

# IR Presentation

November 2019

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The financial information included in this document are earnings results based on K-IFRS.

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# Financials: Earnings Summary

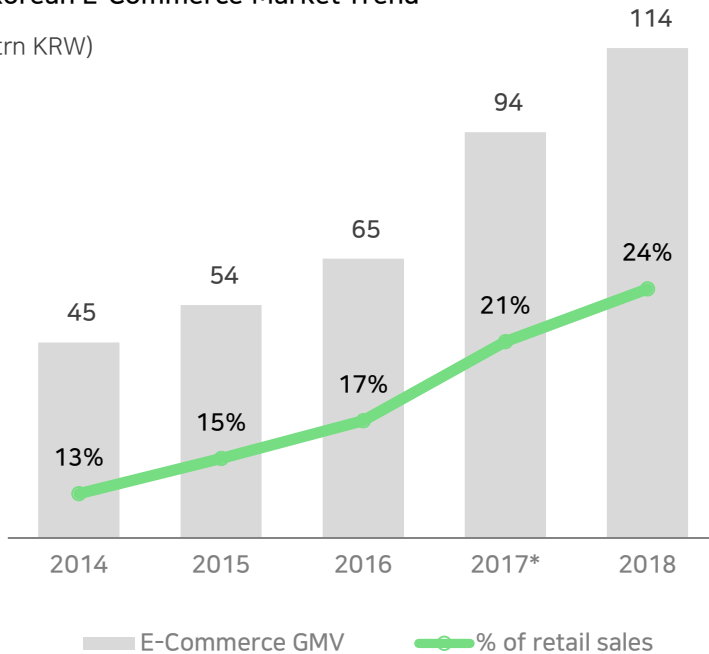
| (bn KRW)                          | 3Q18    | 4Q18    | 1Q19    | 2Q19    | 3Q19    | Growth |        |
|-----------------------------------|---------|---------|---------|---------|---------|--------|--------|
|                                   |         |         |         |         |         | Y/Y    | Q/Q    |
| <b>Operating Revenue</b>          | 1,397.7 | 1,516.5 | 1,510.9 | 1,630.3 | 1,664.8 | 19.1%  | 2.1%   |
| Ads                               | 136.1   | 155.1   | 142.2   | 166.6   | 152.7   | 12.2%  | -8.3%  |
| Business Platform                 | 613.0   | 658.5   | 669.3   | 715.9   | 719.3   | 17.3%  | 0.5%   |
| IT Platform                       | 91.4    | 105.6   | 99.2    | 105.9   | 116.3   | 27.2%  | 9.9%   |
| Contents Service                  | 33.2    | 32.0    | 35.0    | 50.1    | 54.5    | 64.1%  | 8.7%   |
| LINE & Other Platforms            | 524.0   | 565.3   | 565.1   | 591.8   | 622.0   | 18.7%  | 5.1%   |
| <b>Operating Expenses</b>         | 1,176.0 | 1,303.3 | 1,304.6 | 1,501.9 | 1,462.7 | 24.4%  | -2.6%  |
| Platform Development & Operations | 195.9   | 195.1   | 218.4   | 234.6   | 228.7   | 16.8%  | -2.5%  |
| Agency & Partner Commission       | 254.7   | 278.2   | 277.0   | 298.2   | 304.6   | 19.6%  | 2.2%   |
| Infrastructure                    | 64.5    | 69.7    | 75.8    | 80.4    | 85.0    | 31.8%  | 5.7%   |
| Marketing                         | 82.8    | 99.5    | 65.8    | 102.9   | 122.1   | 47.4%  | 18.7%  |
| LINE & Other Platforms            | 578.1   | 660.8   | 667.6   | 785.9   | 722.3   | 24.9%  | -8.1%  |
| <b>Operating Income</b>           | 221.7   | 213.3   | 206.2   | 128.3   | 202.1   | -8.9%  | 57.5%  |
| Operating Margin(%)               | 15.9%   | 14.1%   | 13.7%   | 7.9%    | 12.1%   | -3.7%p | 4.3%p  |
| <b>Net Income</b>                 | 68.4    | 124.0   | 87.6    | 27.8    | 85.3    | 24.7%  | 207.2% |

## Online Ads & E-Commerce Market Trend

- Online ads market estimated to grow 10% Y/Y and reach 43% of total ads market in 2019
- While E-Commerce market grew 20% in 2018, driven by mobile commerce

### Korean E-Commerce Market Trend

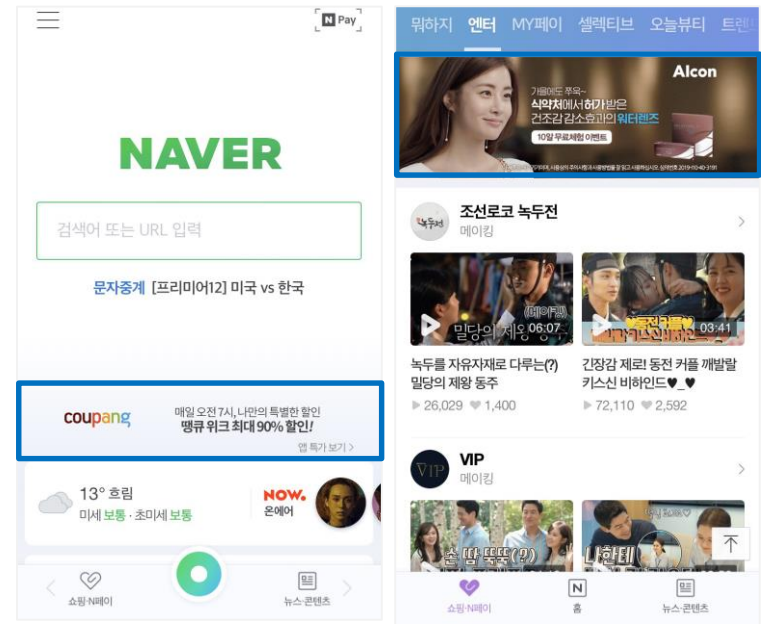
(trn KRW)



\* As KOSTAT reflected SME shopping mall transactions that had not been included before, 2017 GMV increased significantly

## Product Enhancements

- With 80%+ of the users using the New NAVER, continue to add AI recommended contents
- To introduce new features, tabs(e.g. video), and various new ad products



## Product Enhancements

- Applying expanded text ads on PC following mobile implementation
- Improving user satisfaction by optimal location of mobile ads using machine learning



## Enhancements with AI Recommendation

- To strengthen shopping competitiveness by expanding cooperation with various brands & better AI recommendation

GMV through AI Recommendation

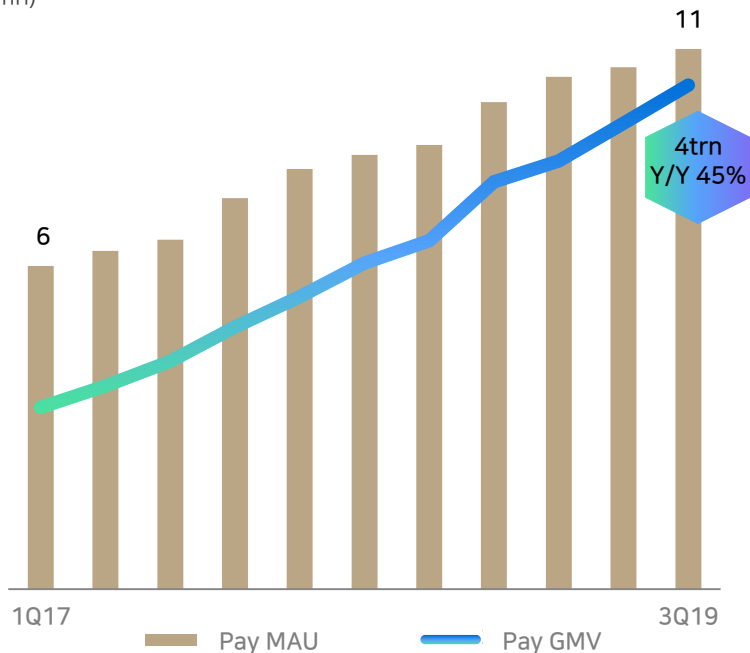


## NAVER Pay(Financial)

- Pay GMV marking 4 trillion KRW as of 3Q19 on back of increases in # of NAVER Pay merchants and users
- To expand into various financial services after spin-off

### NAVER Pay MAU & GMV Trend

(mn)



## NAVER Cloud Platform

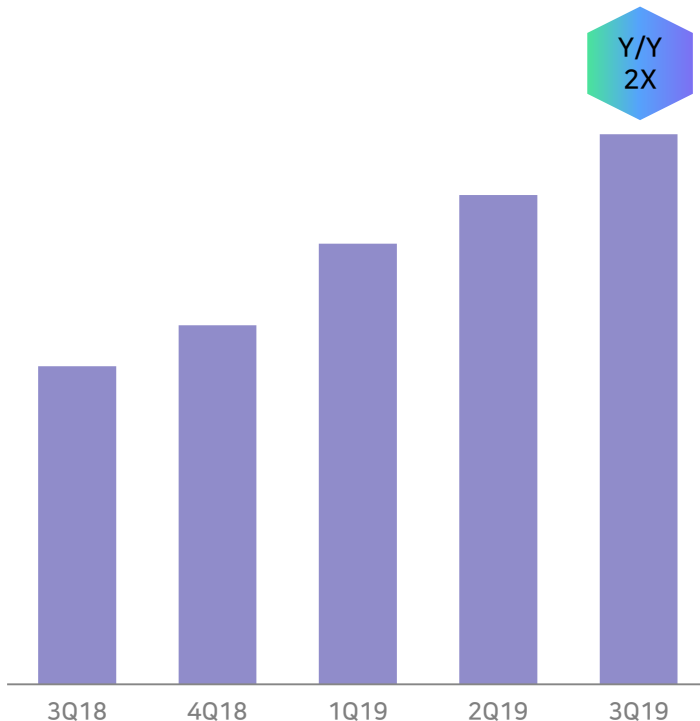
- Cloud records meaningful results including opening of Financial Cloud Zone and acquiring new global customers(e.g. Deskera, World Customs Organization)



## Webtoon

- Global MAU : 60mn+ (North America 9mn+)
- Paid content transaction volume continues to grow with the addition of new creators & monetization methods

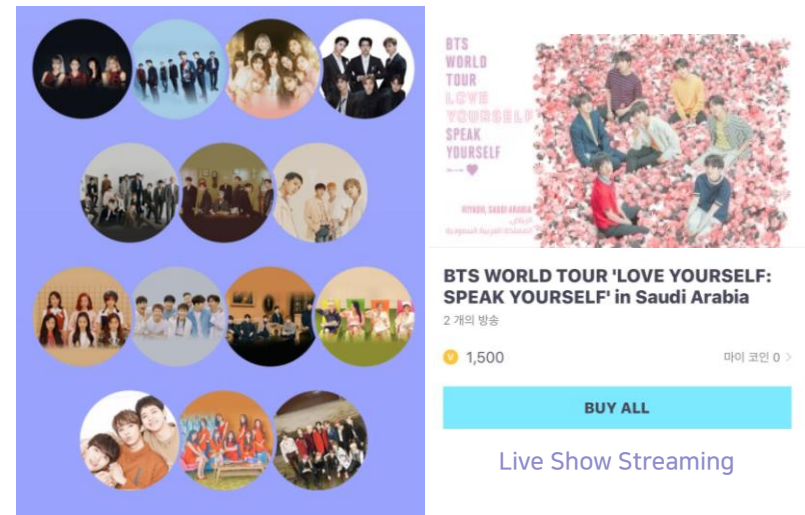
Global Paid Content Transaction Volume Trend



## V Live

- 62 V Fanship (paid membership) as of 3Q19, evolving into a global fan membership platform
- To develop new business models and to source local celebs in Southeast Asia and more

Diversified Business Models

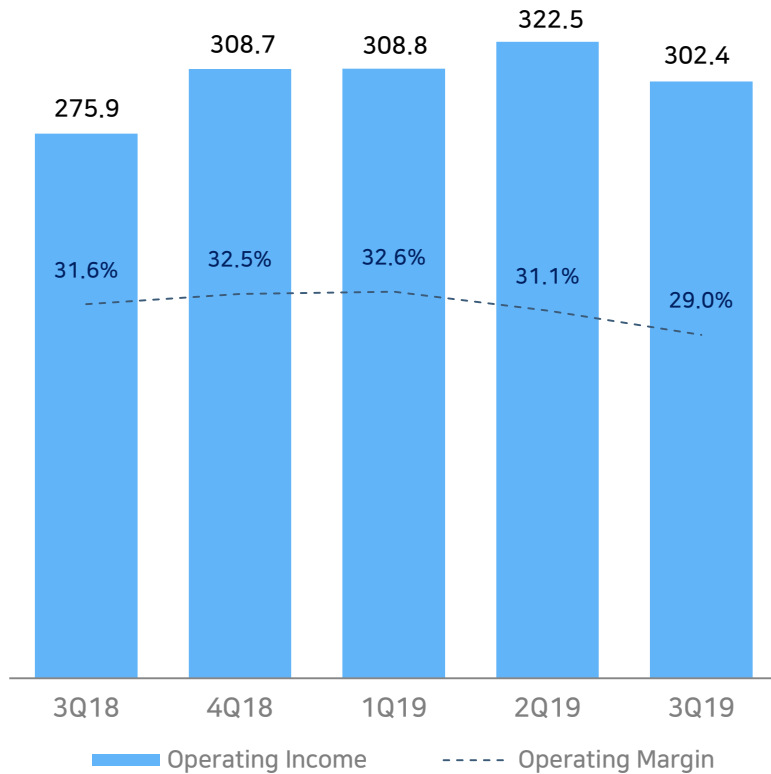


V Fanship

# Financials: Operating Income by Segments

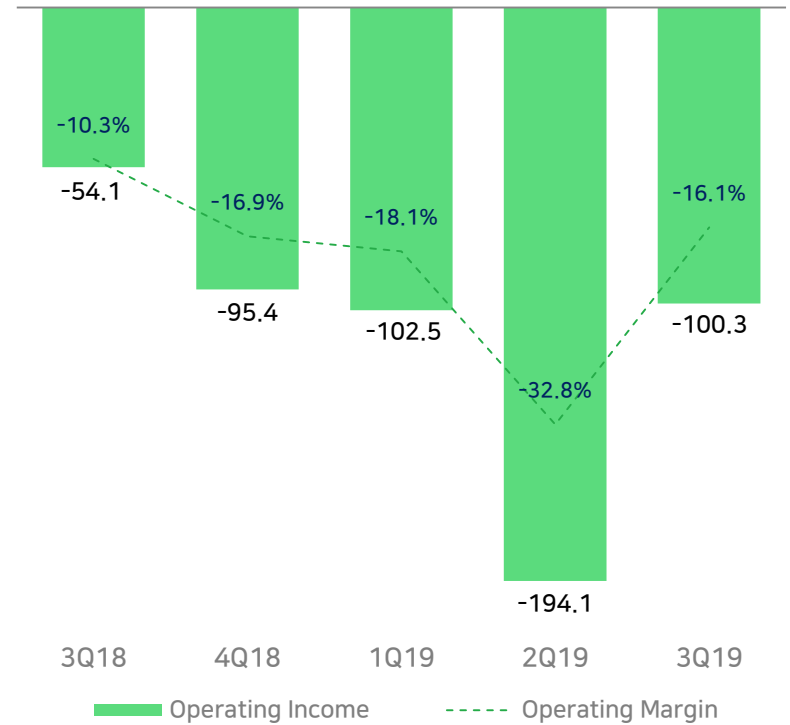
## Operating Income (NAVER Segments)

(bn KRW)



## Operating Income (LINE and Other Segments)

(bn KRW)

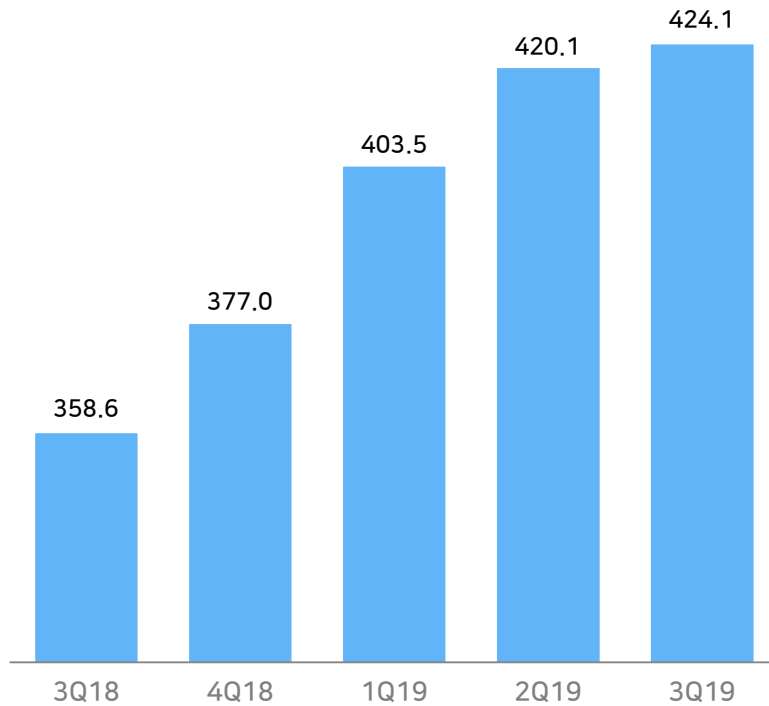


\*Note: Segments are a split of consolidated earnings based on K-IFRS, separating key business of NAVER with others, thus the figures may differ from the numbers reported by LINE



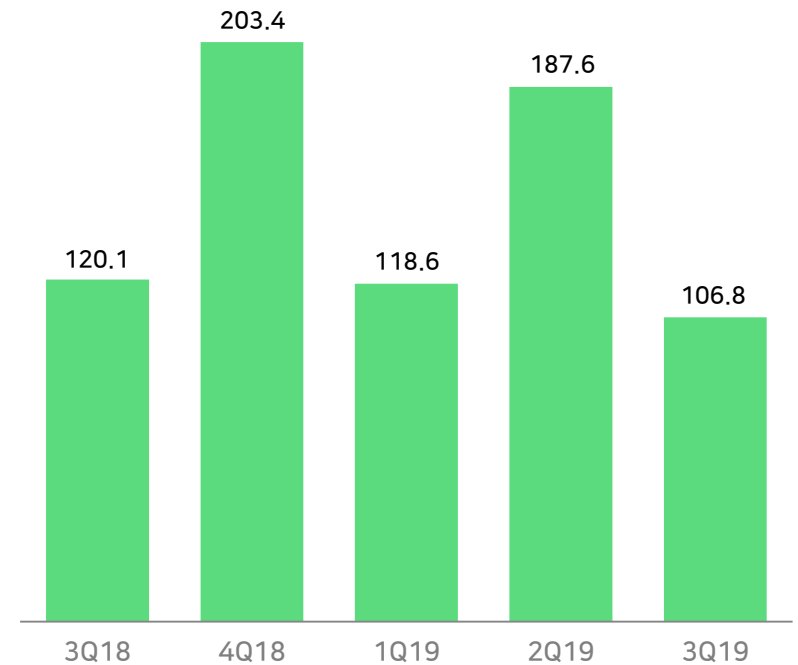
## R&D

(bn KRW)



## CapEx

(bn KRW)



# Appendix. Summary of Financial Statements

## Consolidated Income Statement

| (mn KRW)                              | 3Q18          | 4Q18           | 1Q19          | 2Q19          | 3Q19          |
|---------------------------------------|---------------|----------------|---------------|---------------|---------------|
| Operating Revenue                     | 1,397,714     | 1,516,515      | 1,510,862     | 1,630,275     | 1,664,815     |
| Operating Expenses                    | 1,175,995     | 1,303,264      | 1,304,617     | 1,501,940     | 1,462,729     |
| Operating Income                      | 221,718       | 213,250        | 206,245       | 128,335       | 202,086       |
| Operating Margin                      | 15.9%         | 14.1%          | 13.7%         | 7.9%          | 12.1%         |
| Non-operating Revenue                 | 37,550        | 228,394        | 96,911        | 65,279        | 82,817        |
| Non-operating Expenses                | 72,457        | 160,832        | 113,364       | 83,190        | 104,655       |
| Pre-tax Income                        | 186,812       | 280,812        | 189,791       | 110,423       | 180,248       |
| Tax                                   | 118,416       | 160,940        | 98,858        | 82,896        | 94,821        |
| Net Income from Continuing Operations | 68,395        | 119,872        | 90,933        | 27,527        | 85,428        |
| Discontinued Operations Income        | -9            | 4,133          | -3,347        | 230           | -159          |
| <b>Net Income</b>                     | <b>68,387</b> | <b>124,005</b> | <b>87,586</b> | <b>27,757</b> | <b>85,268</b> |
| Controlling Interests                 | 98,969        | 120,402        | 129,701       | 79,212        | 125,428       |
| Non-controlling Interests             | -30,583       | 3,603          | -42,115       | -51,455       | -40,160       |

## Consolidated Statement of Financial Position

| (mn KRW)                   | 3Q18             | 4Q18             | 1Q19              | 2Q19              | 3Q19              |
|----------------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Current Assets             | 5,671,009        | 5,385,570        | 5,625,304         | 5,365,624         | 5,497,195         |
| Non-current Assets         | 4,243,234        | 4,495,621        | 5,282,046         | 6,070,952         | 6,309,522         |
| <b>Total Assets</b>        | <b>9,914,243</b> | <b>9,881,191</b> | <b>10,907,350</b> | <b>11,436,576</b> | <b>11,806,717</b> |
| Current Liabilities        | 2,863,672        | 2,619,672        | 3,025,749         | 3,216,112         | 3,343,625         |
| Non-current Liabilities    | 1,174,594        | 1,312,379        | 1,833,101         | 1,950,889         | 2,025,575         |
| <b>Total Liabilities</b>   | <b>4,038,266</b> | <b>3,932,050</b> | <b>4,858,850</b>  | <b>5,167,001</b>  | <b>5,369,200</b>  |
| Paid-in Capital            | 16,481           | 16,481           | 16,481            | 16,481            | 16,481            |
| Capital Surplus            | 1,557,712        | 1,540,986        | 1,545,717         | 1,584,580         | 1,612,329         |
| Other Components of Equity | -1,506,885       | -1,546,390       | -1,589,605        | -1,508,308        | -1,471,649        |
| Retained Earnings          | 5,096,818        | 5,229,203        | 5,309,898         | 5,399,329         | 5,524,748         |
| Non-controlling Interests  | 711,850          | 708,861          | 766,009           | 777,493           | 755,607           |
| <b>Total Equity</b>        | <b>5,875,977</b> | <b>5,949,141</b> | <b>6,048,500</b>  | <b>6,269,575</b>  | <b>6,437,517</b>  |

## Income Statement

| (mn KRW)               | 3Q18           | 4Q18           | 1Q19           | 2Q19           | 3Q19           |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating Revenue      | 855,396        | 931,968        | 912,618        | 1,000,176      | 996,224        |
| Operating Expenses     | 540,547        | 587,068        | 571,931        | 651,165        | 653,551        |
| Operating Income       | 314,848        | 344,901        | 340,687        | 349,011        | 342,674        |
| Operating Margin       | 36.8%          | 37.0%          | 37.3%          | 34.9%          | 34.4%          |
| Non-operating Revenue  | 17,463         | 88,513         | 69,653         | 29,669         | 107,353        |
| Non-operating Expenses | 64,841         | 98,664         | 55,862         | 21,504         | 29,138         |
| Pre-tax Income         | 267,470        | 334,749        | 354,478        | 357,176        | 420,889        |
| Tax                    | 79,125         | 89,293         | 97,304         | 78,240         | 110,105        |
| <b>Net Income</b>      | <b>188,346</b> | <b>245,456</b> | <b>257,174</b> | <b>278,935</b> | <b>310,784</b> |

## Statement of Financial Position

| (mn KRW)                   | 3Q18             | 4Q18             | 1Q19             | 2Q19             | 3Q19             |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Current Assets             | 1,504,452        | 1,226,981        | 1,361,198        | 1,435,183        | 1,468,747        |
| Non-current Assets         | 4,621,517        | 4,701,612        | 4,997,563        | 5,173,833        | 5,446,104        |
| <b>Total Assets</b>        | <b>6,125,968</b> | <b>5,928,592</b> | <b>6,358,761</b> | <b>6,609,015</b> | <b>6,914,851</b> |
| Current Liabilities        | 1,591,968        | 1,210,780        | 1,471,784        | 1,407,383        | 1,419,144        |
| Non-current Liabilities    | 171,146          | 160,931          | 185,936          | 195,166          | 201,624          |
| <b>Total Liabilities</b>   | <b>1,763,115</b> | <b>1,371,711</b> | <b>1,657,720</b> | <b>1,602,549</b> | <b>1,620,768</b> |
| Paid-in Capital            | 16,481           | 16,481           | 16,481           | 16,481           | 16,481           |
| Capital Surplus            | 362,406          | 362,406          | 362,406          | 362,406          | 362,406          |
| Other Components of Equity | -1,417,043       | -1,477,547       | -1,544,621       | -1,518,110       | -1,551,638       |
| Retained Earnings          | 5,401,009        | 5,655,541        | 5,866,774        | 6,145,689        | 6,466,833        |
| <b>Total Equity</b>        | <b>4,362,853</b> | <b>4,556,882</b> | <b>4,701,041</b> | <b>5,006,466</b> | <b>5,294,083</b> |