

1st Quarter 2016 Results

May 12, 2016 | Investor Relations

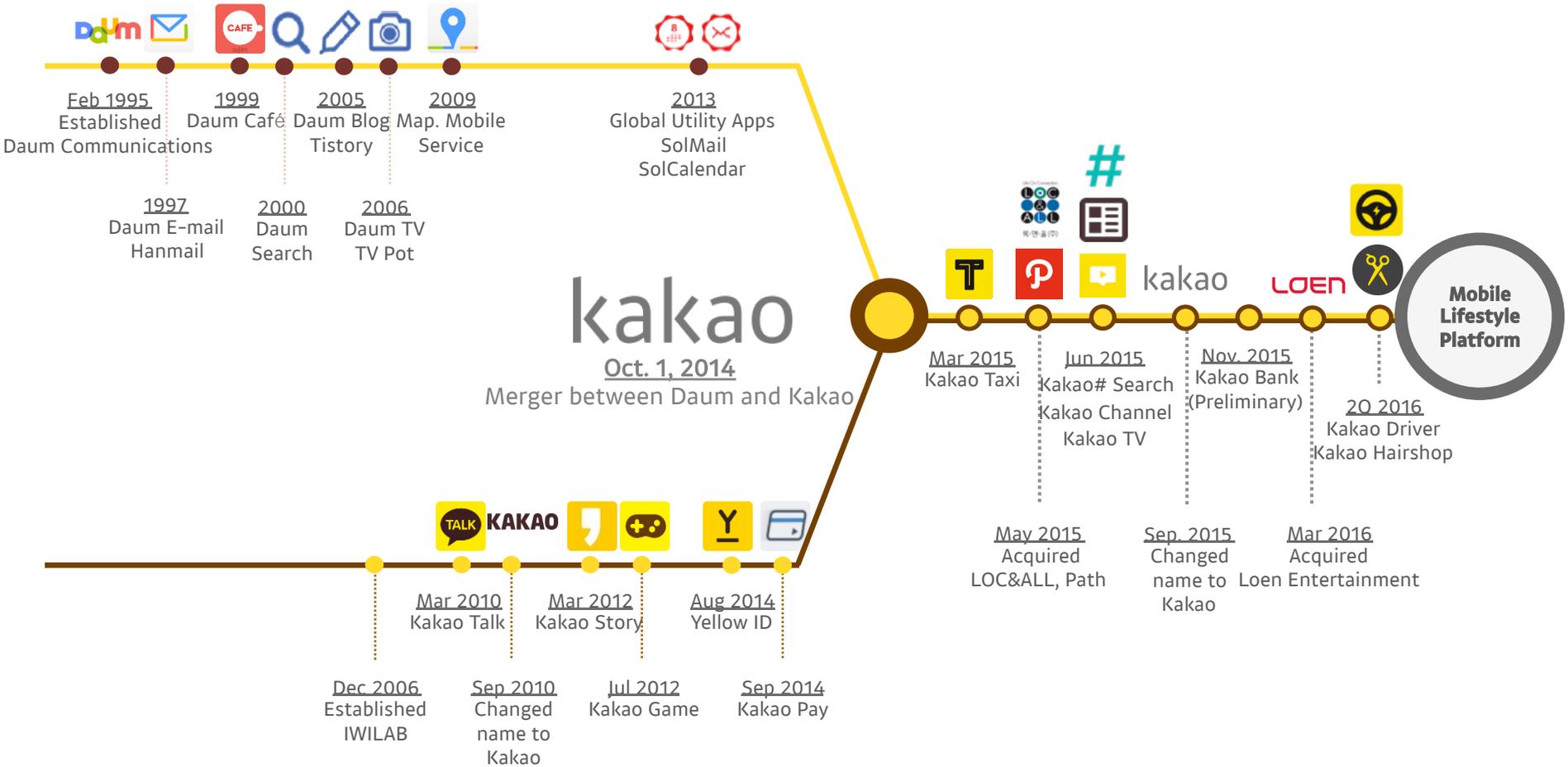
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Also, this document contains the unaudited pro-forma combined financial information of the Daum Communications and the Kakao Corp., for the pre-merger periods, solely for the convenience of the investors. Please note that such financial information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

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Milestone

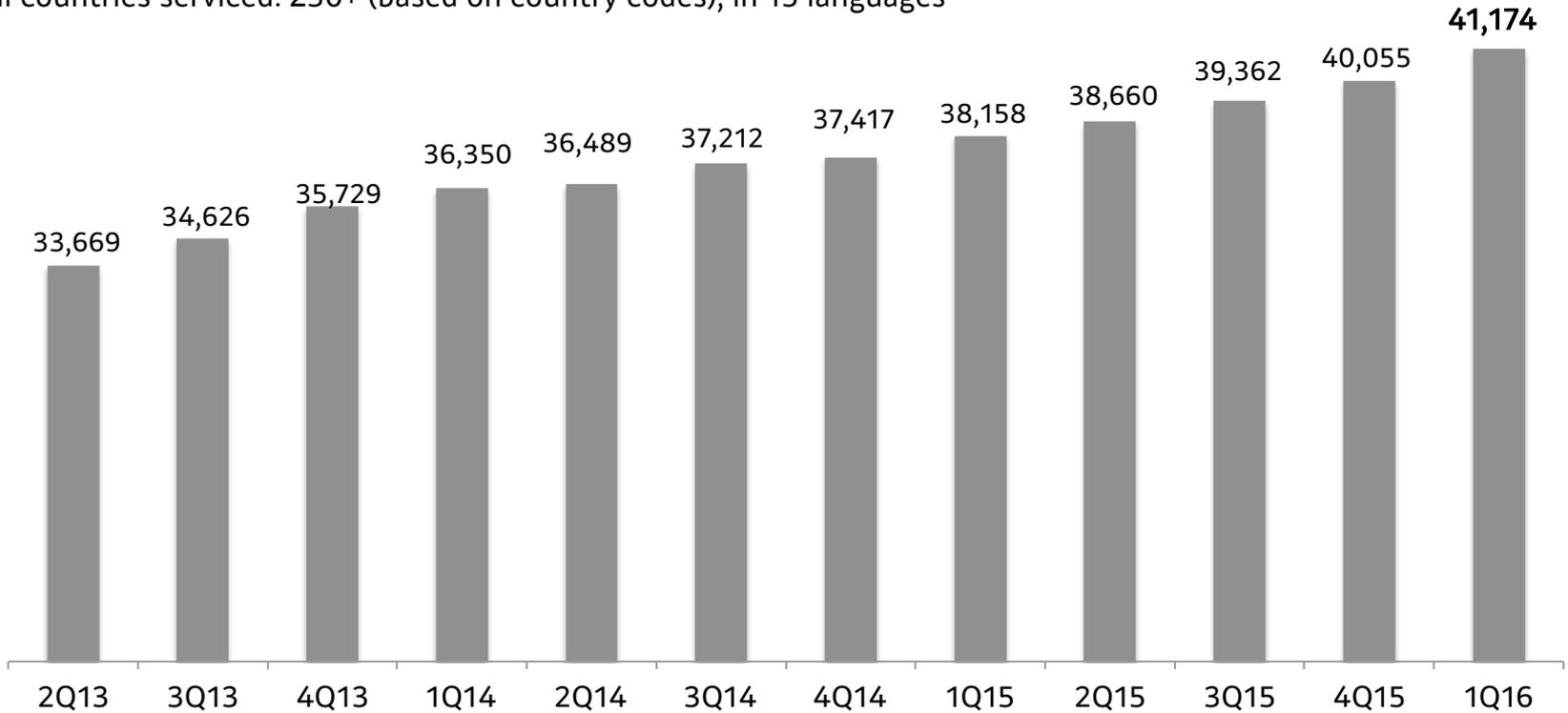


Service Portfolio



Kakao Talk Monthly Active Users (MAUs)

- Continue to grow our domestic active users: qoq +1,119K
- Total countries serviced: 230+ (based on country codes), in 15 languages



(000)

Korea	33,669	34,626	35,729	36,350	36,489	37,212	37,417	38,158	38,660	39,209	40,055	41,174
Global	46,132	48,916	50,619	50,386	48,769	48,411	48,254	48,207	48,073	48,464	48,321	49,318

Average of monthly MAUs. Global includes domestic MAUs.

Summary Results

- 1Q2016 total revenue was 242.5bn Won, up 3.5% yoy
- 1Q2016 Mobile revenue was 152.1bn Won, accounted for 63% of total revenue, up 17% yoy and up 8% qoq

(in million KRW)

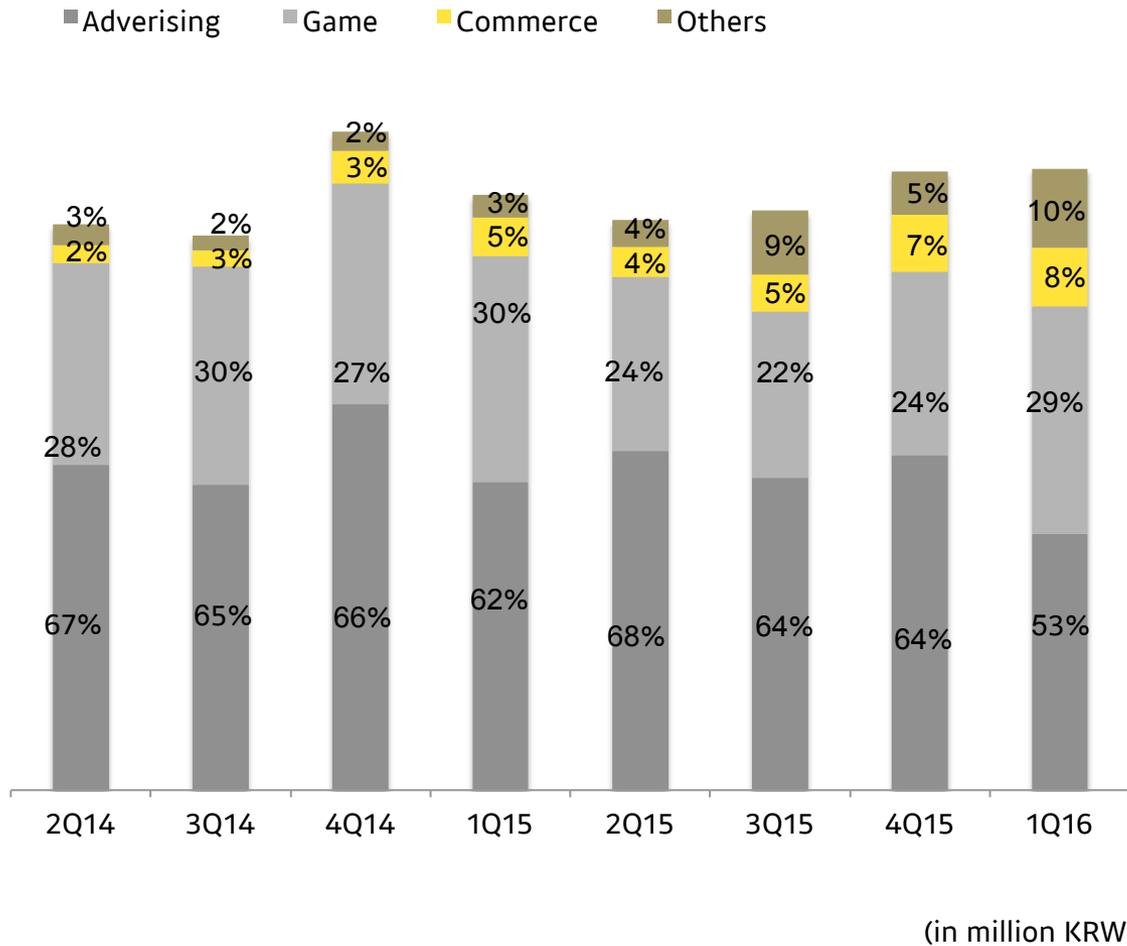
	1Q16	4Q15	QoQ Δ	QoQ %	1Q15	YoY Δ	YoY %
Total Revenue	242,483	241,698	786	0.3%	234,392	8,092	3.5%
Advertising ¹⁾	129,385	153,560	-24,175	-15.7%	145,459	-16,074	-11.1%
Game	70,315	57,019	13,296	23.3%	69,991	324	0.5%
Commerce	18,296	17,542	755	4.3%	11,819	6,477	54.8%
Others ²⁾	24,487	13,577	10,910	80.4%	7,122	17,365	243.8%
Operating Expense	221,394	221,079	315	0.1%	194,040	27,354	14.1%
Operating Income	21,090	20,619	471	2.3%	40,352	-19,262	-47.7%
<i>% of Revenue</i>	9%	9%	-	-	17%	-8%p	-
EBIT	16,656	21,554	-4,898	-22.7%	41,344	-24,688	-59.7%
Net Income	10,941	11,782	-841	-7.1%	30,846	-19,905	-64.5%
EBITDA	42,578	40,902	1,676	4.1%	57,744	-15,166	-26.3%

1) Revenues from Kakao Style has been retroactively reclassified to Advertising from Commerce

2) Include revenue from newly acquired Podotree.

❖ Kakao closed on the acquisition of a 76.4 percent interest in Loen Entertainment on March 16, 2016. The financial results of the subsidiary will be reflected in the Kakao's consolidated income statement from 2Q2016

Revenue

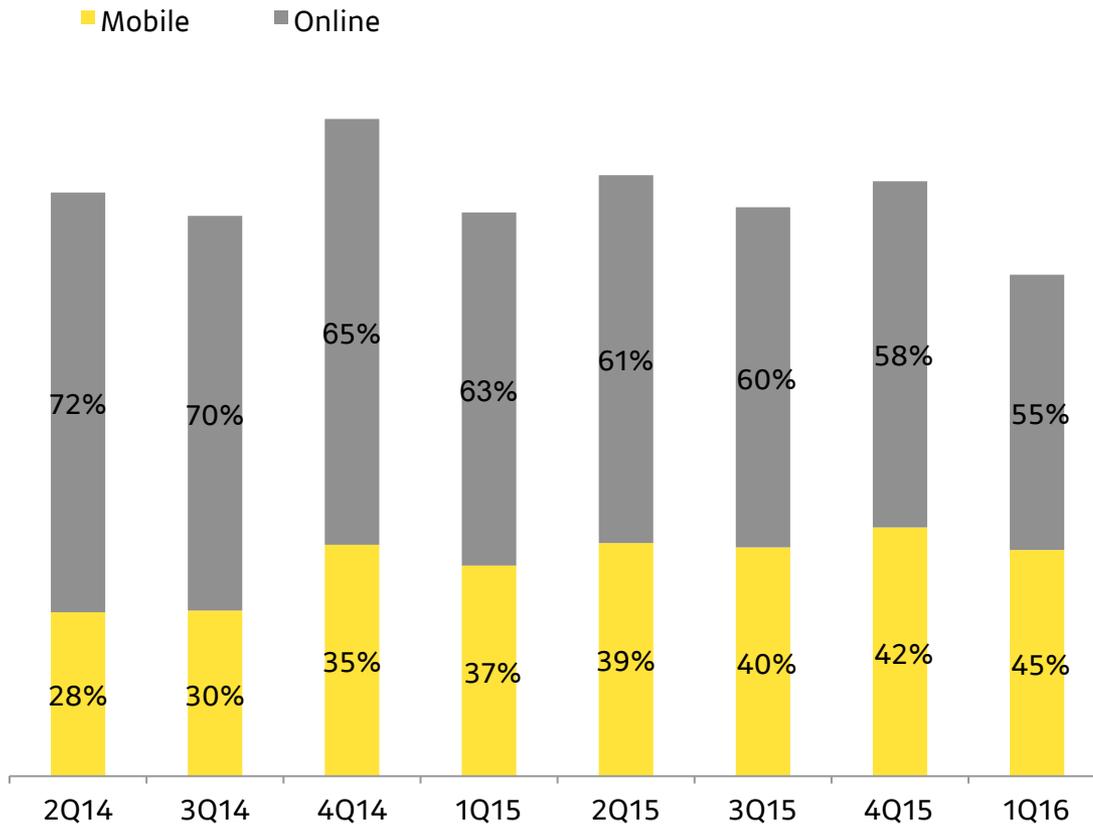


Advertising	Daum online•mobile Plus Friend/Yellow ID Brand Emoticon Kakao Story Kakao Style ¹⁾ Video Kakao Talk PC version
Game	Kakao Game Kakao Game Shop Daum Game
Commerce	Kakao Talk Gift Shop Kakao Friends
Others ²⁾	B2C Emoticon Kakao Music Kakao Page Podotree ³⁾ Kakao Pay & Miscellaneous

- 1) Retroactively reclassified from Commerce
- 2) Revenue from contents platforms including Loen Entertainments' will be separated from 2Q16
- 3) Newly acquired

Total	225,172	221,803	254,046	234,392	226,482	229,580	241,698	242,483
Online	116,979	111,247	119,143	104,114	107,527	98,307	101,233	90,425
Mobile	108,193	110,556	134,903	130,278	118,955	131,273	140,465	152,058

Revenue: Advertising platforms



Total Ad Down 11% yoy Down 16% qoq
Online Down 22% yoy Down 21% qoq
Mobile Up 8% yoy Down 9% qoq

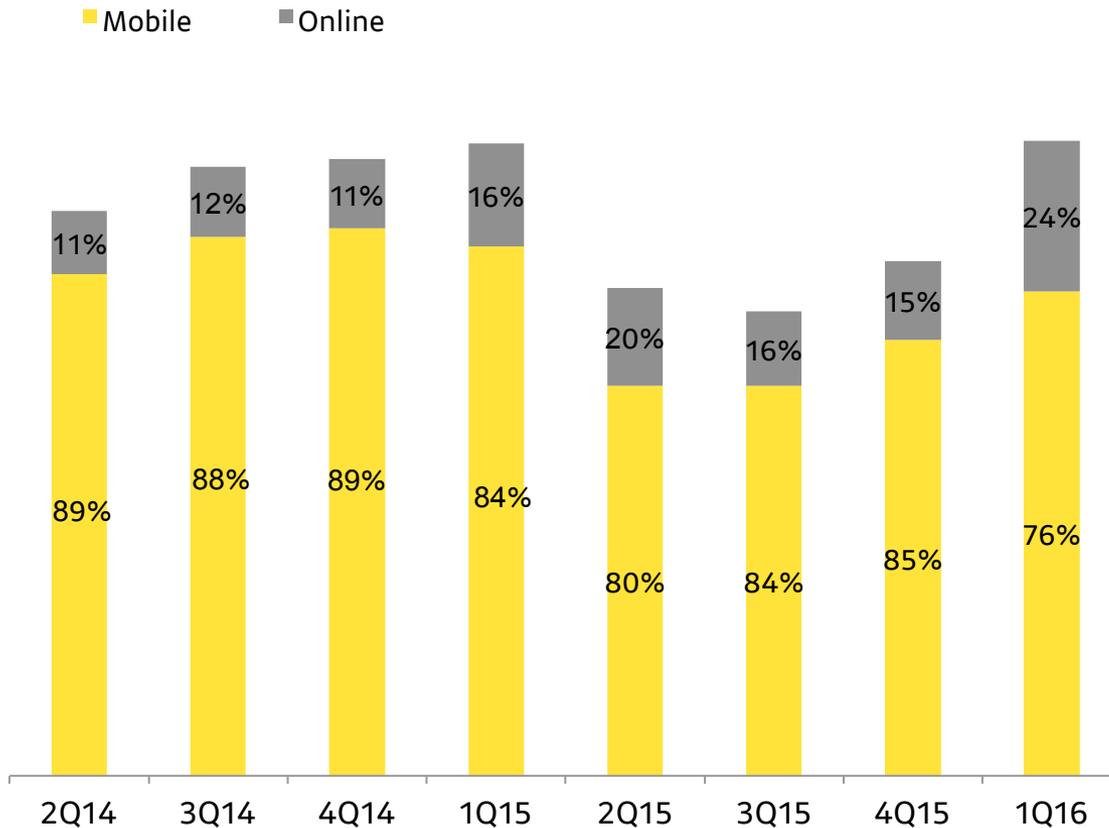
- Off season factor and the termination of deals with ad network partners, as part of the continued network ad traffic optimization and efforts to revamp the overall ads platform, resulted in reduced ad revenue

[Change] Revenues from Kakao Style and Video have been retroactively reclassified to Advertising, from Commerce and Others respectively

(in million KRW)

Total	150,643	144,628	169,482	145,459	154,966	146,677	153,560	129,385
Online	108,424	101,928	109,822	91,222	94,788	87,724	89,396	70,931
Mobile	42,219	42,700	59,660	54,237	60,178	58,953	64,164	58,454

Revenue: Game platforms



Total Game Up 0.5% yoy Up 23% qoq
Mobile Down 9% yoy Up 11% qoq
Online Up 47% yoy Up 90% qoq

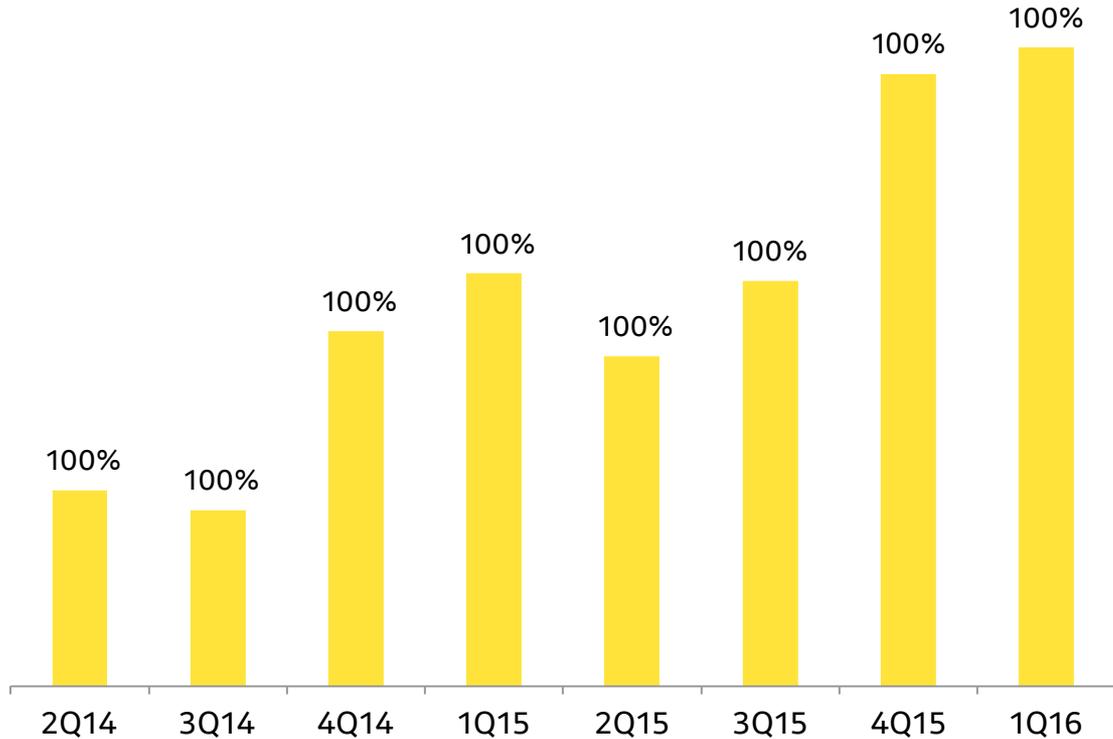
- Strong performance of top ranking 'for Kakao' games resulted in the sequential growth in mobile game
- Surging popularity of the Black Desert, a MMORPG published by Daum Game, in North America and Europe contributed to the record high online game revenue

(in million KRW)

Total	62,574	67,464	68,289	69,991	53,984	51,383	57,019	70,315
Online	7,003	7,845	7,710	11,351	10,845	8,156	8,785	16,694
Mobile	55,571	59,619	60,579	58,640	43,139	43,227	48,234	53,621

Revenue: Commerce platforms

■ Mobile



(in million KRW)

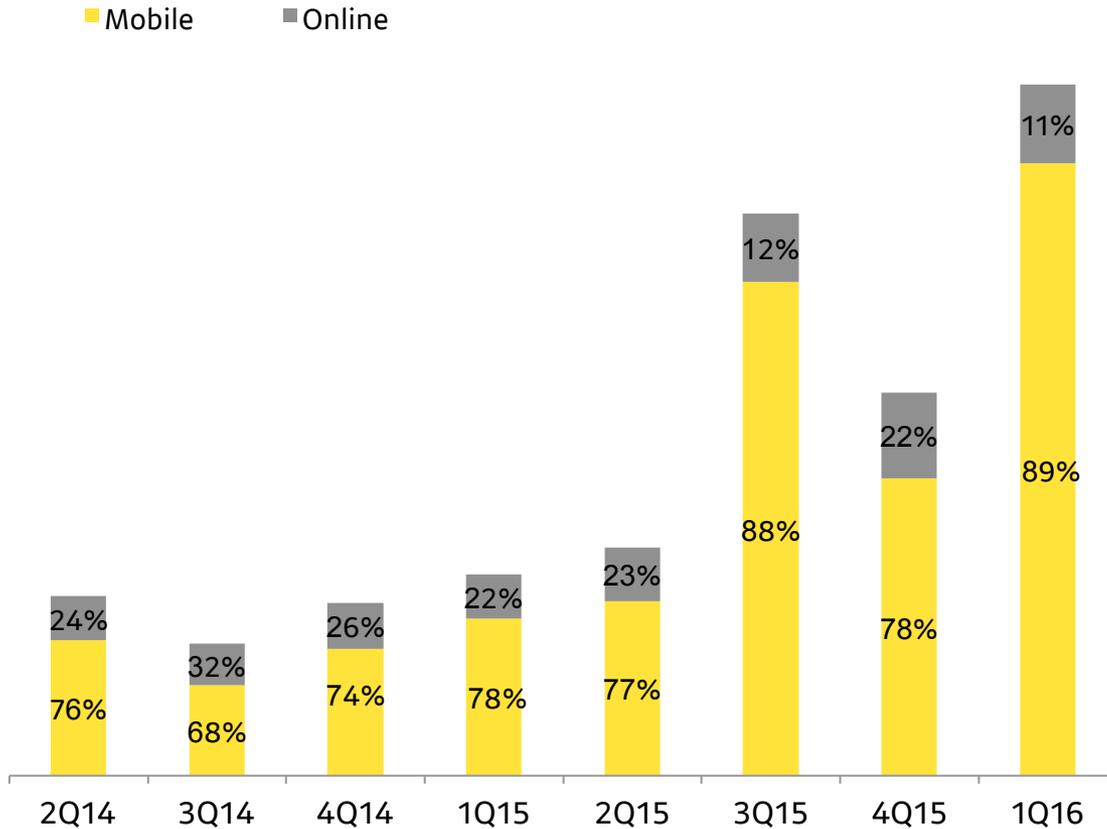
Mobile	5,606	5,044	10,166	11,819	9,448	11,611	17,542	18,296
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Commerce Up 55% yoy Up 4% qoq

- Increased number of active buyers, purchase frequency, and gross merchandise sales throughout the platforms due to the increased product lineup, diversifying payment options and ongoing effort to enhance the UX/UI (User Experience and User Interface)
- Kakao Friends continues its upward trajectory with a new addition to the character lineup and diversifying business model

[Change] Kakao Style has been retroactively reclassified from Commerce to Advertising

Revenue: Other platforms



Total Others Up 244% yoy Up 80% qoq
Mobile Up 289% yoy Up 106% qoq

- Continued growth in mobile content business including emoticon sales to Kakao Talk users, Kakao Music and Kakao Page

[New] Include mobile revenue from newly acquired Podotree

(in million KRW)

Total	6,349	4,668	6,110	7,122	8,084	19,909	13,577	24,487
Online	1,552	1,475	1,611	1,540	1,895	2,427	3,052	2,800
Mobile	4,797	3,193	4,499	5,582	6,189	17,482	10,525	21,687

Expense

(in million KRW)

	1Q16	4Q15	QoQ	QoQ %	1Q15	YoY	YoY %
OP Expenses	221,394	221,079	315	0.1 %	194,040	27,354	14.1%
Labor costs ¹⁾	63,665	55,588	8,077	14.5%	51,803	11,862	22.9%
Fringe benefits	10,448	10,934	-487	-4.5%	9,970	478	4.8%
Depreciation	13,005	12,937	69	0.5%	11,455	1,550	13.5%
Rental fees	5,340	4,491	848	18.9%	5,034	305	6.1%
Commissions ²⁾	63,439	64,775	-1,337	-2.1%	52,645	10,794	20.5%
Advertising	7,709	13,113	-5,404	-41.2%	17,221	-9,512	-55.2%
Bad Debt Exp.	817	1,123	-305	-27.2%	-21	838	-
Amortization	8,483	7,346	1,137	15.5%	5,937	2,546	42.9%
Content fees ³⁾	17,369	12,695	4,674	36.8%	8,452	8,917	105.5%
Ad agency fees	22,063	27,553	-5,490	-19.9%	24,418	-2,355	-9.6%
Event fees	116	560	-444	-79.3%	171	-55	-32.1%
Others	8,940	9,964	-1,024	-10.3%	6,955	1,985	28.5%

1) Annual salary increase, and increased number of newly acquired subsidiaries' employees

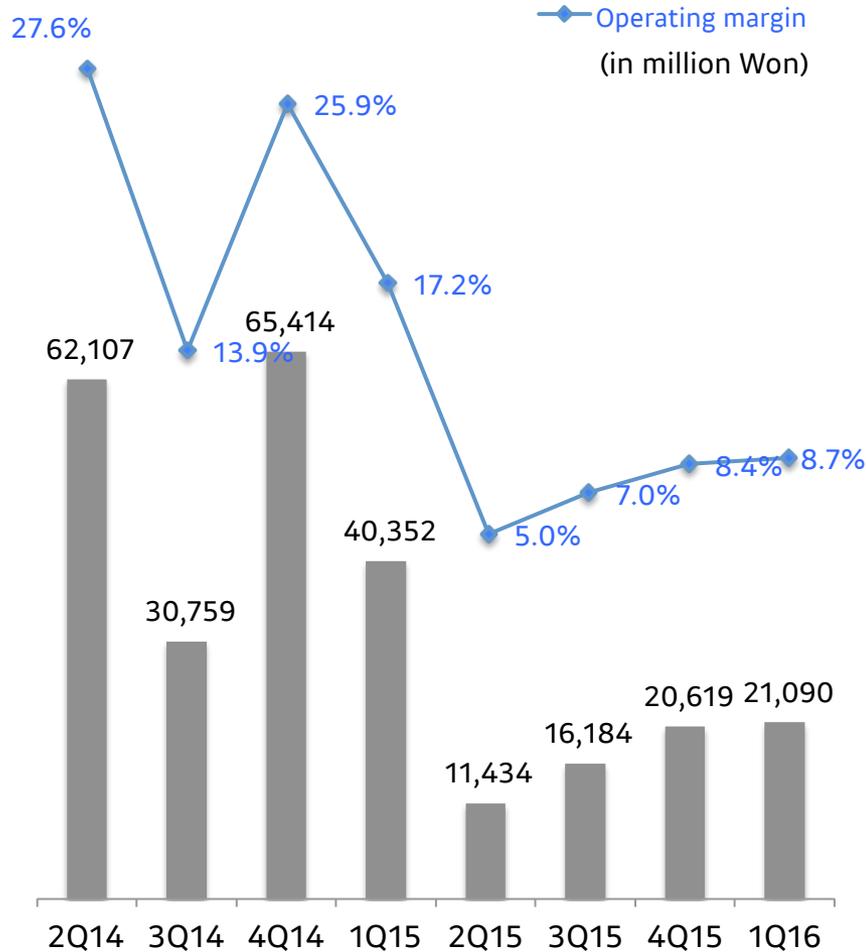
2) Increased revenue-share based fees paid to the Black Desert Online related partners, offset by decrease in the advertising revenue-linked fees

3) Increased mainly due to the inclusion of the newly acquired Podotree related fees

Profits

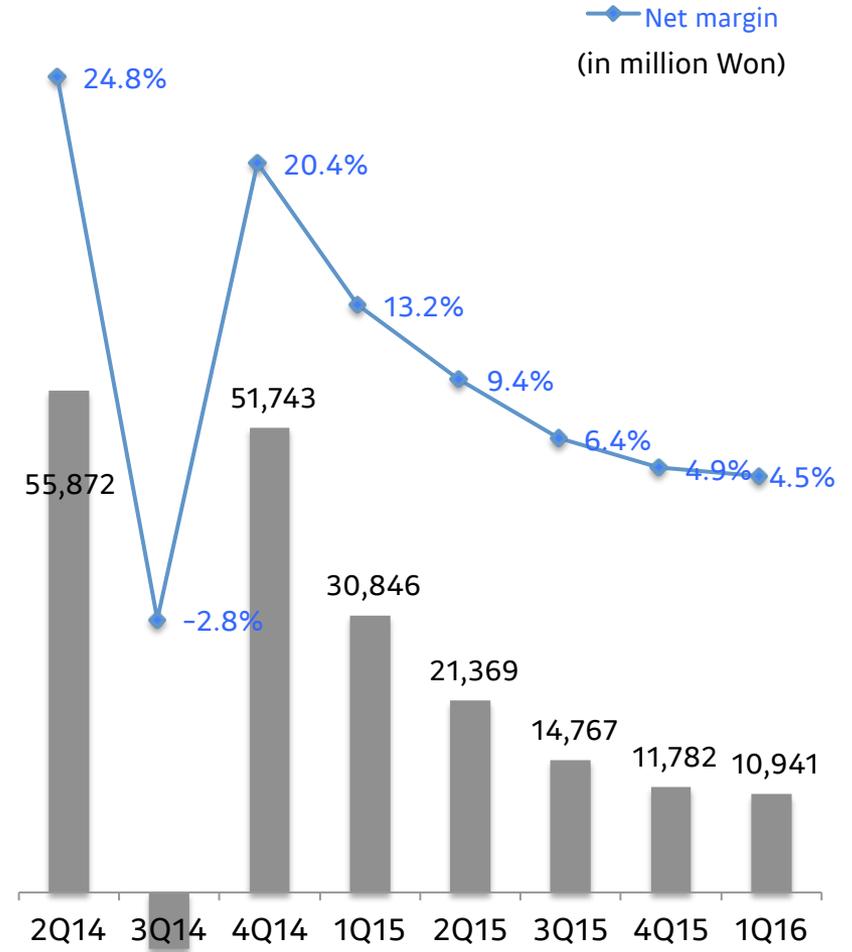
Operating Profits

1Q2016 21.1bn Won, Down 48% yoy, Up 2% qoq



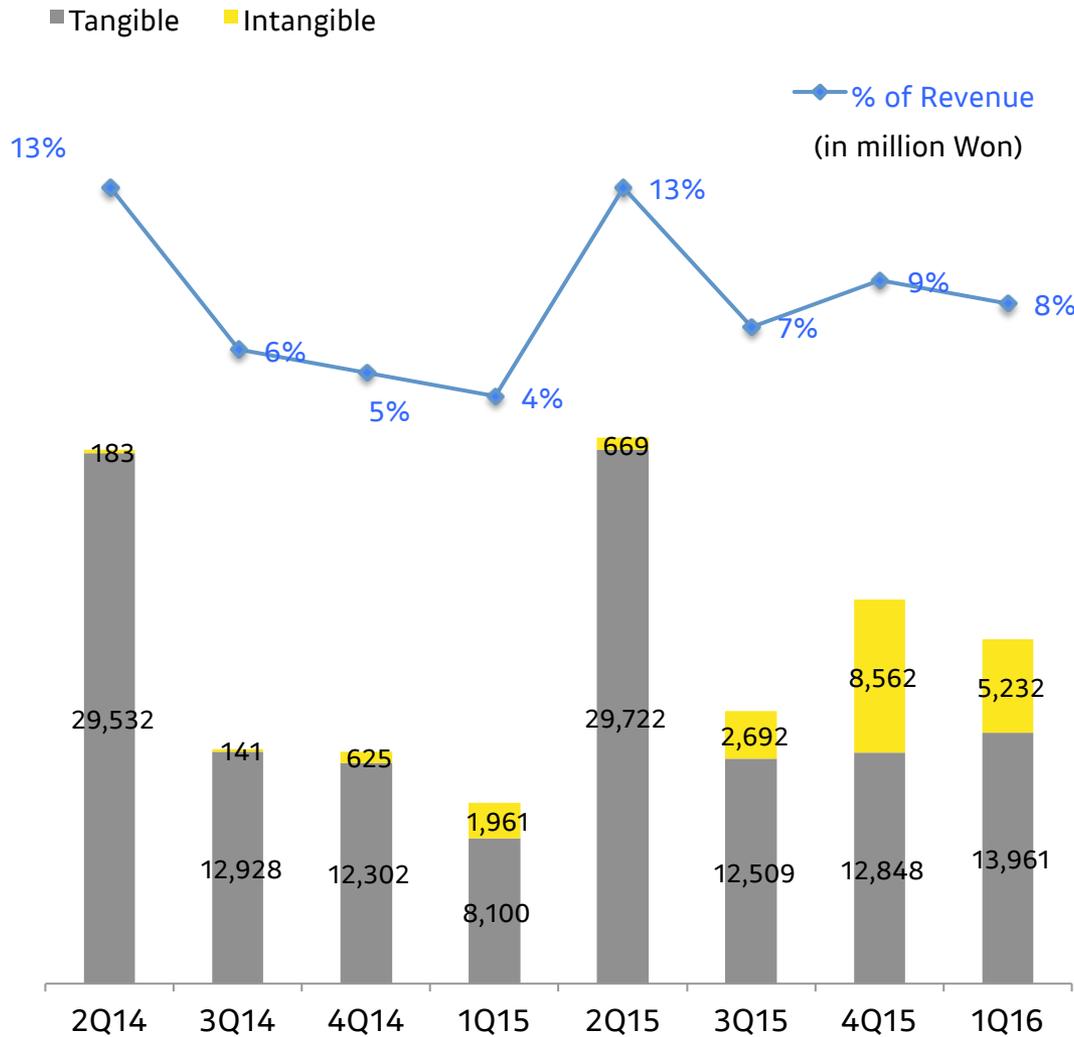
Net Profits

1Q2016 10.9bn Won, Down 65% yoy, Down 7% qoq

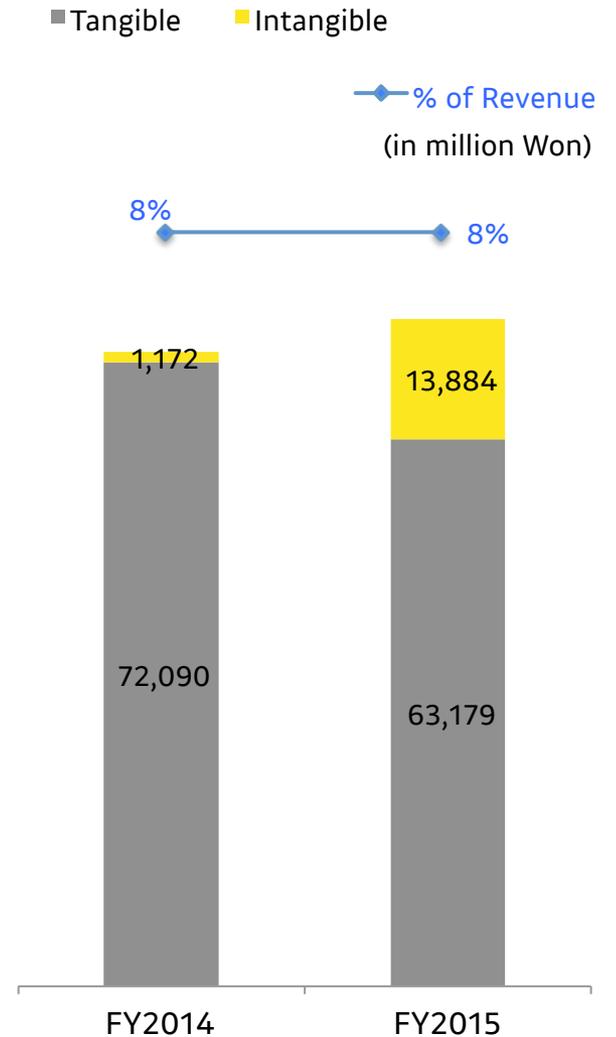


CapEx

Quarterly



Annual



Consolidated Financial Statements

Consolidated Statements of Income

(in million KRW)	1Q15	2Q15	3Q15	4Q15	1Q16
Sales Revenues	234,392	226,482	229,580	241,698	242,483
Advertising Platform	145,459	154,966	146,677	153,560	129,385
Game Platform	69,991	53,984	51,383	57,019	70,315
Commerce Platform	11,819	9,448	11,611	17,542	18,296
Others	7,122	8,084	19,909	13,577	24,487
Operating Expenses	194,040	215,049	213,396	221,079	221,394
Labor Costs	51,803	54,590	56,455	55,588	63,665
Fringe Benefits	9,970	17,337	12,813	10,934	10,448
Depreciation	11,455	12,333	12,375	12,937	13,005
Rental Fees	5,034	4,363	4,666	4,491	5,340
Commissions	52,645	56,381	62,876	64,775	63,439
Advertising	17,221	19,662	6,843	13,113	7,709
Bad Debt Expenses	-21	394	8	1,123	817
Amortization	5,937	5,911	7,099	7,346	8,483
Content Fees	8,452	11,398	15,626	12,695	17,369
Ad Agency Fees	24,418	26,576	27,068	27,553	22,063
Event Fees	171	312	148	560	116
Others	6,955	5,794	7,420	9,964	8,940
Operating Profit	40,352	11,434	16,184	20,619	21,090
<i>Operating Profit Margin</i>	<i>17.2%</i>	<i>5.0%</i>	<i>7.0%</i>	<i>8.5%</i>	<i>8.4%</i>
Other Revenues	1,339	9,822	6,706	7,331	3,438
Other Expenses	2,715	12,925	4,611	5,727	5,839
Financial Income	3,252	18,240	3,543	4,870	3,756
Financial Expenses	330	951	325	2,090	3,276
Equity-method Income	-553	-756	284	-3,448	-2,513
Gains on Equity Method Invest.	35	591	2,972	-147	156
Losses on Equity Method Invest.	588	1,346	2,688	3,301	2,669
Profit before Income Tax Expenses	41,344	24,863	21,782	21,554	16,656
Income Tax Expenses	10,498	3,494	7,015	9,771	5,715
Net Profit from Continued Operations	30,846	21,369	14,767	11,782	10,941
Net Profit	30,846	21,369	14,767	11,782	10,941
Net Profit of Controlling Interests	31,097	20,556	13,004	11,009	13,168
Net Profit of Non-controlling Int.	-250	814	1,762	773	-2,227

Consolidated Statements of Financial Position

(in million KRW)	2014.12.31	2015.12.31	2016.03.31
Current Assets	798,291	970,067	1,199,871
Cash and Cash Equivalents	451,228	397,177	661,677
Short-Term Financial Instruments	184,548	373,389	225,969
Accounts Receivable	108,431	88,822	149,137
Other Current Financial Assets	21,074	56,328	57,284
Other Current Assets	6,287	8,533	11,835
Others	26,725	45,818	93,969
Non-Current Assets	1,969,734	2,218,411	3,989,831
Long-Term Financial Instruments	25,258	30,951	53,902
Equity Method Investments	18,712	68,704	70,922
Tangible Assets	196,894	219,052	229,745
Intangible Assets	1,688,974	1,855,604	3,576,620
Other Non-current Fin. Assets	33,702	33,174	42,229
Other Non-current Assets	6,194	10,926	16,414
Total Assets	2,768,025	3,188,478	5,189,702
Liabilities	227,487	316,078	1,410,405
Trade and Non-trade Payables	109,126	89,506	182,118
Income Taxes Payable	20,680	29,448	47,336
Short-Term Debt	50	3,759	731,170
Derivative Liabilities	-	26,800	27,021
Other Current Liabilities	97,631	166,564	422,760
Non-Current Liabilities	77,309	286,925	362,567
Long-Term Debt	250	199,675	269,412
Deferred Income Tax Liabilities	50,083	48,636	46,084
Other Non-Current Liabilities	26,976	38,613	47,071
Total Liabilities	304,797	603,003	1,772,973
Paid-in Capital	29,121	30,098	33,770
Capital Surplus	2,258,974	2,274,186	3,035,853
Capital Adjustments	-26,268	-9,032	-10,857
Accum. Other Compreh. Inc.	2,114	829	1,930
Retained Earnings	190,678	256,313	259,446
Non-controlling Interests	8,609	33,081	96,588
Total Equity	2,463,228	2,585,475	3,416,729
Total Liabilities & Equity	2,768,025	3,188,478	5,189,702

Employees / Subsidiaries

(in person)

	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Kakao	2,272	2,250	2,262	2,255	2,271	2,299	2,375	2,469
L Daum	1,593	1,525						
L Kakao	679	725						
Kakao Subsidiaries	1,089	1,217	1,269	1,348	1,413	1,447	1,725	1,812
Consolidated total	3,361	3,467	3,531	3,603	3,684	3,746	4,100	4,281

- 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., 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., PT. Path Mobile Indonesia, 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., NAVIRO Co., Ltd., Linkage Lab Corp., Kakao Digital Content Fund, Kakao Game Growth Share Fund (Total **51** subsidiaries as of March 31, 2016)