

3rd Quarter 2016 Results

November 10, 2016 | Investor Relations

Disclaimer

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Also, this document contains the unaudited pro-forma combined financial information of the Daum Communications and the Kakao Corp., for the pre-merger periods, solely for the convenience of the investors. Please note that such financial information are not subject to an independent auditor's audit.

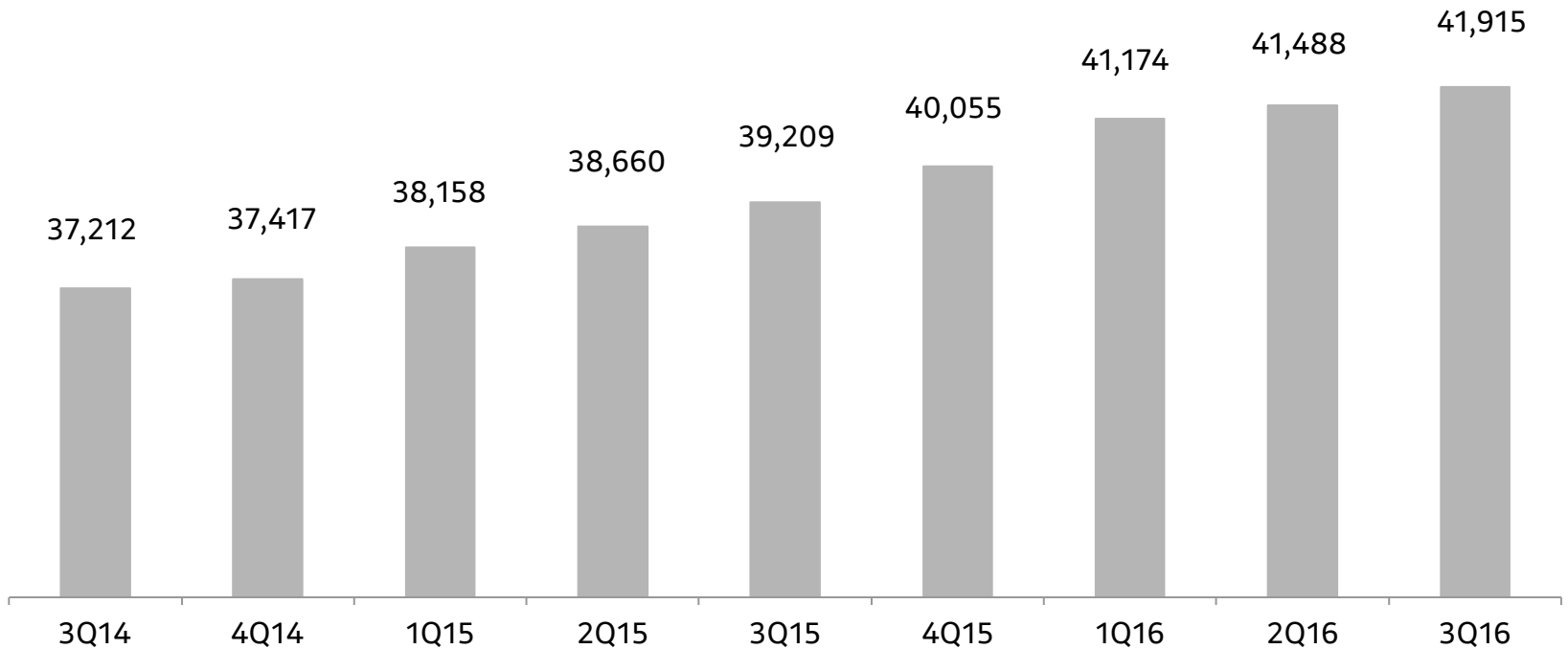
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Kakao Talk Monthly Active Users (MAUs)



Continue to grow our domestic active users YoY +2,706K, QoQ +427K

Total countries serviced: 230+ (based on country codes), in 15 languages



(000)

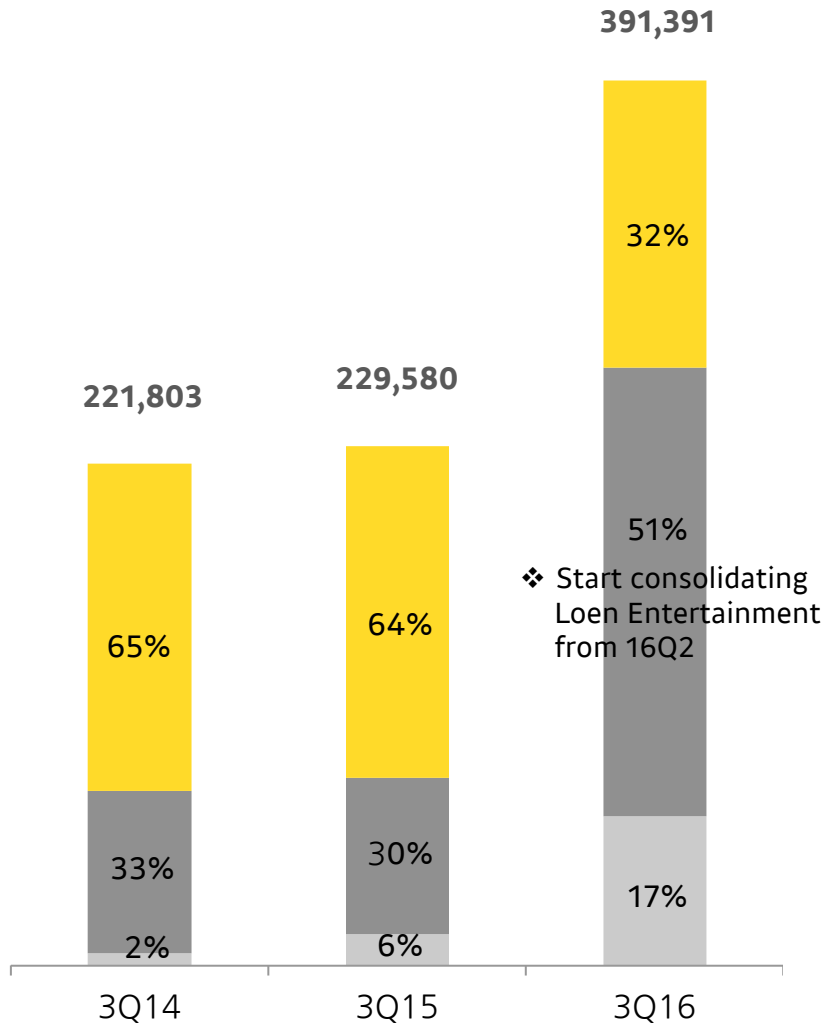
	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Korea	37,212	37,417	38,158	38,660	39,209	40,055	41,174	41,488	41,915
Global	48,411	48,254	48,207	48,073	48,464	48,321	49,318	49,100	49,189

Average of monthly MAUs. Global includes domestic MAUs.

Revenue Categories

Others Content Advertising

(in million KRW)

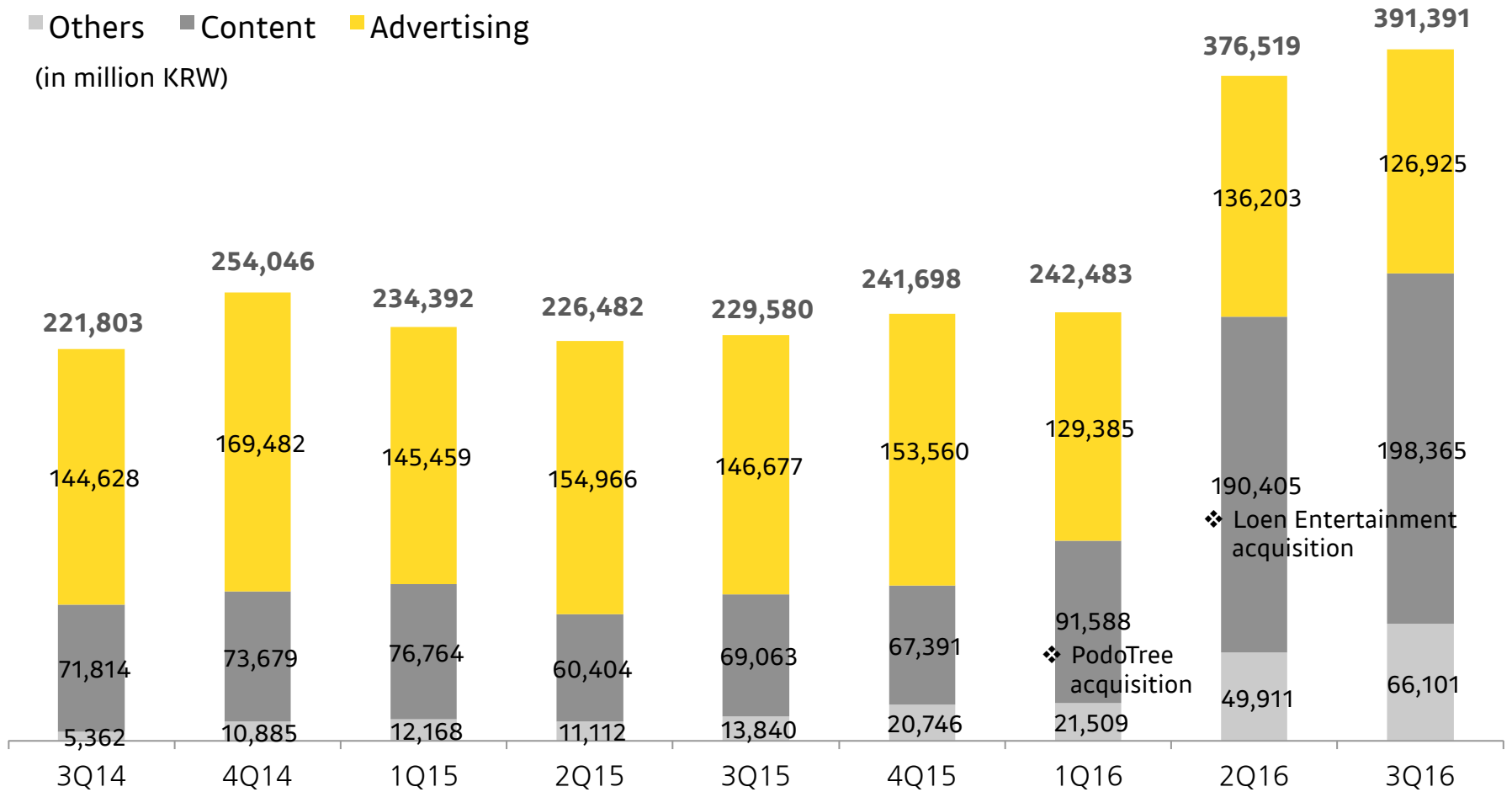


A D V E R T I S I N G	Portals	Daum PC Daum Mobile
	Messenger	Talk Plus Friends/Yellow ID Talk Reward Brand Emoticon Friend Talk Talk PC
	SNS	Kakao Story
	Shopping	Kakao Style
	Video	Kakao TV
C O N T E N T	Game	Kakao Game Kakao Games
	Music	Melon Kakao Music
	Webtoon • Webnovel	PodoTree Kakao Page Daum 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.)

Total Revenue

Content, including mobile game, and commerce revenue growth led YoY 70.5%, QoQ 3.9% increase

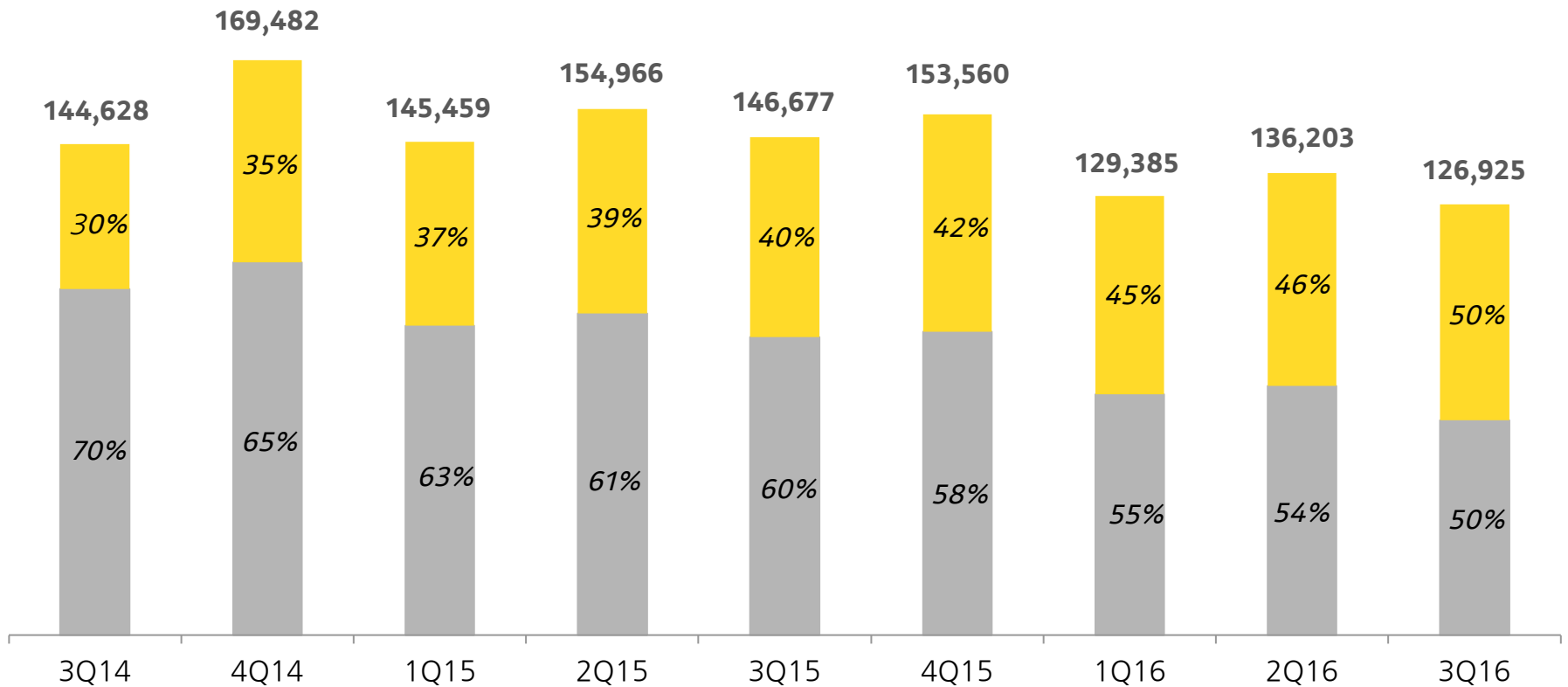
Others Content Advertising
(in million KRW)



Seasonal decline and completion of syndicate restructuring(Sep.) resulted in YoY 13.5%, QoQ 6.8% decrease

■ PC ■ Mobile

(in million KRW)

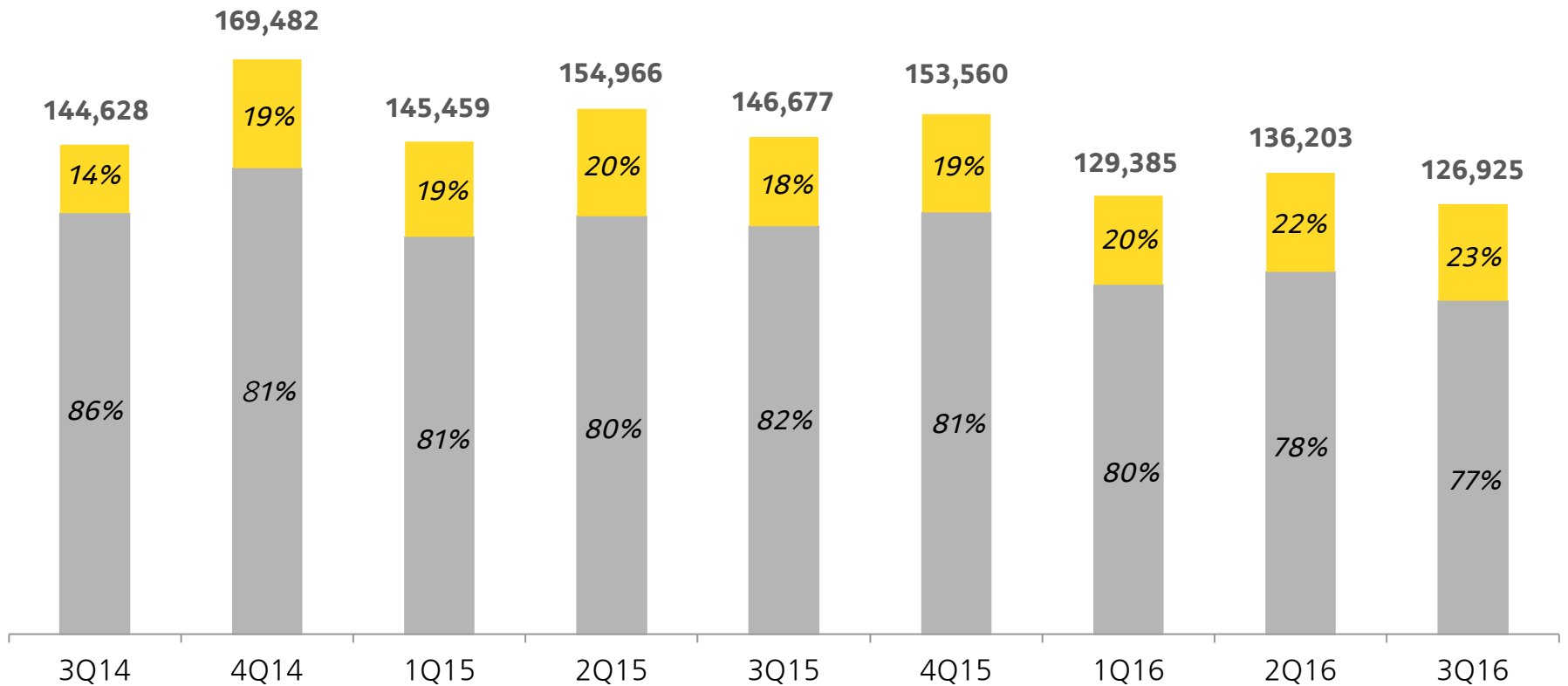


Advertising- Daum vs. Kakao Platforms

Daum PC, Daum mobile and Kakao platforms accounted for 49%, 28% and 23%, respectively in 3Q16

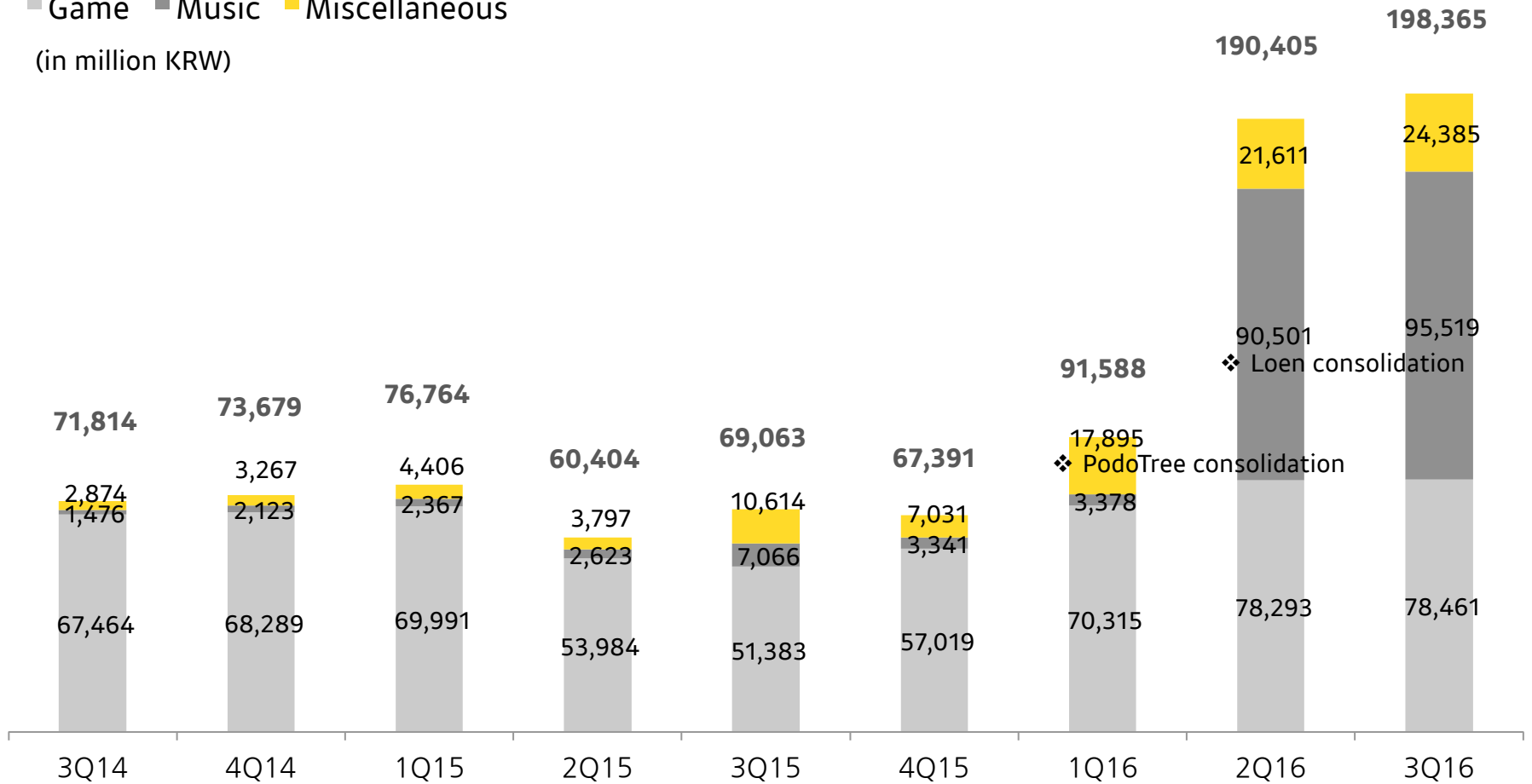
■ Daum ■ Kakao platforms

(in million KRW)



Kakao Game, MelOn, Kakao Page and emoticon revenue growth led YoY 187.2%, QoQ 4.2% increase

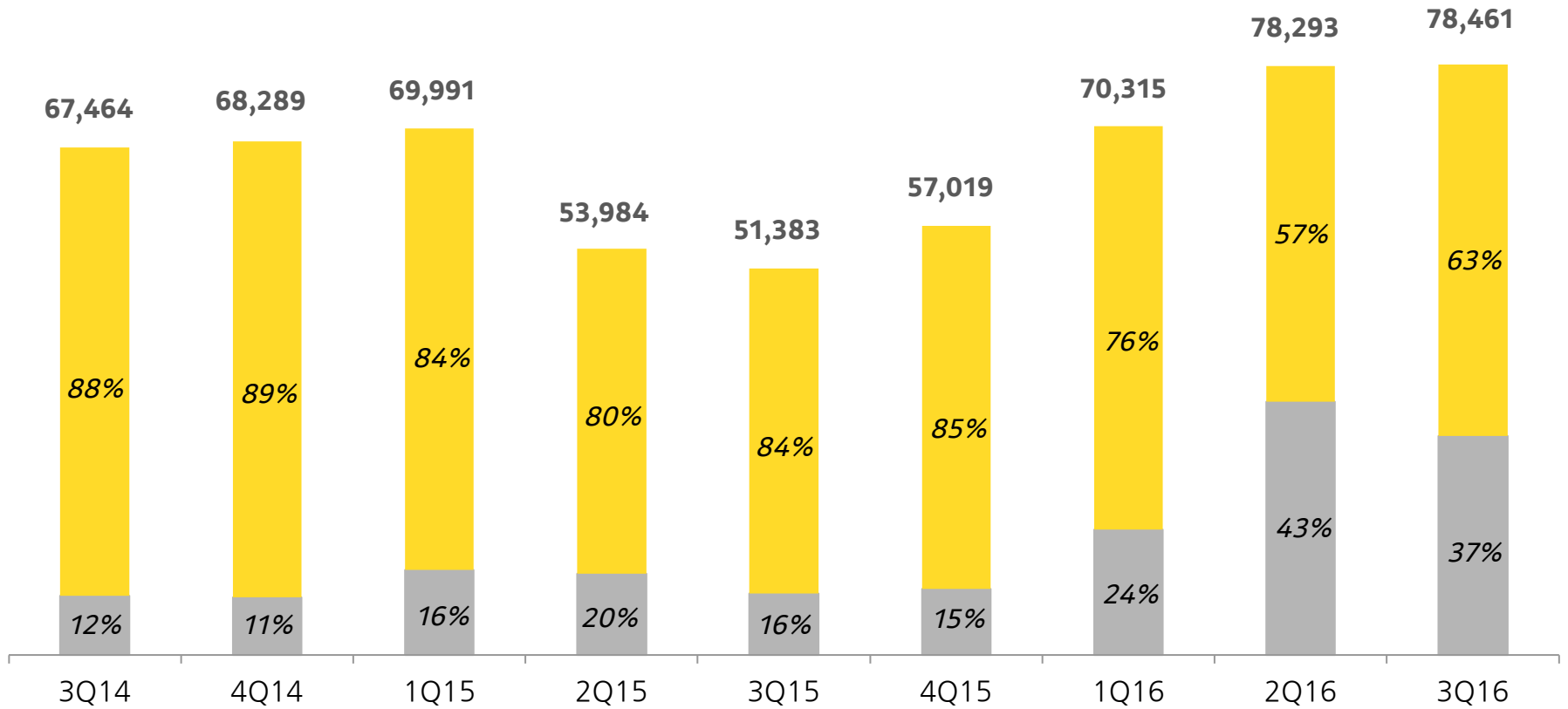
■ Game ■ Music ■ Miscellaneous
(in million KRW)



Successful new mobile games and publishing business led YoY 52.7%, QoQ 0.2% increase

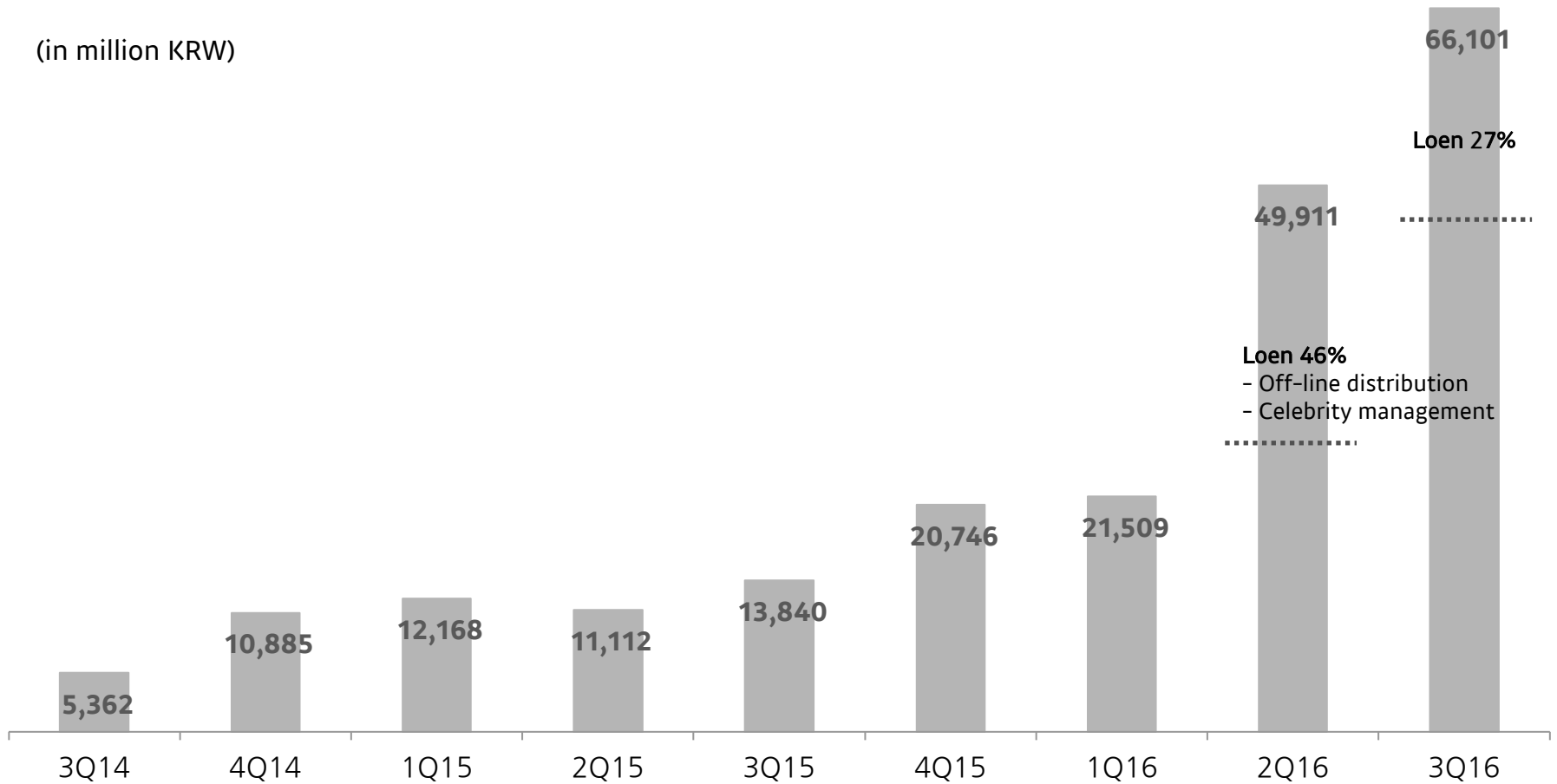
■ PC ■ Mobile

(in million KRW)



Strong growth in commerce and addition of Loen's other revenue led YoY 377.6%, QoQ 32.4% increase

(in million KRW)



Summary Results

(in million KRW)

	3Q16	2Q16	QoQΔ	QoQ%	3Q15	YoYΔ	YoY%
Total Revenue	391,391	376,519	14,872	3.9%	229,580	161,811	70.5%
Advertising	126,925	136,203	-9,278	-6.8%	146,677	-19,752	-13.5%
Content *	198,365	190,405	7,960	4.2%	69,063	129,302	187.2%
Others	66,101	49,911	16,190	32.4%	13,840	52,261	377.6%
Operating Expenses	361,136	349,900	11,236	3.2%	213,396	147,740	69.2%
Operating Income	30,256	26,619	3,637	13.7%	16,184	14,072	87.0%
<i>Operating Margin</i>	7.7%	7.1%	0.6%p	-	7.0%	0.7%p	-
<i>EBITDA</i>	59,679	57,797	1,882	3.3%	35,657	24,022	67.4%
Finance Income	2,648	9,081	-6,433	-70.8%	3,543	-895	-25.3%
Finance Expenses	7,106	9,351	-2,245	-24.0%	325	6,781	2,086.5%
Other, Net	-4,708	-5,210	502	-9.6%	2,380	-7,088	-
Income before Tax	21,089	21,139	-50	-0.2%	21,782	-693	-3.2%
Income Tax	7,463	7,900	-437	-5.5%	7,015	448	6.4%
Net Income	13,626	13,239	387	2.9%	14,767	-1,141	-7.7%

* Start consolidating Loen Entertainment from 2Q2016

Operating Expenses

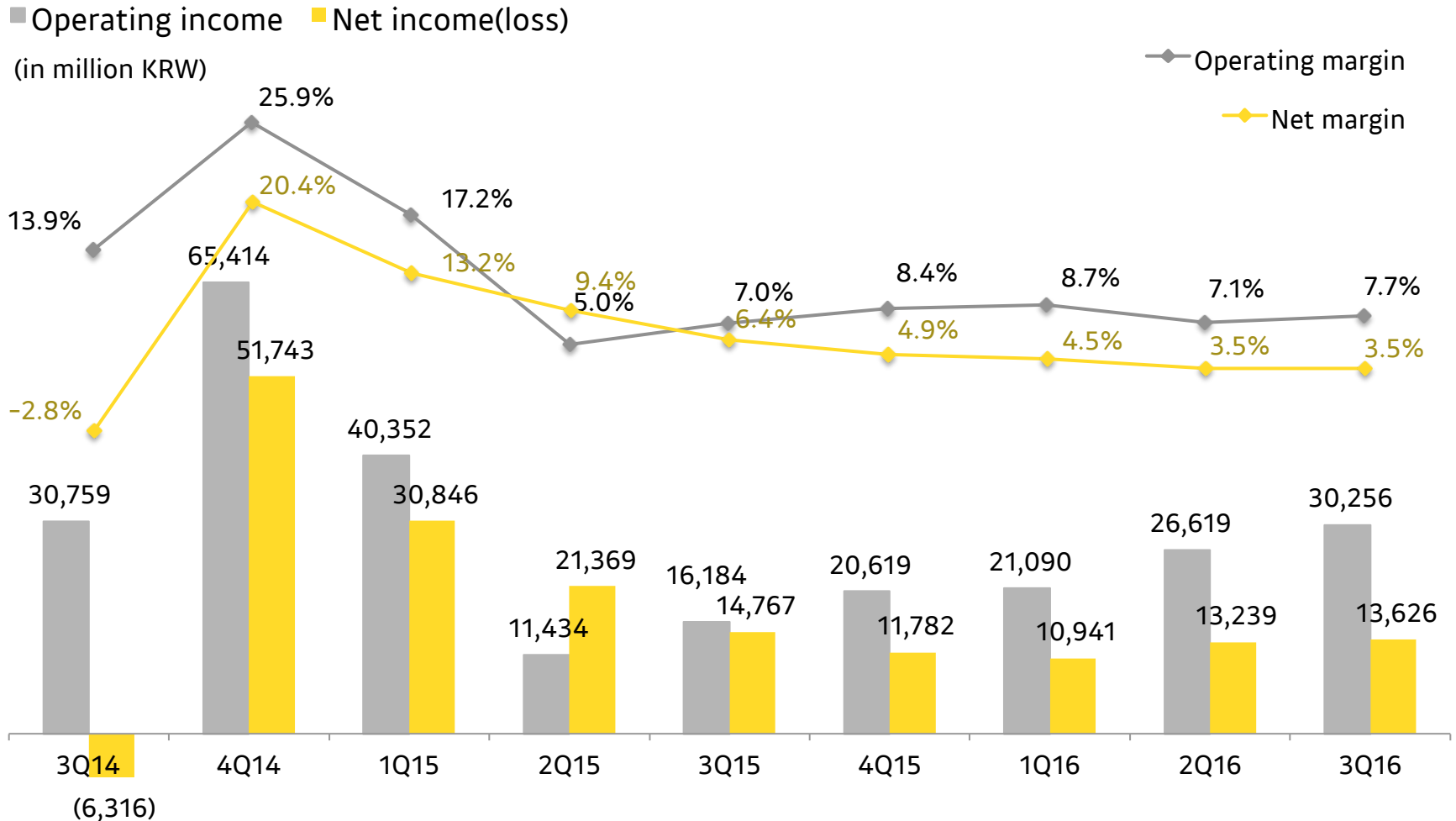
(in million KRW)

	3Q16	2Q16	QoQΔ	QoQ%	3Q15	YoYΔ	YoY%
OP Expenses	361,136	349,900	11,236	3.2%	213,396	147,740	69.2%
Labor costs	75,604	75,563	41	0.1%	56,455	19,149	33.9%
Fringe benefits	12,566	16,001	-3,434	-21.5%	12,813	-247	-1.9%
Depreciation	14,317	14,460	-144	-1.0%	12,375	1,942	15.7%
Rental fees	8,059	7,408	651	8.8%	4,666	3,393	72.7%
Commissions *	146,618	142,980	3,638	2.5%	65,494	81,124	123.9%
Advertising	23,936	15,967	7,969	49.9%	6,843	17,093	249.8%
Bad Debt Exp.	-1,823	-1,332	-491	36.8%	8	-1,831	-
Amortization	15,107	16,718	-1,610	-9.6%	7,099	8,009	112.8%
Content fees	22,913	19,655	3,258	16.6%	15,626	7,287	46.6%
Ad agency fees	19,357	20,937	-1,580	-7.5%	24,450	-5,093	-20.8%
Event fees	294	374	-80	-21.5%	148	146	98.3%
Others	24,187	21,170	3,017	14.3%	7,420	16,767	226.0%

* Increased revenue share to game developers, settlement fee and Loen Entertainment consolidation

Income

Operating income YoY 87.0% up, QoQ 13.7% up, Net Income YoY -7.7% down, QoQ 2.9% up

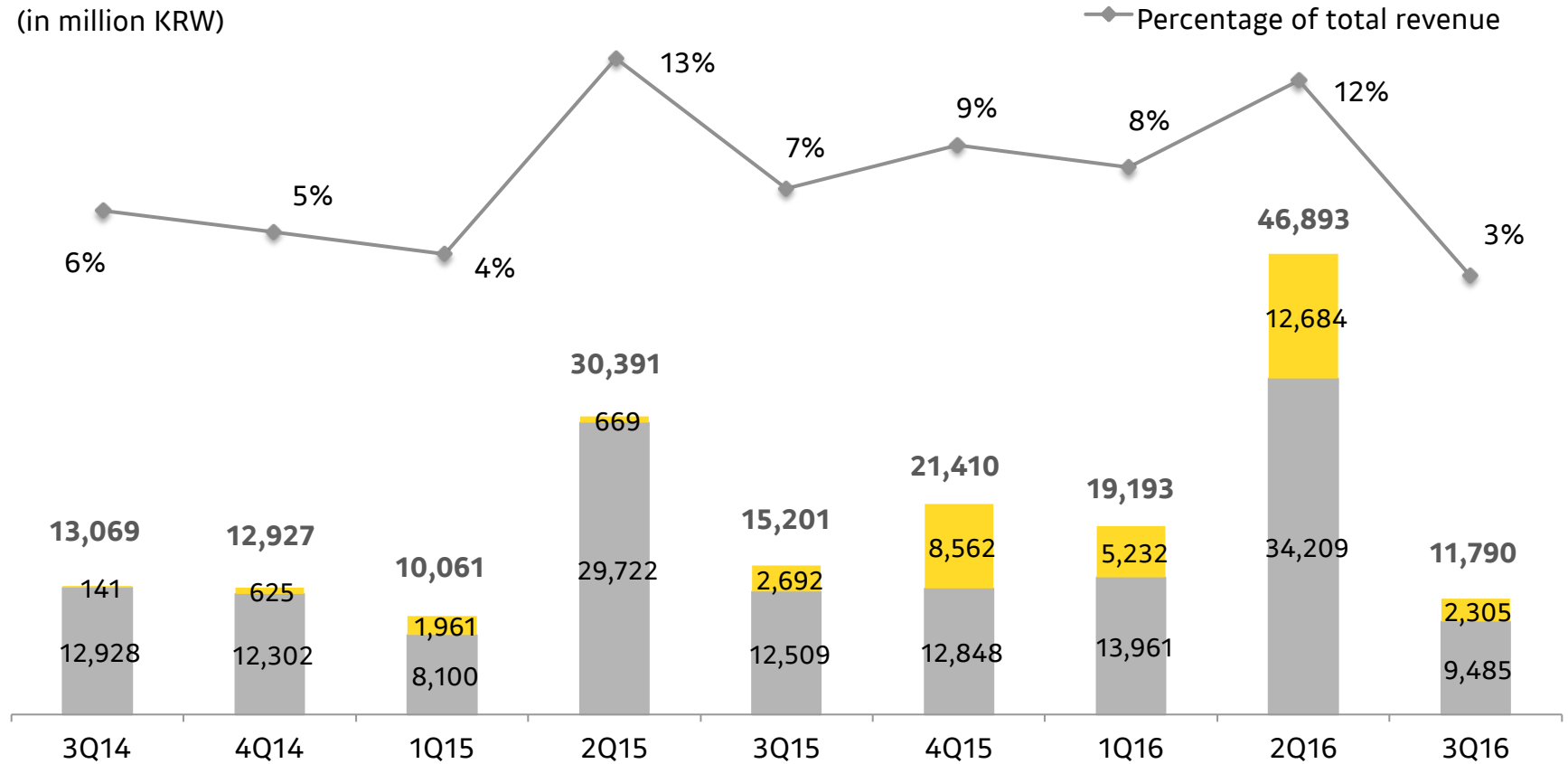


Capital Expenditure

Accumulated CapEx increased to 77.9 bn Won, YoY 39.9% up, due to Loen consolidation

■ Tangibles ■ Intangibles

(in million KRW)

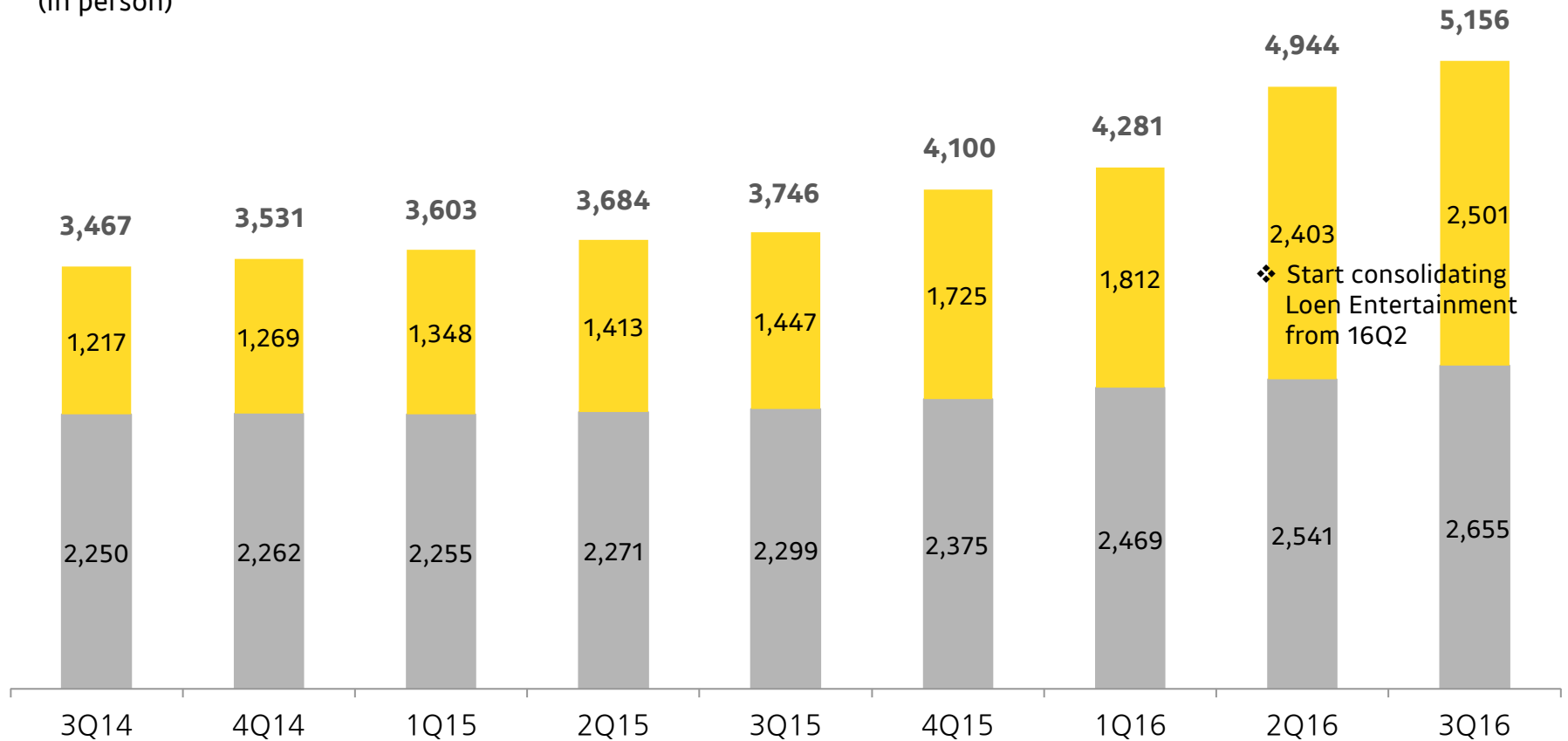


Employees

Total 5,156 employees as of September end, QoQ increase of 114 Kakao and 98 subsidiaries

■ Kakao ■ Subsidiaries

(in person)



Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	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

(in million KRW)	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

Financial Statements (Kakao Only)

Statements of Income					
(in million KRW)	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			
(in million KRW)	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