Revenue at a Glance

■ Advertising ■ Content ■ Others

(KRW mn)



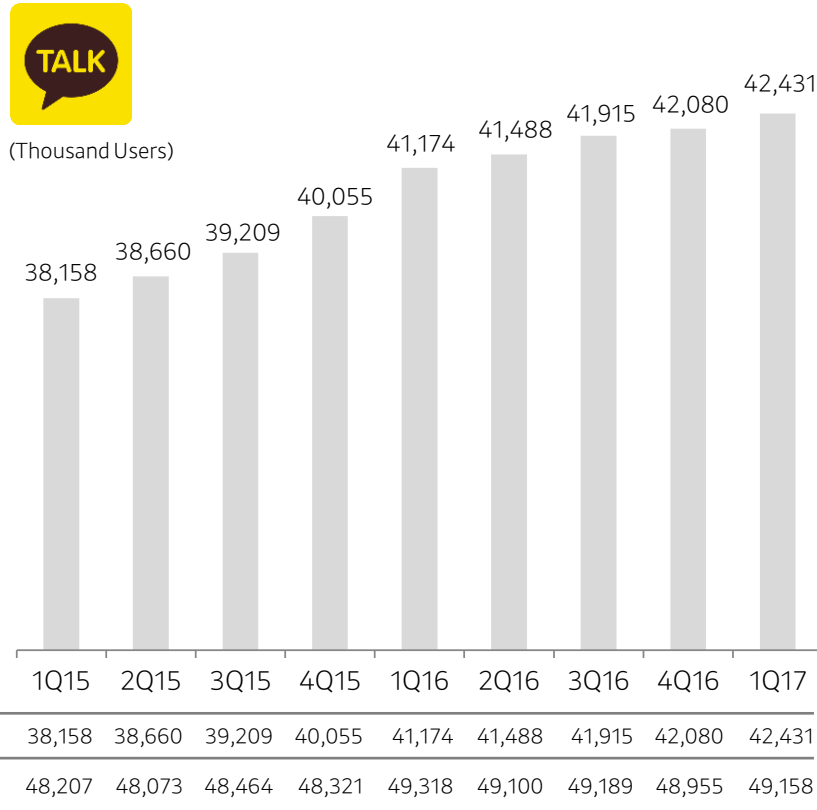
A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friend Talk PC Brand Emoticon NotificationTalk FriendTalk Talk Reward Talk Hairshop* Auto View Talk Order
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
C O N T E N T	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Webtoon • 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.)

*Reclassified from Others(Misc.) to Advertising from 1Q17

Kakao Talk

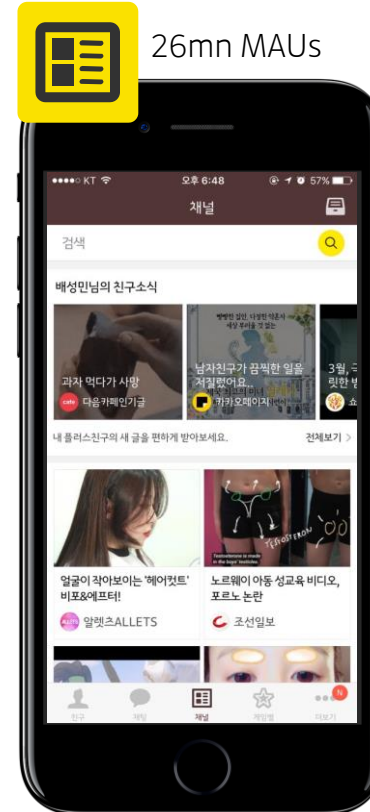
- Continue to grow Kakao Talk domestic active users: 351K QoQ
- Reinforce user's content consumption habit by introducing content feed(Talk Channel) and search function (# Search) on Kakao Talk

Monthly Active Users

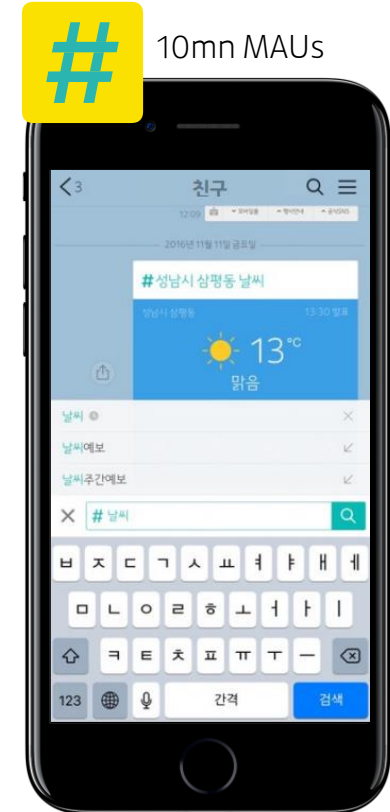


Average of monthly MAUs. Global includes domestic MAUs.

Talk Channel



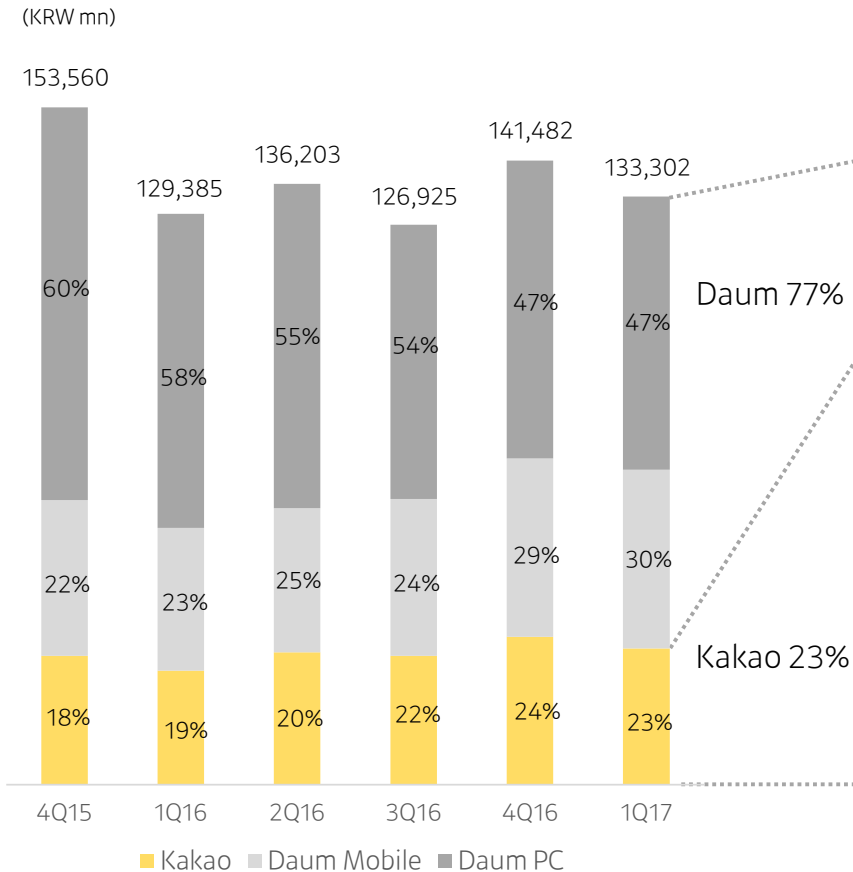
#(Sharp) Search



Advertising

- New keyword-based ads product 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 DDN	Display Ads ShoppingHow	Native Ads
Messenger	Kakao Talk Plus Talk PC Friend Talk Talk Order	Friend Auto View Support Talk Kakao Hairshop	Brand Emoticon Talk Reward Notification Talk
SNS	Kakao Story		
Shopping	Kakao Style		
Video	Kakao TV		

Advertising_Daum(Portal)

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

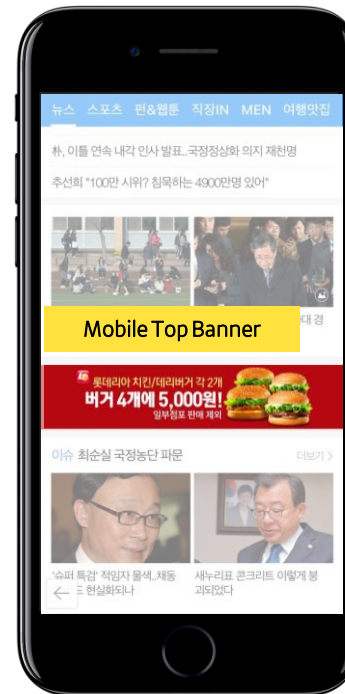
PC Portal Advertising Products

[Daum PC Portal]



Mobile Advertising Products

[Daum Mobile Portal]



[Photo View]



Advertising_Kakao

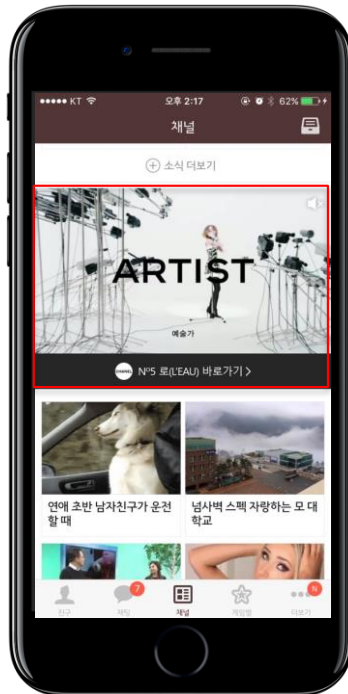
- Kakao accounts for 23% of total advertising revenue in 1Q 2017 (Kakao Talk 51% > Kakao Story 31% > Kakao Style 18%)
- Plan to expand into a business platform, which will enable customer supports, orders, reservations and payments within Kakao Talk

Kakao Advertising Product Line-ups

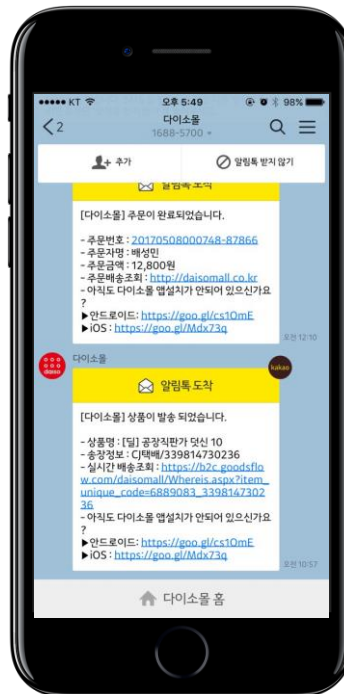
[Plus Friend]



[Talk Channel Auto View]



[Notification Talk]



[Kakao Story]





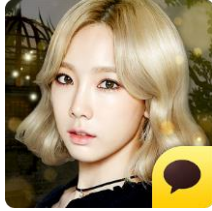




[Kakao Style]



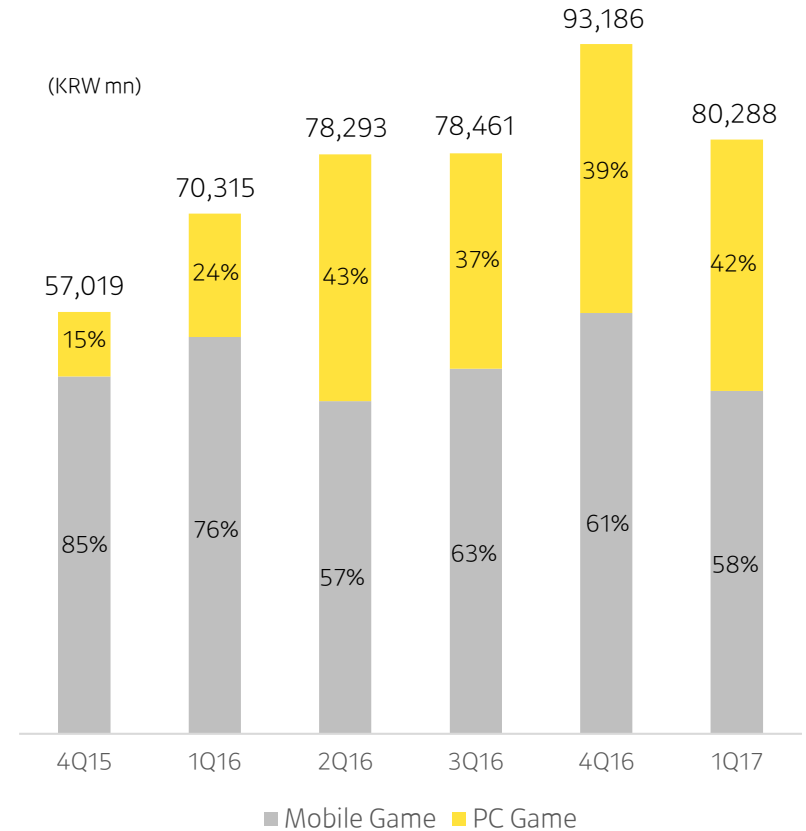
Content_Game

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

Mobile Game Line-ups

Channeling			
	Pentastorm('17.4)	Destiny Child ('16.11)	Sword & Magic('16.6)
	Mobile Publishing		
Day of Break('17.3)		The Heaven Sword and Dragon Saber('17.2)	Miracle Nikki('16.7)
PC Publishing			
	EOS('16.10)	Black Desert (Global)('16.3)	Black Desert (Korea)('14.12)

Revenue Trend by Platforms



Content_Music

- Daily new registered users of MelOn more than doubled after linking with Kakao account since Sep.2016
- Improve user experience with addition of the Kakao Pay as a payment method since Jan. 2017



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

- ▶ 1Q 2017 Revenue 133.7bn KRW, OP 23.1bn KRW (Unaudited)
- ▶ 4.1mn MelOn paying users in May 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

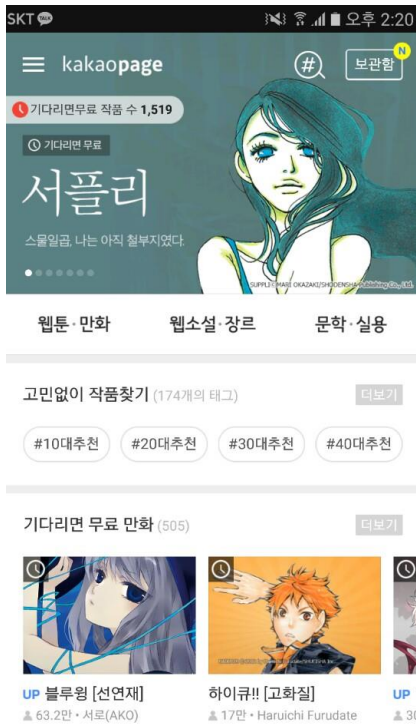
→ ex. Talk Channel, Daum Search and etc.

Content_Others

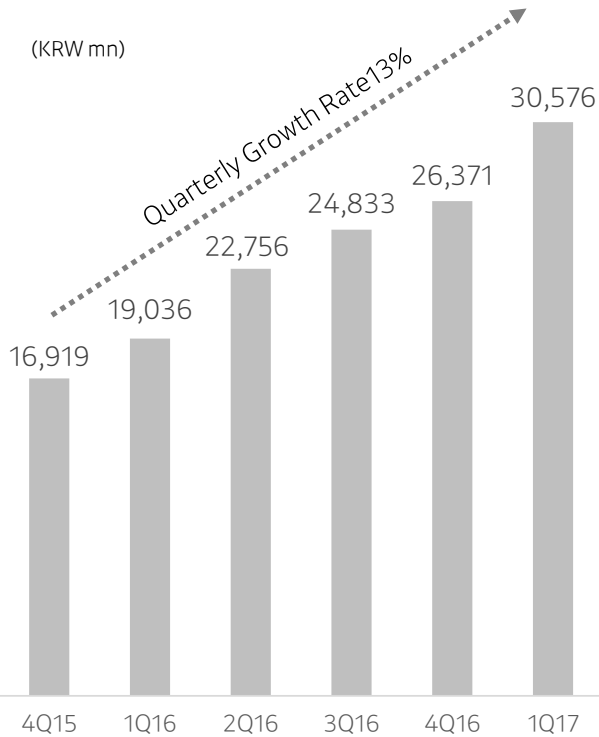
- Kakao Page, No1. mobile literature service app in Korea, continues to increase number of paying users
- ‘Cash Friend,’ the reward-based ad platform will be launched in 1H17

Kakao Page

▶ 12mn users(May. 2017)

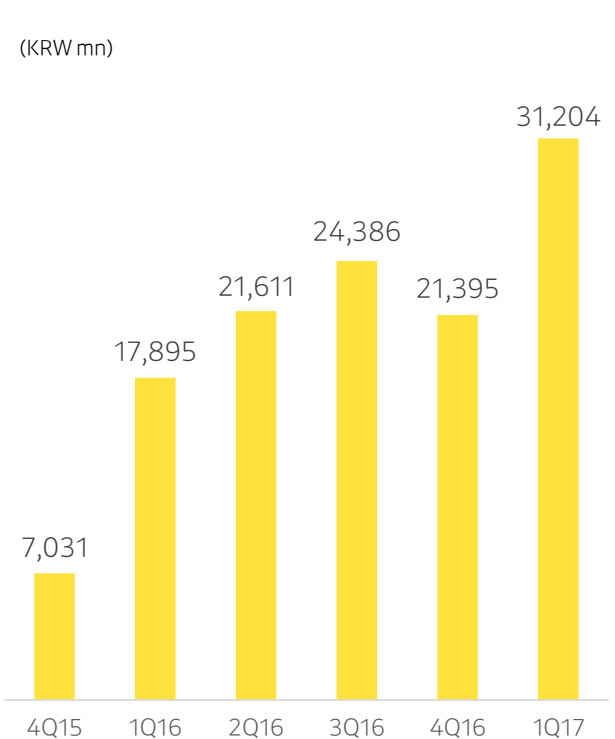


Kakao Page Transaction Volume Trend



Other Content Revenue Trend

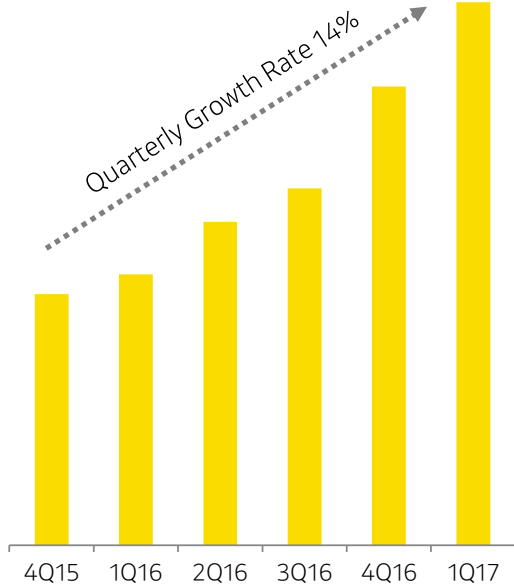
▶ Kakao Page, Webtoon, B2C Emoticon etc.



Commerce_Gift Shop

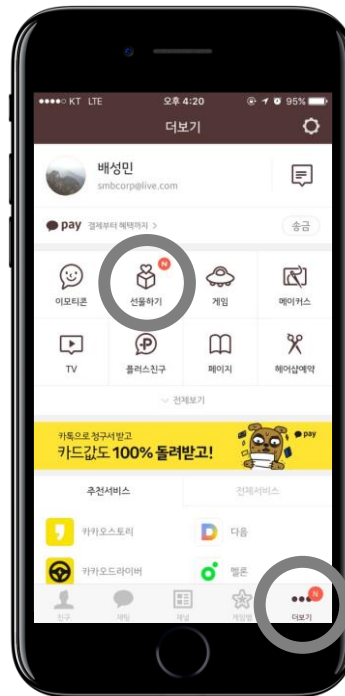
- Mobile social commerce with 2,000 brands and 100,000 products in Kakao Talk
- Carry out sustainable growth through UI/UX upgrades such as category expansion, multi-product purchase and feedback features

Kakao Talk Gift Shop Revenue Growth Trend

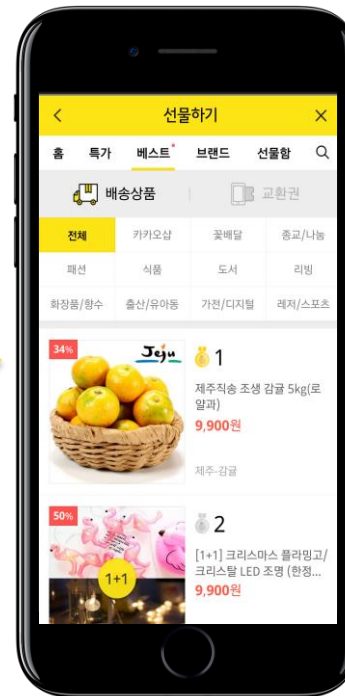


Example of Gift Shop Use

[Kakao Talk built-in]



[Great selections]



[Recipient enters address]

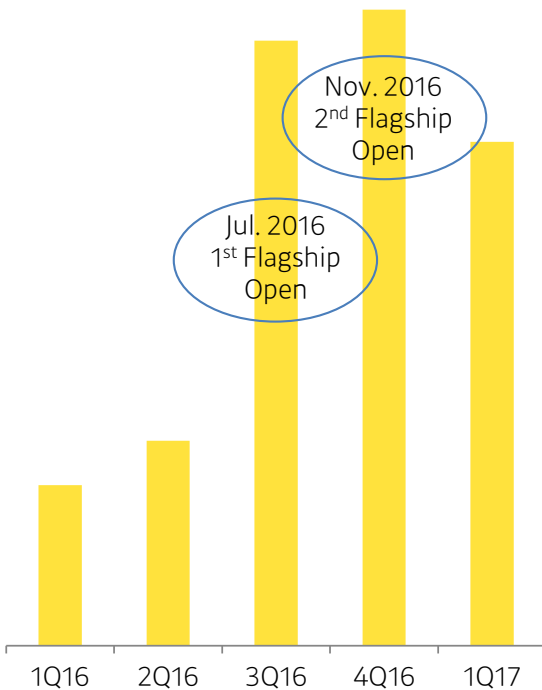


Commerce_Kakao Friends

- Sustainable growth through large-scale stores, online/global expansion, and product innovation
- Secured L-T partnership with large IP licensees, expand publishing business, and cooperate with various brands

Quarterly Revenue Trend

KAKAO FRIENDS



Flagship Stores / Museum

- ▶ Total 21 brand stores
 - 3 online including China's Tmall
 - 2 Flagships
 - Main department store, shopping mall, duty-free shop
- ▶ Busan flagship open in 3Q17
- ▶ Concept museum, exhibition tour



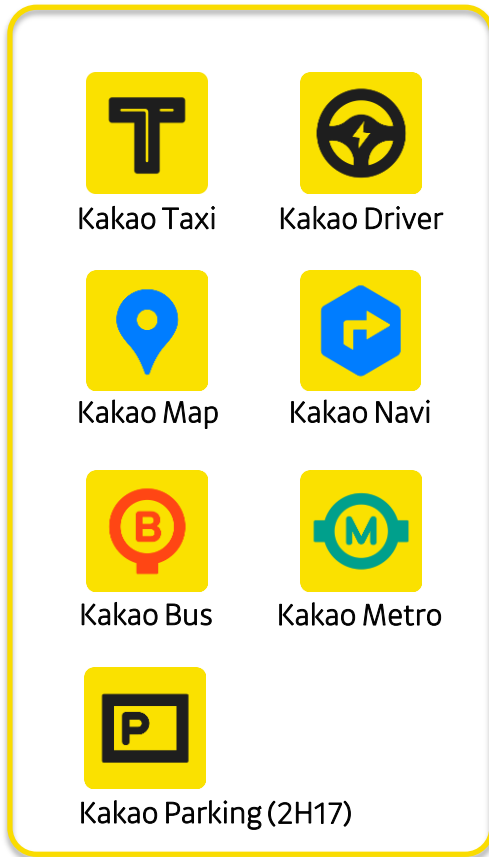
Brand Partnership / Publishing



Smart Mobility

- Lead smart mobility market innovation centering Kakao Taxi
- Connect the Kakao Taxi user base seamlessly to more smart mobility services

Smart Mobility



Kakao Taxi

- ▶ 14 million passengers, 360 million cumulative number of calls
- ▶ Test driving marketing for Benz, Volkswagen, Ford and Chevrolet, etc.
- ▶ New partnership with Korea Smart Card Co. to jointly introduce automatic pay option on the Kakao Taxi app
- ▶ B2B business taxi service to be launched in 2H17

Kakao Driver

- ▶ Sequential increase due to subscriber acquisition through mass marketing in 4Q
- ▶ Continually improvement through additional features such as fixed fare option for users
- ▶ High user satisfaction driven by quick connection and easy automatic payment etc.

Kakao Parking (2H17)

- ▶ To be launched nationwide in 2H17
- ▶ Prepare to provide useful information and seamless convenience leveraging map, navigator, pay, etc.

Other Location Based Services

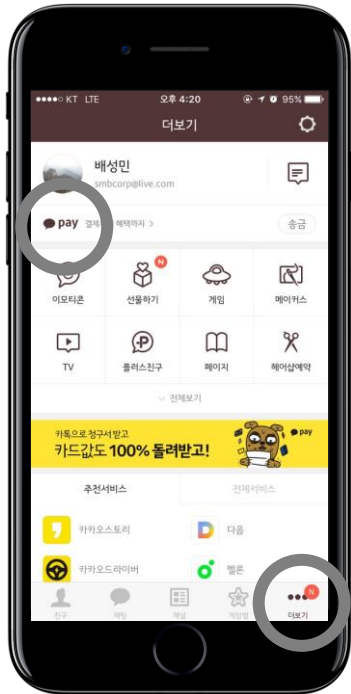
- ▶ Continue to move to adjacent mobility service area, plan to offer advertising products on some platforms in 2H17

Fintech

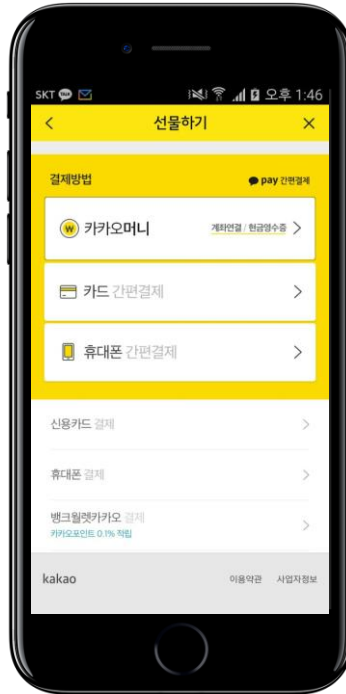
- Kakao Pay subscribers 14.5 million, total transaction volume 400 billion KRW in 1Q17
- Significantly expanding the base through partnership with Alipay, which has 450 million users worldwide
- Received mobile banking business license in April 5, official launch of Kakao Bank will be in 1H17

Example of Kakao Pay Use

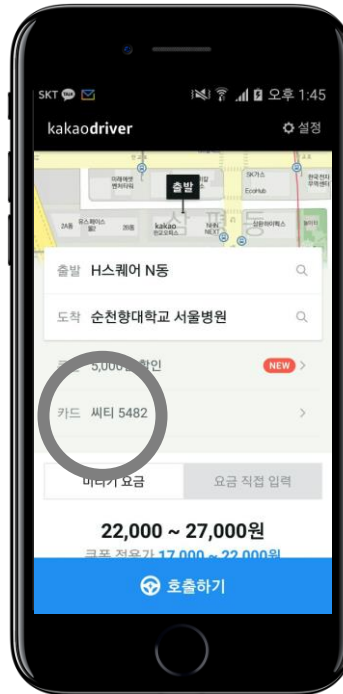
[Kakao Talk built-in]



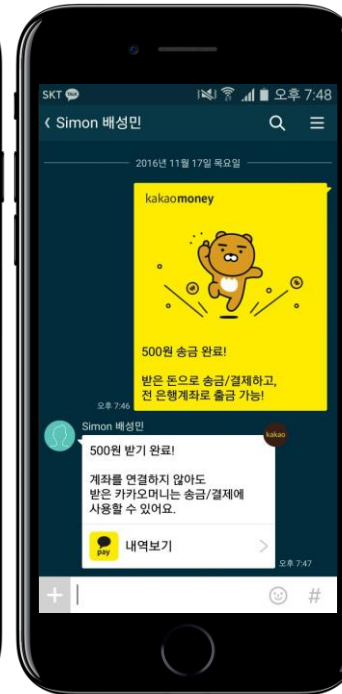
[Talk Gift Shop's primary payment method]



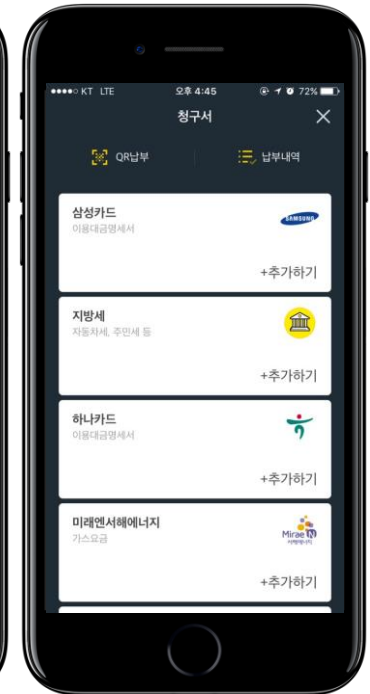
[Kakao Driver's sole payment method]



[Money transfer & Banking transfer]

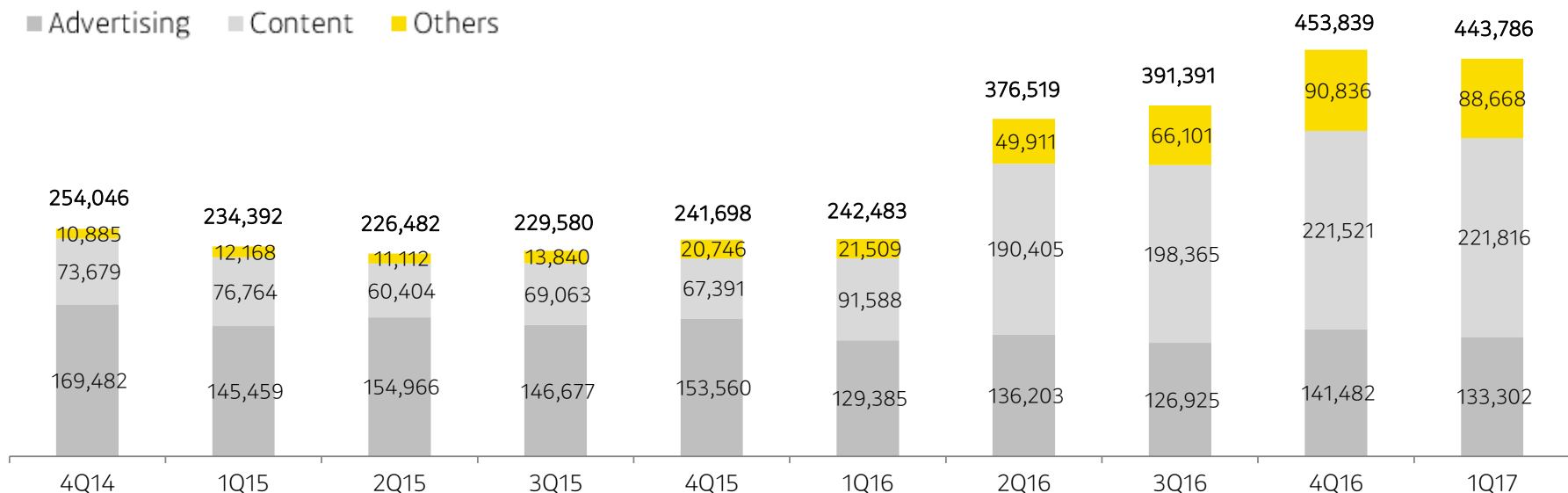


[Billing service]



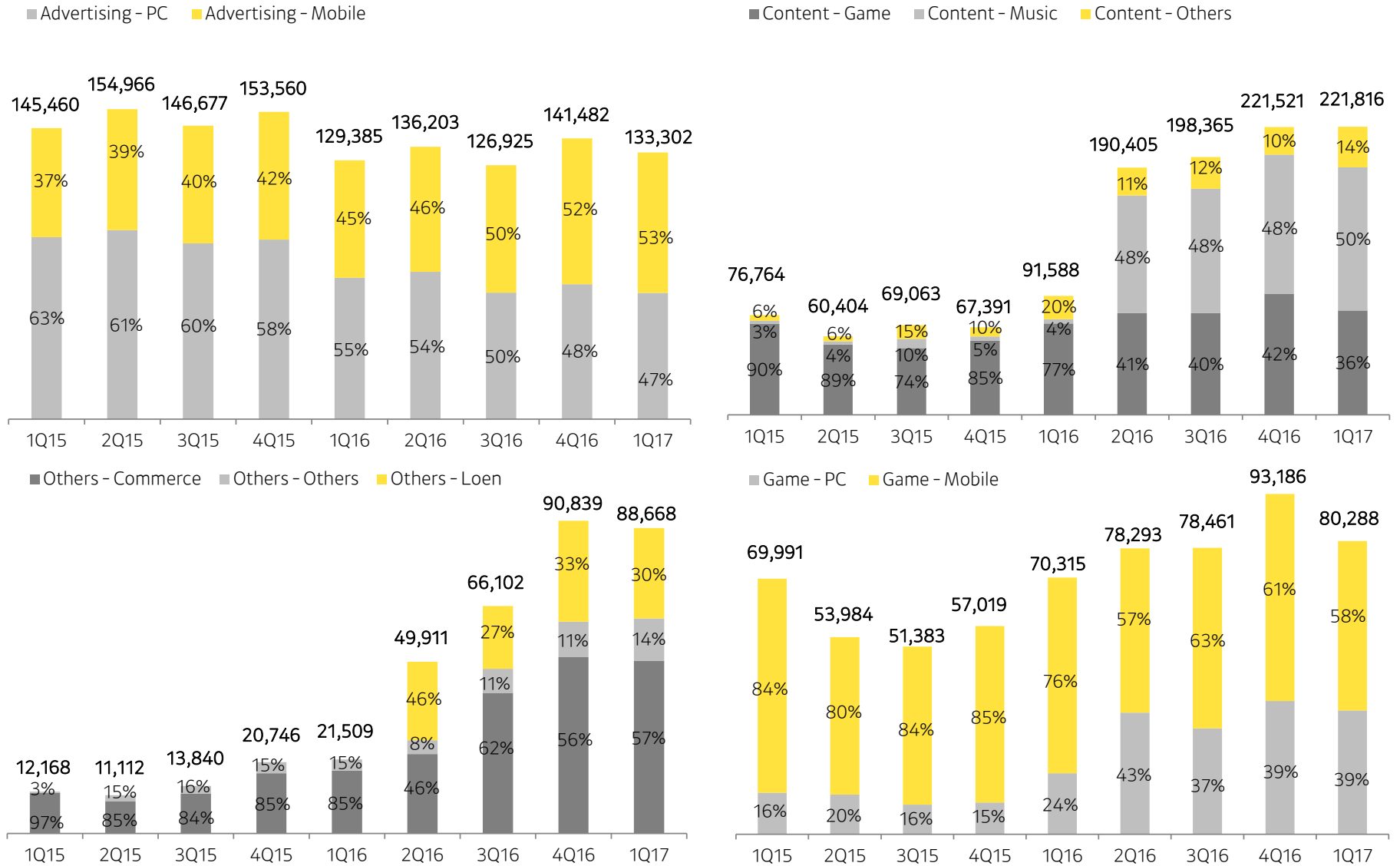
[Appendix] Earnings Results - Revenue

Quarterly Revenue Breakdown (KRW mn)



Categories	Services	Brands
Advertising	Portals Messenger SNS Shopping Video	Daum PC Daum Mobile Kakao Talk Plus Friend Brand Emoticon Talk PC Talk Reward Friend Talk Notification Talk Kakao Hairshop Auto View Talk Order 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.)

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



[Appendix] Consolidated Financial Statements

Consolidated Statements of Income

(KRW mn)	1Q16	2Q16	3Q16	4Q16	1Q17
Revenues	242,483	376,519	391,391	453,839	443,787
Advertising	129,385	136,203	126,925	141,482	133,302
Content	91,588	190,405	198,365	221,521	221,816
Game	70,315	78,293	78,461	93,186	80,288
Music	3,378	90,501	95,519	106,940	110,324
Webtoon/Novel/Emoticon	17,895	21,611	24,385	21,395	31,204
Others	21,509	49,911	66,101	90,836	88,668
Operating Expenses	221,394	349,900	361,136	415,668	405,453
Labor Costs	63,665	75,563	75,604	83,776	84,808
Fringe Benefits	10,448	16,001	12,566	15,085	13,436
Depreciation	13,005	14,460	14,317	14,412	14,816
Rental Fees	5,340	7,408	8,059	8,467	8,749
Commissions	64,923	142,980	146,618	161,997	160,388
Advertising	7,709	15,967	23,936	36,141	24,959
Bad Debt Expenses	814	-1,332	-1,823	1,182	141
Amortization	8,487	16,718	15,107	17,273	16,773
Content Fees	17,369	19,655	22,913	19,794	24,923
Ad Agency Fees	20,580	20,937	19,357	22,654	19,051
Event Fees	116	374	294	1,002	110
Others	8,940	21,170	24,187	33,885	37,299
Operating Profit	21,090	26,619	30,256	38,171	38,333
Other Revenues	3,438	2,206	3,744	15,869	2,388
Other Expenses	5,839	5,179	6,329	14,059	14,952
Financial Income	3,756	9,081	2,648	9,187	4,737
Financial Expenses	3,276	9,351	7,106	4,246	9,895
Equity-method, Net	-2,513	-2,237	-2,122	-3,511	-2,367
Profit before Income Tax Expenses	16,656	21,139	21,089	41,412	18,244
Income Tax Expenses	5,707	7,900	7,463	13,771	-36,241
Net Profit from Continued Oper.	10,950	13,239	13,626	27,641	54,486
Net Profit	10,950	13,239	13,626	27,641	54,486
Net Profit of Controlling Interests	13,176	8,834	12,215	23,449	53,715
Net Profit of Non-controlling Int.	-2,226	4,405	1,411	4,191	771

Consolidated Statements of Financial Position

(KRW mn)	2015.12.31	2016.12.31	2017.3.31
Current Assets	970,067	1,216,958	1,234,450
Cash and Cash Equivalents	397,177	641,644	618,541
S-T Financial Instruments	373,389	236,748	273,176
Accounts Receivable	88,822	173,853	166,003
Other Current Assets	110,679	164,714	176,730
Non-Current Assets	2,218,411	4,267,159	4,260,188
Equity Method Investments	68,704	117,076	98,155
Tangible Assets	219,052	253,854	263,425
Intangible Assets	1,855,604	3,733,166	3,719,432
Other Non-current Assets	75,051	163,063	179,175
Total Assets	3,188,478	5,484,117	5,494,638
Current Liabilities	316,078	806,020	770,121
Trade and N-T Payables	89,506	263,130	247,581
Income Taxes Payable	29,448	30,944	34,482
Short-Term Debt	22,055	200,374	200,224
Other Current Liabilities	175,069	311,572	287,834
Non-Current Liabilities	286,925	975,153	977,551
Bonds	199,383	319,255	319,329
Bonds- CB/EB	-	476,422	476,341
Deferred Income Tax Liab.	48,636	142,919	137,839
Other Non-Current Liab.	38,905	36,558	44,042
Total Liabilities	603,003	1,781,173	1,747,672
Paid-in Capital	30,098	33,858	33,908
Capital Surplus	2,274,186	3,105,014	3,130,430
Capital Adjustments	-9,032	-11,232	-10,935
Accum. Other Compre. Inc.	829	920	-3,006
Retained Earnings	256,313	303,952	347,660
Non-controlling Interests	33,081	270,432	275,908
Total Equity	2,585,475	3,702,944	3,746,966
Total Liabilities & Equity	3,188,478	5,484,117	5,494,638

[Appendix] Financial Statements (Kakao Only)

Statements of Income					
(KRW mn)	1Q16	2Q16	3Q16	4Q16	1Q17
Revenues	203,027	206,774	210,165	241,239	225,889
Advertising	124,481	130,580	120,915	136,054	125,076
Content	63,958	56,644	63,996	72,499	64,333
Game	51,562	42,726	48,570	56,091	46,720
Music	3,378	2,991	3,155	3,369	2,938
Webtoon/Novel/Emoticon	9,018	10,928	12,270	13,040	14,675
Others	13,163	19,550	25,254	32,685	36,479
Operating Expenses	173,069	191,670	199,705	225,767	209,397
Labor Costs	45,349	48,830	49,214	52,044	51,811
Fringe Benefits	7,927	11,693	8,421	10,569	8,414
Depreciation	12,354	12,793	12,491	12,276	12,477
Rental Fees	2,205	2,525	2,396	2,616	2,480
Commissions	55,595	57,520	64,514	72,184	73,040
Advertising	3,885	8,418	13,858	22,248	9,014
Bad Debt Expenses	908	116	-320	-216	82
Amortization	5,800	5,906	5,708	5,561	5,417
Content Fees	10,863	11,722	13,438	11,646	11,062
Ad Agency Fees	20,012	21,152	19,281	22,562	18,987
Event Fees	110	359	242	693	120
Others	8,061	10,635	10,462	13,556	16,493
Operating Profit	29,958	15,105	10,460	15,472	16,492
Other Revenues	1,660	960	1,780	2,082	1,460
Other Expenses	2,980	6,197	4,203	19,712	3,123
Financial Income	3,557	6,427	517	19,246	35,067
Financial Expenses	1,788	8,510	6,974	4,234	23,399
Profit before Income Tax Expenses	30,407	7,784	1,580	12,853	26,497
Income Tax Expenses	7,054	4,628	-100	5,164	-48,911
Net Profit from Continued Oper.	23,353	3,157	1,680	7,689	75,408
Net Profit	23,353	3,157	1,680	7,689	75,408

Statements of Financial Position			
(KRW mn)	2015.12.31	2016.12.31	2017.3.31
Current Assets	718,533	511,067	493,467
Cash and Cash Equivalents	190,785	279,217	261,861
S-T Financial Instruments	361,809	37,190	16,899
Accounts Receivable	87,162	95,980	77,233
Other Current Assets	78,778	98,679	137,474
Non-Current Assets	2,398,531	4,318,230	4,345,826
Equity Method Investments	474,327	2,337,040	2,368,459
Tangible Assets	210,393	203,866	206,547
Intangible Assets	1,652,605	1,694,581	1,689,813
Other Non-current Assets	61,205	82,743	81,007
Total Assets	3,117,064	4,829,297	4,839,293
Current Liabilities	265,747	611,662	556,632
Trade and N-T Payables	91,748	174,592	148,533
Income Taxes Payable	24,581	7,168	6,646
Short-Term Debt	-	200,000	150,000
Other Current Liabilities	149,419	229,902	241,447
Non-Current Liabilities	276,435	842,477	840,912
Bonds	199,383	319,255	319,329
Bonds- CB/EB	-	451,126	452,665
Deferred Income Tax Liab.	44,394	43,266	35,947
Other Non-Current Liab.	32,658	28,830	32,970
Total Liabilities	542,182	1,456,641	1,397,544
Paid-in Capital	30,098	33,858	33,908
Capital Surplus	2,291,486	3,057,264	3,058,151
Capital Adjustments	-9,032	-11,232	-10,935
Accum. Other Compre. Inc.	244	5,702	5,001
Retained Earnings	262,086	290,222	355,623
Total Equity	2,574,882	3,375,158	3,441,749
Total Liabilities & Equity	2,755,831	3,117,064	4,830,163