

Kakao

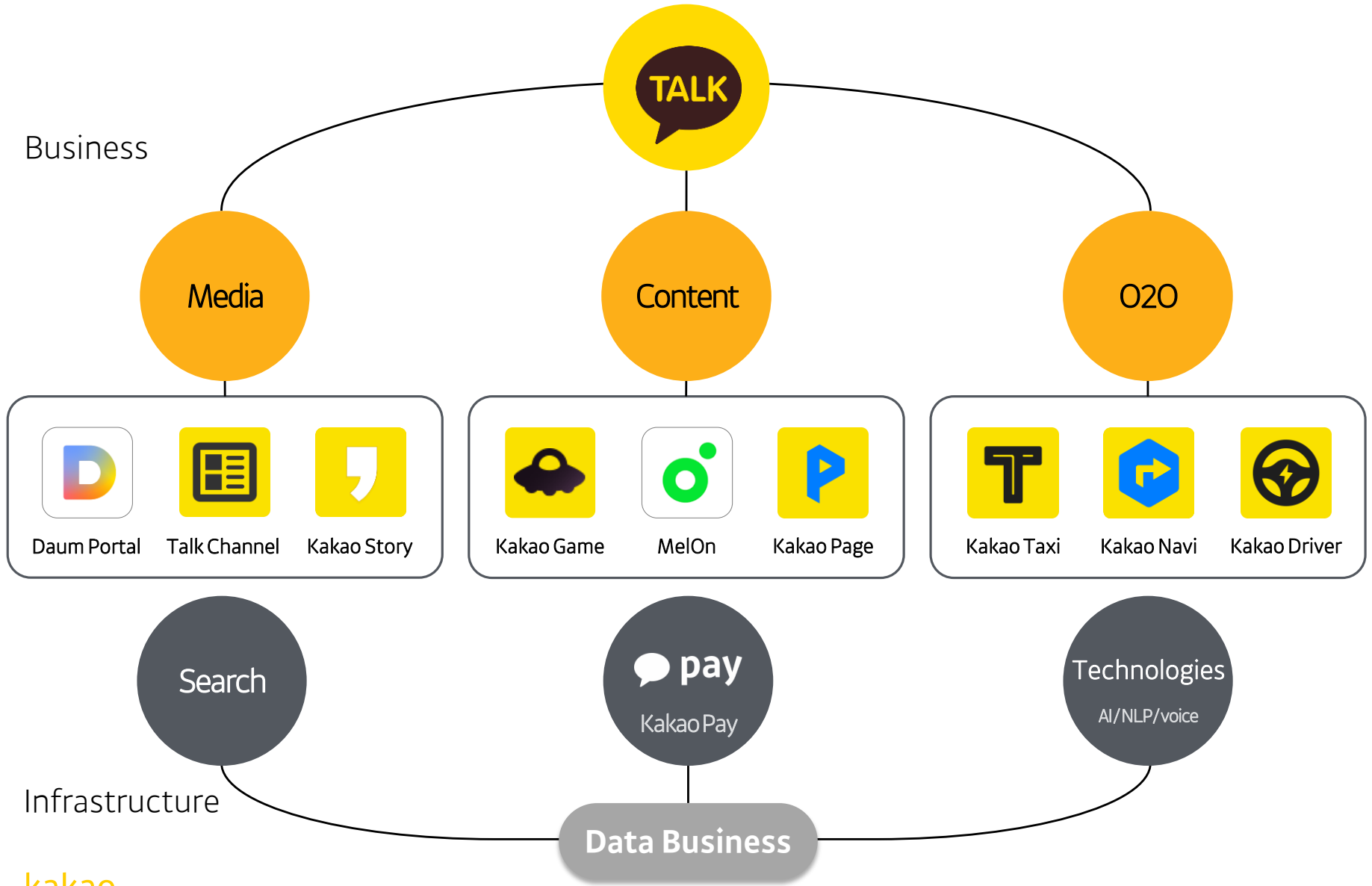
November 2016 | Investor Relations

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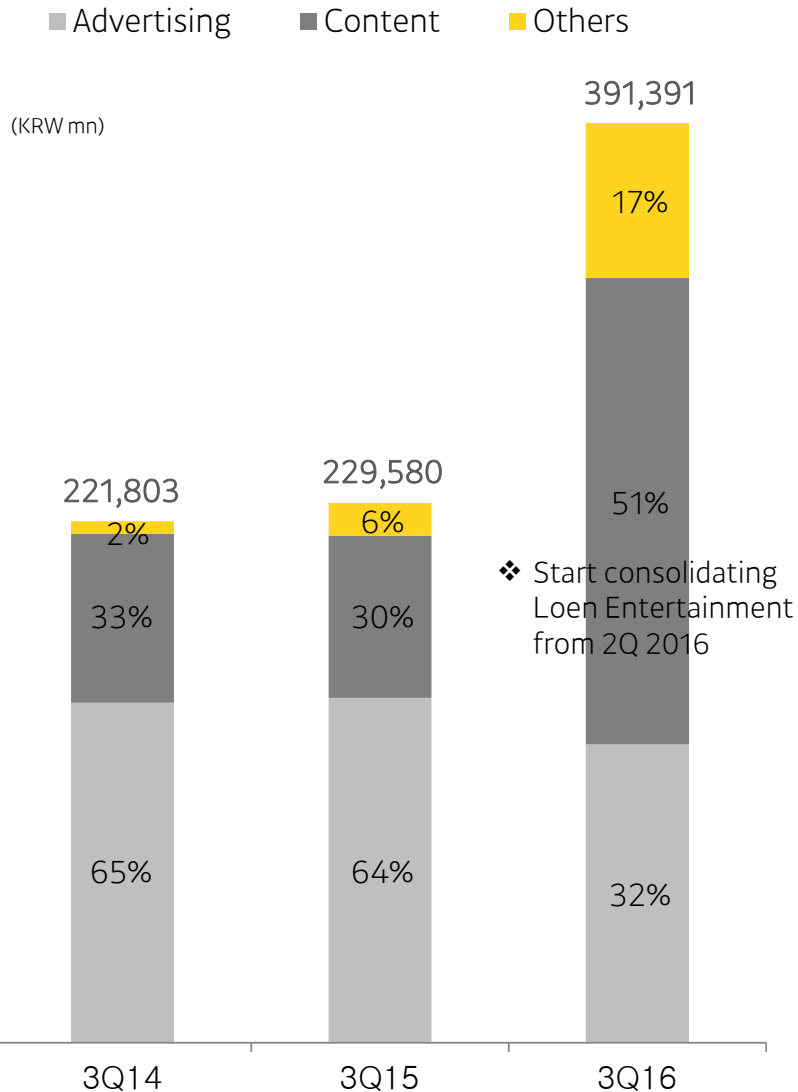
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7. Commerce
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[Appendix] 3Q 2016 Earning Results

Business Area



Revenue at a Glance



A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Plus Friends/Yellow ID Talk Reward Brand Emoticon Friend Talk Talk PC
	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
	O2O	Kakao Taxi • Black Kakao Driver Kakao Hairshop
	Fintech	Kakao Pay
	Misc.	Notification Talk Loen (production, etc.)

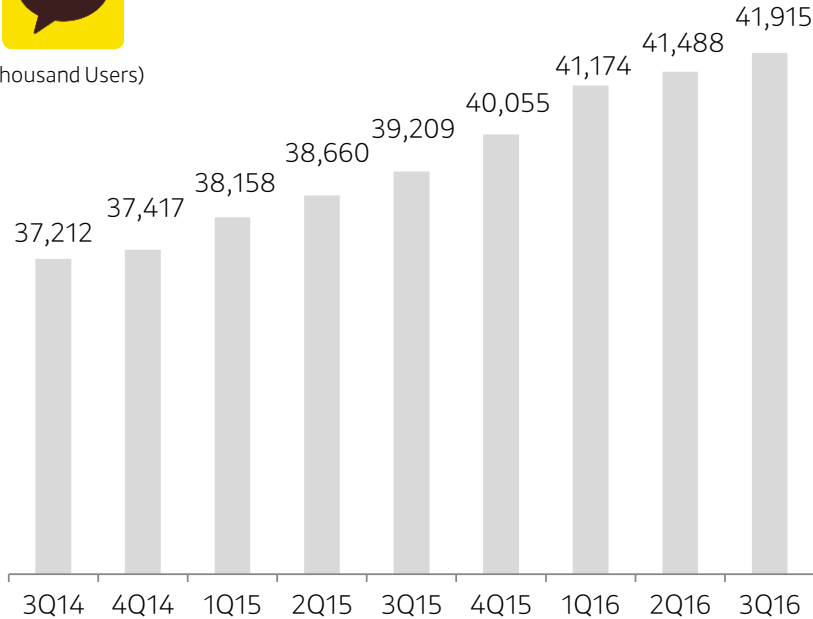
Kakao Talk

- Continue to grow Kakao Talk domestic active users: 427K 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)



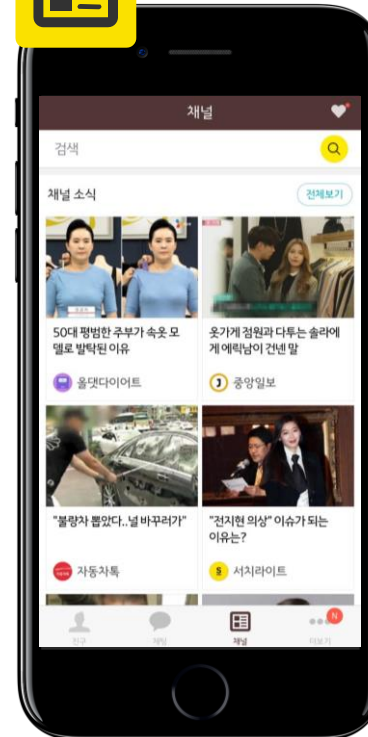
Korea	37,212	37,417	38,158	38,660	39,209	40,055	41,174	41,488	41,915
Global	48,411	48,254	48,207	48,073	48,464	48,321	49,318	49,100	49,189

Average of monthly MAUs. Global includes domestic MAUs.

Talk Channel



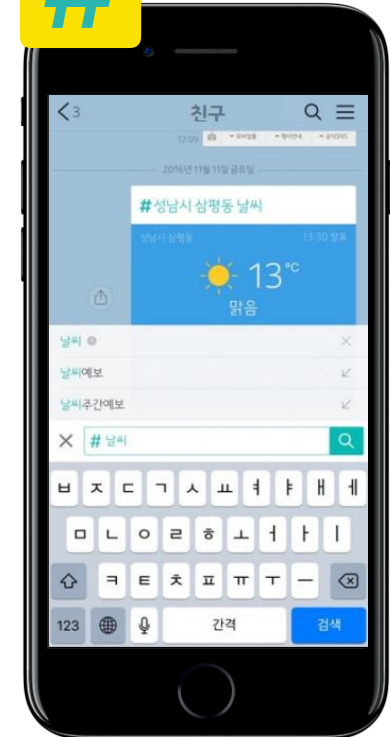
26mn MAUs



#(Sharp) Search



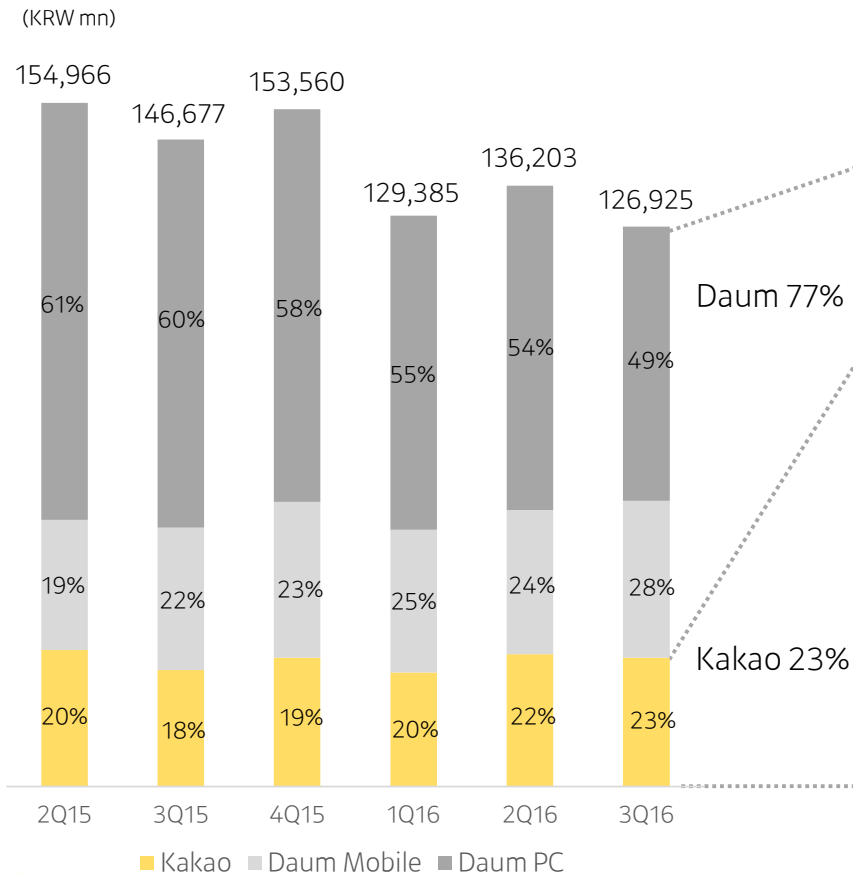
10mn MAUs



Advertising

- Improved features such as #(Sharp) Search and Talk Channel on Kakao Talk to expand advertising tools on mobile messenger platform
- Enhancing the competitiveness through differentiated advertising strategies such as goal optimization, audience buying and status targeting

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
SNS	Kakao Story
Shopping	Kakao Style
Video	Kakao TV

Advertising_Daum(Portal)

- Launch of new mobile-friendly advertising products such as 1boon, Focus View, Photo Viewer and native ads
- Running beta tests on Kakao's various advertising services to maximize the value of the spaces including external DSP's

PC Portal Advertising Products

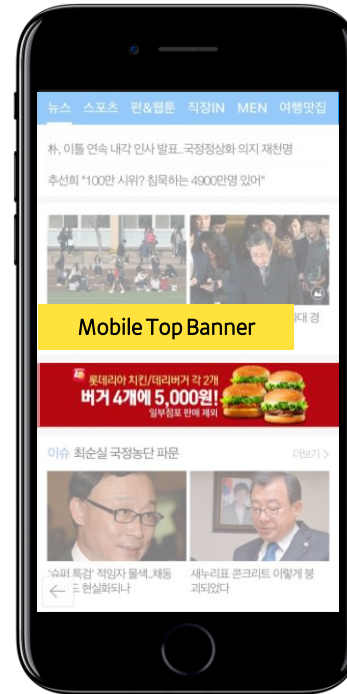
[Daum PC Portal]



www.daum.net

Mobile Advertising Products

[Mobile Daum]



m.daum.net

[Sketch Ads]



Advertising_Kakao

- Kakao accounts for 23% of total advertising revenue in 3Q 2016 (Kakao Talk 47% > Kakao Story 35% > Kakao Style 18%)
- Plan to expand into a business platform, which will enable orders, reservations and settlement within Kakao Talk message

Kakao Advertising Product Line-ups

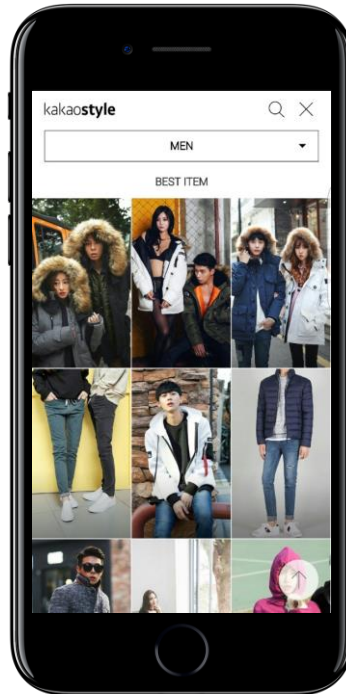
[Plus Friends]



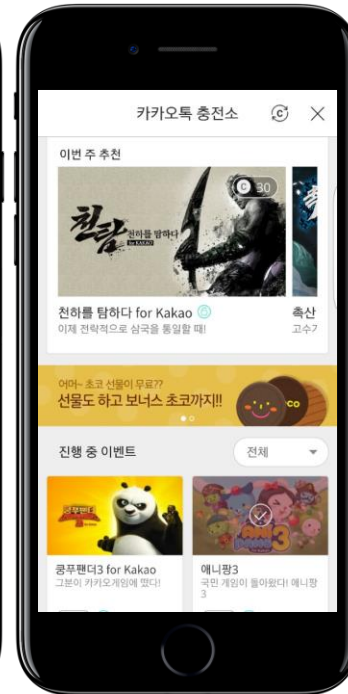
[Kakao Story]



[Kakao Style]



[Talk Reward]



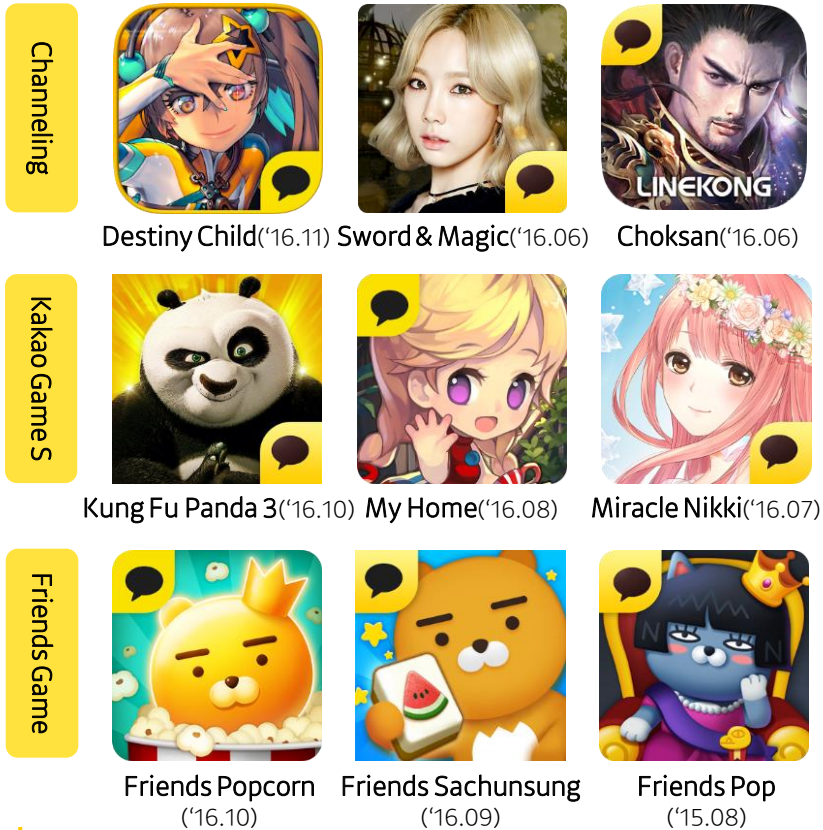
[Brand Emoticon]



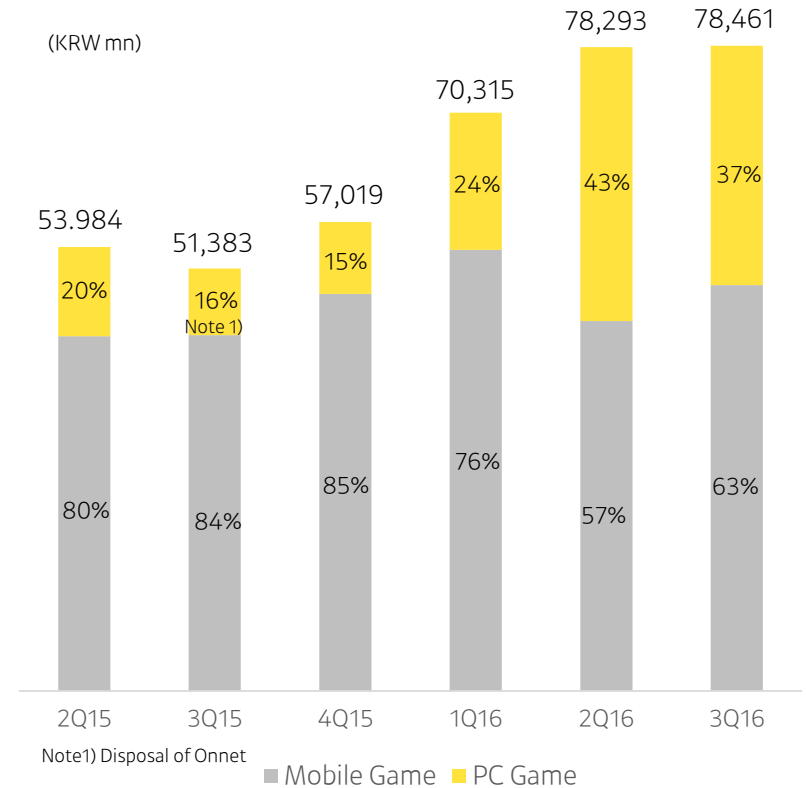
Content_Game

- Mobile game to develop marketing capabilities through AD+ and game tab(Dec), and enhance qualities through publishing
- PC game revenue growth due to Black Desert's success in overseas: low seasonality impact in 3Q and turnaround in 4Q

Mobile Game Line-ups



Revenue Trend by Platforms



Content_Music

- Acquired 76.4% stake in LOEN Entertainment in March, which runs NO.1 digital music service platform Melon
- The number of new membership in a day increased 100% after linking with Kakao account from September 2016
50% of new members joined with Kakao account



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

- ▶ 3Q 2016 Revenue 110.6bn KRW, OP 20.7bn KRW
- ▶ 4mn MelOn paying users in November, 2016
- ▶ 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, Kakao Pay

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

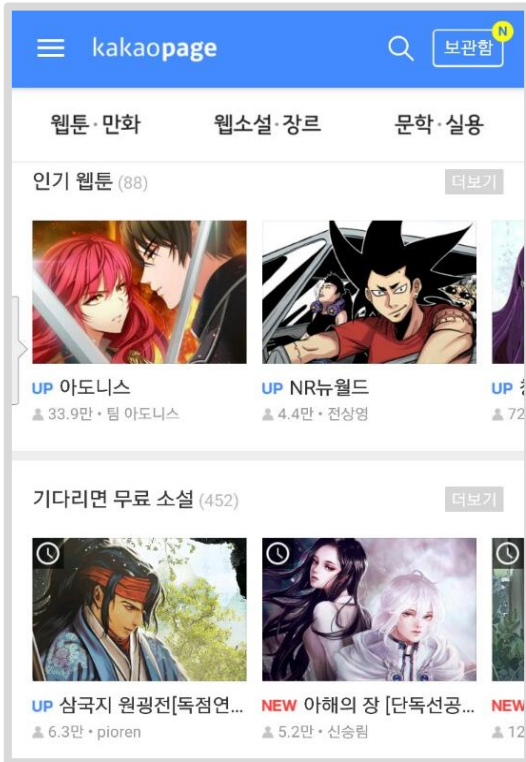
→ ex. Talk Channel, Daum Search and etc.

Content_Others

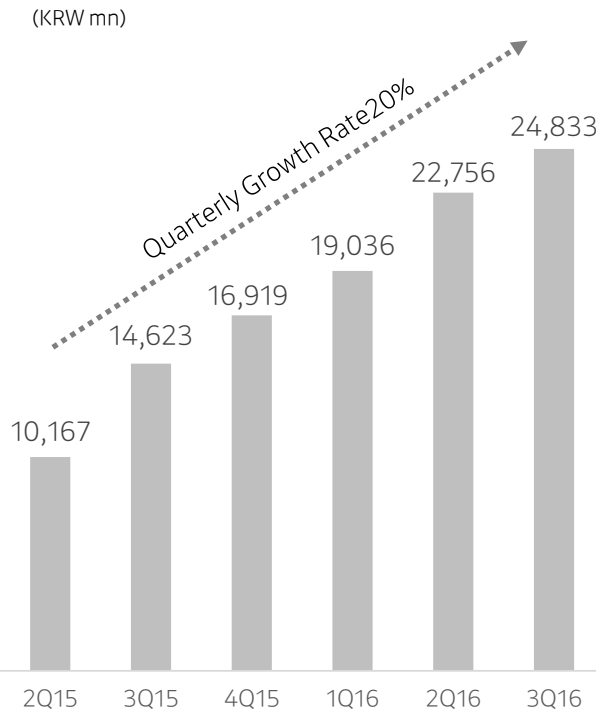
- Kakao Page, domestic NO.1 distribution platform of web novels/comics, continues to expand its user content purchase experience. Expected to surpass KRW 100 billion in gross sales volume in 2016, and KRW 200 billion in 2017
- Daum Webtoon will accelerate its growth through the introduction of Kakao Page's proven monetization models, enhancement of advertising models, and enlargement of global IP

Kakao Page

- ▶ 13mn users, 3mn MAUs, 100bn KRW Annual Transaction Volume, Conversion Rate 52%

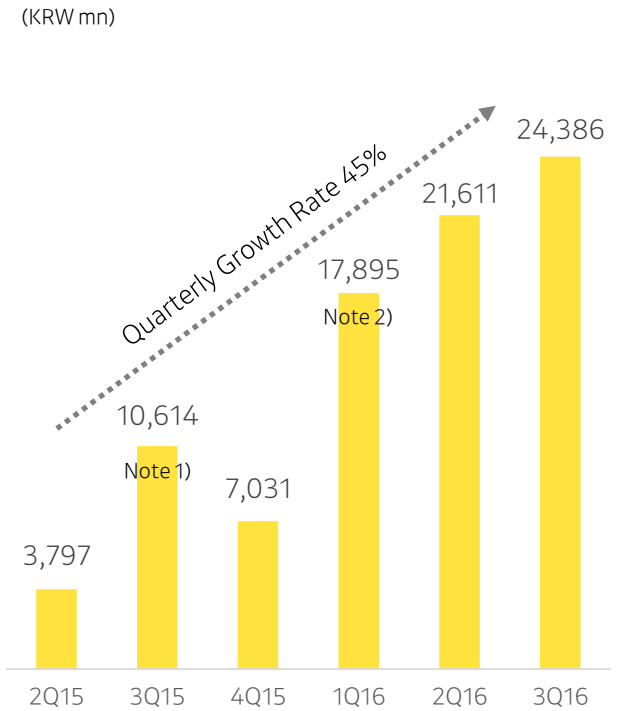


Kakao Page Transaction Volume Trend



Other Content Revenue Trend

- ▶ Kakao Page, Webtoon, B2C Emoticon etc.



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

- 'Smart Mobility' areas such as taxi, chauffeur service, parking, etc., will be developed and serviced by Kakao
- For other O2O areas, a new platform 'O2O with Kakao' will make efficient connection between users and existing service providers

Smart Mobility

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



Kakao Taxi



Kakao Driver



Kakao Parking



Kakao Map



Kakao Navi



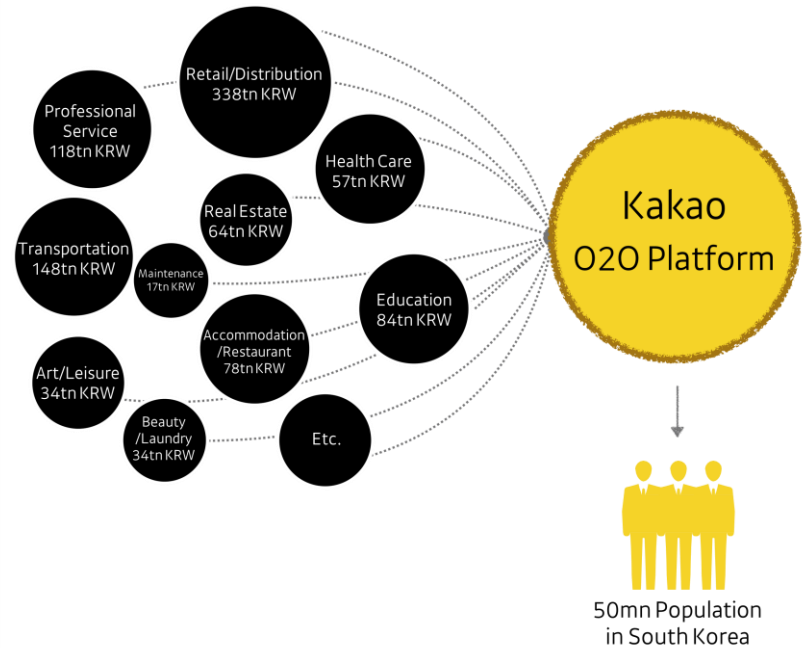
Kakao Bus



Kakao Metro

O2O Platform

Connecting Kakao users and other various convenience services outside the Kakao



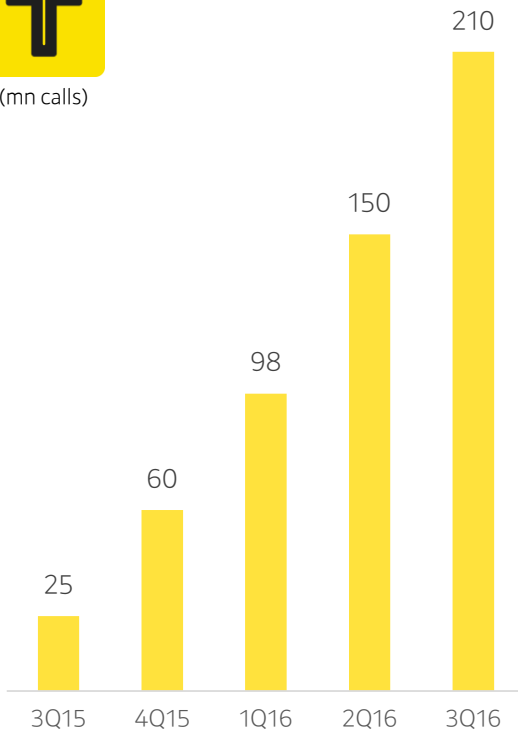
O2O_Smart Mobility

- Kakao taxi has a cumulative passenger number of 12 million, cumulative number of calls 210 million, and 92% penetration of taxi drivers (230,000 drivers)
- Kakao Driver has 1.4 million users, 140,000 drivers, and 5 million cumulative calls as of October

Kakao Taxi Cumulative Calls



(mn calls)



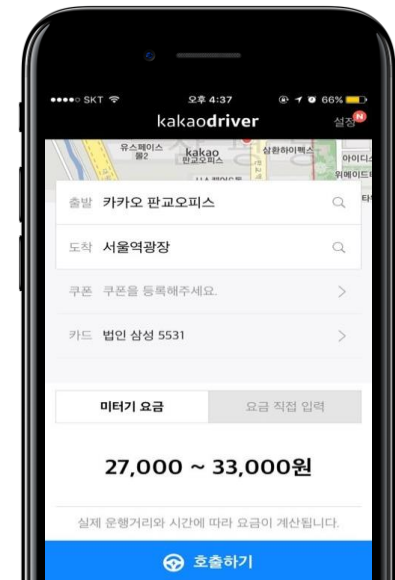
Kakao Taxi Test Drive Marketing

- ▶ New marketing platform for auto brands
- ▶ Started the test drive marketing event with Volkswagen and Ford from July, followed by Mercedes-Benz, GM and other brands



Kakao Driver

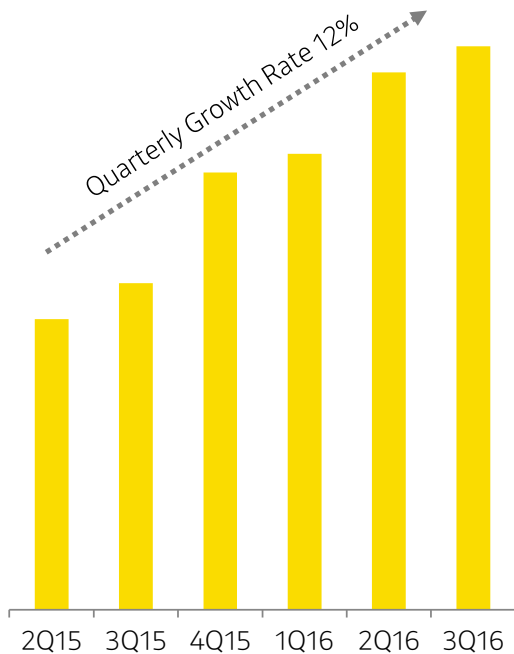
- ▶ Continually enhancing service by adding features including fixed fare option for users
- ▶ High user satisfaction (65% recall in 4 weeks)



Commerce_Gift Shop

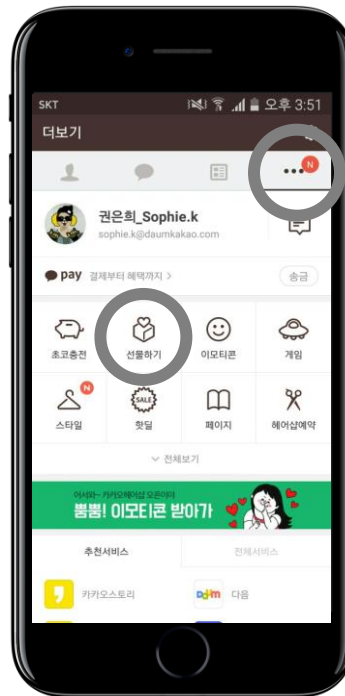
- Mobile commerce service embedded in Kakao Talk, which allows users to easily exchange gifts with their friends. Currently, 2,000 brands and 100,000 products are available
- Increased number of gifts per user, expansion of travel/tickets/O2O/local specialty categories, increased sales of gold and gift certificates due to addition of Kakao Money payment

Gift Shop Revenue Growth Trend

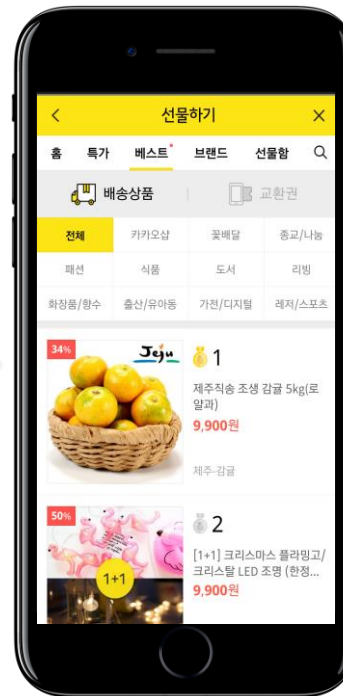


Example of Gift Shop Use

[Kakao Talk 4th Tab]



[Bestseller Tab]



[Allows a recipient to input an address]



Commerce_Kakao Friends

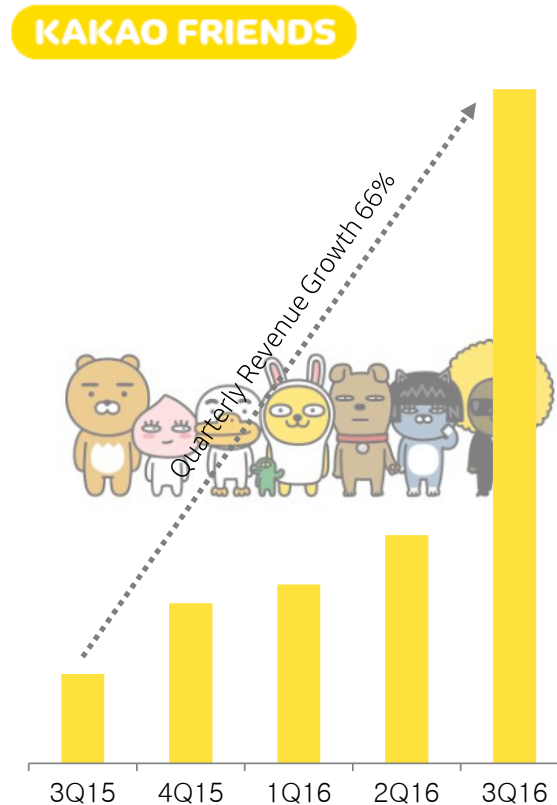
- 21 sales channels, including 19 offline stores (additional flagship store opens soon)
- Expanded IP contracts: IP product packaging (LG H & H), IP games (Friends Popcorn), and publishing (Samsung Publishing)

The Most Popular Characters in Korea, Started as Emoticon Content



kakao

An Average 66% Quarterly Increase in Sales



450,000 Visited Gangnam Flagship Store in One Month



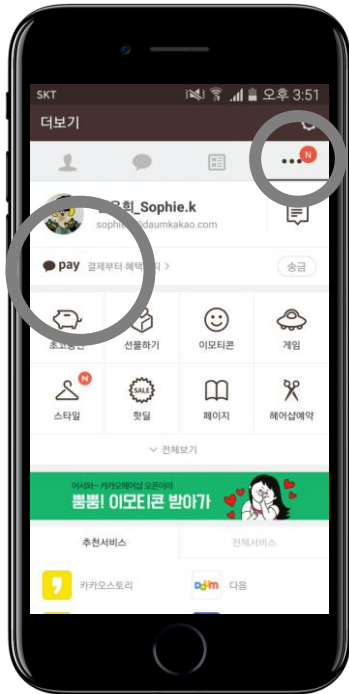
© Kakao Corp.

Fintech

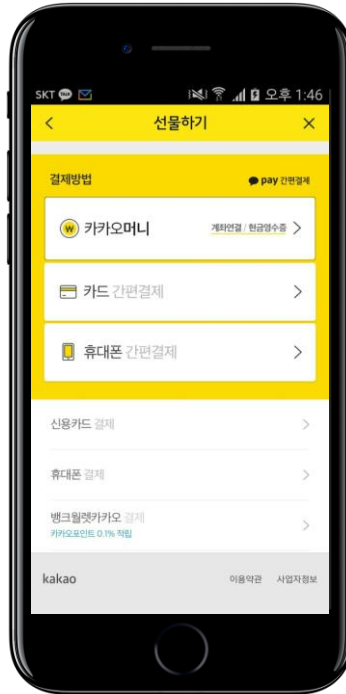
- Kakao Pay subscribers 13 million, total transaction amount exceeded 1 trillion KRW
- Support various services such as credit card/check card, mobile phone billing, automatic payment, billing, and easy money transfer within Kakao Talk

Example of Kakao Pay Use

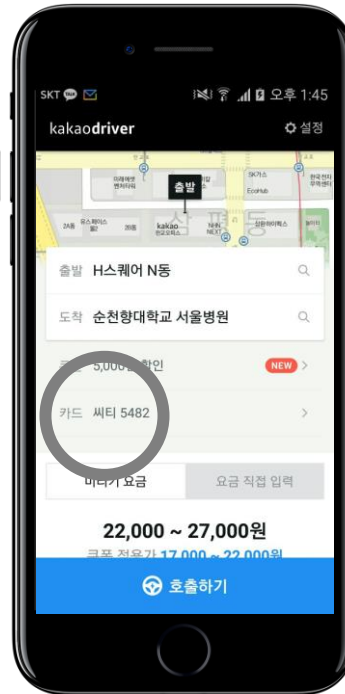
[Kakao Talk 4th Tab]



[Gift Shop payment]



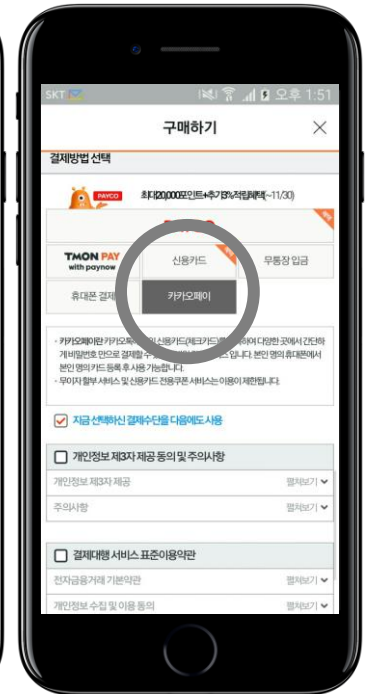
[Kakao Driver Auto payment]



[Kakao Money transfer]

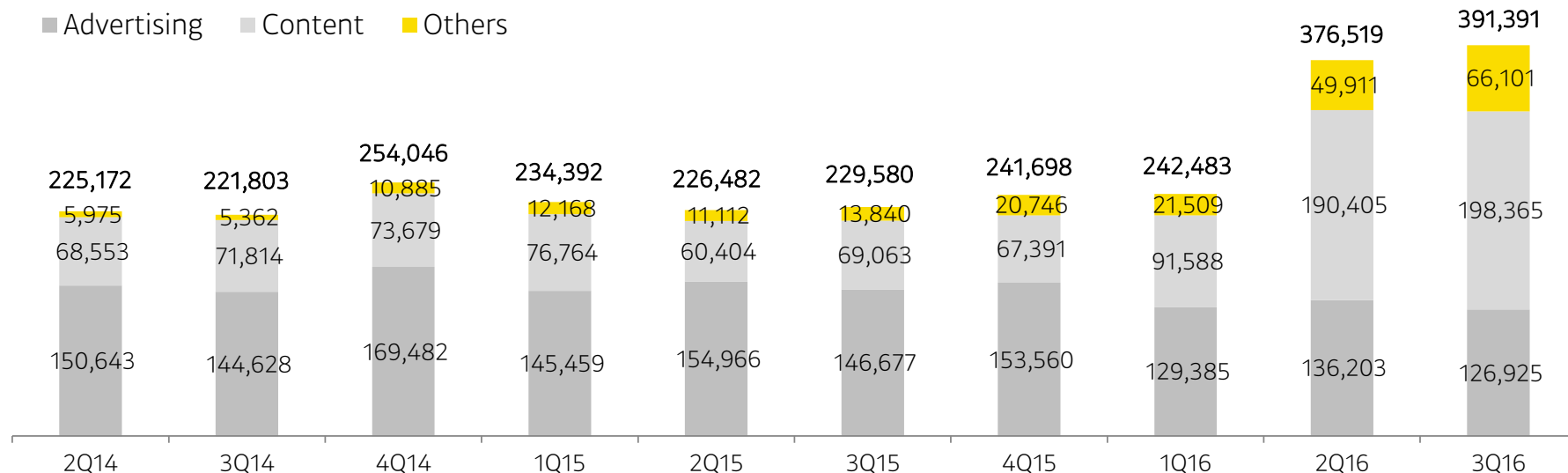


[Ticket Monster payment]



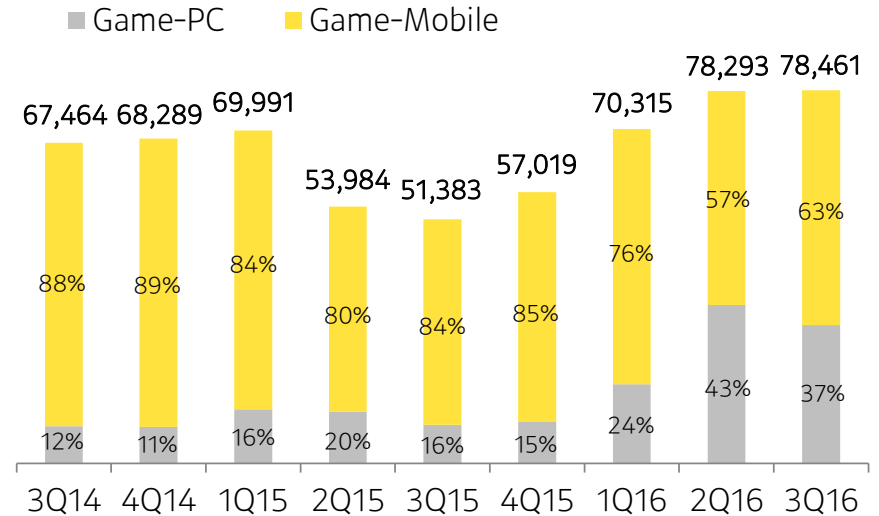
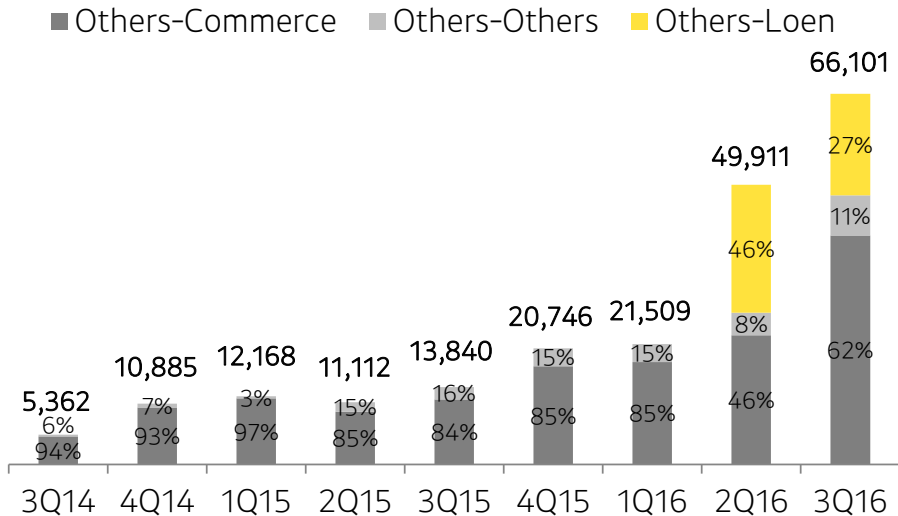
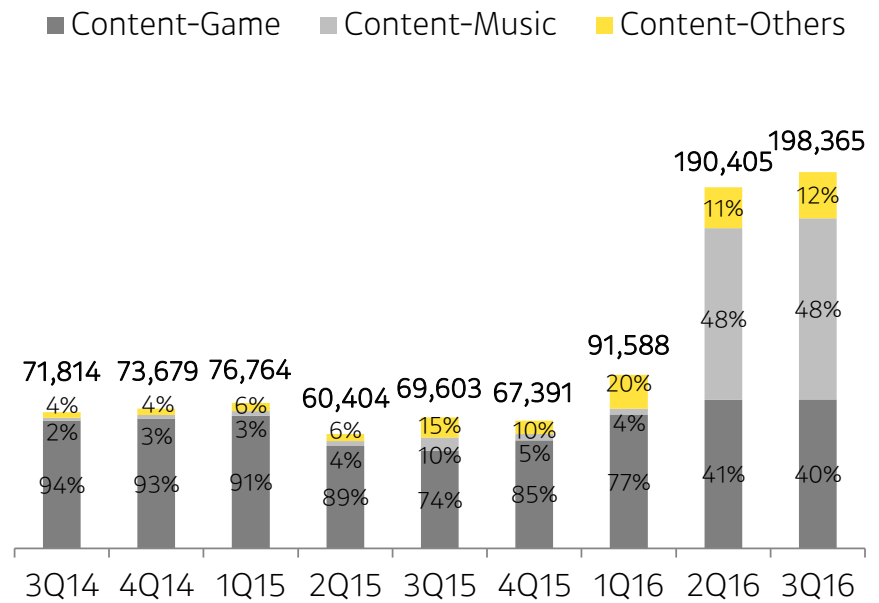
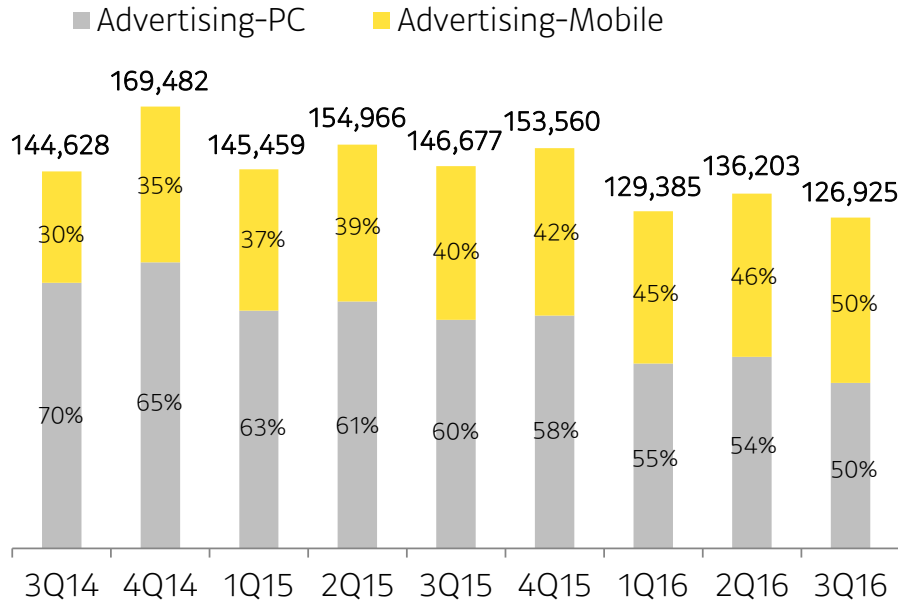
[Appendix] Earnings Results - Revenue

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 Kakao Story Kakao Style Kakao TV
Content	Game Music Webtoon • novel Emoticon	Kakao Game Kakao Games Melon Kakao Music PodoTree Kakao Page Daum Webtoon Talk B2C Emoticon
Others	Commerce O 2 O Fintech Miscellaneous	Kakao Talk Gift Shop Kakao Friends Makers with Kakao Kakao Farmer Kakao Taxi • Black Kakao Driver Kakao Hairshop Kakao Pay Notification Talk Loen Entertainment (content, production, etc.)

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



[Appendix] Consolidated Financial Statements

Consolidated Statements of Income

(KRW mn)	3Q15	4Q15	1Q16	2Q16	3Q16
Revenues	229,580	241,698	242,483	376,519	391,391
Advertising	146,677	153,560	129,385	136,203	126,925
Content	69,063	67,391	91,588	190,405	198,365
Game	51,383	57,019	70,315	78,293	78,461
Music	7,066	3,341	3,378	90,501	95,519
Webtoon/Novel/Emoticon	10,614	7,031	17,895	21,611	24,385
Others	13,840	20,746	21,509	49,911	66,101
Operating Expenses	213,396	221,079	221,394	349,900	361,136
Labor Costs	56,455	55,588	63,665	75,563	75,604
Fringe Benefits	12,813	10,934	10,448	16,001	12,566
Depreciation	12,375	12,937	13,005	14,460	14,317
Rental Fees	4,666	4,491	5,340	7,408	8,059
Commissions	65,494	66,001	64,923	142,980	146,618
Advertising	6,843	13,113	7,709	15,967	23,936
Bad Debt Expenses	8	1,123	814	-1,332	-1,823
Amortization	7,099	7,346	8,487	16,718	15,107
Content Fees	15,626	12,695	17,369	19,655	22,913
Ad Agency Fees	24,450	26,327	20,580	20,937	19,357
Event Fees	148	560	116	374	294
Others	7,420	9,964	8,940	21,170	24,187
Operating Profit	16,184	20,619	21,090	26,619	30,256
Other Revenues	6,706	7,331	3,438	2,206	3,744
Other Expenses	4,611	5,727	5,839	5,179	6,329
Financial Income	3,543	4,870	3,756	9,081	2,648
Financial Expenses	325	2,090	3,276	9,351	7,106
Equity-method, Net	284	-3,448	-2,513	-2,237	-2,122
Profit before Income Tax Expenses	21,782	21,554	16,656	21,139	21,089
Income Tax Expenses	7,015	9,771	5,707	7,900	7,463
Net Profit from Continued Oper.	14,767	11,782	10,950	13,239	13,626
Net Profit	14,767	11,782	10,950	13,239	13,626
Net Profit of Controlling Interests	13,004	11,009	13,176	8,834	12,215
Net Profit of Non-controlling Int.	1,762	773	-2,226	4,405	1,411

Consolidated Statements of Financial Position

(KRW mn)	2014.12.31	2015.12.31	2016.9.30
Current Assets	798,291	970,067	1,007,494
Cash and Cash Equivalents	451,228	397,177	472,701
S-T Financial Instruments	184,548	373,389	196,350
Accounts Receivable	108,431	88,822	155,886
Other Current Assets	54,084	110,679	182,557
Non-Current Assets	1,969,734	2,218,411	4,213,302
Equity Method Investments	18,712	68,704	100,675
Tangible Assets	196,894	219,052	246,581
Intangible Assets	1,688,974	1,855,604	3,737,301
Other Non-current Assets	65,154	75,051	128,744
Total Assets	2,768,025	3,188,478	5,220,796
Liabilities	227,488	316,078	710,851
Trade and N-T Payables	109,126	89,506	198,197
Income Taxes Payable	20,680	29,448	14,192
Short-Term Debt	50	22,055	200,374
Other Current Liabilities	97,632	175,069	298,089
Non-Current Liabilities	77,309	286,925	989,489
Bonds	-	199,383	319,182
Bonds- CB/EB	-	-	476,198
Deferred Income Tax Liab.	50,083	48,636	141,970
Other Non-Current Liab.	27,226	38,905	52,139
Total Liabilities	304,797	603,003	1,700,340
Paid-in Capital	29,121	30,098	33,813
Capital Surplus	2,258,974	2,274,186	3,025,417
Capital Adjustments	-26,268	-9,032	-11,083
Accum. Other Compre. Inc.	2,114	829	-4,557
Retained Earnings	190,678	256,313	280,503
Non-controlling Interests	8,609	33,081	196,364
Total Equity	2,463,228	2,585,475	3,520,456
Total Liabilities & Equity	2,768,025	3,188,478	5,220,796

[Appendix] Financial Statements (Kakao Only)

Statements of Income					
(KRW mn)	3Q15	4Q15	1Q16	2Q16	3Q16
Revenues	211,516	219,619	203,027	206,774	210,165
Advertising	140,376	148,492	124,481	130,580	120,915
Content	60,917	57,435	63,958	56,644	63,996
Game	43,238	47,063	51,562	42,726	48,570
Music	7,066	3,341	3,378	2,991	3,155
Webtoon/Novel/Emoticon	10,614	7,031	9,018	10,928	12,270
Others	8,655	12,268	13,163	19,550	25,254
Operating Expenses	185,369	185,416	173,069	191,670	199,705
Labor Costs	46,369	42,455	45,349	48,830	49,214
Fringe Benefits	10,642	8,550	7,927	11,693	8,421
Depreciation	12,012	12,219	12,354	12,793	12,491
Rental Fees	1,977	1,816	2,205	2,525	2,396
Commissions	58,018	57,930	55,595	57,520	64,514
Advertising	4,954	10,716	3,885	8,418	13,858
Bad Debt Expenses	-23	1,034	908	116	-320
Amortization	5,378	5,338	5,800	5,906	5,708
Content Fees	15,476	12,489	10,863	11,722	13,438
Ad Agency Fees	23,676	25,767	20,012	21,152	19,281
Event Fees	134	492	110	359	242
Others	6,756	6,611	8,061	10,635	10,462
Operating Profit	26,147	34,203	29,958	15,105	10,460
Other Revenues	1,109	3,632	1,660	960	1,780
Other Expenses	21,425	5,418	2,980	6,197	4,203
Financial Income	3,842	1,780	3,557	6,427	517
Financial Expenses	178	1,696	1,788	8,510	6,974
Profit before Income Tax Expenses	9,495	32,500	30,407	7,784	1,580
Income Tax Expenses	8,251	11,346	7,054	4,628	-100
Net Profit from Continued Oper.	1,244	21,154	23,353	3,157	1,680
Net Profit	1,244	21,154	23,353	3,157	1,680

Statements of Financial Position			
(Krw mn)	2014.12.31	2015.12.31	2016.9.30
Current Assets	719,078	718,533	413,120
Cash and Cash Equivalents	392,871	190,785	206,327
S-T Financial Instruments	172,796	361,809	37,190
Accounts Receivable	105,085	87,162	78,262
Other Current Assets	48,326	78,778	91,341
Non-Current Assets	2,036,753	2,398,531	4,320,529
Equity Method Investments	148,110	474,327	2,352,267
Tangible Assets	193,359	210,393	202,499
Intangible Assets	1,651,658	1,652,605	1,700,485
Other Non-current Assets	43,626	61,205	65,279
Total Assets	2,755,831	3,117,064	4,733,649
Liabilities	218,394	265,747	522,910
Trade and N-T Payables	107,084	91,748	116,741
Income Taxes Payable	20,310	24,581	2,959
Short-Term Debt	-	-	200,000
Other Current Liabilities	91,000	149,419	203,210
Non-Current Liabilities	76,643	276,435	851,017
Bonds	-	199,383	319,182
Bonds- CB/EB	-	-	449,563
Deferred Income Tax Liab.	51,095	44,394	43,546
Other Non-Current Liab.	25,548	32,658	38,726
Total Liabilities	295,037	542,182	1,373,927
Paid-in Capital	29,121	30,098	33,813
Capital Surplus	2,258,975	2,291,486	3,056,580
Capital Adjustments	-26,268	-9,032	-11,083
Accum. Other Compre. Inc.	-252	244	172
Retained Earnings	199,218	262,086	280,241
Total Equity	2,460,793	2,574,882	3,359,722
Total Liabilities & Equity	2,755,831	3,117,064	4,733,649