

**NAVER Corporation and Subsidiaries**  
**Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017**

# NAVER Corporation and Subsidiaries

## Index

June 30, 2018 and 2017

---

	<b>Page(s)</b>
<b>Report on Review of Interim Financial Statements</b> .....	1 - 2
<b>Consolidated Interim Financial Statements</b>	
Consolidated Interim Statements of Financial Position .....	3
Consolidated Interim Statements of Comprehensive Income .....	4
Consolidated Interim Statements of Changes in Equity .....	5
Consolidated Interim Statements of Cash Flows .....	6
Notes to the Consolidated Interim Financial Statements .....	7 - 65



## Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
NAVER Corporation

### ***Reviewed Financial Statements***

We have reviewed the accompanying consolidated interim financial statements of NAVER Corporation and its subsidiaries (collectively referred to as the “Group”). These financial statements consist of the consolidated interim statement of financial position of the Group as at June 30, 2018, and the related consolidated interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, and consolidated interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe the accompanying consolidated interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

**Other Matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 8, 2018. The consolidated statement of financial position as at December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2017.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

August 14, 2018  
Seoul, Korea

This report is effective as of August 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**NAVER Corporation and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**June 30, 2018 and December 31, 2017**

<i>(in Korean won)</i>	<b>Notes</b>	<b>June 30, 2018</b> <b>(Unaudited)</b>	<b>December 31, 2017</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	W 2,011,706,488,277	W 1,907,575,060,667
Short-term financial instruments	16	820,526,933,576	1,333,889,498,274
Financial assets at fair value through profit or loss	5,6,16	-	274,532,710,666
Financial assets at fair value - profit or loss	5,6,16	417,269,163,865	-
Trade and other receivables	4,16	1,054,071,837,081	1,026,872,808,889
Available-for-sale financial assets	5,16	-	79,435,727,110
Financial assets at fair value - other comprehensive income	5,6,16	89,126,861,967	-
Current tax asset		3,342,304,668	1,099,626,162
Other current assets		151,197,638,560	124,617,831,303
Inventories		41,393,282,539	36,204,513,812
		<u>4,588,634,510,533</u>	<u>4,784,227,776,883</u>
<b>Non-current assets</b>			
Property and equipment	9	1,292,958,282,337	1,150,012,698,630
Intangible assets	10	352,552,191,500	339,511,680,983
Long-term financial instruments	6,16	23,344,859,294	120,301,393,998
Financial assets at fair value through profit or loss	5,16	-	39,151,181,682
Financial assets at fair value - profit or loss	5,6,16	477,322,991,462	-
Trade and other receivables	4,6,16	90,590,509,394	74,199,645,388
Available-for-sale financial assets	5,16	-	943,632,439,930
Financial assets at fair value - other comprehensive income	5,6,16	689,693,195,690	-
Held-to-maturity financial assets	16	-	2,660,696,298
Investments in associates and joint ventures	11	736,828,859,103	280,997,122,915
Deferred tax assets		243,662,285,654	248,493,530,447
Other non-current assets		33,208,280,517	36,063,392,760
		<u>3,940,161,454,951</u>	<u>3,235,023,783,031</u>
<b>Total assets</b>		<u>W 8,528,795,965,484</u>	<u>W 8,019,251,559,914</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	W 724,264,573,399	W 770,724,455,666
Financial liabilities at fair value through profit or loss	5,16	7,037,378,728	30,360,536
Short-term borrowings	12,16	291,178,533,022	211,011,222,442
Current portion of debentures	12,16	150,000,000,000	150,000,000,000
Current tax payables		202,942,307,440	305,730,913,120
Provisions	14	6,598,674,825	5,897,847,971
Other current liabilities		959,921,241,132	859,335,494,500
		<u>2,341,942,708,546</u>	<u>2,302,730,294,235</u>
<b>Non-current liabilities</b>			
Trade and other payables	16	7,421,800,441	11,652,173,744
Financial liabilities at fair value through profit or loss	5,16	2,280,840,433	4,608,180,098
Long-term borrowings	12,16	120,314,496,818	49,933,677,257
Net defined benefit liabilities	13	307,492,530,975	284,033,206,529
Provisions	14	36,016,308,741	34,765,546,071
Deferred tax liabilities		28,793,446,013	25,177,671,162
Other non-current liabilities		1,150,049,553	1,164,575,869
		<u>503,469,472,974</u>	<u>411,335,030,730</u>
<b>Total liabilities</b>		<u>2,845,412,181,520</u>	<u>2,714,065,324,965</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Parent Company</b>			
Share capital	15	16,481,339,500	16,481,339,500
Share premium	15	1,523,507,449,920	1,507,878,510,842
Other components of equity		(1,485,796,274,238)	(1,317,531,622,681)
Retained earnings		4,997,848,812,303	4,555,517,868,323
<b>Non-controlling interest</b>		611,342,456,479	542,840,138,965
<b>Total equity</b>		<u>5,683,383,783,964</u>	<u>5,305,186,234,949</u>
<b>Total liabilities and equity</b>		<u>W 8,528,795,965,484</u>	<u>W 8,019,251,559,914</u>

The above consolidated interim statements of financial position should be read in conjunction with the accompanying notes.

**NAVER Corporation and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month and Six-Month Periods Ended June 30, 2018 and 2017**

(In Korean won)	Notes	Periods Ended June 30							
		2018 (Unaudited)			2017 (Unaudited)				
		Three months	Six months	Three months	Six months	Three months	Six months		
<b>Operating revenues</b>	8	W	1,363,615,953,332	W	2,672,675,817,580	W	1,129,631,366,847	W	2,211,878,648,043
<b>Operating expenses</b>			(1,113,032,764,053)	(2,165,112,064,431)		(844,417,844,667)		(1,635,867,836,559)	
<b>Operating profit</b>			250,583,189,279	507,563,753,149		285,213,522,180		576,010,811,484	
Other income			120,480,631,675	139,699,140,520		6,524,944,548		22,675,799,234	
Other expenses			(28,173,027,805)	(48,296,403,633)		(8,066,001,178)		(31,847,142,656)	
Interest income			10,655,920,137	16,110,887,793		8,109,470,269		14,922,885,774	
Other finance income			64,938,273,444	91,121,434,084		17,311,911,969		38,464,287,838	
Finance costs			(20,521,746,350)	(49,657,158,503)		(3,179,325,653)		(6,584,943,086)	
Share of net loss of associates and joint ventures	11		(9,980,077,727)	(12,522,726,955)		(788,719,483)		(1,731,906,679)	
<b>Profit before income tax</b>			388,383,162,653	644,048,926,455		305,145,802,672		611,909,591,904	
Income tax expense	17		(106,716,501,613)	(209,399,958,214)		(133,683,002,343)		(227,097,796,744)	
<b>Profit from continuing operations</b>			281,666,661,040	434,648,968,241		171,462,800,329		384,811,795,160	
<b>Profit (loss) from discontinued operations</b>	22		91,916,661	861,263,498		(42,571,026)		(2,515,514,987)	
<b>Profit for the period</b>		W	281,758,577,701	W	435,510,231,739	W	171,420,229,303	W	382,296,280,173
<b>Profit for the period is attributable to:</b>									
Owners of the Parent Company									
Profit from continuing operations			264,126,525,446	428,580,568,259		173,189,080,294		381,144,567,007	
Profit (loss) from discontinued operations			91,916,661	861,263,498		(42,571,026)		(2,515,514,987)	
Non-controlling interests			17,540,135,594	6,068,399,982		(1,726,279,965)		3,667,228,153	
<b>Other comprehensive income (loss)</b>									
Items that may be subsequently reclassified to profit or loss									
Changes in the fair value of available-for-sale financial assets			-	-		54,352,364,804		52,251,936,291	
Reclassification due to disposal of available-for-sale financial assets			-	-		(9,535,327,622)		(6,415,910,911)	
Gain on valuation of debt instruments at fair value - other comprehensive income			940,407,684	1,757,371,808		-		-	
Exchange differences			18,546,254,697	85,582,500,916		27,902,025,927		(27,627,965,955)	
Share of other comprehensive income of associates and joint ventures	11		6,661,233,350	16,051,052,528		3,848,031,526		(3,721,201,200)	
Items that will not be reclassified to profit or loss									
Loss on valuation of equity instruments at fair value - other comprehensive income			(21,723,688,823)	(15,256,268,244)		-		-	
Gain on disposal of equity instruments at fair value - other comprehensive income			114,374,500	114,374,500		-		-	
Share of other comprehensive income of associates and joint ventures	11		(6,649,125)	(8,004,977)		-		-	
<b>Other comprehensive income for the period, net of tax</b>			4,631,952,293	88,241,026,531		76,567,094,635		15,486,858,225	
<b>Total comprehensive income for the period</b>		W	286,290,529,994	W	523,751,258,270	W	247,987,323,938	W	397,783,138,398
<b>Total comprehensive income (loss) for the period is attributable to:</b>									
Owners of the Parent Company			260,705,895,341	477,094,273,780		236,512,280,058		397,983,914,955	
Non-controlling interests			25,584,634,653	46,656,984,490		11,475,063,880		(200,776,557)	
<b>Earnings (losses) per share from continuing and discontinued operations attributable to the equity holders of the Parent Company</b>									
<b>Basic earnings (losses) per share</b>									
From continuing operations	W		9,037	W	14,678	W	6,007	W	13,225
From discontinued operations			3		29		(1)		(87)
<b>Diluted earnings (losses) per share</b>									
From continuing operations	W		9,037	W	14,678	W	6,007	W	13,211
From discontinued operations			3		29		(1)		(87)

The above consolidated interim statements of comprehensive income should be read in conjunction with the accompanying notes.

**NAVER Corporation and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Three-Month and Six-Month Periods Ended June 30, 2018 and 2017**

(in Korean won)	Notes	Attributable to owners of the parent company						Total Equity
		Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Non-controlling Interest		
<b>Balance at January 1, 2017</b>	W	16,481,339,500	W 1,217,201,126,674	W (1,449,123,370,169)	W 3,810,189,403,596	W 534,850,363,339	W 4,129,598,862,940	
<b>Total comprehensive income for the period</b>								
Profit for the period		-	-	-	378,629,052,020	3,667,228,153	382,296,280,173	
Changes in the fair value of available-for-sale financial assets		-	-	41,300,608,944	-	5,535,416,436	46,836,025,380	
Exchange differences		-	-	(19,324,572,651)	-	(8,303,393,304)	(27,627,965,955)	
Share of other comprehensive income of associates and joint ventures	11	-	-	(2,621,173,358)	-	(1,100,027,842)	(3,721,201,200)	
<b>Transactions with owners</b>								
Dividends	18	-	-	-	(32,581,184,103)	-	(32,581,184,103)	
Share-based payment expenses		-	-	-	-	7,617,051,469	7,617,051,469	
Disposal of treasury shares		-	198,906,442,679	223,384,587,753	-	-	422,291,030,432	
<b>Changes in ownership interest in subsidiaries that do not result in loss of control</b>								
Increase due to business combination		-	-	-	-	3,697,150,022	3,697,150,022	
Share issuance of subsidiaries		-	32,385,016,044	(720,889,347)	-	(12,148,089,306)	19,516,037,391	
<b>Balance at June 30, 2017 (Unaudited)</b>	W	16,481,339,500	W 1,448,492,585,397	W (1,207,104,808,828)	W 4,156,237,271,513	W 533,805,698,967	W 4,947,912,086,549	
<b>Balance at January 1, 2018</b>	W	16,481,339,500	W 1,507,878,510,842	W (1,317,531,622,681)	W 4,555,517,868,323	W 542,840,138,965	W 5,305,186,234,949	
Changes in accounting policies	23	-	-	(64,788,048,920)	55,366,825,496	-	(9,421,223,424)	
<b>Restated total equity at the beginning of the financial year</b>		16,481,339,500	1,507,878,510,842	(1,382,319,671,601)	4,610,884,693,819	542,840,138,965	5,295,765,011,525	
<b>Total comprehensive income for the period</b>								
Profit for the period		-	-	-	429,441,831,757	6,068,399,982	435,510,231,739	
Gain on valuation of debt instruments at fair value - other comprehensive income		-	-	1,757,371,808	-	-	1,757,371,808	
Loss on valuation of equity instruments at fair value - other comprehensive income		-	-	(12,440,791,828)	-	(2,815,476,416)	(15,256,268,244)	
Gain on disposal of equity instruments at fair value - other comprehensive income		-	-	114,374,500	-	-	114,374,500	
Exchange differences		-	-	46,096,515,806	-	39,485,985,110	85,582,500,916	
Share of other comprehensive income of associates and joint ventures	11	-	-	12,132,976,714	(8,004,977)	3,918,075,814	16,043,047,551	
<b>Transactions with owners</b>								
Dividends	18	-	-	-	(42,469,708,296)	-	(42,469,708,296)	
Share-based payment expenses		-	-	-	-	11,442,097,644	11,442,097,644	
Acquisition of treasury shares	15	-	-	(124,458,933,570)	-	-	(124,458,933,570)	
<b>Changes in ownership interest in subsidiaries that do not result in loss of control</b>								
Increase due to business combination	21	-	-	-	-	2,527,903,990	2,527,903,990	
Share issuance of subsidiaries		-	12,324,190,996	(6,678,116,067)	-	8,770,359,583	14,416,434,512	
Others		-	3,304,748,082	-	-	(895,028,193)	2,409,719,889	
<b>Balance at June 30, 2018 (Unaudited)</b>	W	16,481,339,500	W 1,523,507,449,920	W (1,465,796,274,238)	W 4,997,848,812,303	W 611,342,456,479	W 5,863,383,763,964	

The above consolidated interim statements of changes in equity should be read in conjunction with the accompanying notes.

**NAVER Corporation and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Three-Month and Six-Month Periods Ended June 30, 2018 and 2017**

(in Korean won)		Six-Month Periods Ended June 30	
		2018	2017
Notes		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
	₩	622,191,239,524	₩ 538,362,634,415
		17,409,334,247	17,952,390,707
		(6,151,459,638)	(1,658,554,821)
		21,048,553,450	2,844,345,187
		<u>(287,562,141,324)</u>	<u>(239,940,371,048)</u>
<b>Net cash inflow from operating activities</b>		<u>366,935,526,259</u>	<u>317,560,444,440</u>
<b>Cash flows from investing activities</b>			
		315,924,355,440	443,895,234,090
		(1,142,657,671)	(25,000,000,000)
		843,728,206	10,000,000,000
		-	77,164,652,184
		50,083,980,789	-
	9	(243,436,597,798)	(186,543,023,065)
		3,238,338,243	1,220,881,220
	10	(15,357,420,928)	(5,197,305,704)
		-	1,545,019,322
		-	(606,036,611,916)
		-	30,226,323,378
		(110,009,166,538)	-
		27,677,235,283	-
	11	(365,175,225,400)	(82,651,475,634)
		750,000,000	751,857,893
	21	4,275,904,411	(31,678,046,905)
		(12,963,629,231)	-
		11,199,120,933	9,629,374,752
<b>Net cash outflow from investing activities</b>		<u>(334,092,034,261)</u>	<u>(362,673,120,385)</u>
<b>Cash flows from financing activities</b>			
		52,933,296,385	-
		(1,205,730,837)	(20,926,044,854)
		70,408,952,758	-
		(124,458,933,570)	-
		-	498,449,944,178
		(42,469,708,296)	(32,581,184,103)
		14,048,562,528	14,667,421,125
		(3,864,485,449)	(4,607,202,613)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(34,608,046,481)</u>	<u>455,002,933,733</u>
Effects of exchange rate changes on cash and cash equivalents		105,895,982,093	(26,615,555,755)
<b>Net increase in cash and cash equivalents</b>		<u>104,131,427,610</u>	<u>383,274,702,033</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>1,907,575,060,667</u>	<u>1,726,231,781,291</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>₩ 2,011,706,488,277</u>	<u>₩ 2,109,506,483,324</u>

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

# NAVER Corporation and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### June 30, 2018 and 2017(Unaudited), and December 31, 2017

#### 1. General Information

NAVER Corporation (the “Company”) was established on June 2, 1999 under the Commercial Code of the Republic of Korea to provide online search portal services. The Company’s headquarter is located at Buljeong-ro 6, Bundang-gu, Seongnam-si, Gyeonggi-do, Korea.

On October 29, 2002, the Company listed its shares on the Korean Securities Dealers’ Automated Quotations market. On November 28, 2008, the Company transferred its share listing to the Korea Composite Stock Price Index market. As at June 30, 2018, the major shareholders of the Company consist of National Pension Fund (10.33%) and others.

The Company and its subsidiaries (collectively the “Group”) engage in providing online search portal and mobile messenger platform services.

#### 1.1 Consolidated Subsidiaries

Details of the consolidated subsidiaries as at June 30, 2018 and December 31, 2017 are as follows:

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		Closing month
				June 30, 2018	December 31, 2017	
NAVER	NAVER Business Platform	Korea	Online information distribution business	100.00	100.00	December
	NAVER I&S	Korea	Business support, workforce supply, employee dispatch, and software development	100.00	100.00	December
	LINE <sup>1</sup>	Japan	Mobile service development	73.49	73.68	December
	NAVER China	China	Software development and distribution	100.00	100.00	December
	Search Solution	Korea	Software development and distribution	100.00	100.00	December
	N-Visions	Korea	Exhibition and performance planning business	100.00	100.00	December
	Camp Mobile	Korea	Software development and distribution	-	100.00	-
	Entry Labs	Korea	Software development and distribution	-	100.00	-
	Works Mobile	Korea	Applied software development and distribution	100.00	100.00	December
	WAV Media	USA	Mobile service development	100.00	100.00	December
	SNOW <sup>2</sup>	Korea	Software development and distribution	100.00	100.00	December
	SB Next Media Innovation Fund	Korea	Investment	92.50	92.50	December
	NAVER Labs	Korea	Information services and manufacturing electrical equipment	100.00	100.00	December
	NAVER Webtoon	Korea	Software development and distribution	100.00	100.00	December
	Naver France	France	Investment and information services	100.00	100.00	December

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		Closing month
				June 30, 2018	December 31, 2017	
	Company AI	Korea	Software development and distribution	56.50	39.10	December
	NAVER-KTB Audio Contents Fund	Korea	Investment	99.00	99.00	December
	SpringCamp Early Stage Fund 1 <sup>2</sup>	Korea	Investment	100.00	100.00	December
	Iconnect	Korea	Software development	-	100.00	-
	Gogolook	Taiwan	Mobile service development	69.13	69.13	December
	Camp Mobile	USA	Mobile service operations	100.00	100.00	December
NAVER Business Platform	NAVER Business Platform Asia Pacific	Singapore	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform America	USA	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform Europe	Germany	IT infrastructure operations	100.00	100.00	December
	NAVER Business Platform Japan	Japan	IT infrastructure operations	100.00	100.00	December
NAVER I&S	Incomms	Korea	Other contract services	100.00	100.00	December
	Greenweb Service	Korea	Other contract services	100.00	100.00	December
	N Tech Service (formerly, NHN Technology Service)	Korea	Software consulting, development and distribution	100.00	100.00	December
	NIT Service	Korea	Software development and consulting	100.00	100.00	December
	CommPartners	Korea	Portal and other Internet services, call center and telemarketing services	100.00	100.00	December
LINE Plus <sup>2</sup>	LINE Play	Korea	Software development	100.00	100.00	December
	LINE Euro-Americas	USA	Mobile service marketing	100.00	100.00	December
	LINE Taiwan	Taiwan	Mobile service operations	100.00	100.00	December
	LINE Company (Thailand)	Thailand	Mobile service operations	99.95	99.95	December
	LINE Digital Technology (Shanghai)	China	Mobile service marketing	100.00	100.00	December
	LINE Vietnam	Vietnam	Mobile service operations	100.00	100.00	December
	PT.LINE PLUS INDONESIA	Indonesia	Mobile service operations	99.99	99.99	December
	LINE Up	Korea	Mobile game software development and distribution	100.00	100.00	December
	LINE Studio	Korea	Mobile game software development and distribution	100.00	100.00	December
	Nemustech	Korea	Software development	88.57	88.57	December
	Unblock (formerly, Bapul)	Korea	Software development and distribution	100.00	53.69	December
	Drama & Company	Korea	Software development and distribution	74.38	74.31	December
Drama & Company	myBridge	Japan	Mobile service operations	100.00	-	December
Works Mobile	Works Mobile Japan	Japan	Mobile service operations	100.00	100.00	December
NAVER Webtoon	WEBTOON Entertainment	USA	Mobile service development	100.00	100.00	December
	Watong Entertainment	Hong Kong	Mobile service operations	100.00	100.00	December
	Lico	Korea	Online information distribution business	100.00	100.00	December
Watong Entertainment	Broccoli Entertainment	China	Mobile service operations	100.00	100.00	December
	Dongman Entertainment	China	Mobile service operations	100.00	100.00	December
NAVER Labs	Epipolar	Korea	Software development and distribution	-	100.00	-
WAV Media	WAV Recordings	USA	Mobile service development	100.00	-	December

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		Closing month	
				June 30, 2018	December 31, 2017		
LINE <sup>2</sup>	LINE Plus	Korea	Portal and Internet services	100.00	100.00	December	
	LINE Fukuoka	Japan	Mobile service operations	100.00	100.00	December	
	LINE SOUTHEAST ASIA (formerly, LINE Biz+)	Singapore	Mobile payment system planning and development	100.00	100.00	December	
	LINE Book Distribution	Japan	Mobile service development	52.00	52.00	December	
	LINE Ventures	Japan	Investment	100.00	100.00	December	
	LINE C&I	Korea	Investment and Mergers & Acquisitions	100.00	100.00	December	
	LINE <sup>2</sup>	LINE Game Global Gateway	Japan	Investment	100.00	100.00	December
MIXRADIO		UK	Mobile service development	100.00	100.00	December	
LINE Life Global Gateway		Japan	Investment	100.00	100.00	December	
LINE Game Investment Fund (formerly, LINE-NAVER Game Investment Fund)		Korea	Investment	100.00	100.00	December	
LINE Mobile		Japan	Telecommunications service	-	100.00	-	
M.T. Burn		Japan	Mobile advertising service business	50.49	50.49	December	
Gatebox		Japan	Mobile service development	51.00	51.00	December	
LINE Games		Korea	Software development and distribution	100.00	100.00	December	
LINE Friends Japan		Japan	Character and doll wholesale and retail	-	100.00	-	
LINE TICKET		Japan	Internet information services	51.00	51.00	December	
Next Library		Japan	Internet information services	100.00	100.00	December	
FIVE		Japan	Mobile advertising service	100.00	100.00	December	
LFG HOLDINGS		Hong kong	Character and doll wholesale and retail	100.00	100.00	December	
LINE Pay		Japan	Mobile payment system planning and development	100.00	100.00	December	
Line Biz+ Taiwan		Taiwan	Mobile payment system planning and development	100.00	100.00	December	
LINE Financial		Japan	Financial business	100.00	-	December	
LINE Part Time Job (Formerly, AUBE)		Japan	Mobile service development	60.00	-	December	
LFG HOLDINGS <sup>2</sup>		LINE Friends <sup>3</sup>	Korea	Character and doll wholesale and retail	100.00	100.00	December
		LINE Friends Japan <sup>3</sup>	Japan	Character and doll wholesale and retail	100.00	100.00	December
		LINE Friends Inc. <sup>3</sup>	USA	Character and doll wholesale and retail	100.00	100.00	December
	LINE Friends(Shanghai) Commercial Trade <sup>3</sup>	China	Character and doll wholesale and retail	100.00	100.00	December	
	LINE Growth Technology	Japan	Mobile service development	100.00	-	December	
	LINE Securities Preparatory	Japan	Financial business	100.00	-	December	
	LINE Ventures Global Limited Liability Partnership	Japan	Financial business	100.00	-	December	
	LINE Ventures Japan Limited Liability Partnership	Japan	Financial business	100.00	-	December	
	LINE Taiwan <sup>2</sup>	SHINEWANT TECHNOLOGY	Taiwan	Internet information services	100.00	100.00	December
	LINE	Tre Tho Information Service Joint	Vietnam	Online information distribution	99.00	72.60	December

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		Closing month
				June 30, 2018	December 31, 2017	
SOUTHEAST ASIA (formerly, LINE Biz+) <sup>2</sup>	Stock Company (Webtretho)		business			
SHINEWANT TECHNOLOGY <sup>2</sup>	Silent Illumination	Taiwan	Software development and distribution	100.00	100.00	December
LINE Pay <sup>2</sup>	Webpay Holdings	Japan	Mobile payment system planning and development	100.00	100.00	December
	Line Biz Plus	Korea	Software development and distribution	100.00	100.00	December
	BALIE	Japan	Searching advertising service business	60.00	60.00	December
Webpay Holdings <sup>2</sup>	Webpay	Japan	Mobile payment system planning and development	100.00	100.00	December
Snow <sup>2</sup>	SNOW China	Hong Kong	Mobile service operations	96.22	100.00	December
	SNOW Japan	Japan	Mobile service operations	100.00	100.00	December
	SNOW Inc.	USA	Mobile service operations	100.00	100.00	December
	Spring Camp	Korea	Investment	100.00	100.00	December
Snow <sup>2</sup>	Playlist	Korea	Information and communication service	100.00	100.00	December
Snow <sup>2</sup>	Amuse	Korea	Cosmetics manufacturing, distribution and sales	100.00	100.00	December
SNOW China <sup>2</sup>	HEART IT	Korea	Mobile service development	100.00	-	December
	SNOW China (Beijing)	China	Mobile service operations	100.00	100.00	December
	Yiruike Information Technology (Beijing) <sup>2</sup>	China	Mobile service operations	100.00	100.00	December
LINE Friends <sup>2</sup>	Markt	Korea	Software development and wholesale and retail	51.00	51.00	December
LINE Digital Technology (Shanghai) <sup>2</sup>	Beijing Wangzhongwenda Technology	China	Mobile service operations	100.00	100.00	December
LINE Games <sup>2</sup>	NextFloor	Korea	Software development and distribution	51.00	51.00	December
	Pig	Korea	Software development and distribution	100.00	100.00	December
	Stairs	Japan	Software development and distribution	100.00	100.00	December
	Msquared Management	U.S.A	Software development and distribution	100.00	100.00	December
NextFloor <sup>2</sup>	Next Floor Basement Lab	Korea	Software development and distribution	100.00	100.00	December
	Studio 4LEAF	Korea	Software development and distribution	60.00	60.00	December
	InnoAG	Korea	Software development and distribution	50.72	50.72	December
	Oozoo	Korea	Software development and distribution	53.49	44.53	December
Msquared Management	Msquared Shanghai(formerly, Mobil Factory)	China	Software development and distribution	100.00	100.00	December

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%)		Closing month
				June 30, 2018	December 31, 2017	
<sup>2</sup> LINE Financial	LINE Financial Plus	Korea	Financial business	100.00	-	December
<sup>2</sup>	LVC	Japan	Financial business	100.00	-	December
	LINE Credit	Japan	Financial business	100.00	-	December
	LVC USA Inc.	USA	Financial business	100.00	-	December
LVC	LINE TECH PLUS PTE. LTD.	Singapore	Financial business	100.00	-	December

<sup>1</sup> The ownership of the Group decreased due to issuance of shares for stock option.

<sup>2</sup> Ownership interest held by the Group includes ownership percentage of subsidiaries.

<sup>3</sup> The shares held by LINE and LINE Friends were transferred to LFG Holdings.

## 1.2 Changes in Scope of Consolidation

Subsidiaries newly included in the consolidation for the six-month period ended June 30, 2018, are as follows:

Reason	Subsidiaries
Newly establishment	LINE Financial, Line Financial Plus, LVC, LINE Credit, LVC USA, LINE TECH PLUS, WAV Recordings, myBridge, LINE Growth Technology, LINE Securities Preparatory, LINE Ventures Global Limited Liability Partnership, LINE Ventures Japan Limited Liability Partnership
Newly acquired	Oozoo, HEART IT, LINE Part Time Job(formerly,, AUBE)

Subsidiaries excluded from the consolidation for the six-month period ended June 30, 2018, are as follows:

Reason	Subsidiaries
Disposal	Iconnect
Liquidation	Entry Labs
Merger <sup>1</sup>	Camp Mobile, Epipolar
Loss of control <sup>2</sup>	LINE Mobile

<sup>1</sup> For the six-month period ended June 30, 2018, Camp Mobile was merged with the Company and Epipolar was merged with NAVER Labs, subsidiary of the Company.

<sup>2</sup> For the six-month period ended June 30, 2018, LINE Mobile was reclassified to an associate from a subsidiary due to decrease in the Company's ownership interest.

# NAVER Corporation and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### June 30, 2018 and 2017(Unaudited), and December 31, 2017

---

## 2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of Preparation

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Group's consolidated interim financial statements for the six-month period ended June 30, 2018, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective as at June 30, 2018.

#### *(a) New and amended standards and interpretations adopted by the Group*

The Group has applied the following new and amended standards and interpretations for the first time for their annual reporting period commencing January 1, 2018.

#### *- Amendments to Korean IFRS 1028 Investments in Associates and Joint Ventures*

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the financial statements because the Group is not a venture capital organization.

#### *- Amendment to Korean IFRS 1040 Transfers of Investment Property*

Paragraph 57 of Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The amendment does not have a significant impact on the financial statements

#### *- Amendments to Korean IFRS 1102 Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the financial statements.

# NAVER Corporation and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### June 30, 2018 and 2017(Unaudited), and December 31, 2017

---

#### - Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the financial statements.

#### - Korean IFRS 1109 *Financial Instruments*

The Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and the differences between previous book amounts and book amounts at the date of initial application are recognized to equity. See Note 23 for further details on the impact of the application of the standard.

#### - Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group applied Korean IFRS 1115 *Revenue from Contracts with Customers*. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated and the cumulative impact of initially application has been recognized as an adjustment to equity as at January 1, 2018. See Note 23 for further details on the impact of the application of the standard.

#### *(b) New and amended standards not yet adopted by the Group*

Certain new accounting standards that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

#### - Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*. The Group will apply the standards for annual periods beginning on or after January 1, 2019.

Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is 12 months or more and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

The Group is analyzing the effects on the financial effects based on available information as at June 30, 2018 to identify potential financial effects of applying Korean IFRS 1116; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

# NAVER Corporation and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### June 30, 2018 and 2017(Unaudited), and December 31, 2017

---

#### 2.2 Significant Accounting Policies

Significant accounting policies and methods used in the preparation of the condensed consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2017, except for the changes due to the application of amendment and enactments of standards described in Note 2.1 (a) and the one described below.

##### 2.2.1 Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

The Group is implementing a consolidated tax payment scheme which presumes the Parent Company and its subsidiaries in Korea are one taxpayer. The Group calculated estimated average annual tax rate considering the consolidated tax payment scheme.

##### 2.2.2 Financial Assets

###### *(a) Classification*

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

*(b) Measurement*

At initial recognition, the Group measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into one of the following three measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'finance income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'finance income and finance costs' and impairment loss in 'finance costs'.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in the statement of profit or loss within 'finance income and finance costs' in the period in which it arises.

# NAVER Corporation and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### June 30, 2018 and 2017(Unaudited), and December 31, 2017

---

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as 'finance income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'finance income and finance costs' in the statement of profit or loss as applicable. Impairment loss (and reversal of impairment loss) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

#### *(c) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, other receivables and contract assets, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(Note 4 provides more detail of how the Group determines there has been a significant increase in credit risk.)

### **2.2.3 Revenue Recognition**

From January 1, 2018, the Group has applied Korean IFRS 1115 *Revenue from Contracts with Customers*. The Group engages in providing internet search portal services. The Group's operating revenues are mainly comprised of the advertisement, business platform, IT platform and contents services.

#### *a) Allocating the transaction price*

The transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Group determines the standalone selling price for each separate performance obligation by using the relative standalone selling price.

#### *b) A performance obligation is satisfied over time*

The Group recognizes certain contents (Sticker) revenue based on a straight-line method over the estimated usage period of the users.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

**3. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates maybe different from the actual results.

Significant accounting estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are the same as those of the year ended December 31, 2017, except for the estimates used to determine income tax expense and explained as below.

*(a) Impairment of financial assets*

The provision for impairment for financial assets disclosed in Note 4 are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

*(b) Changes in useful lives of machinery*

The Group has changed the useful lives of certain machinery from 3 years to 4 years since 2018. The impacts due to the change on current year and subsequent fiscal years are as follows:

<i>(in thousands of Korean won)</i>	<b>Six-month period ended June 30, 2018</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Depreciation of machinery before change	₩ 53,563,266	₩ 102,582,910	₩ 83,597,808	₩ 36,274,402	₩ -
Depreciation of machinery after change	34,936,367	69,866,864	67,759,081	58,485,301	26,343,804
Increase (decrease) in profit before income tax	18,626,899	32,716,046	15,838,727	(22,210,899)	(26,343,804)

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**4. Financial Risk Management**

**4.1 Credit Risk**

The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of:

- trade receivables and other receivables carried at amortized cost
- contractual cash flows of debt investments carried at amortized cost and
- contractual cash flows of debt investments carried at fair value through other comprehensive income.

*(a) Trade receivables, other receivables and contract assets*

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, other receivables and contract assets. To measure the expected credit losses, trade receivables, other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at June 30, 2018, is determined as follows:

*(in thousands of Korean won)*

	<b>June 30, 2018</b>			
	<b>Less than 6 months past due and within due</b>	<b>More than 6 months past due</b>	<b>More than 1 year past due</b>	<b>Total</b>
<b>Trade and other receivables</b>				
Expected loss rate	0.14%	17.76%	96.77%	1.20%
Gross carrying amount	₩ 1,030,447,528	₩ 3,674,395	₩ 10,847,092	₩ 1,044,969,015
Loss allowance provision	₩ 1,392,933	₩ 652,570	₩ 10,496,591	₩ 12,542,094
<b>Contract assets</b>				
Expected loss rate	0.27%	0.00%	0.00%	0.27%
Gross carrying amount	₩ 3,951,654	₩ -	₩ -	₩ 3,951,654
Loss allowance provision	₩ 10,605	₩ -	₩ -	₩ 10,605

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

Movements in the loss allowance provision for trade receivables and other receivables for the six-month period ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017<sup>1</sup></b>	
Beginning balance - Korean IFRS 1039	₩	12,574,578	₩	17,549,536
Amounts restated through beginning balance of retained earnings (Note 23)		349,164		-
Loss allowance as at initial application date - calculated under Korean IFRS 1109		12,923,742		17,549,536
Increase in loss allowance recognized in profit or loss during the period (Unused amount reversed)		928,164		(3,177,502)
Receivables written off during the period as uncollectible		(38,485)		(53,206)
Other changes		(1,271,327)		(46,964)
Ending balance (the amount as at June 30, 2017 - calculated under Korean IFRS 1039)	₩	12,542,094	₩	14,271,864

<sup>1</sup> For the six-month period ended June 30, 2018, movements in the loss allowance provision for contract assets are arising from increase in loss allowance amounting to ₩ 10,605 thousand recognized in profit or loss for the period.

As at June 30, 2018, the gross carrying amount of trade receivables and other receivables and contract assets, reflecting the maximum exposure to credit risk, is as follows:

<i>(in millions of Korean won)</i>	<b>June 30, 2018</b>		<b>December 31, 2017</b>	
Trade receivables	₩	625,927	₩	626,371
Other receivables		419,042		400,313
Contract assets		4,098		4,145

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

The amounts recognized in profit or loss within 'operating expenses' in relation to impaired receivables for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017<sup>1</sup></b>
Impairment loss		
- Individual receivables written off directly	₩ -	₩ -
- Movement in loss allowance	928,164	(3,177,502)

<sup>1</sup> In the prior period, the impairment of trade receivables and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was an objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognized in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties for of the debtor and
- prolonged delinquency in interest or principal payments.

*(b) Other financial assets at amortized cost*

Other financial assets at amortized cost include long and short-term financial instruments like corporate bonds and commercial papers, and other receivables. Movements in loss allowance provision for other financial assets at amortized cost for the six-month period ended June 30, 2018, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>
Beginning balance - Korean IFRS 1039	₩ 287,604
Amounts restated through beginning balance of retained earnings (Note 23)	313,504
Loss allowance as at initial application date - calculated under Korean IFRS 1109	601,108
Increase in loss allowance recognized in profit or loss during the period (Unused amount reversed)	(361,761)
Ending balance	₩ 239,347

All of these financial assets are considered to have low credit risk, and thus the loss allowance provision recognized was limited to 12 months expected losses during the period. The Group considers to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

*(c) Debt instruments at fair value - other comprehensive income*

Debt instruments at fair value - other comprehensive income are corporate bonds. The loss allowance provision for debt instruments at fair value - other comprehensive income is recognized in profit or loss and reduces the fair value loss otherwise recognized in other comprehensive income. Movements in loss allowance provision for debt instruments at fair value - other comprehensive income for the six-month period ended June 30, 2018, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>
Beginning balance - Korean IFRS 1039	₩ -
Amounts restated through beginning balance of retained earnings (Note 23)	354,493
Loss allowance as at initial application date - calculated under Korean IFRS 1109	354,493
Increase in loss allowance recognized in profit or loss during the period (Unused amount reversed)	<u>(16,230)</u>
Ending balance	<u>₩ 338,263</u>

All of these financial assets are considered to have low credit risk, and thus the loss allowance provision recognized was limited to 12 months expected losses during the period. The Group considers to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**5. Fair Value**

There are no significant changes in the business and economic environments that affect the fair value of financial assets and liabilities of the Group for the six-month period ended June 30, 2018.

**5.1 Financial Instruments Measured at Fair Value**

Details of financial instruments measured at fair value as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

	June 30, 2018		December 31, 2017	
	Book amount	Fair value	Book amount	Fair value
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 313,683,892	₩ 313,683,892
Financial assets at fair value - profit or loss	894,592,155	894,592,155	-	-
Available-for-sale financial assets <sup>1</sup>	-	-	1,013,113,446	1,013,113,446
Financial assets at fair value - other comprehensive income	778,820,058	778,820,058	-	-
	<u>₩ 1,673,412,213</u>	<u>₩ 1,673,412,213</u>	<u>₩ 1,326,797,338</u>	<u>₩ 1,326,797,338</u>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	₩ 9,318,219	₩ 9,318,219	₩ 4,638,541	₩ 4,638,541

<sup>1</sup> Available-for-sale financial instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

Financial assets and liabilities whose carrying amount is a reasonable approximation of fair value are excluded from the fair value disclosures.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**5.2 Fair Value Hierarchy**

Financial instruments that are measured at fair value are categorized by the fair value hierarchy, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at June 30, 2018 and December 31, 2017, are as follows:

*(in thousands of Korean won)*

	<b>June 30, 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value - profit or loss	₩ 121,002,390	₩ 103,980,993	₩ 669,608,772	₩ 894,592,155
Debt instruments at fair value - other comprehensive income	-	168,287,181	446,508	168,733,689
Equity instruments at fair value - other comprehensive income	474,845,229	-	135,241,140	610,086,369
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	₩ -	₩ 6,964,254	₩ 2,353,965	₩ 9,318,219

*(in thousands of Korean won)*

	<b>December 31, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	₩ 95,405,587	₩ 46,465,466	₩ 171,812,839	₩ 313,683,892
Available-for-sale financial assets	498,402,007	152,682,848	362,028,591	1,013,113,446
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss	₩ -	₩ -	₩ 4,638,541	₩ 4,638,541

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**5.3 Transfers between Fair Value Hierarchy Levels of Recurring Fair Value Measurements**

The Group recognizes transfers between levels of the fair value at the end of the reporting period. There were no transfers between Level 1 and Level 2 for recurring fair value measurements during the six-month periods ended June 30, 2018 and 2017.

Changes in level 3 for recurring fair value measurements for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	<b>2018</b>	
	<b>Financial assets at fair value - profit or loss</b>	<b>Financial assets at fair value - other comprehensive income</b>
Beginning balance <sup>1</sup>	₩ 171,812,839	₩ 362,028,591
Effect of changes in accounting policies	544,553,205	(266,233,858)
Beginning balance (After adjustments)	716,366,044	95,794,733
Total profit or loss		
Amount recognized in profit or loss	24,843,540	-
Amount recognized in other comprehensive income	-	3,349,196
Purchase	151,893,155	33,226,390
Sales	(229,331,906)	-
Exchange differences	5,837,939	2,870,821
Ending balance	₩ 669,608,772	₩ 135,241,140

<sup>1</sup>As at December 31, 2017, they were disclosed as financial assets at fair value through profit or loss and available-for-sale financial assets.

(in thousands of Korean won)

	<b>2017</b>	
	<b>Financial assets at fair value through profit or loss</b>	<b>Available-for-sale financial assets</b>
Beginning balance	₩ 281,547,502	₩ 122,742,466
Total profit or loss		
Amount recognized in profit or loss	4,107,897	(76,708)
Amount recognized in other comprehensive income	-	29,032,202
Purchase	80,100,000	20,172,218
Sales	(172,645,857)	3,001,167
Transfer into level 3 <sup>1</sup>	-	14,515,340
Exchange differences	-	(888,523)
Ending balance	₩ 193,109,542	₩ 188,498,162

<sup>1</sup> During the six-month period ended June 30, 2017, the Group reclassified debt instruments that are measured based on unobservable inputs as level 3.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**5.4 Valuation Techniques and the Inputs**

Valuation techniques and inputs used in the recurring fair value measurements categorized in Levels 2 and Level 3 of the fair value hierarchy as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of  
Korean won)

		June 30, 2018					
	Fair value	Level	Valuation techniques	Major Inputs	Unobservable inputs	Range of unobservable inputs	
<b>Financial assets at fair value - profit or loss</b>							
Securities linked derivatives	₩ 81,545,183	3	Black Scholes Model, Hull-White Model, Monte Carlo Simulation, Gaussian 1-factor model, Garman-Kohlhagen model and others	Price of the underlying assets, Dividend rate, Volatility of the underlying assets, Correlation between the underlying assets (rates of return on shares), Interest rate, CDS SPREAD, Recovery rate, Discount rate	Volatility of the underlying assets Correlation coefficient CDS SPREAD Discount rate Recovery rate	8.70% ~ 9.50% 0 ~ 1 0.21% ~ 0.35% 1.68% ~ 2.70% 40.00%	
Compound financial instruments	333,632,861	3	Option pricing model, Black Scholes Model, Market approach, Discounted Cash Flow Model Market approach	Price of the underlying assets, Volatility of the underlying assets, Discount rate Revenue Multiple	Volatility of the underlying assets Discount rate Revenue Multiple	7.4% ~ 47.4% 2.34% ~ 12.90% 1.95 ~ 14.55	
Beneficiary certificates and Funds	254,430,728	3	Market approach	Quoted price of the underlying assets, EBITDA Multiple, Revenue Multiple	EBITDA Multiple Revenue Multiple	4.84 ~ 31.10 2.20 ~ 7.50	
Debt securities	87,556,115	2	Present value method	Adjusted discount rate considering credit risk	-	-	
Beneficiary certificates and Funds	16,424,878	2	Present value method	Quoted price of the underlying assets	-	-	
<b>Debt instruments at fair value - other comprehensive income</b>							
Debt securities	168,287,181	2	Present value method	Adjusted discount rate considering credit risk	-	-	
Debt securities	446,508	3	Present value method	-	-	-	
<b>Equity instruments at fair value - other comprehensive income</b>							
Equity securities	135,241,139	3	Market approach	EBITDA Multiple, Revenue Multiple, EBIT Multiple	EBITDA Multiple Revenue Multiple EBITDA Multiple	3.11 ~ 15.73 3.27 ~ 7.92 11.88 ~ 14.97	
<b>Financial liabilities at fair value through profit or loss</b>							
Derivatives	2,353,965	3	Option pricing model, Binomial distribution model, Monte Carlo Simulation	Price of the underlying assets, Volatility of the underlying assets, Discount rate	Volatility of the underlying assets Discount rate	9.20% ~ 45.00% 2.47% ~ 4.26%	
Derivatives	6,964,254	2	Present value method	Forward rate	-	-	

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

(in thousands of  
Korean won)

December 31, 2017

		Fair value	Level	Valuation techniques	Major Inputs	Unobservable inputs	Range of unobservable inputs
<b>Financial assets at fair value through profit or loss</b>							
Derivatives securities	linked W	132,341,738	3	Black Scholes Model, Hull-White Model, Monte Carlo Simulation, Gaussian 1-factor model, Garman-Kohlhagen model and others	Price of the underlying assets, Dividend rate, Volatility of the underlying assets, Correlation between the underlying assets (rates of return on shares), Interest rate, CDS SPREAD, Recovery rate, Discount rate	Volatility of the underlying assets Correlation coefficient CDS SPREAD Discount rate Recovery rate	9.2% ~ 10.45% 0 ~ 1 0.10% ~ 0.47% 1.66% ~ 2.41% 40.00%
Debt securities		43,474,930	2	Present value method	Adjusted discount rate considering credit risk	-	-
Derivatives		2,990,536	2	Present value method	Forward rate	-	-
Derivatives		39,471,102	3	Option pricing model	Price of the underlying assets, Credit risk adjusted discount rate, Volatility of the underlying assets	Volatility of the underlying assets Discount rate	25.51% ~ 46.00% 2.34% ~ 2.37%
<b>Available-for-sale financial assets</b>							
Beneficiary certificates		26,353,363	2	-	Quoted price of the underlying assets	-	-
Beneficiary certificates		22,990,070	3	Market approach	EBITDA Multiple Revenue Multiple Liquidity discount rate	EBITDA Multiple Revenue Multiple Liquidity discount rate	31.10 2.20 11.50%
Debt securities		126,329,485	2	Present value method	Adjusted discount rate considering credit risk	-	-
Debt securities		4,036,614	3	Present value method	Adjusted discount rate considering credit risk	Discount rate	2.21%
Equity securities		335,001,907	3	Market approach, Discount Cash Flow model	EBITDA Multiple Revenue Multiple Discount rate	EBITDA Multiple Revenue Multiple Discount rate	3.11 ~ 19.32 2.25 ~ 6.16 9.60% ~ 13.00%
<b>Financial liabilities at fair value through profit or loss</b>							
Derivatives		4,638,541	3	Option pricing model, Binomial distribution model, Monte Carlo Simulation	Price of the underlying assets, Volatility of the underlying assets, Discount rate	Volatility of the underlying assets Discount rate	9.20% ~ 45.00% 2.47% ~ 4.26%

**5.5 Valuation Processes for Fair Value Measurements Categorized Within Level 3**

The Group operates a separate team that performs the fair value measurements required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO), and discusses the valuation process and results with the CFO at least once every quarter in line with the Group's quarterly reporting schedule.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**6. Financial Assets**

**6.1 Financial Assets at Fair Value - Profit or Loss**

As explained in Note 2, the Group has applied Korean IFRS 1109 *Financial Instruments* from January 1, 2018. See Note 23 for the impacts of changes in accounting policies on the classification of financial assets and the financial statements.

(a) *Financial assets at fair value - profit or loss*

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b> <sup>1</sup>
<b>Non-current</b>		
Compound financial instruments	₩ 171,180,668	₩ 166,981,067
Beneficiary certificates and Funds	248,314,534	181,637,138
Debt securities	57,827,789	59,648,894
	<u>477,322,991</u>	<u>408,267,099</u>
<b>Current</b>		
Securities linked derivatives	81,545,183	122,468,437
Compound financial instruments	162,452,193	240,706,684
Beneficiary certificates and Funds	22,541,072	23,723,517
Debt securities	29,728,326	28,401,255
Equity securities	121,002,390	122,241,647
Derivatives	-	2,990,536
	<u>417,269,164</u>	<u>540,532,076</u>
	<u>₩ 894,592,155</u>	<u>₩ 948,799,175</u>

<sup>1</sup> The amounts are after reflecting the impacts of changes in accounting policies (Note 23)

(b) *Amounts recognized in profit or loss*

Amounts recognized in profit or loss for the six-month period ended June 30, 2018, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>
Securities linked derivatives	₩ (278,537)
Compound financial instruments	(1,043,442)
Beneficiary certificates and Funds	33,912,142
Others	3,289,800
	<u>₩ 35,879,963</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**6.2 Financial Assets at Fair Value - Other Comprehensive Income**

*(a) Equity instruments at fair value through other comprehensive income*

Equity instruments at fair value through other comprehensive income comprise the following individual investments:

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>		<b>December 31, 2017<sup>1</sup></b>	
Listed equity securities	₩	474,845,228	₩	498,402,008
Unlisted equity securities		135,687,648		78,677,512
	₩	<u>610,532,876</u>	₩	<u>577,079,520</u>

<sup>1</sup> As at December 31, 2017, the Group classified above equity instruments as available-for-sale. The amounts are after reflecting the impacts of changes in accounting policies (Note 23).

Upon disposal of these equity instruments, any balance within the accumulated other comprehensive income for these equity instruments is not reclassified to profit or loss.

*(b) Debt instruments at fair value - other comprehensive income*

Debt instruments at fair value - other comprehensive income, having solely payments of principal and interest, are as follows:

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>		<b>December 31, 2017<sup>1</sup></b>	
Government bonds	₩	10,280,171	₩	9,829,885
Corporate bonds		158,345,272		130,184,039
Less: provision for impairment		(338,262)		(354,493)
	₩	<u>168,287,181</u>	₩	<u>139,659,431</u>

<sup>1</sup> As at December 31, 2017, the Group classified above equity instruments as available-for-sale. The amounts are after reflecting the impacts of changes in accounting policies (Note 23).

Upon disposal of these debt instruments, any balance within the accumulated other comprehensive income for these debt instruments is reclassified to profit or loss.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**6.3 Trade Receivables and Other Financial Assets at amortized cost**

*(a) Trade receivables and other receivables*

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>		<b>December 31, 2017 <sup>1</sup></b>	
Trade receivables	₩	625,926,773	₩	626,371,357
Other receivables		419,042,241		400,312,627
Less: provision for impairment		(12,542,094)		(12,923,742)
Trade receivables and other receivables - net	₩	<u>1,032,426,920</u>	₩	<u>1,013,760,242</u>

<sup>1</sup> The amounts are after reflecting the effect of changes in accounting policies (Note 23)

*(b) Other financial assets at amortized cost*

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>			<b>December 31, 2017 <sup>1</sup></b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Cash equivalents	₩ 2,011,706,488	₩ -	₩ 2,011,706,488	₩ 1,907,575,061	₩ -	₩ 1,907,575,061
Time deposits	605,755,087	19,330,000	625,085,087	846,535,129	70,853,219	917,388,348
Corporate bonds	15,000,000	-	15,000,000	-	15,098,700	15,098,700
Bank debenture	200,000,000	100,843	200,100,843	200,000,000	-	200,000,000
Government bonds	-	2,844,430	2,844,430	-	-	-
Loans	4,705,398	338,300	5,043,698	2,013,964	1,048,006	3,061,970
Accrued income	6,671,477	-	6,671,477	5,516,543	-	5,516,543
Leasehold deposits provided	10,268,041	90,173,978	100,442,019	1,845,698	73,143,089	74,988,786
Other financial assets	-	1,159,012	1,159,012	-	57,944	57,944
	<u>2,854,106,491</u>	<u>113,946,563</u>	<u>2,968,053,054</u>	<u>2,963,486,395</u>	<u>160,200,958</u>	<u>3,123,687,353</u>
Less: provision for impairment	<u>(228,153)</u>	<u>(11,194)</u>	<u>(239,347)</u>	<u>(546,074)</u>	<u>(55,034)</u>	<u>(601,108)</u>
	<u>₩ 2,853,878,338</u>	<u>₩ 113,935,369</u>	<u>₩ 2,967,813,707</u>	<u>₩ 2,962,940,321</u>	<u>₩ 160,145,924</u>	<u>₩ 3,123,086,245</u>

<sup>1</sup> The amounts are after reflecting the effect of changes in accounting policies (Note 23)

*(c) Impairment*

See Note 4 for the impairment of trade receivables, other financial assets at amortized cost and the Group's exposure to credit risk.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**7. Contract Assets and Liabilities**

*(a) Contract assets and liabilities*

The contract assets and liabilities that the Group recognizes as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>		<b>December 31, 2017</b>	
Contract assets related LINE Sticker	₩	3,318,484	₩	3,069,668
Contract assets related to ads service		622,564		1,075,307
Assets recognized for costs incurred to fulfil contracts		7,239,035		6,381,720
Total contract assets	₩	<u>11,180,083</u>	₩	<u>10,526,695</u>
Customer loyalty programs	₩	2,613,455	₩	4,876,339
Contracts related to ads service		1,925,071		279,464
Contracts related to business platform service		92,382,614		77,099,894
Contracts related to IT platform service		8,421,010		7,339,341
Contracts related to contents service		15,239,042		11,989,488
Contracts related to LINE & other platform services		252,279,084		231,065,608
Total contract liabilities	₩	<u>372,860,276</u>	₩	<u>332,650,134</u>

*(b) Revenue recognized in relation to contract liabilities*

The following table shows how much of the revenue recognized in the current period related to carried-forward contract liabilities from the prior year and there is no revenue recognized in the current period related to performance obligations that were satisfied in the prior year.

<i>(in thousands of Korean won)</i>	<b>June 30, 2018</b>	
Revenue recognized that was included in the contract liability balance at the beginning of the period	₩	290,471,753
Customer loyalty programs		4,876,339
Contracts related to ads service		279,464
Contracts related to business platform service		77,099,894
Contracts related to IT platform service		7,339,341
Contracts related to contents service		11,989,488
Contracts related to LINE & other platform services		188,887,227

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

(c) *Assets recognized from costs to fulfil a contract*

In addition to the contract balances disclosed above, the Group recognizes an asset in relation to costs to fulfil contracts of LINE Sticker, Theme Shop and Creator Sticker which are represented within prepaid expenses in the statements of financial position.

(in thousands of Korean won)

**2018**

Assets recognized from costs to fulfil a contract at the end of reporting period	₩	16,757,674
Amortization and impairment loss recognized as cost of providing services during the period		13,801,320

The Group recognized an asset in relation to costs incurred to fulfil contracts of LINE Sticker, Theme Shop and Creator Sticker. The asset is amortized on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

**8. Operating Segment Information**

The Group consists of a single operating segment. Operating information by service types is reported to chief operating decision-maker and there is no difference from the amount reported in the consolidated statements of comprehensive income.

Operating revenues by service types for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)	2018		2017	
	Operating revenues	Ratio (%)	Operating revenues	Ratio (%)
Ads <sup>1</sup>	₩ 281,768,271	10.54	₩ 217,421,079	9.83
Business Platform <sup>2</sup>	1,204,298,868	45.06	1,030,118,275	46.57
IT Platform <sup>3</sup>	158,139,102	5.92	92,807,894	4.20
Contents Service <sup>4</sup>	61,302,734	2.29	47,864,773	2.16
LINE & Other Platforms <sup>5</sup>	967,166,843	36.19	823,666,627	37.24
	₩ 2,672,675,818	100.00	₩ 2,211,878,648	100.00

<sup>1</sup> DA, Shopping DA, NAVER TV Video Ads, Band DA and others (CPM)

<sup>2</sup> Search, Shopping Search and others (CPC/CPS)

<sup>3</sup> NAVER Pay, IT Services, Cloud, WORKS and others

<sup>4</sup> NAVER Music, Webtoon, V LIVE and others

<sup>5</sup> LINE, SNOW and others

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

Financial performance by each region for the six-month periods ended June 30, 2018 and 2017 and as at June 30, 2018 and December 31, 2017 are as follows:

*(in thousands of Korean won)*

	<b>Revenue from external customers</b>		<b>Non-current assets <sup>1</sup></b>	
	<b>2018</b>	<b>2017</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Domestic	₩ 1,844,467,732	₩ 1,451,538,430	₩ 1,714,749,521	₩ 1,408,347,312
Japan	777,514,391	714,340,706	473,873,982	261,344,882
Others	50,693,695	45,999,512	226,924,110	136,892,701
	<u>₩ 2,672,675,818</u>	<u>₩ 2,211,878,648</u>	<u>₩ 2,415,547,613</u>	<u>₩ 1,806,584,895</u>

<sup>1</sup> Financial instruments and deferred tax assets are not included.

The revenue from contracts with customers into categories for the six-month period ended June 30, 2018, is as follows:

*(in thousands of Korean won)*

**2018**

**By timing of revenue recognition**

Recognized at a point in time	₩ 1,376,710,409
Recognized over time	1,295,965,409
	<u>₩ 2,672,675,818</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**9. Property and Equipment**

Changes in property and equipment for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Beginning balance	₩	1,150,012,699	₩	863,258,398
Acquisition / capital expenditures		235,716,148		187,364,069
Increase due to business combination		126,986		326,134
Depreciation		(100,794,389)		(82,240,183)
Disposals / abandon / impairment		(2,865,227)		(1,189,551)
Disposal of a subsidiary		(48,929)		-
Others <sup>1</sup>		10,810,994		13,570,986
Ending balance	₩	<u>1,292,958,282</u>	₩	<u>981,089,853</u>

<sup>1</sup> Others includes increase and decrease from foreign currency translation and others.

For the six-month period ended June 30, 2018, the Group has capitalized borrowing costs amounting to ₩ 143 million (2017: ₩ 1,459 million) on property and equipment that are qualifying assets. The capitalization rate of borrowings used to determine the amount of borrowing costs to be capitalized is 2.13% (2017: 2.13%).

**10. Intangible Assets**

Changes in intangible assets for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Beginning balance	₩	339,511,681	₩	112,131,534
Acquisition / capital expenditures		15,314,463		5,813,459
Increase due to business combination		6,114,957		41,146,783
Amortization		(16,521,383)		(8,635,318)
Disposals / abandon/ impairment		(3,697,318)		(1,466,726)
Disposal of a subsidiary		(21,393)		-
Others <sup>1</sup>		11,851,185		(1,954,239)
Ending balance	₩	<u>352,552,192</u>	₩	<u>147,035,493</u>

<sup>1</sup> Others includes increase and decrease from foreign currency translation and others

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**11. Investments in Associates and Joint Ventures**

Details of investments in associates and joint ventures of the Group as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	June 30, 2018		December 31, 2017	
				Percentage of ownership (%)	Book amount	Book amount	Book amount
<b>Associates</b>							
KG Allat (Formerly, Allat)	Internet commerce payment service	Korea	December	20.00	₩ 3,887,232	₩	3,708,376
NetMania	Software development and Distribution	Korea	December	27.17	915,531		846,150
Synapssoft	Software development and distribution	Korea	December	26.53	4,183,044		3,993,600
Cloud Application Factory <sup>2</sup>	Software development and distribution	Korea	December	30.10	-		1,487
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	3,162,848		4,109,379
Korea Contents Mutual Aid Association <sup>1</sup>	Investment	Korea	December	51.63	7,254,674		5,274,711
ARO In Tech	Software development and distribution	Korea	December	29.85	416,563		415,967
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	6,183,286		6,844,658
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	7,757,338		8,011,687
Epic Voyage	Mobile service development	Japan	December	30.00	26,213		24,929
LINE Music	Mobile service development	Japan	December	36.72	8,845,687		447,864
Digital Media Partners II	Investment	Cayman Islands	December	30.00	2,518,261		2,499,797
LINE Part Time Job (Formerly, AUBE) <sup>3</sup>	Mobile service development	Japan	December	-	-		3,169,994
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	9,364,030		7,915,533
NAVER KIP	Investment	Korea	December	50.00	4,126,206		4,128,854
Cheer up! Gamers Fund	Investment	Korea	December	50.00	4,126,206		4,128,854
NSPACE	Space service business	Korea	December	49.04	1,229,160		1,360,751
Silicon Cube	Applied software development and distribution	Korea	December	45.05	2,042,510		2,192,699
One Store	E-Commerce business	Korea	December	34.46	21,670,877		21,511,791
Transcosmos Online Communication	Business customer support	Japan	December	37.06	1,203,869		1,152,090
Nplegames	Software development and distribution	Korea	December	43.48	3,975,298		4,502,629
Alchera	Software consulting, development and distribution	Korea	December	25.16	1,668,359		1,862,085
Trust Us <sup>2</sup>	Software consulting, development and distribution	Korea	December	21.39	-		-
Yume no machi Souzou linkai	Mobile service development	Japan	December	21.93	39,262,295		37,080,639
Mirae Asset-NAVER New Growth Fund 1	Investment	Korea	December	50.00	19,354,205		19,562,524
K-Fund I <sup>1</sup>	Investment	France	December	100.00	101,084,286		24,435,726
Fandom	Software development and distribution	Korea	December	20.00	155,574		150,793
YG NAVER Contents & Lifestyle Fund	Investment	Korea	December	90.91	49,177,918		48,661,077

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

1							
Orpeo Sound Works	Software development and distribution	Korea	December	27.41	1,949,420	1,948,965	
Nano Interactive	Software development and distribution	Korea	December	35.48	407,350	517,457	
The Grim Ent.	Webtoon production	Korea	December	34.98	1,036,292	1,049,309	
Meshkorea	Telecom order brokerage, e-commerce	Korea	December	25.30	24,260,413	25,163,892	
Studio Horang	Webtoon production	Korea	December	35.00	322,236	332,814	
Oozoo <sup>3</sup>	Software development and distribution	Korea	December	-	-	2,442,539	
Soran Media Venture Fund I <sup>1</sup>	Investment	Korea	December	66.67	952,316	1,000,000	
Motif	Software development and distribution	Korea	December	41.46	1,838,263	1,999,899	
Fast Cowell Private Equity Fund	Investment	Korea	December	21.13	1,486,507	1,500,000	
Skeinglobe	Software development and distribution	Korea	December	28.72	964,786	1,220,800	
YLAB Japan	Software development and distribution	Japan	December	35.71	177,463	479,600	
Laiqu Technology (Shenzhen)	Software development and distribution	China	December	23.98	553,555	164,067	
Rock Square	Software development and distribution	Korea	December	40.98	2,024,834	-	
FOLIO	Financial business	Japan	December	41.36	57,506,812	-	
Bigpicture Comics	Webtoon production	Korea	December	35.00	738,577	-	
iPASS	Mobile payment system planning and development	Taiwan	December	29.82	12,335,910	-	
Bravepops	Software development and distribution	Korea	December	20.67	647,227	-	
AXIS	Software development and distribution	Korea	December	37.50	2,734,510	-	
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	47.18	192,934,661	-	
LENSA,LTD.	Mobile advertising service business	Japan	December	49.00	966,221	-	
LINE Mobile <sup>4</sup>	Telecommunications service	Japan	December	49.00	97,584,584	-	
					₩ 700,887,201	₩ 251,685,132	
<b>Joint ventures</b>							
YTN PLUS	Digital contents distribution	Korea	December	50.00	₩ 4,894,840	₩ 4,298,774	
LINE Project <sup>2</sup>	Investment	Japan	December	49.95	-	-	
Collab+LINE	Investment	USA	December	50.00	1,308,671	1,147,638	
Lantu Games <sup>2</sup>	Smartphone contents development	Hong Kong	December	50.00	-	399,883	
JobsN	Online information service	Korea	December	49.00	1,063,055	898,764	
RABBIT-LINE PAY COMPANY	Online payment service	Thailand	December	33.33	24,876,365	20,061,560	
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	888,300	523,102	
Cineplay	Online information service and online advertising	Korea	December	49.00	752,320	492,381	
China Lab	Database and online information service	Korea	December	49.00	190,395	185,692	
Designpress	Online information service and internet contents business	Korea	December	49.00	391,262	281,207	
Interbiz	Online information service and internet contents business	Korea	December	49.00	157,628	91,654	
Artitian	Online information service and internet contents business	Korea	December	49.00	194,832	134,610	

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Schooljam	Online information service and internet contents business	Korea	December	49.00	287,874	185,110
Agroplus	Online information service and internet contents business	Korea	December	49.00	252,094	158,006
Sumlab	Online information service and internet contents business	Korea	December	49.00	204,437	141,837
Techplus	Online information service and internet contents business	Korea	December	49.00	244,630	109,533
Animal and Human Story	Online information service and internet contents business	Korea	December	49.00	93,182	94,906
Law and Media	Online information service and internet contents business	Korea	December	49.00	141,773	107,334
					35,941,658	29,311,991
					₩ 736,828,859	₩ 280,997,123

<sup>1</sup> Although the Group owns more than 50% of the investees, the Group does not have controls over the entities under arrangements and classifies them as associates.

<sup>2</sup> LINE Project had discontinued the use of equity method due to accumulated deficits and impairment loss had been recognized before the current period, for Trust us, Cloud Application Factory, LINE Music and Lantu Games as book amount exceeded the recoverable amount.

<sup>3</sup> Oozoo and LINE Part Time Job (Formerly, AUBE) have been included in subsidiaries during the current period.

<sup>4</sup> LINE Mobile was reclassified from a subsidiary to an associate due to decrease in ownership of the Group for the six-month period ended June 30, 2018.

Changes in investments in associates and joint ventures for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		
	<b>Investments in associates</b>	<b>Investments in joint ventures</b>	<b>Total</b>
Beginning balance	₩ 251,685,132	₩ 29,311,991	₩ 280,997,123
Acquisition	463,692,460	-	463,692,460
Disposal	(683,592)	(1,429,807)	(2,113,399)
Valuation of equity method			
Share of profit (loss) of associates and joint ventures	(13,234,233)	711,506	(12,522,727)
Share of other comprehensive income of associates and joint ventures	8,695,080	7,347,968	16,043,048
Dividends	(3,641,263)	-	(3,641,263)
Other changes	(5,626,383)	-	(5,626,383)
Ending balance	₩ 700,887,201	₩ 35,941,658	₩ 736,828,859

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

<i>(in thousands of Korean won)</i>	<b>2017</b>		
	<b>Investments in associates</b>	<b>Investments in joint ventures</b>	<b>Total</b>
Beginning balance	₩ 143,334,978	₩ 38,817,442	₩ 182,152,420
Acquisition	82,455,476	196,000	82,651,476
Disposal	(679,486)	-	(679,486)
Valuation of equity method			
Share of profit (loss) of associates and joint ventures	(2,275,955)	544,048	(1,731,907)
Share of other comprehensive income of associates and joint ventures	(2,861,628)	(859,573)	(3,721,201)
Dividends	(411,302)	-	(411,302)
Other changes	1,000,099	-	1,000,099
Ending balance	<u>₩ 220,562,182</u>	<u>₩ 38,697,917</u>	<u>₩ 259,260,099</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**12. Borrowings and Debentures**

Borrowings as at June 30, 2018 and December 31, 2017, are as follows:

*(in thousands of Korean won, in thousands of Japanese yen, in thousands of VND and in thousands of USD)*

	Lender	Maturity date	Annual interest rate (%)	June 30, 2018	December 31, 2017
<b>Short-term borrowings</b>					
Foreign currency	Sumitomo Mitsui Banking Corporation	September 28, 2018	0.07	₩ 121,774,800 (JPY 12,000,000)	₩ 113,893,200 (JPY 12,000,000)
	Mizuho Corporate Bank, Ltd.	September 30, 2018	0.11	101,479,000 (JPY 10,000,000)	94,911,000 (JPY 10,000,000)
	HIENDAT	September 30, 2018	-	989,634 (VND 20,237,917)	1,379,472 (VND 28,166,221)
	Mizuho Corporate Bank, Ltd.	-	-	-	395,456 (JPY 41,666)
	SCC Growth IV Holdco A, Ltd. <sup>1</sup>	-	10.00	33,383,565 (USD 29,970)	-
	SNOW Limited Liability Partnership <sup>1</sup>	-	10.00	22,273,268 (USD 19,995)	-
	DAG Ventures VI, L.P. <sup>1</sup>	-	10.00	2,242,881 (USD 2,000)	-
	Mistletoe Singapore Pte. Ltd. <sup>1</sup>	-	10.00	2,242,881 (USD 2,000)	-
	Goodwater Capital II, L.P. <sup>1</sup>	-	10.00	1,121,441 (USD 1,000)	-
	SenseView Investment Limited <sup>1</sup>	-	10.00	5,607,203 (USD 5,000)	-
Local currency	Shinhan Bank	December 4, 2018	3.85	20,572	-
	KEB Hana Bank	November 13, 2018	3.31	13,210	-
	KOOKMIN Bank	-	-	-	403,962
				<u>₩ 291,148,455</u>	<u>₩ 210,983,090</u>
<b>Long-term borrowings</b>					
Foreign currency	Japan Finance Corporation	June 30, 2020	1.40	₩ 24,609 (JPY 2,425)	₩ 28,540 (JPY 3,007)
	Dai Ichi Kangyo Credit Cooperative	June 15, 2023	1.00	76,109 (JPY 7,500)	71,183 (JPY 7,500)
	Sendai Bank	January 15, 2020	1.00	28,921 (JPY 2,850)	35,592 (JPY 3,750)
Local currency	YOJ	July 18, 2019	4.60	779,780	779,780
	Shinhan Bank	October 31, 2020	2.91	50,000,000	49,046,714
	Woori Bank	September 24, 2019	2.79	19,435,156	-
	Sunny Solution 3rd	January 30, 2021	3.16	50,000,000	-
				<u>(30,078)</u>	<u>(28,132)</u>
Less: Current portion				<u>₩ 120,314,497</u>	<u>₩ 49,933,677</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

<sup>1</sup> These are redeemable convertible preference shares which the Group classified as borrowings since the Group cannot control redemption condition. The holders can request the Group to pay the full redemption calculated by applying 10% of compounded interest to the issuance amount when specific future events or circumstances are met.

Debentures as at June 30, 2018 and December 31, 2017, are as follows:

*(in thousands of Korean won)*

	Lender	Maturity date	Annual interest rate (%)	June 30, 2018	December 31, 2017
Fixed rate in Korean won	3rd public bond	November 12, 2018	2.13	₩ 150,000,000	₩ 150,000,000
Less: Current portion				<u>(150,000,000)</u>	<u>(150,000,000)</u>
				<u>₩ -</u>	<u>₩ -</u>

**13. Net Defined Benefit Liabilities**

The amounts recognized in the statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

*(in thousands of Korean won)*

	2018		2017	
	Three months	Six months	Three months	Six months
Current service cost	₩ 18,057,461	₩ 34,918,168	₩ 14,493,762	₩ 28,626,528
Net interest cost	<u>1,878,845</u>	<u>3,953,229</u>	<u>1,865,343</u>	<u>3,767,547</u>
Total expenses included in employee benefits	<u>₩ 19,936,306</u>	<u>₩ 38,871,397</u>	<u>₩ 16,359,105</u>	<u>₩ 32,394,075</u>

Details of net defined benefit liabilities recognized in the statements of financial position as at June 30, 2018 and December 31, 2017, are as follows:

*(in thousands of Korean won)*

	June 30, 2018	December 31, 2017
Present value of funded defined benefit liabilities	₩ 27,054,425	₩ 27,710,745
Present value of unfunded defined benefit liabilities	<u>296,790,296</u>	<u>272,652,127</u>
Sub total	323,844,721	300,362,872
Fair value of plan assets	<u>(16,352,190)</u>	<u>(16,329,665)</u>
Net defined benefit liabilities	<u>₩ 307,492,531</u>	<u>₩ 284,033,207</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**14. Provisions**

Details and changes in provisions for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018							
	Provision for litigation		Provision for customer loyalty program		Provision for restoration and others		Total	
Beginning balance	₩	926,439	₩	249,054	₩	39,487,901	₩	40,663,394
Charged / (credited) to the statement of profit or loss:								
Additional provisions		-		-		4,516,276		4,516,276
Unused amounts reversed		-		-		(349,833)		(349,833)
Used during the period		-		-		(3,376,431)		(3,376,431)
Others		-		-		1,161,577		1,161,577
Ending balance	₩	<u>926,439</u>	₩	<u>249,054</u>	₩	<u>41,439,490</u>	₩	<u>42,614,983</u>
Current	₩	926,439	₩	249,054	₩	5,423,181	₩	6,598,674
Non-current		-		-		36,016,309		36,016,309

(in thousands of Korean won)

	2017									
	Provision for litigation		Provision for customer loyalty program		Provision for social contribution <sup>1</sup>		Provision for restoration and others		Total	
Beginning balance	₩	926,439	₩	249,054	₩	40,000,000	₩	20,299,790	₩	61,475,283
Charged / (credited) to the statement of profit or loss:										
Additional provisions		-		-		-		15,315,521		15,315,521
Unused amounts reversed		-		-		-		(724,296)		(724,296)
Used during the period		-		-		(40,000,000)		(2,297,764)		(42,297,764)
Others		-		-		-		(270,648)		(270,648)
Ending balance	₩	<u>926,439</u>	₩	<u>249,054</u>	₩	<u>-</u>	₩	<u>32,322,603</u>	₩	<u>33,498,096</u>
Current	₩	926,439	₩	249,054	₩	-	₩	1,017,452	₩	2,192,945
Non-current		-		-		-		31,305,151		31,305,151

<sup>1</sup> During 2013, the Group agreed with the Fair Trade Commission to contribute to good causes, the exact nature of which to be agreed with the Fair Trade Commission in advance. The entire amount was paid during the prior period.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**15. Issuance and Acquisition of Shares**

As at June 30, 2018, the Company's total number of authorized shares is 300,000,000 shares and the total number of ordinary shares issued is 32,962,679 shares. As at June 30, 2018, the number of outstanding ordinary shares is 29,236,618 shares, deducting 3,726,061 treasury shares. The Company's share capital and share premium as at June 30, 2018, amount to ₩ 16,481 million and ₩ 132,921 million, respectively. There are no changes in the number of shares issued for the six-month periods ended June 30, 2018 and 2017.

The Company acquired 133,858 shares of treasury shares amounting to ₩ 124,459 million for the six-month period ended June 30, 2018, which are accounted for as other components of equity.

**16. Financial Instruments by Category**

**16.1. Carrying Amounts of Financial Instruments by Category**

Categorizations of financial assets and liabilities as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

	June 30, 2018			
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Financial assets at amortized cost	Total
Cash and cash equivalents	₩ -	₩ -	₩ 2,011,706,488	₩ 2,011,706,488
Long and short-term financial instruments <sup>1</sup>	-	-	843,871,793	843,871,793
Financial assets at fair value - profit or loss	894,592,155	-	-	894,592,155
Trade and other receivables	-	-	1,144,662,346	1,144,662,346
Financial assets at fair value - other comprehensive income	-	778,820,058	-	778,820,058
	<u>₩ 894,592,155</u>	<u>₩ 778,820,058</u>	<u>₩ 4,000,240,627</u>	<u>₩ 5,673,652,840</u>

<sup>1</sup> As at June 30, 2018, long and short-term financial instruments amounting to ₩ 18,800 million are restricted as deposits for shared corporate growth program, ₩ 500 million are pledged for restoration of leasehold facilities and ₩ 4,600 million are restricted for the borrowings for the Group's employees. In addition, ₩ 1,690 million are pledged to Shinhan bank for financial guarantees in relation to NaverPay service.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

(in thousands of Korean won)

	<b>June 30, 2018</b>	
	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortized cost</b>
Trade and other payables	₩ -	₩ 614,581,975
Financial liabilities at fair value through profit or loss	9,318,219	-
Borrowings	-	411,493,030
Debentures	-	150,000,000
	<u>₩ 9,318,219</u>	<u>₩ 1,176,075,005</u>

(in thousands of Korean won)

	<b>December 31, 2017</b>				
	<b>Financial assets at fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>	<b>Held-to-maturity financial assets</b>	<b>Total</b>
Cash and cash equivalents	₩ -	₩ 1,907,575,061	₩ -	₩ -	₩ 1,907,575,061
Long and short-term financial instruments	-	1,454,190,892	-	-	1,454,190,892
Financial assets at fair value through profit or loss	313,683,892	-	-	-	313,683,892
Trade and other receivables	-	1,101,072,454	-	-	1,101,072,454
Available-for-sale financial assets	-	-	1,023,068,167	-	1,023,068,167
Held-to-maturity financial assets	-	-	-	2,660,696	2,660,696
	<u>₩ 313,683,892</u>	<u>₩ 4,462,838,407</u>	<u>₩ 1,023,068,167</u>	<u>₩ 2,660,696</u>	<u>₩ 5,802,251,162</u>

(in thousands of Korean won)

	<b>December 31, 2017</b>	
	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortized cost</b>
Trade and other payables	₩ -	₩ 620,963,606
Financial liabilities at fair value through profit or loss	4,638,541	-
Borrowings	-	260,944,900
Debentures	-	150,000,000
	<u>₩ 4,638,541</u>	<u>₩ 1,031,908,506</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

**17. Tax expense**

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. As at June 30, 2018, the estimated average annual income tax rate used for the year ending December 31, 2018, is 32.5% (the estimated tax rate for the six-month period ended June 30, 2017: 37.1%).

**18. Dividends**

A dividend in respect of the year ended December 31, 2017, amounting to ₩ 42,470 million, was paid in April, 2018. Details of the dividends are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>	<b>2017</b>
Shares eligible for dividends	29,370,476	28,807,413
Dividend rate per share (%)	<u>289.2</u>	<u>226.2</u>
Cash dividends	<u>₩ 42,469,708</u>	<u>₩ 32,581,184</u>

# **NAVER Corporation and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

#### **19 Commitments and Contingencies**

As at June 30, 2018, the Group has borrowing agreement with four local financial institutions including Kookmin bank and Sunny Solution 3rd of up to ₩245,245 million. And the Group has borrowing agreement with Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank of up to JPY 22,180 million.

As at June 30, 2018, the Group was provided with guarantees up to ₩ 6,930 million from Seoul Guarantee and up to ₩ 3,100 million from Shinhan bank and Industrial Bank of Korea regarding the performance and financial guarantee.

As at June 30, 2018, the Group has entered into a construction contract amounting to ₩ 443,862 million with Samsung C&T Corporation in relation to a construction of new building for the Company and the outstanding amount of the contract is ₩ 423,686 million. Also, the Group has entered into a contract to acquire a land amounting to ₩ 51,000 million in relation to a construction of new building for Cloud Data Center and the outstanding amount of the contract is ₩ 5,000 million.

As at June 30, 2018, the Group has been involved in a lawsuit as a defendant with regard to patent, copyright and compensation for damage. The results of the cases are uncertain as at reporting date and the management recognizes the provision in relation to the potential loss in case any of the lawsuit cases require the recognition of the provision.

The Japanese Payment Services Act requires non-banking entities that engage in business activities involving advance payments from end users using virtual credits to secure a certain amount of money equal to or more than one half of the unused balance of virtual credits purchased by the end users, either by depositing or entrusting a cash reserve or government bonds with the Legal Affairs Bureau, or by concluding a guarantee contract with a financial institution. If deposits are made, they are recorded as guarantee deposits. In accordance with the Japanese Payment Services Act, the Group had deposited cash of JPY 635 million and investments in Japanese government bonds of JPY 280 million as at June 30, 2018, which are recognized as long-term financial instruments. In addition, the Group had credit guarantee contracts with banks for JPY 15,500 million from Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank as at June 30, 2018 to comply with the Japanese Payment Services Act.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**20. Related Party Transactions**

Details of subsidiaries as at June 30, 2018 and December 31, 2017, are described in Note 1.1.

Details of associates and joint ventures as at June 30, 2018 and December 31, 2017, are as follows:

Type	June 30, 2018	December 31, 2017
Associates	KG Allat (Formerly, Allat), NetMania, Synapsoft, Cloud Application Factory, BonAngels Pacemaker Fund, Korea Contents Mutual Aid Association, ARO In Tech, Future Creation NAVER Stonebridge Early Stage Start-up Fund, Future Creation NAVER-SB Startup Investment Fund, Epic Voyage, LINE Music, Digital Media Partners II, NAVER KIP Cheer up! Gamers Fund, NAVER-Suprema Youth Foundation No.5 Investment Fund, NSPACE, Silicon Cube, One Store, Transcosmos Online Communication, Nplegames, Alchera, Trust Us, Yume no Machi Souzou linkai, Mirae Asset-NAVER New Growth Fund 1, K-Fund, Fandom, YG NAVER Contents & Lifestyle Fund, Orpeo Sound Works, SATSUMAEBISUDO, PT Klik Eat Indonesia, Nano Interactive, Studio Horang, Meshkorea, The Grim Ent., Soran Media Venture Fund I, Motif, Fast Cowell Private Equity Fund, Skeinglobe, YLAB Japan, Laiqu Technology (Shenzhen), FOLIO, Rock Square, Bigpicture Comics, iPASS, Bravepops, AXIS, MiraeAsset MAPS Private Placement Real Estate 62, FOLIO Asset Management, LENZA, LTD., Line Mobile	KG Allat (Formerly, Allat), NetMania, Synapsoft, Cloud Application Factory, BonAngels Pacemaker Fund, Korea Contents Mutual Aid Association, ARO In Tech, Future Creation NAVER Stonebridge Early Stage Start-up Fund, Future Creation NAVER-SB Startup Investment Fund, Epic Voyage, LINE Music, AUBE, Digital Media Partners II, NAVER KIP Cheer up! Gamers Fund, NAVER-Suprema Youth Foundation No.5 Investment Fund, NSPACE, Silicon Cube, One Store, Transcosmos Online Communication, Nplegames, Alchera, Trust Us, Yume no Machi Souzou linkai, Mirae Asset-NAVER New Growth Fund 1, K-Fund, Fandom, YG NAVER Contents & Lifestyle Fund, Orpeo Sound Works, SATSUMAEBISUDO, PT Klik Eat Indonesia, Oozoo, Nano Interactive, Studio Horang, Meshkorea, The Grim Ent., Soran Media Venture Fund I, Motif, Fast Cowell Private Equity Fund, Skeinglobe, YLAB Japan, Laiqu Technology (Shenzhen)
Joint ventures	YTN PLUS, LINE Project Cooperative, Collab+LINE, Lantu Games, Beijing Lantu Times Technology, JobsN, RABBIT-LINE PAY COMPANY, YEOPEUL, Cineplay, China Lab, Designpress, Interbiz, Artitian, Agroplus, Schooljam, Sumlab, Techplus, Animal and Human Story, Law and Media	YTN PLUS, LINE Project Cooperative, Collab+LINE, Lantu Games, Beijing Lantu Times Technology, JobsN, RABBIT-LINE PAY COMPANY, YEOPEUL, Cineplay, China Lab, Designpress, Interbiz, Artitian, Agroplus, Schooljam, Sumlab, Techplus, Animal and Human Story, Law and Media

Details of other related parties that have sales and other transactions or outstanding balances with the Group are as follows:

Type	June 30, 2018	December 31, 2017
Others <sup>1</sup>	Iscon, Happybean foundation, NAVER Cultural foundation, Connect foundation, EVERYOUNG KOREA	Bluenet, Iscon, Happybean foundation, NAVER Cultural foundation, Connect foundation, EVERYOUNG KOREA and other individuals

<sup>1</sup> Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Transactions with related parties including operating revenues and expenses for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	
	Operating revenues and others	Operating expenses and others
<b>Associates</b>		
ARO In Tech	₩ -	₩ 373,567
KG Allat (formerly, Allat)	-	150,668
One Store	75,472	22,664
NSAPCE	-	318,382
LINE MUSIC	6,403,540	31,495
LINE Part Time Job (Formerly, AUBE)	3,567,431	2,998
Synapsoft	-	411,370
Transcosmos online communications	515,118	-
Yume no Machi Souzou linkai	920,331	559,472
Alchera	-	247,932
Orpeo Sound Works	-	278,724
Others	1,180,590	595,612
<b>Joint ventures</b>		
YTN PLUS	-	880,948
Collab+LINE	-	26,673
JobsN	1,621	730,616
RABBIT-LINE PAY COMPANY	1,484,713	1,336,269
Cineplay	-	972,875
China Lab	-	592,805
Designpress	500	585,200
YEOPEUL	1,000	1,193,862
Schooljam	-	569,027
Sumlab	-	498,000
Techplus	-	597,850
Animal and Human Story	-	497,200
Law and Media	-	498,000
Agroplus	-	498,000
Interbiz	-	639,659
Artitian	-	529,631
Lantu Games	8,045	-
<b>Others <sup>1</sup></b>		
Connect foundation	631,076	7,000,000
Happybean foundation	407,664	500
NAVER Cultural foundation	65,684	326
EVERYOUNG KOREA	23,845	2,053,649
Iscon	-	1,908

<sup>1</sup> Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

(in thousands of Korean won)

	<b>2017</b>	
	<b>Operating revenues and others</b>	<b>Operating expenses and others</b>
<b>Associates</b>		
ARO In Tech	₩ -	₩ 316,186
Allat	-	1,617,651
One Store	293,205	51
NSAPCE	-	71,180
LINE MUSIC	3,877,253	28,263
AUBE	6,864,740	3,021
Green Monster	912	210,637
Synapsoft	107,142	445,628
Transcosmos online communications	324,034	20,541
Alchera	-	207,603
Orpeo Sound Works	-	100,000
ITDA	-	250,000
Others	67,644	600
<b>Joint ventures</b>		
YTN PLUS	-	301,635
JobsN	563,818	1,063,646
RABBIT-LINE PAY COMPANY	923,030	47,654
Cineplay	-	452,800
China Lab	-	500,500
Designpress	-	498,000
YEOPEUL	39,000	559,450
Others	-	71,784

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Outstanding balances of receivables and payables arising from sales and purchases of goods and services as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

	June 30, 2018			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Leasehold deposits and others
<b>Associates</b>				
Synapsoft	₩ -	₩ -	₩ 1,425,700	₩ -
LINE Music	1,921,878	424,432	2,015,195	-
Yume no Machi Souzou linkai	174,502	-	1,181,775	144,998
Nano Interactive	-	510,272	-	42,086
Transcosmos Online Communication.	178,178	-	-	-
KG Allat (formerly, Allat)	102,703	-	-	-
Skeinglobe	-	1,750,000	-	-
Laiqu Technology (Shenzhen)	25,397	-	-	96,547
Rock Square	-	800,000	-	-
Others	849,882	863,053	821,863	85,711
<b>Joint ventures</b>				
YTN PLUS	-	-	247,696	-
RABBIT-LINE PAY COMPANY	1,406,108	205,181	2,166,930	-
China Lab	-	-	489,193	-
Artitian	-	-	36,300	-
YEOPEUL	39,000	-	11,465	-
Others	27,720	1,130,040	338,281	-
<b>Others<sup>1</sup></b>				
Connect foundation	221,977	4,656	-	-
Happybean foundation	108,003	46,144	622,657	-
NAVER Cultural foundation	22,508	350	-	-
Iscon	-	-	528	-

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

(in thousands of Korean won)

	December 31, 2017			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Leasehold deposits and others
<b>Associates</b>				
Synapsoft	₩ -	₩ -	₩ 225,700	₩ -
LINE Music	1,606,485	339,587	1,605,714	121,080
Yume no Machi Souzou linkai	122,628	-	578,378	104,760
Nano Interactive	-	5,744	-	42,086
AUBE	1,042,836	42,938	-	-
Transcosmos Online Communication.	171,461	-	-	-
KG Allat (formerly, Allat)	113,481	-	-	-
Oozoo	-	1,524,963	-	-
Others	-	-	130,626	30,105
<b>Joint ventures</b>				
YTN PLUS	-	-	413,232	-
RABBIT-LINE PAY COMPANY	877,172	118,577	188,491	-
China Lab	-	-	480,000	-
Cineplay	-	-	144,815	-
Others	137,722	-	217,035	-
<b>Others<sup>1</sup></b>				
Happybean foundation	79,016	1,384	769,389	-
Connect foundation	221,814	1,758	442,528	-
NAVER Cultural foundation	11,680	366	-	-

<sup>1</sup> Although these entities are not the related parties of the Group in accordance with Korean IFRS 1024, the entities belong to the large enterprise group in accordance with the Monopoly Regulation and Fair Trade Act.

No provisions are held against receivables from related parties.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Fund transactions with related parties for the six-month periods ended June 30, 2018 and 2017, are as follows:

*(in thousands of Korean won)*

	<b>2018</b>		
	<b>Contributions in cash</b>	<b>Dividends received</b>	<b>Loans</b>
<b>Associates</b>			
K-Fund I	₩ 76,660,673	₩ -	₩ -
Laiqu Technology (Shenzhen) Co., Ltd	625,827	-	-
FOLIO	56,829,616	-	-
LENSA,LTD.	966,221	-	-
LINE Music Corporation	11,927,760	-	-
iPASS Corporation	12,433,800	-	-
Korea Contents Mutual Aid Association	2,000,000	-	-
AXIS	3,000,000	-	-
NAVER-Suprema Youth Foundation			
No.5 Investment Fund	1,500,000	-	-
Bigpicture Comics	700,033	-	-
Rock Square	1,500,120	-	-
MiraeAsset MAPS Private Placement			
Real Estate 62	196,330,551	3,270,893	-
Future Creation NAVER-SB Startup			
Investment Fund	-	370,370	-
ARO In Tech	-	4,800	-
<b>Joint venture</b>			
Lantu Games Limited	-	-	1,110,433

*(in thousands of Korean won)*

	<b>2017</b>	
	<b>Contributions in cash</b>	<b>Dividends received</b>
<b>Associates</b>		
Orpeo Sound Works	₩ 1,500,183	₩ -
K-Fund I	27,626,318	-
YG NAVER Contents & Lifestyle Fund	50,000,000	-
Nplegames	1,999,094	-
NSPACE	700,003	-
IDTA	300,000	-
Digital Media Partners II	330,054	-
Synapsoft	-	(107,142)
Future Creation NAVER-SB Startup Investment Fund	-	(304,160)
<b>Joint ventures</b>		
Artitian	98,000	-
Interbiz	98,000	-

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

The compensation paid or payable to key management (executive directors) for employee services for the six-month periods ended June 30, 2018 and 2017, consists of:

<i>(in thousands of Korean won)</i>		<b>2018</b>		<b>2017</b>
Short-term employee benefits	₩	1,235,000	₩	1,290,054
Post-employment benefits		116,923		230,345
Other long-term benefits		799,600		763,453

**21. Business Combination**

On February 28, 2018, the Group acquired 53.49% shares of Oozoo, which develops and publishes mobile games. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development. It will not be deductible for tax purposes. Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

<i>(in thousands of Korean won)</i>	<b>Amount</b>	
Consideration		
Cash and cash equivalents	₩	1,144,975
Fair value of equity held before the business combination		2,442,539
		<u>3,587,514</u>
Non-controlling interest		(667,830)
Recognized amounts of identifiable assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents		1,780,830
Trade and other receivables		251,615
Property and equipment		118,286
Intangible assets		37,826
Other assets		1,032
		<u>2,189,589</u>
Liabilities		
Trade and other payables		83,252
Long-term borrowings		92,000
Other liabilities		3,450,312
		<u>3,625,564</u>
Total identifiable net assets		<u>(1,435,975)</u>
Goodwill	₩	<u>4,355,659</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

On June 30, 2018, the Group acquired 100% shares of Heart it, which advertises based on SNS and sells products as main operating business. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development. It will not be deductible for tax purposes. Details of the purchase consideration, the assets and liabilities recognized as a result of the acquisition, and fair value of the non-controlling interest at the acquisition date are as follows:

<i>(in thousands of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	₩ 2,087,200
	<u>2,087,200</u>
Non-controlling interest	-
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	21,404
Trade and other receivables	230,511
Inventories	73,558
Property and equipment	8,700
Other assets	9,065
	<u>343,238</u>
Liabilities	
Trade and other payables	77,948
Short-term borrowings	33,782
Other liabilities	62,111
	<u>173,841</u>
Total identifiable net assets	<u>169,397</u>
Goodwill	<u>₩ 1,917,803</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

On April 30, 2018, the Group acquired 60% shares of LINE Part Time Job (Formerly, AUBE), which provides mobile platform service for recruiting. As the consideration is less than the fair value of the net identifiable assets, a bargain purchase is recognized as 'other income' in the profit or loss.

<i>(in thousands of Korean won)</i>	<b>Amount</b>
Consideration	
Cash and cash equivalents	₩ 842,813
Fair value of equity held before the business combination	3,754,349
	<u>4,597,162</u>
Non-controlling interest	3,195,734
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	7,400,364
Trade and other receivables	7,742,683
Other assets	6,716
	<u>15,149,763</u>
Liabilities	
Trade and other payables	7,158,735
Other liabilities	1,801
	<u>7,160,536</u>
Total identifiable net assets	<u>7,989,227</u>
A gain from bargain purchase	<u>₩ (196,331)</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**22. Discontinued Operation**

The Group's subsidiary, LINE Corp. decided to terminate the service of its subsidiary, MIXRADIO, at the Board of Directors' meeting in February 2016 and is proceeding to liquidate the subsidiary. The profit and loss on the related operations are presented as discontinued operations.

Profit (loss) from discontinued operations for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Operating revenues	₩ -	₩ -	₩ -	₩ -
Operating expenses	(52,511)	(54,710)	(94)	(68,903)
Operating loss	(52,511)	(54,710)	(94)	(68,903)
Other income	-	-	18,943	252,545
Other expenses	-	-	(1,386)	(224,652)
Finance income	184,126	184,126	-	-
Finance costs	(11,769)	(78,307)	(73,942)	(155,154)
Profit (loss) before income tax	119,846	51,109	(56,479)	(196,164)
Income tax benefit (expense)	(27,929)	810,156	13,908	(2,319,351)
Profit (loss) for the period from discontinued operations	₩ 91,917	₩ 861,265	₩ (42,571)	₩ (2,515,515)

Summarized cash flows from discontinued operations for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	<b>2018</b>		<b>2017</b>	
Cash flows from operating activities	₩	(116,690)	₩	(1,115,372)
Cash flows from investing activities		-		-
Cash flows from financing activities		-		(1,177,201)
Effects of foreign currency translation on cash and cash equivalents		85,156		(98,366)
Net cash outflow	₩	(31,534)	₩	(2,390,939)

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**23. Changes in Accounting Policies**

**23.1 Adoption of Korean IFRS 1109 *Financial Instruments***

As explained in Note 2, the Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated. The application of Korean IFRS 1109 has following impacts on the financial statements.

*(a) Changes in beginning balance of retained earnings*

The total impacts on the Group's retained earnings at the beginning of the period due to the application of Korean IFRS 1109, are as follows:

<i>(in thousands of Korean won)</i>	<b>Notes</b>	<b>Amount</b>
<b>Retained earnings</b>		
<b>Beginning balance - Korean IFRS 1039</b>		₩ 4,555,517,868
Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss and fair value measurement	(b)(i)	1,150,612
Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income and fair value measurement	(b)(ii)	(560,944)
Reclassification of available-for-sale assets to financial assets at fair value - profit or loss (Reclassification within equity)	(b)(iii)	56,771,271
Reclassification of available-for-sale assets to financial assets at fair value - other comprehensive income (Reclassification within equity)	(b)(iv)	8,271,399
Increase in provision for impairment of trade and other receivables	(c)(i)	(349,164)
Increase in provision for impairment of debt instruments at amortized cost	(c)(ii)	(313,504)
Increase in provision for impairment of debt instruments at fair value - other comprehensive income	(c)(ii)	(354,493)
Increase in deferred tax relating to the provision for impairment and fair value measurement		(102,590)
Adjustments to retained earnings from adoption of Korean IFRS 1109		64,512,587
<b>Beginning balance - Korean IFRS 1109</b>		<u>₩ 4,620,030,455</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

*(b) Classification and Measurement of Financial Instruments*

On the date of initial application of Korean IFRS 1109, January 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate Korean IFRS 1109 categories. The main effects resulting from this reclassification are as follows:

<i>(in thousands of Korean won)</i>	Notes	Fair value - profit or loss	Fair value - other comprehensive income <sup>1</sup> (Available-for- sale financial assets in 2017)	Amortized cost <sup>2</sup> (loans and receivables in 2017)	Total
<b>Financial assets – January 1, 2018</b>					
Beginning balance – Korean IFRS 1039 <sup>1</sup>		₩ 313,683,892	₩ 1,023,068,167	₩ 4,465,499,104	₩ 5,802,251,163
Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss	(i)	244,722,675	-	(243,572,063)	1,150,612
Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income	(ii)	-	84,417,885	(84,417,885)	-
Reclassification from available-for-sale assets to financial assets at fair value - profit or loss	(iii)	390,392,608	(390,392,608)	-	-
Beginning balance - Korean IFRS 1109 <sup>3</sup>		<u>₩ 948,799,175</u>	<u>₩ 717,093,444</u>	<u>₩ 4,137,509,156</u>	<u>₩ 5,803,401,775</u>

<sup>1</sup> The beginning balance as at January 1, 2018, presented available-for-sale financial assets at fair value through other comprehensive income, see the table in (iv), (v) below for details. These reclassifications have no impact on the measurement categories.

<sup>2</sup> Includes cash and cash equivalents and long and short-term financial instruments.

<sup>3</sup> The adjustments arising from impairment of financial assets are not included (Note 4).

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

The impact on these classification changes on the Group's equity is as follows:

(in thousands of Korean won)	Notes	Other components of equity		Retained earnings
		Changes in the fair value of available-for-sale financial assets	Changes in the fair value of financial assets at fair value – other comprehensive income	
Beginning balance – Korean IFRS 1039		₩ 22,782,882	₩ -	₩ 4,555,517,868
Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss	(i)	-	-	1,150,612
Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income	(ii)	-	560,944	(560,944)
Reclassification of available-for-sale assets to financial assets at fair value - profit or loss	(iii)	(56,771,271)	-	56,771,271
Reclassification from available-for-sale financial assets to equity instruments at fair value - other comprehensive income	(iv)	29,943,292	(38,214,691)	8,271,399
Reclassification from available-for-sale financial assets to debt instruments at fair value - other comprehensive income	(vi)	4,045,097	(4,045,097)	-
Beginning balance - Korean IFRS 1109 <sup>1</sup>		₩ -	₩ (41,698,844)	₩ 4,621,150,206

<sup>1</sup> The adjustments arising from impairment of financial assets are not included (Note 4).

(i) Reclassification from long and short-term financial instruments to financial assets at fair value - profit or loss

As at January 1, 2018, investments in ABCP amounting to ₩ 240,508 million and related accrued interest amounting to ₩ 3,064 million were reclassified from long and short-term financial instruments and trade and other receivables to financial assets at fair value - profit or loss. They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. As at January 1, 2018, the difference between the fair value of long and short-term financial instruments and related accrued interest, and financial assets at fair value - profit or loss amounting to ₩ 1,151 million was recognized as retained earnings. For the six-month period ended June 30, 2018, fair value gains related to these financial assets amounting to ₩ 597 million were recognized in profit or loss, along with related tax expense of ₩ 118 million.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

(ii) Reclassification from long and short-term financial instruments to financial assets at fair value - other comprehensive income

Certain debt instruments, where the Group's business model is achieved both by collecting contractual cash flows and selling of these assets, were reclassified from long and short-term financial instruments to financial assets at fair value - other comprehensive income. The contractual cash flows of these investments are solely principal and interest. As a result, debt instruments of ₩ 84,418 million were reclassified from long and short-term financial instruments to financial assets at fair value - other comprehensive income on January 1, 2018.

(iii) Reclassification from available-for-sale to financial assets at fair value - profit or loss

As at January 1, 2018, investments in beneficiary certificates, fund, contingent convertible bonds and convertible bonds amounting to ₩ 390,393 million were reclassified from available-for-sale to financial assets at fair value - profit or loss. They do not meet the criteria to be classified as at amortized cost in accordance with Korean IFRS 1109, because their cash flows do not represent solely payments of principal and interest. Related accumulated other comprehensive income of ₩ 56,771 million were transferred to retained earnings on January 1, 2018. For the six-month period ended June 30, 2018, fair value gains related to these investments amounting to ₩ 31,770 million were recognized in profit, along with related deferred tax expense of ₩ 7,448 million.

(iv) Reclassification from available-for-sale to equity instruments at fair value - other comprehensive income

The Group elected to present changes in the fair value of its equity instruments previously classified as available-for-sale, because these instruments are not held for trading, in other comprehensive income. As a result, assets with a fair value of ₩ 577,080 million were reclassified to financial instruments at fair value - other comprehensive income. As at January 1, 2018, the related accumulated other comprehensive income of ₩ (-) 38,215 million will not be reclassified to profit or loss even though these assets are disposed of, finance income was ₩157 million lower (tax impact of ₩43 million) during the six-month period ended June 30, 2018.

(v) Reclassification from held-to-maturity financial assets to financial assets at amortized cost

Government bonds were reclassified from held-to-maturity financial assets to financial assets at amortized cost. The Group hold the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(vi) Reclassification from available-for-sale to debt instruments at fair value - other comprehensive income

Certain unlisted bonds were reclassified from available-for sale to debt instruments at fair value - other comprehensive income, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these instruments are solely principal and interest. As a result, as at January 1, 2018, debt instruments with a fair value of ₩ 55,596 million were reclassified from available-for-sale financial assets to financial assets at fair value - other comprehensive income.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

(vii) Other financial assets

Securities linked derivatives and compound financial instruments are all required to be held as fair value through profit or loss under Korean IFRS 1109. In relation to these assets, there is no impact on the financial statements from the adoption of Korean IFRS 1109.

(viii) Reclassifications of financial instruments on adoption of Korean IFRS 1109

On the date of initial application, January 1, 2018, the reclassifications of the financial instruments of the Group were as follows:

<i>(in thousands of Korean won)</i>	Korean IFRS 1039			Korean IFRS 1109	
	Measurement category	Measurement method	Amount	Measurement method	Amount
Cash and cash equivalents	Loans and receivables	Amortized costs	₩ 1,907,575,061	Amortized costs	₩ 1,907,575,061
Long and short-term financial instruments	Loans and receivables	Amortized costs	1,454,190,892	Amortized costs	1,129,826,351
				Fair value through other comprehensive income	84,417,886
				Fair value through profit or loss	244,722,674
Trade and other receivables	Loans and receivables	Amortized costs	1,101,072,454	Amortized costs	1,097,447,048
Available-for-sale financial assets (Debt securities)	Available-for-sale financial assets	Fair value through other comprehensive income	130,366,099	Fair value through other comprehensive income	55,596,038
				Fair value through profit or loss	74,770,061
				Fair value through profit or loss	
Available-for-sale financial assets (Equity securities)	Available-for-sale financial assets	Fair value through other comprehensive income	839,899,428	Fair value through other comprehensive income	577,079,520
				Fair value through profit or loss	262,819,908
				Fair value through profit or loss	
Available-for-sale financial assets (Others)	Available-for-sale financial assets	Fair value through other comprehensive income	52,802,640	Fair value through profit or loss	52,802,640
				Fair value through profit or loss	
Held-to-maturity financial assets	Held-to-maturity financial assets	Amortized costs	2,660,696	Amortized costs	2,660,696
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Fair value through profit or loss	313,683,892	Fair value through profit or loss	313,683,892
			<u>₩ 5,802,251,162</u>		<u>₩ 5,803,401,775</u>

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

*(b) Impairment of Financial Assets*

The Group has three types of financial assets subject to new expected credit loss model of Korean IFRS 1109:

- trade receivables and other receivables
- debt investments measured at fair value through other comprehensive income, and
- debt investments measured at amortized cost.

Upon adoption of Korean IFRS 1109, accounting policies for recognition of impairment are changed. The impact of the change on the Group's beginning balance of retained earnings is disclosed in the table on Note 23 (a) above.

*(i) Trade receivables and other receivables*

The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and other receivables.

*(ii) Debt instruments*

Debt investments at amortized cost and those at fair value through other comprehensive income are considered to be low credit risk, and thus the provision for impairment is determined as 12 months expected credit losses.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

**23.2 Adoption of Korean IFRS 1115 Revenue from contracts with customers**

As explained in Note 2, the Group has applied Korean IFRS 1115 *Revenue from contracts with customers* from January 1, 2018. In accordance with the transitional provisions in Korean IFRS 1115, comparative figures have not been restated. The impact of application of Korean IFRS 1115 on the financial statements is as follows.

In summary, the following adjustments were made to the amounts recognized in the statements of financial position at the date of initial application (January 1, 2018):

<i>(in thousands of Korean won)</i>	December 31, 2017 (before adjustments)		IFRS 9 adjustments	December 31, 2017 (after IFRS 9 adjustments)		IFRS 15 adjustments	December 31, 2017 (after adjustments)			
Cash and cash equivalents	₩	1,907,575,061	₩	-	₩	1,907,575,061	₩	-	₩	1,907,575,061
Long and short-term financial instruments		1,454,190,892		(322,017,349)		1,132,173,543		-		1,132,173,544
Trade and other receivables		1,101,072,454		(3,974,571)		1,097,097,883		(12,308,081)		1,084,789,802
Financial assets at fair value through profit or loss		313,683,892		(313,683,892)		-		-		-
Financial assets measured at fair value - profit or loss		-		948,799,175		948,799,175		-		948,799,175
Available-for-sale financial assets		1,023,068,167		(1,023,068,167)		-		-		-
Financial assets at fair value - other comprehensive income		-		716,738,951		716,738,951		-		716,738,951
Held-to-maturity financial assets		2,660,696		(2,660,696)		-		-		-
Property and equipment, and intangible assets		1,489,524,380		-		1,489,524,380		-		1,489,524,380
Investments in subsidiaries and associates		280,997,123		-		280,997,123		-		280,997,123
Deferred tax assets		248,493,530		(102,590)		248,390,940		2,342,752		250,733,693
Other assets		197,985,365		-		197,985,365		17,714,949		215,700,313
	₩	<u>8,019,251,560</u>	₩	<u>30,861</u>	₩	<u>8,019,282,421</u>	₩	<u>7,749,620</u>	₩	<u>8,027,032,041</u>
Trade and other payables	₩	782,376,629	₩	-	₩	782,376,629	₩	-	₩	782,376,629
Financial liabilities at fair value through profit or loss		4,638,541		-		4,638,541		-		4,638,541
Borrowings		410,944,900		-		410,944,900		-		410,944,900
Current tax payable		305,730,913		-		305,730,913		-		305,730,913
Deferred tax liabilities		25,177,671		-		25,177,671		-		25,177,671
Net defined benefit liabilities		284,033,207		-		284,033,207		-		284,033,207
Provisions		40,663,394		-		40,663,394		4,821,979		45,485,373
Other liabilities		860,500,070		-		860,500,070		12,379,725		872,879,795
	₩	<u>2,714,065,325</u>	₩	<u>-</u>	₩	<u>2,714,065,325</u>	₩	<u>17,201,704</u>	₩	<u>2,731,267,029</u>
Share capital	₩	16,481,340	₩	-	₩	16,481,340	₩	-	₩	16,481,340
Share premium		1,507,878,511		-		1,507,878,511		-		1,507,878,511
Other components of equity		(1,317,531,623)		(64,481,726)		(1,382,013,349)		(306,323)		(1,382,319,672)

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

<i>(in thousands of Korean won)</i>	December 31, 2017 (before adjustments)	IFRS 9 adjustments	December 31, 2017 (after IFRS 9 adjustments)	IFRS 15 adjustments	December 31, 2017 (after adjustments)
Retained earnings	4,555,517,868	64,512,587	4,620,030,455	(9,145,761)	4,610,884,694
Non-controlling interests	542,840,139	-	542,840,139	-	542,840,139
	<u>₩ 5,305,186,235</u>	<u>₩ 30,861</u>	<u>₩ 5,305,217,096</u>	<u>₩ (9,452,084)</u>	<u>₩ 5,295,765,012</u>

*(a) Allocating the transaction price*

With implementation of Korean IFRS 1115, the transaction price in an arrangement must be allocated to each separate performance obligation based on the relative standalone selling prices of the goods or services being provided to a customer. The Group determines the standalone selling price for each separate performance obligation by using observable standalone selling price.

As a result of the changes, retained earnings as at January 1, 2018, have increased by ₩ 2,681 million.

*(b) A performance obligation is satisfied over time*

Under the previous standard, the Group recognized contents revenue (Sticker) based on the usage pattern of users over the estimated usage period. Under Korean IFRS 1115, performance obligation is clearer and the Group recognizes revenue on a straight-line method over the estimated usage period.

As a result of the changes, retained earnings as at January 1, 2018, have decreased by ₩ 18,524 million.

*(c) Identify performance obligation*

Under the previous standard, the Group recognized the fair value of LINE points granted to users in relation to LINE Point Ad service as deferred revenue until the time when utilized by the users, regarded as a customer loyalty program. Under Korean IFRS 1115, the definition of a "customer" is clarified and the Group determines the advertisers as customers for LINE Point Ad services, not the users who receive LINE Points. In addition, it is not regarded as a performance obligation in the contract with an advertiser to manage LINE Points or to provide users with other goods or services in exchange for the LINE Points. Therefore, the Group recognizes provisions for the expenses expected to be incurred in relation to the consumption of LINE Points under Korean IFRS 1115.

As a result of the changes, retained earnings as at January 1, 2018, have increased by ₩ 6,697 million.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

*(d) Principal versus Agent ; Contractual Incremental Costs*

The Group enters into contracts with agencies with respect to services provided through LINE platform. Under previous standard, the Group recognized revenue by deducting the amounts attributable to agencies from the total consideration received from customers due to the fact that advertising agency was identified as an independent contractor and that the Group did not bear credit risks. With implementation of Korean IFRS 1115, the Group determines that the Group controls the service provided by agencies and thus the Group is a principal. In addition, the Group determined the commissions to agencies meets criteria of the incremental costs of obtaining a contract, which are specified in Korean IFRS 1115.

As a result of the changes, there are no changes in retained earnings as at January 1, 2018.

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

Financial statement line items affected by the adoption of the new rules in the current period are as follows:

**Consolidated Statement of financial position as at June 30, 2018**

<i>(in thousands of Korean won)</i>	<b>Reported amount</b>	<b>Adjustments</b>	<b>Amount before application of Korean IFRS 1115</b>
Trade and other receivables	₩ 1,144,662,345	₩ 12,621,868	₩ 1,157,284,213
Other current assets	151,197,639	(18,322,249)	132,875,390
Other non-current assets	33,208,281	-	33,208,281
Deferred tax assets	243,662,286	(1,517,375)	242,144,911
Other assets	6,956,065,414	-	6,956,065,414
	<u>₩ 8,528,795,965</u>	<u>₩ (7,217,756)</u>	<u>₩ 8,521,578,209</u>
Trade and other payables	₩ 731,686,374	₩ -	₩ 731,686,374
Other current liabilities	959,921,240	(9,108,748)	950,812,492
Other non-current liabilities	1,150,050	-	1,150,050
Deferred tax liabilities	28,793,446	-	28,793,446
Provisions	42,614,984	(5,326,886)	37,288,098
Other liabilities	1,081,246,087	-	1,081,246,087
	<u>₩ 2,845,412,181</u>	<u>₩ (14,435,634)</u>	<u>₩ 2,830,976,547</u>
Retained earnings	₩ 4,997,848,812	₩ 6,960,257	₩ 5,004,809,069
Others	685,534,972	257,621	685,792,593
	<u>₩ 5,683,383,784</u>	<u>₩ 7,217,878</u>	<u>₩ 5,690,601,662</u>

**Consolidated Statement of comprehensive income for the six-month period ended June 30, 2018**

<i>(in thousands of Korean won)</i>	<b>Reported amount</b>	<b>Adjustments</b>	<b>Amount before application of Korean IFRS 1115</b>
Operating revenues	₩ 2,672,675,818	₩ (44,947,921)	₩ 2,627,727,897
Operating expenses	(2,165,112,064)	41,914,900	(2,123,197,164)
Operating profit	<u>507,563,754</u>	<u>(3,033,021)</u>	<u>504,530,733</u>
Profit before income tax	644,048,926	(3,033,020)	641,015,906
Income tax expense	(209,399,958)	847,515	(208,552,443)
Profit from continuing operations	434,648,968	(2,185,505)	432,463,463
Profit from discontinuing operations	861,263	-	861,263
Profit for the period	<u>₩ 435,510,231</u>	<u>₩ (2,185,505)</u>	<u>₩ 433,324,726</u>
Total comprehensive income for the period	₩ 523,751,258	₩ (2,234,207)	₩ 521,517,051

**NAVER Corporation and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**June 30, 2018 and 2017(Unaudited), and December 31, 2017**

---

**Consolidated Statement of cash flows for the six-month period ended June 30, 2018**

<i>(in thousands of Korean won)</i>	<b>Reported amount</b>		<b>Adjustments</b>		<b>Amount before application of Korean IFRS 1115</b>
Profit for the period	₩	435,510,231	₩	(2,185,505)	₩ 433,324,726
Adjustments for					
Income tax expenses		208,589,803		(847,516)	207,742,287
Others		10,710,210		-	10,710,210
Changes in operating assets and liabilities					
Trade and other receivables		10,305,954		(326,503)	9,979,451
Other current assets		(34,684,734)		602,027	(34,082,707)
Other payables		(22,403,760)		-	(22,403,760)
Other liabilities		42,664,955		2,757,497	45,422,452
Others		(28,501,419)		-	(28,501,419)
Cash generated from operations	₩	<u>622,191,240</u>	₩	<u>-</u>	₩ <u>622,191,240</u>

**24. Events After the Reporting Period**

The Company decided to execute the spin-off which changes the share price from ₩ 500 to ₩ 100 per an ordinary share by approval of Board of Directors on July 25, 2018.