

4th Quarter and FY2015 Results

February 5, 2016 | Investor Relations

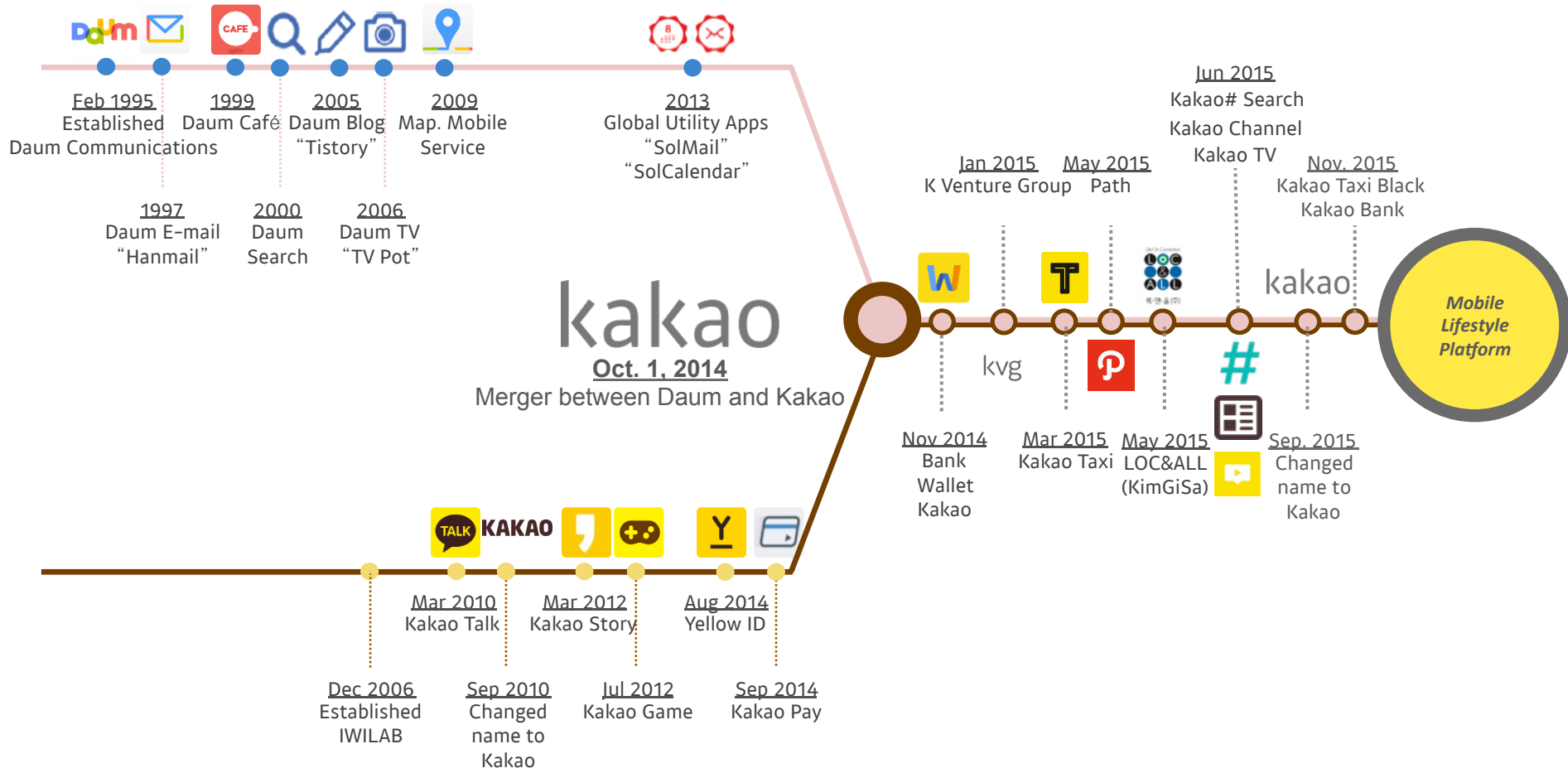
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Milestone

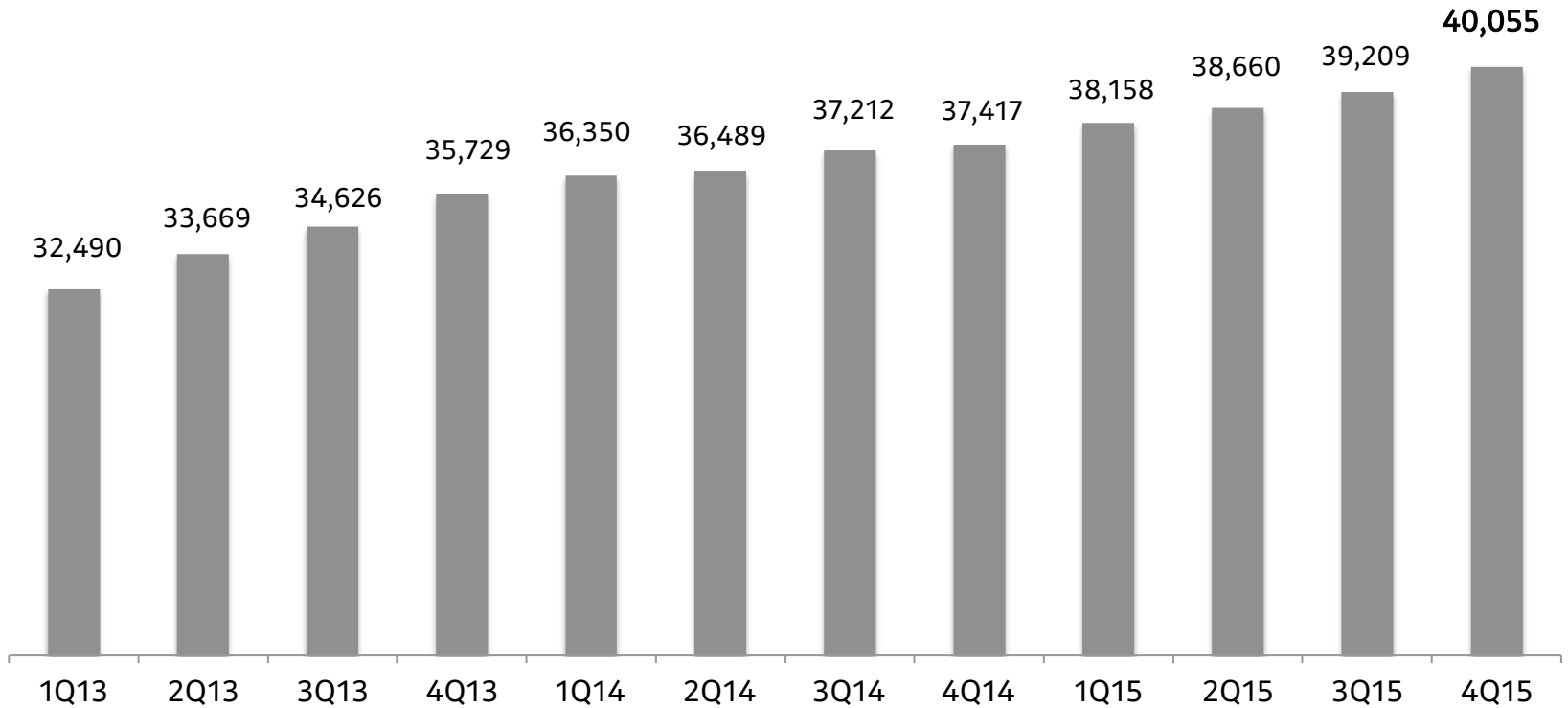


Service Portfolio



Kakao Talk Monthly Active Users (MAUs)

- Continue to grow our domestic active users: qoq +846K
- Total countries serviced: 230+ (based on country codes), in 15 languages



(000)

Korea	32,490	33,669	34,626	35,729	36,350	36,489	37,212	37,417	38,158	38,660	39,209	40,055
Global	40,096	46,132	48,916	50,619	50,386	48,769	48,411	48,254	48,207	48,073	48,464	48,321

Average of monthly MAUs. Global includes domestic MAUs.

Summary Results

- 4Q Mobile revenue was 137.2bn Won, accounted for 57% of total revenue, up 7% yoy and up 1% qoq
- FY2015 mobile revenue was 521.2bn Won, accounted for 55% of total revenue, up 12% yoy

(in million KRW)

	4Q15	3Q15	QoQ	4Q14	YoY	FY2015	FY2014	YoY
Total Revenue	241,706	229,580	12,126	254,046	-12,339	932,161	898,386	33,775
Advertising	148,403	142,949	5,455	165,363	-16,959	583,841	583,409	432
Game	57,019	51,383	5,636	68,289	-11,270	232,378	257,601	-25,223
Commerce	22,698	15,339	7,359	14,284	8,414	67,241	36,664	30,577
Others	13,586	¹⁾ 19,909	-6,323	6,110	7,476	48,701	20,712	27,989
Operating Expense	221,318	213,396	7,922	188,632	32,686	843,803	689,491	154,312
Operating Income	20,388	16,184	4,205	65,414	-45,025	88,358	208,895	-120,537
<i>% of Revenue</i>	8%	7%	1%p	26%	-18%p	9%	23%	-14%p
EBIT	23,920	21,782	2,138	62,551	-38,631	111,909	178,320	-66,411
Net Income	²⁾ 10,225	14,767	-4,542	51,743	-41,518	³⁾ 77,207	141,465	-64,258
EBITDA	40,694	35,657	5,037	81,702	-41,008	163,773	263,039	-99,266

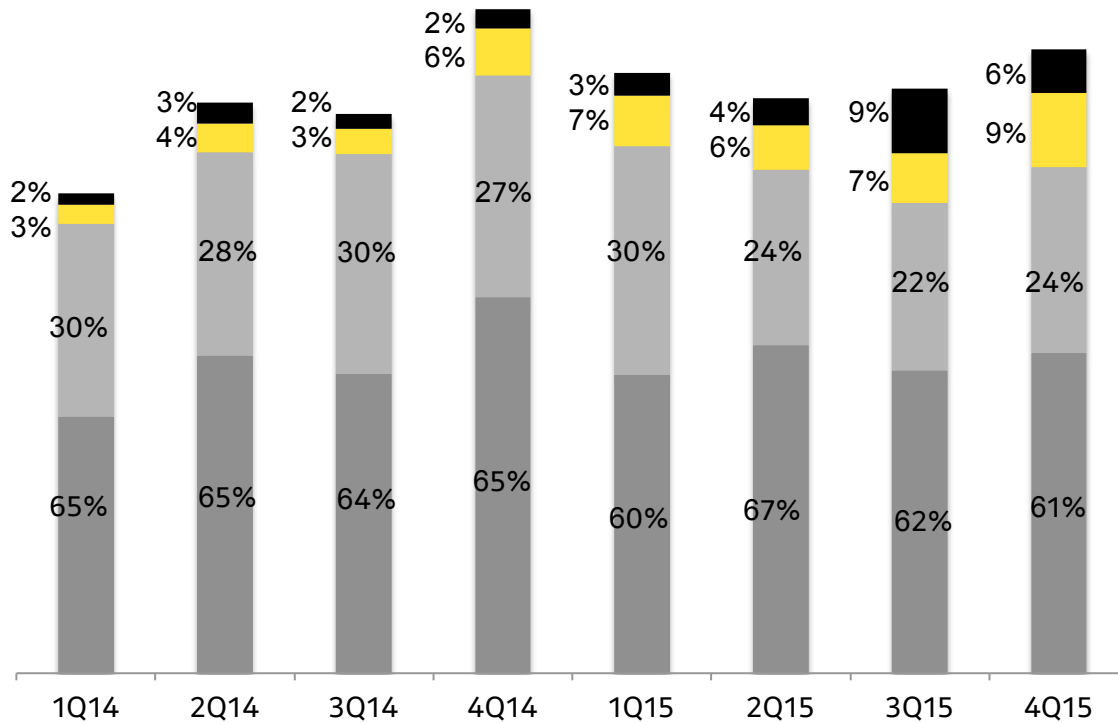
1) Non-recurring revenue of 10.3bn Won from the change in revenue recognition methods of Kakao Page and Kakao Music reflected in 3Q

2) Include the 4.7bn Won gift tax applied to the transfer by gift of 28.6% stakes of the 'PodoTree' and additional 1.5bn income tax due to 2014 Amendments to the Tax Act which included the taxation of corporate reserves.

3) Effective Income Tax Rate for FY2015 is 31%

Revenue

■ Advertising ■ Game ■ Commerce ■ Others



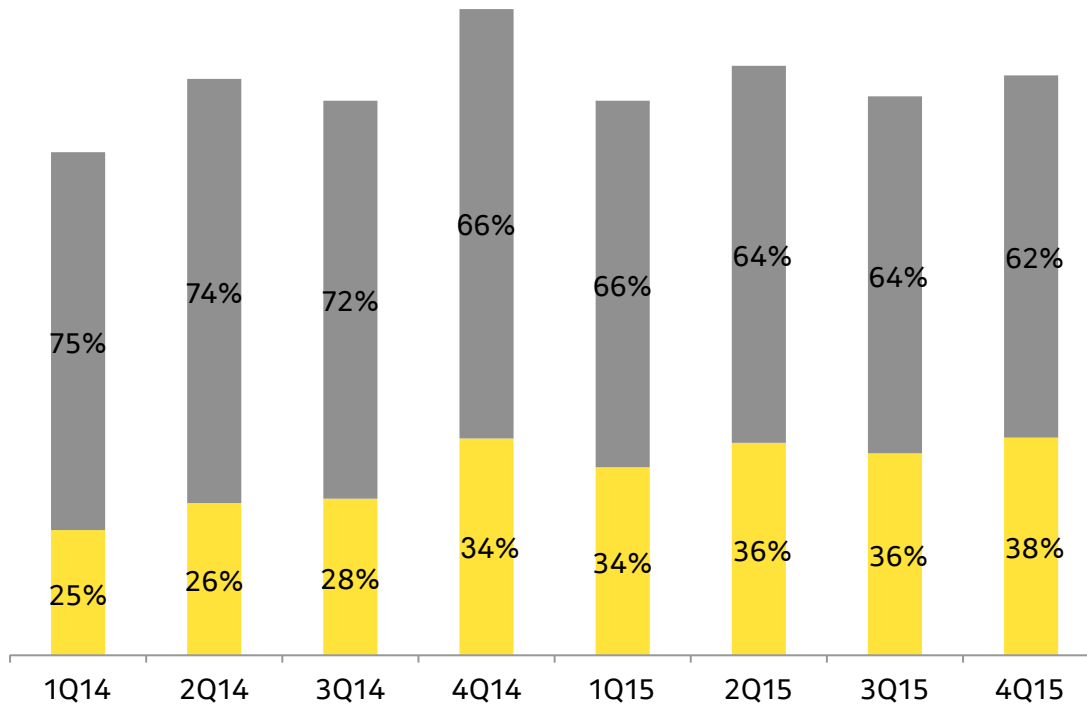
(in million KRW)

Total	197,365	225,172	221,803	254,046	234,392	226,482	229,580	241,706
Online	106,622	118,825	111,247	119,143	105,550	109,272	100,643	104,482
Mobile	90,743	106,347	110,556	134,903	128,842	117,210	128,937	137,224

Advertising	Daum online•mobile ad. Plus Friend(Kakao Talk) Yellow ID(Kakao Talk) Brand Emoticon(Kakao Talk) Kakao Story ad. Kakao Talk PC version ad.
Game	Kakao Game(Kakao Talk) Daum Game Kakao Game Shop
Commerce	Gift Shop(Kakao Talk) Kakao Style Kakao Friends Brand
Others	B2C Emoticon(Kakao Talk) Kakao Music Kakao Page Kakao Pay(Kakao Talk) & Miscellaneous

Revenue: Advertising platforms

■ Mobile ■ Online



Total Ad Down 10% yoy Up 4% qoq
Online Down 16% yoy Up 1% qoq
Mobile Up 0.4% yoy Up 8% qoq

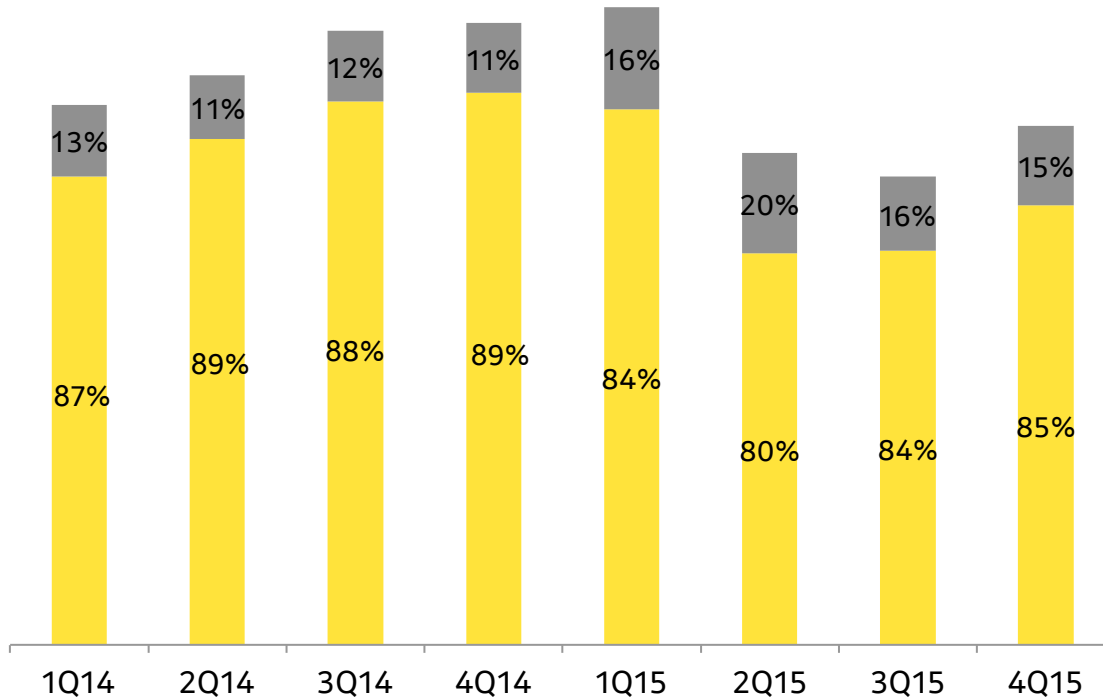
- Increase in mobile advertising revenue and the seasonal effect resulted in sequential growth despite the decrease in PC traffic
- [NEW] 'ChoongJunSo', an ad platform embedded within Kakao Talk, that has been visited by more than 12 million Kakao Talk users since the opening on December 22, 2015

(in million KRW)

Total	128,688	147,443	141,915	165,363	141,753	150,736	142,949	148,403
Online	96,728	108,424	101,928	109,822	93,961	96,382	91,359	92,637
Mobile	31,960	39,019	39,987	55,541	48,092	54,354	51,589	55,766

Revenue: Game platforms

■ Mobile ■ Online



(in million KRW)

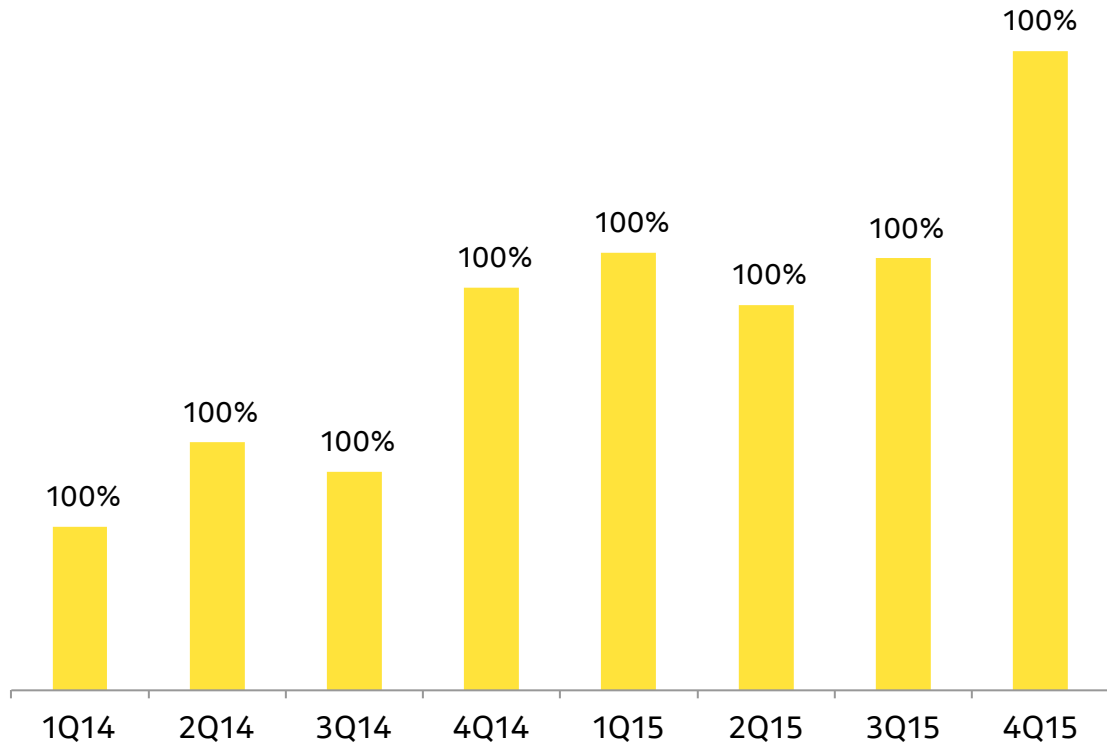
Total	59,273	62,574	67,464	68,289	69,991	53,984	51,383	57,019
Online	7,813	7,003	7,845	7,710	11,225	10,996	8,114	8,784
Mobile	51,460	55,571	59,619	60,579	58,766	42,989	43,269	48,235

Total Game Down 17% yoy Up 11% qoq
Mobile Down 20% yoy Up 11% qoq
Online Up 14% yoy Up 8% qoq

- Improved performance of the existing 'for Kakao' games, and strong performance of new games including '100 Shots 100 Hits', 'The King of Fighters' and our own brand IP utilized game 'Friends Pop' contributed to the sequential growth
- Increased competition and the disposal of shares in Onnet resulted in yoy decrease in game revenue
- [NEW] 'Mobile Game Board Zone', a new game zone within Kakao Game

Revenue: Commerce platforms

■ Mobile



(in million KRW)

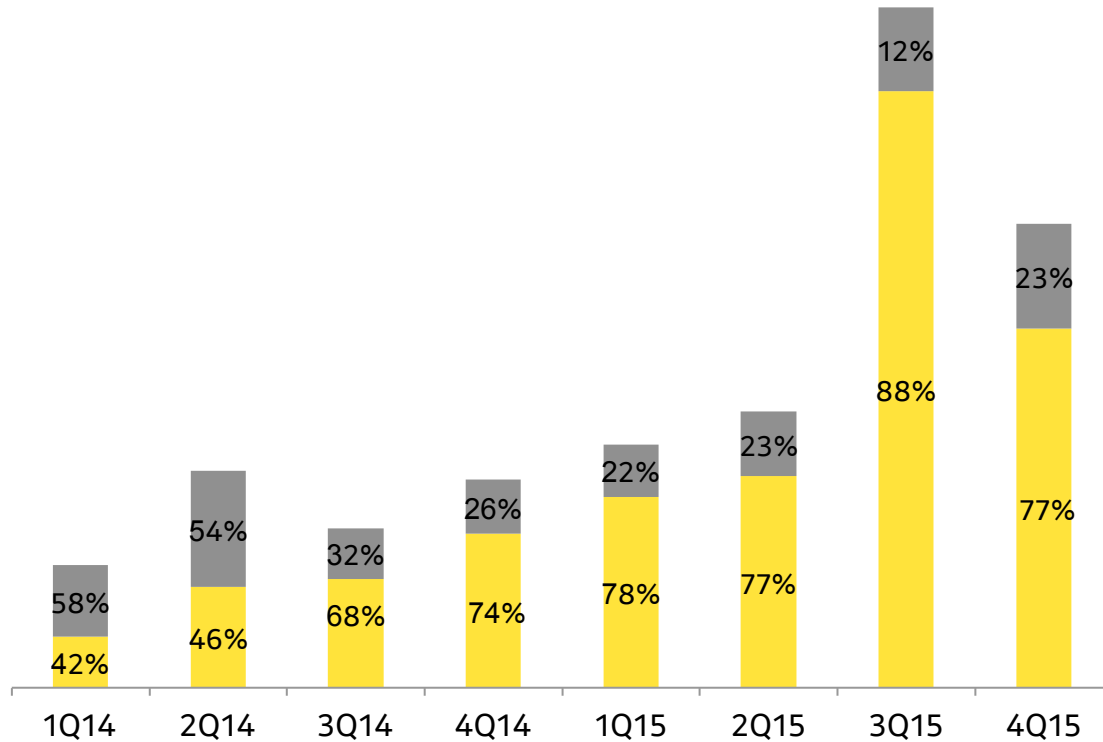
Mobile	5,818	8,806	7,756	14,284	15,526	13,678	15,339	22,698
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Commerce Up 59% yoy Up 48% qoq

- In addition to the seasonal effect, upward trend continues throughout the platforms due to the increased product lineup, diversifying commerce channels and ongoing effort to enhance the UX/UI (User Experience and User Interface)

Revenue: Other platforms

■ Mobile ■ Online



Total Others Up 122% yoy Down 32% qoq
Mobile Up 134% yoy Down 40% qoq

- Sequential decrease was due to the non-recurring revenue recognized in 3Q, for the revenue recognition method changes in Kakao Page and Kakao Music
- Continued organic growth in mobile content business including emoticon sales to Kakao Talk users, Kakao Music and Kakao Page
- [NEW] 'AlrimTalk', a notification messaging service that is already being used by 70 companies and 1,500 local stores.

(in million KRW)

Total	3,586	6,349	4,668	6,110	7,122	8,084	19,909	13,586
Online	2,081	3,397	1,475	1,611	1,540	1,895	2,435	3,060
Mobile	1,505	2,952	3,193	4,499	5,582	6,189	17,474	10,526

Expense

- Total operating expenses for 4Q2015 was 221.3bn Won, up 17% yoy and up 4% qoq
- Total operating expenses for FY2015 was 843.8bn Won, up 22% yoy

(in million KRW)

	4Q15	3Q15	QoQ	4Q14	YoY	FY2015	FY2014	YoY
OP Expenses	221,318	213,396	7,922	188,632	32,686	843,803	689,491	154,312
Labor costs	55,694	56,455	-761	47,242	8,452	218,542	195,154	23,388
Fringe benefits	10,964	12,813	-1,849	8,782	2,182	51,083	35,275	15,808
Depreciation	12,960	12,375	585	10,596	2,364	49,122	38,653	10,469
Rental fees	4,531	4,666	-135	4,287	244	18,594	15,237	3,357
Commissions	64,957	62,876	¹⁾ 2,081	55,865	9,092	236,859	189,837	47,022
Advertising	13,074	6,843	²⁾ 6,231	9,116	3,958	56,800	40,122	16,678
Bad Debt Exp.	1,123	8	1,115	1,583	-460	1,504	470	1,034
Amortization	7,345	7,099	246	5,692	1,653	26,292	15,491	10,801
Content fees	12,698	15,626	³⁾ -2,928	7,111	5,587	48,174	29,879	18,295
Ad agency fees	27,553	27,068	485	30,154	-2,601	105,615	103,394	2,221
Event fees	560	148	412	1,833	-1,273	1,190	2,830	-1,640
Others	9,859	7,420	2,439	6,371	3,488	30,028	23,148	6,880

1) Increase in professional fee and outsourcing fee

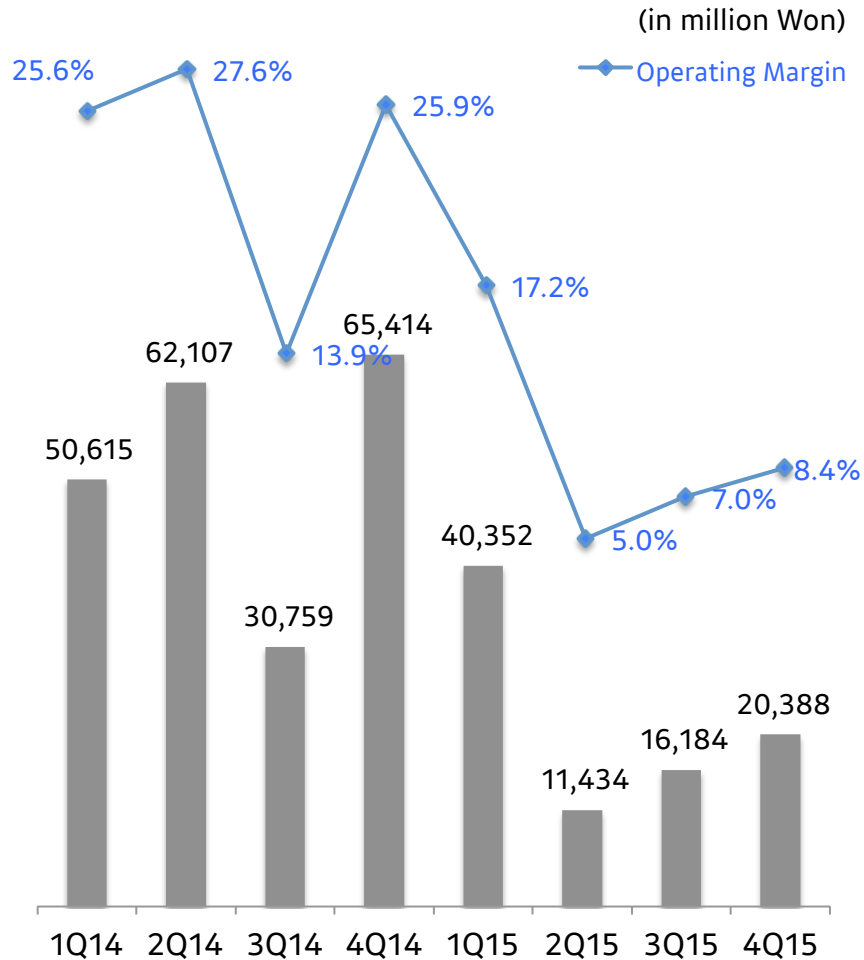
2) Seasonal events for Kakao Talk Gift Shop, and promotional marketing for Kakao Taxi Black and Kakao Pay

3) Decreased mainly due to the non-recurring cost related to the Kakao Music recognized in 3Q

Profits

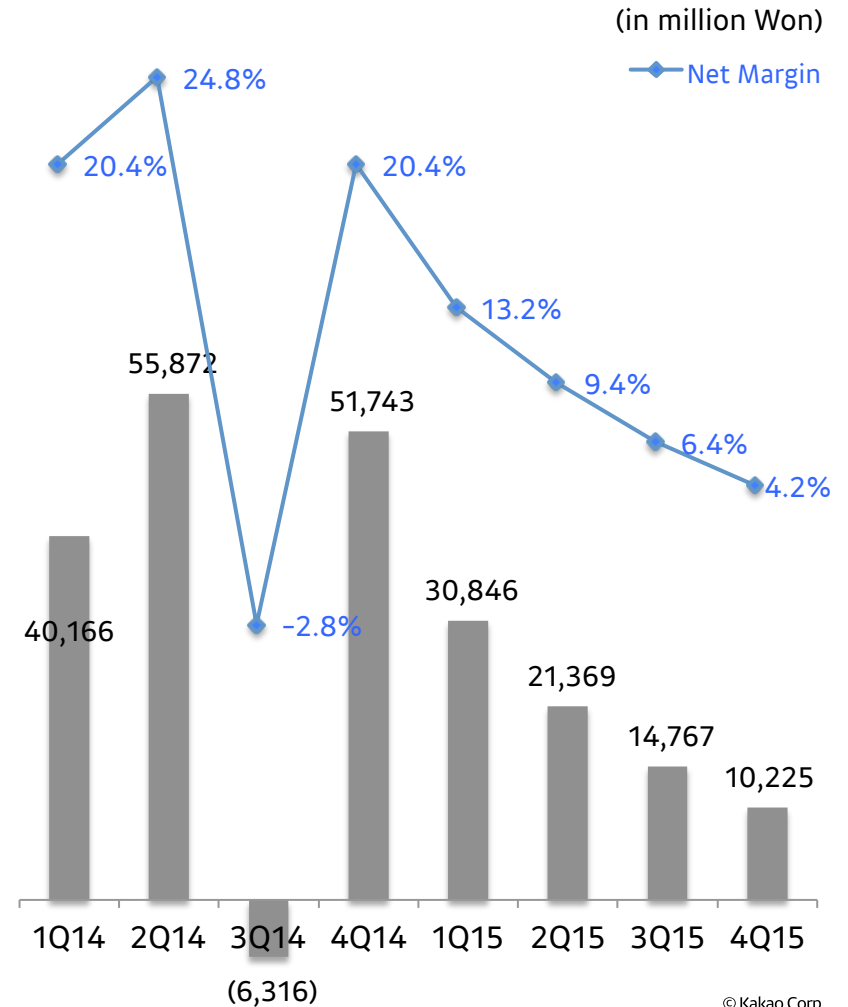
Operating Profits

4Q2015 20.4bn Won, Down 69% yoy Up 26% qoq
 FY2015 88.4bn Won, Down 58% yoy



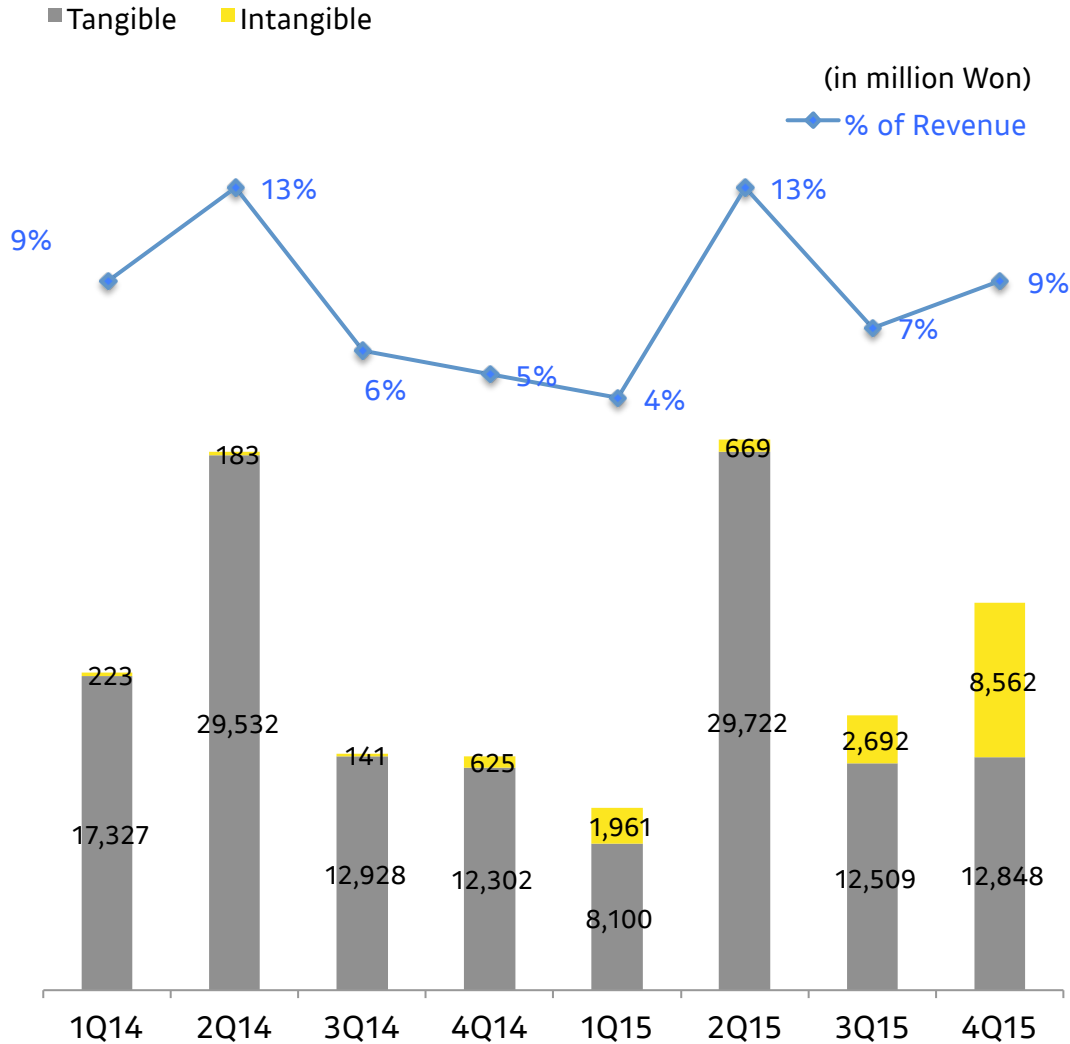
Net Profits

4Q2015 10.2bn Won, Down 80% yoy Down 31% qoq
 FY2015 77.2bn Won, Down 45% yoy

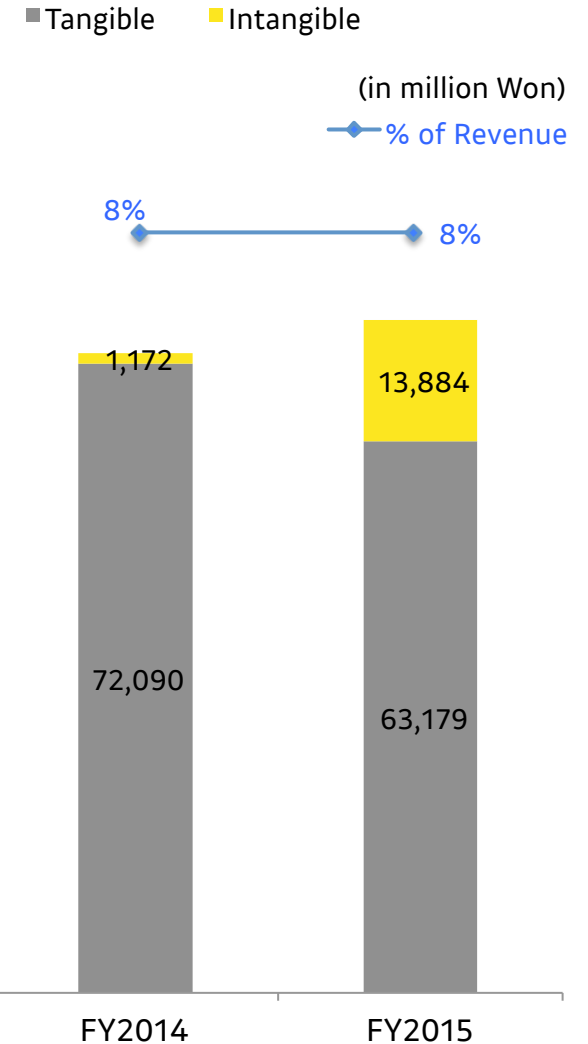


CapEx

Quarterly



Annual



Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	4Q14	1Q15	2Q15	3Q15	4Q15
Sales Revenues	254,046	234,392	226,482	229,580	241,706
Advertising Platform	165,363	141,753	150,736	142,949	148,403
Game Platform	68,289	69,991	53,984	51,383	57,019
Commerce Platform	14,284	15,526	13,678	15,339	22,698
Others	6,110	7,122	8,084	19,909	13,586
Operating Expenses	188,632	194,040	215,049	213,396	221,318
Labor Costs	47,242	51,803	54,590	56,455	55,694
Fringe Benefits	8,782	9,970	17,337	12,813	10,964
Depreciation	10,596	11,455	12,333	12,375	12,960
Rental Fees	4,287	5,034	4,363	4,666	4,531
Commissions	55,865	52,645	56,381	62,876	64,957
Advertising	9,116	17,221	19,662	6,843	13,074
Bad Debt Expenses	1,583	-21	394	8	1,123
Amortization	5,692	5,937	5,911	7,099	7,345
Content Fees	7,111	8,452	11,398	15,626	12,698
Ad Agency Fees	30,154	24,418	26,576	27,068	27,553
Event Fees	1,833	171	312	148	560
Others	6,371	6,955	5,794	7,420	9,859
Operating Profit	65,414	40,352	11,434	16,184	20,388
<i>Operating Profit Margin</i>	<i>25.7%</i>	<i>17.2%</i>	<i>5.0%</i>	<i>7.0%</i>	<i>8.4%</i>
Other Revenues	485	1,339	9,822	6,706	10,020
Other Expenses	6,345	2,715	12,925	4,611	5,711
Financial Income	3,574	3,252	18,240	3,543	4,936
Financial Expenses	69	330	951	325	2,427
Equity-method Income	-508	-553	-756	284	-3,286
Gains on Equity Method Invest.	181	35	591	2,972	-147
Losses on Equity Method Invest.	689	588	1,346	2,688	3,139
Profit before Income Tax Expenses	62,551	41,344	24,863	21,782	23,920
Income Tax Expenses	10,809	10,498	3,494	7,015	13,695
Net Profit from Continued Operations	51,743	30,846	21,369	14,767	10,225
Net Profit	51,743	30,846	21,369	14,767	10,225
Net Profit of Controlling Interests	51,914	31,097	20,556	13,004	9,534
Net Profit of Non-controlling Int.	-171	-250	814	1,762	691

Consolidated Statements of Financial Position

(in million KRW)	2014.12.31	2015.12.31
Current Assets	798,291	975,035
Cash and Cash Equivalents	451,228	397,179
Short-term Financial Instruments	184,548	373,389
Accounts Receivable	108,431	88,829
Other Current Financial Assets	25,843	59,671
Other Current Assets	24,709	45,373
Others	3,532	10,594
Non-Current Assets	1,969,734	2,215,188
Long-term Available for Sales	25,258	30,892
Equity Method Investments	18,712	68,543
Tangible Assets	196,894	219,052
Intangible Assets	1,688,974	1,856,691
Other Non-current Financial Assets	33,702	33,177
Other Non-current Assets	6,194	6,832
Total Assets	2,768,025	3,190,223
Liabilities	227,487	298,160
Trade Payables and Non-trade Payables	109,126	89,297
Accrued Expenses	5,443	6,949
Advances from Customers	34,488	109,397
Income Taxes Payable	20,680	29,236
Other Current Liabilities	57,751	63,280
Non-Current Liabilities	77,309	304,183
Bonds	-	199,383
Defined Benefit Liabilities	3,362	8,344
Deferred Income Tax Liabilities	50,083	47,951
Other Non-Current Liabilities	23,864	48,505
Total Liabilities	304,797	602,343
Paid-in Capital	29,121	30,098
Capital Surplus	2,258,974	2,279,510
Capital Adjustments	-26,268	-9,032
Accum. Other Compreh. Inc.	2,114	753
Retained Earnings	190,678	254,838
Non-controlling Interests	8,609	31,714
Total Equity	2,463,228	2,587,880
Total Liabilities & Equity	2,768,025	3,190,223

Employees / Subsidiaries

(in person)

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Kakao	2,162	2,272	2,250	2,262	2,255	2,271	2,299	2,375
L Daum	1,589	1,593	1,525					
L Kakao	573	679	725					
Kakao Subsidiaries	1,059	1,089	1,217	1,269	1,348	1,413	1,447	1,725
Consolidated total	3,221	3,361	3,467	3,531	3,603	3,684	3,746	4,100

- Above number of employees include full-time and part-time employees
- Subsidiaries: Daum Global Holdings Corp, Kakao Singapore PTE. Ltd., DK CHINA Co., Ltd., DK CHINA YanJiao Co., Ltd., ImageOn Corp, Daum Game Co., Ltd., Dialod Corp., TNK Factory Co., Ltd., Buzzpia Co., Ltd. Thinkreals Corp., Lotiple Inc., Kakao Lab Corp., Sunnyloft Corp., Beijing Kakao Co., Ltd., Ultra Caption Corp., Ltd., Kakao JAPAN Corp., Kids Note Inc., K-cube Venture Fund, Kakao Venture Fund, K-cube Ventures, K Venture Group, Sellit Inc., LOCNALL Inc., KakaoFriends Inc., Daum Games Europe B.V., Ultra Interactive, Inc., Tangram Design Lab., Tangram Factory, Tangram Factory America, Inc., DK Business, DK Service, DK Techin, Path Mobile Inc., Valuepotion, Nzin, Cadac, Valuepotion Pte. LTD, Zinny Labs Corp., Aina, Supernova Eleven, Co., Ltd., Black Star Games, Co., Ltd., Red Star Games, Co., Ltd., Mmagnet Corporation, NGLE Corporation, BULLHOCsoft Corp., Podotree, Inc., About Time Corp. (Total **47** subsidiaries as of December 31, 2015)