

NAVER Corporation
Consolidated Financial Statements
December 31, 2018 and 2017

NAVER Corporation
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December 31, 2018 and 2017

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
NAVER Corporation

Opinion

We have audited the accompanying consolidated financial statements of NAVER Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Revenue recognition of search advertisement service

Key Audit Matter

The Group has recognized search advertisement service revenues when a platform user has searched relevant information and executed related activities on the Group's platform (Note 2). For the year ended December 31, 2018, total revenue and search advertisement revenue are ₩ 5,587 billion and ₩ 2,141 billion, respectively.

The Group generates its revenue primarily from search advertisement service and is highly dependent on complex systems to record and identify eligible activities for revenue recognition. Given the size of the search advertisement service revenue amount and inherent risks arising from complex technology, we considered revenue recognition (existence and occurrence) from search advertisement as key audit matter.

How our audit addressed the Key Audit Matter

Our procedures included:

- Obtaining an understanding of the Group's accounting policy and process, evaluated design and tested operating effectiveness of internal controls in relation to search advertisement service revenue recognition.
- Assessing and testing the environment of the IT systems including program and data assess, program change, program development and computer operations.
- Testing accuracy and completeness over the data interface; from business support systems to billing systems and accounting system.
- Testing existence and occurrence by examining related supporting data and cash receipts on a sample basis.

(2) Fair valuation of financial assets categorized in Level 3

Key Audit Matter

As at December 31, 2018, the Group's financial assets carried at fair value amount to ₩ 1,513 billion, of which ₩850 billion were categorized in "Level 3 financial assets" measured based on unobservable valuation inputs (Note 5).

Judgement is required in estimating the fair value of these financial assets in determining appropriate models, assumptions and inputs. Given the size of the balance and the extent of judgement involved in valuing these Level 3 financial assets, we considered this to be a key audit matter.

How our audit addressed the Key Audit Matter

Our procedures included:

- Evaluating competency and independence of valuation expert engaged by the Group.
- Evaluating appropriateness of valuation model, inputs and assumption used in valuation by management on a sample basis.
- Involving our own valuation specialist to independently estimate fair value, on a sample basis, with same models, inputs and variables used by management and comparing the results to management's estimates to see whether there is any significant discrepancies.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chang-Ik Kim, Certified Public Accountant.

Seoul, Korea
March 11, 2019

This report is effective as of March 11, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

NAVER Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2018 and 2017

(in Korean won)	Notes	December 31, 2018		December 31, 2017	
Assets					
Current assets					
Cash and cash equivalents	6,7	₩	3,322,884,102,567	₩	1,907,575,060,667
Short-term financial instruments	6,7		444,702,261,235		1,333,889,498,274
Financial assets at fair value through profit or loss	5,6,7		-		274,532,710,666
Financial assets at fair value - profit or loss	5,6,7		230,774,469,760		-
Trade and other receivables	6,7		1,101,551,045,302		1,026,872,808,889
Available-for-sale financial assets	5,6,10		-		79,435,727,110
Financial assets at fair value - other comprehensive income	5,6,7		62,725,505,906		-
Inventories	9		57,440,292,749		36,204,513,812
Current tax asset			8,044,073,349		1,099,626,162
Other current assets	11		157,447,835,597		124,617,831,303
			<u>5,385,569,586,465</u>		<u>4,784,227,776,883</u>
Non-current assets					
Property and equipment	12		1,457,302,209,262		1,150,012,698,630
Intangible assets	13		306,963,470,197		339,511,680,983
Long-term financial instruments	6		25,990,573,425		120,301,393,998
Financial assets at fair value through profit or loss	5,6,7		-		39,151,181,682
Financial assets at fair value - profit or loss	5,6,7		553,399,539,414		-
Trade and other receivables	6,7		113,160,988,276		74,199,645,388
Available-for-sale financial assets	5,6,10		-		943,632,439,930
Financial assets at fair value - other comprehensive income	5,6,7		666,651,322,237		-
Held-to-maturity financial assets	6		-		2,660,696,298
Investments in associates and joint ventures	14		1,001,362,122,331		280,997,122,915
Deferred tax assets	27		340,178,774,174		248,493,530,447
Other non-current assets	11		30,612,323,543		36,063,392,760
			<u>4,495,621,322,859</u>		<u>3,235,023,783,031</u>
Total assets		₩	9,881,190,909,324	₩	8,019,251,559,914

NAVER Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2018 and 2017

<i>(in Korean won)</i>	Notes	December 31, 2018	December 31, 2017
Liabilities			
Current liabilities			
Trade and other payables	4,6,15	₩ 896,276,258,656	₩ 770,724,455,666
Financial liabilities at fair value through profit or loss	5,6	7,418,409,882	30,360,536
Short-term borrowings	4,6,17	349,846,018,275	211,011,222,442
Current portion of long-term borrowings	4,6,17	26,991,114	-
Current portion of debentures	4,6,17	-	150,000,000,000
Current tax payables		277,992,093,674	305,730,913,120
Provisions	18	2,462,733,532	5,897,847,971
Other current liabilities	16	1,085,649,147,454	859,335,494,500
		<u>2,619,671,652,587</u>	<u>2,302,730,294,235</u>
Non-current liabilities			
Trade and other payables	4,6,15	23,370,588,587	11,652,173,744
Financial liabilities at fair value through profit or loss	5,6	2,785,234,016	4,608,180,098
Long-term borrowings	4,6,17	100,061,591,213	49,933,677,257
Debentures	4,6,17	711,561,946,218	-
Net defined benefit liabilities	19	344,780,260,840	284,033,206,529
Provisions	18	42,423,909,342	34,765,546,071
Deferred tax liabilities	27	86,244,846,912	25,177,671,162
Other non-current liabilities	16	1,150,366,316	1,164,575,869
		<u>1,312,378,743,444</u>	<u>411,335,030,730</u>
Total liabilities		<u>3,932,050,396,031</u>	<u>2,714,065,324,965</u>
Equity			
Equity attributable to owners of the Parent Company			
Share capital	20	16,481,339,500	16,481,339,500
Share premium	20	1,540,985,517,982	1,507,878,510,842
Other components of equity	21	(1,546,389,664,299)	(1,317,531,622,681)
Retained earnings	23	5,229,202,813,045	4,555,517,868,323
Non-controlling interest		<u>708,860,507,065</u>	<u>542,840,138,965</u>
Total equity		<u>5,949,140,513,293</u>	<u>5,305,186,234,949</u>
Total liabilities and equity		<u>₩ 9,881,190,909,324</u>	<u>₩ 8,019,251,559,914</u>

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

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

NAVER Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2018 and 2017

(in Korean won)

	Notes	2018	2017
Operating revenues	33	₩ 5,586,904,533,355	₩ 4,678,468,928,032
	24		
Operating expenses	23	<u>(4,644,371,971,812)</u>	<u>(3,499,281,121,701)</u>
Operating profit		942,532,561,543	1,179,187,806,331
Other income	25	316,773,923,951	35,057,161,984
Other expenses	25	(114,624,964,081)	(86,985,385,595)
Interest income		27,243,776,093	36,678,030,573
Other finance income	26	164,181,993,767	78,332,304,707
Finance costs	26	(139,365,243,783)	(32,414,107,346)
Share of net loss of associates and joint ventures	14	<u>(85,069,772,652)</u>	<u>(14,026,821,694)</u>
Profit before income tax expense		1,111,672,274,838	1,195,828,988,960
Income tax expense	27	<u>(488,756,397,806)</u>	<u>(423,173,257,798)</u>
Profit for the year from continuing operations		<u>622,915,877,032</u>	<u>772,655,731,162</u>
Profit (loss) from discontinued operations	34	<u>4,985,996,300</u>	<u>(2,554,060,955)</u>
Profit for the year		<u>₩ 627,901,873,332</u>	<u>₩ 770,101,670,207</u>
Profit (loss) for the year is attributable to:			
Owners of the Parent Company			
Profit from continuing operations		643,826,906,430	775,433,640,876
Profit (loss) from discontinued operations	34	4,985,996,300	(2,554,060,955)
Non-controlling interests		(20,911,029,398)	(2,777,909,714)

NAVER Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2018 and 2017

<i>(in Korean won)</i>	Notes	2018	2017
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets		-	(1,660,488,494)
Reclassification due to disposal of available-for-sale financial assets		-	(21,149,295,045)
Gain on valuation of debt instruments at fair value - other comprehensive income		2,441,198,331	-
Exchange differences		77,213,086,172	(120,113,501,595)
Share of other comprehensive income of associates and joint ventures		20,523,957,234	(8,355,322,396)
Items that will not be reclassified to profit or loss			
Remeasurements of net defined benefit liabilities		(7,085,480,963)	8,580,245,095
Loss on valuation of equity instruments at fair value - other comprehensive income		(105,238,566,292)	-
Gain on disposal of equity instruments at fair value - other comprehensive income		18,158,594,324	-
Share of other comprehensive income of associates and joint ventures		(137,313,796)	(164,582,919)
Other comprehensive income (loss) for the year, net of tax		5,875,475,010	(142,862,945,354)
Total comprehensive income for the year		₩ 633,777,348,342	₩ 627,238,724,853
Total comprehensive income (loss) for the year is attributable to:			
Owners of the Parent Company		627,230,960,514	672,515,439,629
Non-controlling interests		6,546,387,828	(45,276,714,776)
Earnings (losses) per share from continuing and discontinued operations to the equity holders of the Parent Company			
Basic earnings (losses) per share			
From continuing operations	28	₩ 4,403	₩ 5,330
From discontinued operations	28	34	(18)
Diluted earnings (losses) per share			
From continuing operations	28	₩ 4,403	₩ 5,314
From discontinued operations	28	34	(18)

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

NAVER Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2018 and 2017

(in Korean won)	Notes	Attributable to owners of the parent company						Non-controlling Interest	Total Equity
		Share Capital	Share Premium	Other Components of Equity	Retained Earnings				
Balance at January 1, 2017	₩	16,481,339,500	₩ 1,217,201,126,674	₩ (1,449,123,370,169)	₩ 3,810,189,403,596	₩	534,850,363,339	₩	4,129,598,862,940
Total comprehensive income for the year									
Profit for the year		-	-	-	772,879,579,921		(2,777,909,714)		770,101,670,207
Changes in the fair value of available-for-sale financial assets		-	-	(19,160,034,716)	-		(3,649,748,823)		(22,809,783,539)
Exchange differences		-	-	(78,917,839,096)	-		(41,195,662,499)		(120,113,501,595)
Share of other comprehensive income of associates and joint ventures		-	-	(7,316,335,389)	(164,582,919)		(1,038,987,007)		(8,519,905,315)
Remeasurements of net defined benefit liabilities		-	-	-	5,194,651,828		3,385,593,267		8,580,245,095
Transactions with owners									
Dividends		-	-	-	(32,581,184,103)		-		(32,581,184,103)
Share-based payment expenses		-	-	-	-		19,018,329,936		19,018,329,936
Disposal of treasury shares		-	198,906,442,679	223,384,587,753	-		-		422,291,030,432
Changes in ownership interest in subsidiaries that do not result in loss of control									
Acquisition of investments in subsidiaries		-	-	-	-		39,217,696,494		39,217,696,494
Share issuance of subsidiaries	35	-	118,548,791,706	13,601,368,936	-		(9,205,434,297)		122,944,726,345
Others		-	(26,777,850,217)	-	-		4,235,898,269		(22,541,951,948)
Balance at December 31, 2017	₩	16,481,339,500	₩ 1,507,878,510,842	₩ (1,317,531,622,681)	₩ 4,555,517,868,323	₩	542,840,138,965	₩	5,305,186,234,949

NAVER Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Profit (loss) for the year is attributable to:

	Attributable to owners of the parent company							
(in Korean won)	Notes	Share Capital	Share Premium	Other Components of Equity	Retained Earnings	Non-controlling Interest	Total Equity	
Balance at January 1, 2018	₩	16,481,339,500	₩ 1,507,878,510,842	₩ (1,317,531,622,681)	₩ 4,555,517,868,323	₩ 542,840,138,965	₩ 5,305,186,234,949	
Changes in accounting policies		-	-	(64,788,048,920)	55,366,825,496	-	(9,421,223,424)	
Restated total equity at the beginning of the financial year		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	
Total comprehensive income for the year								
Profit for the year		-	-	-	648,812,902,730	(20,911,029,398)	627,901,873,332	
Gain (loss) on valuation of debt instruments at fair value - other comprehensive income		-	-	4,067,704,130	-	(1,626,505,799)	2,441,198,331	
Gain (loss) on valuation of equity instrument at fair value - other comprehensive income		-	-	(93,712,148,447)	-	(11,526,417,845)	(105,238,566,292)	
Gain on disposal of equity instruments at fair value - other comprehensive income		-	-	114,374,500	18,044,219,824	-	18,158,594,324	
Exchange differences		-	-	37,883,152,845	-	39,329,933,327	77,213,086,172	
Share of other comprehensive income of associates and joint ventures		-	-	18,090,049,964	(137,313,796)	2,433,907,270	20,386,643,438	
Remeasurements of net defined benefit liabilities		-	-	-	(5,931,981,236)	(1,153,499,727)	(7,085,480,963)	
Transactions with owners								
Dividends		-	-	-	(42,469,708,296)	-	(42,469,708,296)	
Share-based payment expenses		-	-	-	-	14,503,846,869	14,503,846,869	
Acquisition of treasury shares		-	-	(124,458,933,570)	-	-	(124,458,933,570)	
Changes in ownership interest in subsidiaries that do not result in loss of control								
Increase due to business combination		-	-	-	-	6,840,967,703	6,840,967,703	
Share issuance of subsidiaries		-	13,432,968,459	(6,054,192,120)	-	197,947,525,810	205,326,302,149	
Others		-	19,674,038,681	-	-	(59,818,360,110)	(40,144,321,429)	
Balance at December 31, 2018	₩	16,481,339,500	₩ 1,540,985,517,982	₩ (1,546,389,664,299)	₩ 5,229,202,813,045	₩ 708,860,507,065	₩ 5,949,140,513,293	

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

NAVER Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

<i>(in Korean won)</i>	Note	2018	2017
Cash flows from operating activities			
Cash generated from operations	28	₩ 1,455,189,893,246	₩ 1,294,925,991,320
Interest received		27,124,396,728	40,844,270,854
Interest paid		(10,694,341,270)	(2,113,445,772)
Dividends received		27,727,492,377	21,196,536,973
Income taxes paid		<u>(525,841,072,928)</u>	<u>(414,871,355,687)</u>
Net cash inflow from operating activities		<u>973,506,368,153</u>	<u>939,981,997,688</u>
Cash flows from investing activities			
Net decrease in short-term financial instruments		651,167,198,299	160,523,617,087
Increase in long-term financial instruments		(13,756,962,062)	(183,619,742,032)
Decrease in long-term financial instruments		12,000,000,000	10,000,000,000
Net decrease in financial assets at fair value through profit or loss		-	103,499,196,889
Net decrease in financial assets at fair value - profit or loss		184,109,996,728	-
Payments for property and equipment		(535,035,089,109)	(472,167,146,968)
Proceeds from disposal of property and equipment		17,665,787,353	5,965,531,286
Payments for intangible assets		(46,274,584,498)	(31,072,901,155)
Proceeds from disposal of intangible assets		4,126,716,005	3,132,644,885
Payments for available-for-sale financial assets		-	(708,671,194,496)
Proceeds from disposal of available-for-sale financial assets		-	57,147,603,136
Payments for financial assets at fair value			
-other comprehensive income		(208,558,868,121)	-
Proceeds from disposal of financial assets at fair value			
-other comprehensive income		100,973,500,025	-
Payments for investments in associates and joint ventures		(502,976,581,662)	(136,126,745,603)
Proceeds from disposal of investments in associates and joint ventures		6,111,466,320	7,150,302,942
Increase (decrease) in cash due to business combination		(6,879,491,848)	(198,281,260,652)
Proceeds from disposal of subsidiaries		(28,108,469,981)	1,799,666,549
Cash inflows (outflows) from other investing activities		<u>(22,851,564,666)</u>	<u>70,389,096,479</u>
Net cash outflow from investing activities		<u>(388,286,947,217)</u>	<u>(1,310,331,331,653)</u>
Cash flows from financing activities			
Proceeds from short-term borrowings		533,051,141,952	122,544,486,739
Repayment of short-term borrowings		(408,323,250,753)	(123,466,235,617)
Proceeds from long-term borrowings		50,973,796,988	49,026,203,012
Proceeds from issue of debentures		705,013,490,134	-
Repayment of debentures		(150,000,000,000)	-
Payment of dividends		(42,469,708,296)	(32,581,184,103)
Acquisition of treasury shares		(124,458,933,570)	-
Disposal of treasury shares		-	498,449,944,178
Share issuance of subsidiaries		190,557,847,107	129,793,266,196
Cash outflows from other financing activities		<u>(3,364,485,450)</u>	<u>(7,522,254,466)</u>

Net cash inflow from financing activities	<u>750,979,898,112</u>	<u>636,244,225,939</u>
Effects of exchange rate changes on cash and cash equivalents	<u>79,109,722,852</u>	<u>(84,551,612,598)</u>
Net increase in cash and cash equivalents	<u>1,415,309,041,900</u>	<u>181,343,279,376</u>
Cash and cash equivalents at the beginning of the year	<u>1,907,575,060,667</u>	<u>1,726,231,781,291</u>
Cash and cash equivalents at the end of the year	<u>₩ 3,322,884,102,567</u>	<u>₩ 1,907,575,060,667</u>

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

NAVER Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

December 31, 2018 and 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 internet 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 December 31, 2018, the major shareholders of the Company consist of National Pension Fund (9.48%) and others.

The Company and its subsidiaries (collectively referred to as the “Group”) engage in providing internet portal and mobile services.

1.1 Consolidated Subsidiaries

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

Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 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 ²	Japan	Mobile service development	73.36	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	Korea	Software development and distribution	100.00	100.00	December
	SB Next Media Innovation Fund	Korea	Investment	95.04	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 Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 2018	December 31, 2017	
NAVER	Naver France	France	Investment and information services	100.00	100.00	December
	Company AI	Korea	Software development and distribution	56.50	39.10	December
	Drama & Company	Korea	Software development and distribution	81.32	74.31	December
	NAVER-KTB Audio Contents Fund	Korea	Investment	99.00	99.00	December
	SpringCamp Early Stage Fund 1	Korea	Investment	100.00	100.00	December
	Iconnect	Korea	Software development and distribution	-	100.00	-
	Camp Mobile Inc.	USA	Mobile service operations	100.00	100.00	December
	NAVER J.Hub	Japan	Real estate	100.00	-	December
	TBT Global Growth Fund I	Korea	Investment	99.00	-	December
	Audiensori	Korea	Software development and distribution	100.00	-	December
	Nstore	Korea	Software development and distribution	100.00	-	December
	Gogolook	Taiwan	Mobile service development	-	69.13	-
NAVER J.Hub	Mirai Fund LLP	Japan	Investment	100.00	-	December
Mirai Fund LLP	Mission World Group Limited	Taiwan	Software development and distribution	59.06	-	December
Mission World Group Limited	CHOCO Media	Taiwan	Mobile service operations	100.00	-	December
	CHOCO LABS	Singapore	Software development and distribution	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 I&S	NAVER Business Platform Japan	Japan	IT infrastructure operations	100.00	100.00	December
	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	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 TECHNOLOGY VIETNAM	Vietnam	Mobile service operations	100.00	100.00	December

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 2018	December 31, 2017	
LINE Plus	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) ⁴	Korea	Software development	-	53.69	-
Drama & Company Works Mobile	Grayhash Co., Ltd. ⁹	Korea	Software development	40.00	-	December
	myBridge	Japan	Mobile service operations	100.00	-	December
	Works Mobile Japan	Japan	Mobile service operations	100.00	100.00	December
	WEBTOON Entertainment	USA	Mobile service development	100.00	100.00	December
	Watong Entertainment	Hong Kong	Mobile service operations	100.00	100.00	December
NAVER Webtoon	Lico	Korea	Online information distribution business	100.00	100.00	December
	Studio N Corporation	Korea	Film production and distribution	100.00	-	December
	Broccoli Entertainment	China	Mobile service operations	100.00	100.00	December
	Dongman Entertainment	China	Mobile service operations	100.00	100.00	December
	NAVER Labs	Korea	Software development and distribution	-	100.00	-
WAV Media	WAV Recordings	USA	Mobile service development	100.00	-	December
	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 ⁵	Japan	Mobile service development	-	52.00	December
LINE	LINE Ventures	Japan	Investment	100.00	100.00	December
	LINE C&I	Korea	Investment and Mergers & Acquisitions	100.00	100.00	December
	LINE Game Global Gateway	Japan	Investment	100.00	100.00	December
	MIXRADIO	UK	Mobile service development	100.00	100.00	December
	Line Friends ³	Korea	Character and doll wholesale and retail	-	100.00	-
	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(formaly, Next Floor) ^{6,7}	Korea	Software development and supplier	-	100.00	December
	LINE Friends Japan ³	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

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 2018	December 31, 2017	
LINE	LINE Pay	Japan	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
	LINE Digital Frontier	Japan	Software development and distribution	100.00	-	December
	LINE Growth Technology	Japan	Mobile service development	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
	LVC	Japan	Financial business	100.00	-	December
	LINE Tapas	Japan	Software development and distribution	100.00	-	December
LINE Digital Frontier	LINE Book Distribution ⁵	Japan	Mobile service development	52.00	-	December
LFG HOLDINGS ²	LINE Friends ³	Korea	Character and doll wholesale and retail	100.00	-	December
	LINE Friends Japan ³	Japan	Character and doll wholesale and retail	100.00	-	December
	LINE Friends Inc. ³	USA	Character and doll wholesale and retail	100.00	-	December
	LINE Friends(Shanghai) Commercial Trade ³	China	Character and doll wholesale and retail	100.00	-	December
LINE Taiwan	SHINEWANT TECHNOLOGY	Taiwan	Internet information services	100.00	100.00	December
LINE SOUTHEAST ASIA (formerly, LINE Biz+)	LINE VIETNAM JOINT STOCK COMPANY (Formerly, Webtretho)	Vietnam	Online information distribution business	99.00	72.60	December
SHINEWANT TECHNOLOGY	Silent Illumination	Taiwan	Software development and distribution	100.00	100.00	December
LINE Pay	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
	LINE BIZ+ Taiwan	Taiwan	Mobile payment system planning and development	70.01	100.00	December
Webpay Holdings	Webpay	Japan	Mobile payment system planning and development	100.00	100.00	December
Snow	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
	Playlist	Korea	Information and communication service	100.00	100.00	December
	Amuse	Korea	Cosmetics manufacturing, distribution and sales	100.00	100.00	December
SNOW China	HEART IT	Korea	Mobile service development	100.00	-	December
	SNOW China (Beijing)	China	Mobile service operations	100.00	100.00	December

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Largest shareholder	Subsidiaries	Location	Primary business	Ownership interest held by the Group (%) ¹		Closing month
				December 31, 2018	December 31, 2017	
SNOW China (Beijing)	Yiruike Information Technology (Beijing)	China	Mobile service operations	100.00	100.00	December
	Xiaying Entertainment	China	Mobile service operations	100.00	-	December
	Shine Interactive	China	Mobile service operations	100.00	-	December
Xiaying Entertainment						
LINE Friends	Line Friends ³	U.S.A	Character and doll wholesale and retail	-	100.00	-
	Line Friends(Shanghai)Commercial Trade ³	China	Character and doll wholesale and retail	-	100.00	-
	Markt	Korea	Software development and wholesale and retail	51.00	51.00	December
LINE Digital Technology (Shanghai)	Beijing Wangzhongwenda Technology	China	Mobile service operations	100.00	100.00	December
LINE Games ^{6,7}	NextFloor ^{6,7}	Korea	Software development and distribution	-	51.00	-
	Pig ⁷	Korea	Software development and distribution	-	100.00	-
	Stairs ⁷	Japan	Software development and distribution	-	100.00	-
	Msquared Management ⁷	U.S.A	Software development and distribution	-	100.00	-
	Next Floor Basement Lab ^{6,7}	Korea	Software development and distribution	-	100.00	-
	Studio 4LEAF ⁷	Korea	Software development and distribution	-	60.00	-
	InnoAG ⁷	Korea	Software development and distribution	-	50.72	-
	Oozoo ⁷	Korea	Software development and distribution	-	44.53	-
	Msquared Shanghai(formerly, Mobil Factory) ⁷	China	Software development and distribution	-	100.00	-
Msquared Management ⁷						
LINE Financial	LINE Financial Plus	Korea	Financial business	100.00	-	December
	LINE Credit	Japan	Financial business	100.00	-	December
	LINE Securities Preparatory	Japan	Financial business	100.00	-	December
	LINE Financial Asia	Hong Kong	Financial business	100.00	-	December
LINE Financial Asia	LINE Financial Taiwan Limited ⁸	Taiwan	Financial business	100.00	-	December
LVC	LVC USA	USA	Financial business	100.00	-	December
	LINE TECH PLUS	Singapore	Financial business	100.00	-	December
	LVC Hong Kong	Hong Kong	Financial business	100.00	-	December
	Unblock Ventures	Hong Kong	Financial business	100.00	-	December
	Unblock (formerly, Bapul) ⁴	Korea	Software development and distribution	100.00	-	December
	Unchain Corporation	Korea	Software development and distribution	50.98	-	December

NAVER Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

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¹ Ownership interest held by the Group includes ownership percentage of subsidiaries.

² The ownership of the Group decreased due to issuance of shares for stock option.

³ The shares held by LINE and LINE Friends were transferred to LFG Holdings.

⁴ The shares held by LINE Plus were transferred to LVC.

⁵ The shares held by LINE Plus were transferred to LINE Digital Frontier.

⁶ Next Floor merged LINE Games and Next Floor Basement lab and changed the name as LINE Games

⁷ LINE Games was reclassified from a subsidiary to an associate due to decrease in ownership of the Group for the year ended December 31, 2018, and the subsidiaries of LINE Games were excluded from the consolidation.

⁸ The share held by LINE Financial were transferred to LINE Financial ASIA.

⁹ Although the Group owns less than 50% ownership of Grayhash Co., Ltd., the Group is considered to have control over the entity because the Group has a right to appoint all of its BOD members under arrangements with other shareholders.

1.2 Summarized Financial Information

Summarized financial information for subsidiaries as at and for the years ended December 31, 2018 and 2017, is as follows:

(in thousands of Korean
won)

Subsidiary	2018					
	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the year	Total comprehensive income (loss)
LINE	₩4,592,096,587	₩2,407,086,274	₩2,185,010,312	₩1,490,503,830	₩ 22,177,019	₩ 138,963,803
LINE Financial	587,156,419	4,222,464	582,933,954	536,677	(14,533,787)	(8,229,730)
LINE Plus	540,790,642	163,883,579	376,907,063	398,672,212	(13,659,972)	7,225,811
Naver France	304,764,113	7,098,142	297,665,972	29,607,001	8,725,539	4,286,078
Line Biz+ Taiwan	281,406,597	107,135,425	174,271,172	15,811,602	(11,625,345)	(11,457,378)
LINE Financial Asia	257,369,907	13,106	257,356,801	-	(4,515,914)	(3,952,098)
NAVER Webtoon	195,825,972	36,621,615	159,204,357	72,200,964	(62,748,438)	(64,929,931)
LINE Pay	155,361,910	173,034,832	(17,672,922)	44,230,798	(54,824,011)	(53,796,635)
LINE Digital Frontier	146,534,475	56,472,590	90,061,885	22,991,550	(3,685,555)	(2,851,114)
SB Next Media Innovation Fund	119,752,524	918,800	118,833,724	-	(7,553,456)	(7,553,456)
LINE Friends	112,966,973	38,169,277	74,797,696	142,045,809	5,194,895	5,706,571
SNOW	111,751,468	22,330,555	89,420,913	8,324,286	(57,546,360)	(60,426,115)
LINE Taiwan	105,867,294	83,274,802	22,592,491	101,107,454	4,921,942	5,415,483
LFG HOLDINGS	105,466,656	15,907,682	89,558,973	7,299,649	(210,401)	(9,672,810)
NAVER J.Hub	83,591,668	14,934	83,576,733	60,278	(217,551)	(593,999)

NAVER Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

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(in thousands of Korean won)

2017

Subsidiary	Assets	Liabilities	Equity	Operating revenues	Profit (loss) for the year	Total comprehensive income (loss)
LINE	₩2,737,380,869	₩ 767,863,324	₩ 1,969,517,545	₩1,269,566,007	₩107,940,129	₩ (58,730,880)
LINE Plus	435,050,563	165,280,870	269,769,694	437,494,238	116,920,365	99,560,123
SNOW	37,408,226	17,553,467	19,854,759	2,231,898	(72,666,001)	(70,944,085)
LINE C&I	81,961,785	6,187,607	75,774,177	750,000	(761,783)	(16,892,642)
NAVER I&S	46,879,770	19,139,713	27,740,058	17,344,540	(49,867)	276,181
Works Mobile	66,212,484	13,896,830	52,315,654	33,999,521	(5,379,201)	(3,784,879)
LINE Friends	88,836,838	24,107,320	64,729,518	91,853,411	(7,853,570)	(6,713,367)
Camp Mobile	75,012,556	17,665,880	57,346,676	67,552,404	17,968,882	19,301,054
LINE Biz+ PTE	32,439,568	8,497,810	23,941,759	10,805,273	(43,906,832)	(48,832,994)
LINE Taiwan	72,448,675	45,948,182	26,500,493	39,724,156	6,515,893	5,418,979

1.3 Changes in Scope of Consolidation

Subsidiaries newly included in the consolidation for the year ended December 31, 2018, are as follows:

Reason	Subsidiaries
Newly establishment	LINE Financial, Line Financial Plus, LVC, LINE Credit, LVC USA Inc, LINE TECH PLUS, WAV Recordings, myBridge, LINE Growth Technology, LINE Securities Preparatory, LINE Ventures Global Limited Liability Partnership, LINE Ventures Japan Limited Liability Partnership, NAVER J.Hub, Studio N, Shine Interactive, Xiaying Entertainment, TBT Global Growth Fund I , LINE Digital Frontier, LVC Hong Kong, Unblock, LINE Financial Taiwan, Mirai Fund LLP, LINE Financial Asia, LINE Tapas, Nstore
Newly acquired	Oozoo, HEART IT, LINE Part Time Job(formerly, AUBE), Unchain Corporation, Audiensori, Mission World Group Limited, CHOCO Media, CHOCO Labs, Grayhash

Subsidiaries excluded from the consolidation for the year ended December 31, 2018, are as follows:

Reason	Subsidiaries
Disposal	Iconnect, Gogolook
Liquidation	Entry Labs
Merger ¹	Camp Mobile, Epipolar, LINE Games, Next Floor Basement Lab
Loss of control ²	LINE Mobile, LINE Games(formerly, Next Floor), Pig, Stairs, Msquared Management, Studio 4LEAF, InnoAG, Oozoo, Msquared Shanghai(formerly, Mobil Factory)

¹ For the year ended December 31, 2018, Camp Mobile was merged with the Company and Epipolar was merged with NAVER Labs, subsidiary of the Company. Next Floor was merged with Line Games and Next Floor Basement Lab, and changed the name as LINE Games.

² LINE Mobile and LINE Games was reclassified from subsidiaries to associates due to decrease in ownership of the Group for the year ended December 31, 2018, and the subsidiaries of LINE Games are excluded from the consolidation.

NAVER Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

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2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years 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 financial statements have been restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Group

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

- Amendment 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 each investment separately at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment does not have a significant impact on the consolidated financial statements because the Group is not a venture capital organization.

NAVER Corporation and Subsidiaries

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

The amendment to 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 the list of evidence for a change of use in the standard was re-characterized as a non-exclusive list of example. The amendment does not have a significant impact on the consolidated financial statements.

- Amendment 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 consolidated financial statements.

- 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 consolidated 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 retained earnings (or equity). See Note 36 for further details on the impact of the application of the standard.

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group has applied to apply Korean IFRS 1115 *Revenue from Contracts with Customers*. In accordance with the transition provisions in Korean IFRS 1115, comparative figures have not been restated. The Group elected the modified retrospective approach, and recognized the cumulative impact of initially applying the revenue standard as an adjustment to retained earnings (or equity) as at January 1, 2018, the period of initial application. See Note 36 for further details on the impact of the application of the standard.

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(b) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations 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 over 12 months 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 performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Group is analyzing the effects on the financial statements based on available information as at December 31, 2018 to identify effects on 2018 financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

- Korean IFRS 1109 *Financial Instruments*

The narrow-scope amendments made to Korean IFRS 1109 *Financial Instruments* enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. When a modification of a financial liability measured at amortized cost that does not result in the derecognition, a modification gain or loss shall be recognized in profit or loss. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted.

- Amendments to Korean IFRS 1019 *Employee Benefits*

The amendments require that an entity shall calculate current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement based on updated actuarial assumptions from the date of the change. The amendments also require that a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling. The amendments are effective for plan amendments, curtailments and settlements occurring in reporting periods that begin on or after 1 January 2019.

NAVER Corporation and Subsidiaries

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December 31, 2018 and 2017

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

The amendments clarify that an entity shall apply Korean IFRS 1109 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. These amendments will be applied for annual periods beginning on or after January 1, 2019, with early adoption permitted. In accordance with the transitional provisions in Korean IFRS 1109, the restatement of the comparative information is not required and the cumulative effects of initially applying the amendments retrospectively should be recognized in the beginning balance of retained earnings (or other components of equity, as appropriate) at the date of initial application.

- Enactment to Interpretation of Korean IFRS 2123 *Uncertainty over Income Tax Treatments*

The Interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, and includes guidance on how to determine whether each uncertain tax treatment is considered separately or together. It also presents examples of circumstances where a judgement or estimate is required to be reassessed. This Interpretation will be applied for annual periods beginning on or after January 1, 2019, and an entity can either restate the comparative financial statements retrospectively or recognize the cumulative effect of initially applying the Interpretation as an adjustment in the beginning balance at the date of initial application.

- Annual Improvements to Korean IFRS 2015 – 2017 Cycle:

• Korean IFRS 1103 *Business Combination*

The amendments clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. In such cases, the acquirer shall remeasure its entire previously held interest in the joint operation. These amendments will be applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

• Korean IFRS 1111 *Joint Agreements*

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business. In such cases, previously held interests in the joint operation are not remeasured. These amendments will be applied to transactions in which an entity obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early adoption permitted.

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- Paragraph 57A of Korean IFRS 1012 *Income Tax*

The amendment is applied to all the income tax consequences of dividends and requires an entity to recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. These amendments will be applied for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted.

- Korean IFRS 1023 *Borrowing Costs*

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use (or sale), it becomes part of general borrowings. These amendments will be applied to borrowing costs incurred on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early adoption permitted.

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with Korean IFRS 1110 *Consolidated Financial Statements*.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Parent Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognized in profit or loss.

(b) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

(c) Joint Arrangements

A joint agreement, wherein two or more parties have joint control, is classified as either a joint operation or a joint venture. A joint operator holds direct rights and obligations to the assets, liabilities, revenues and expenses of joint operations and recognizes its share of any jointly held or incurred assets, liabilities, revenues and expenses. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Korean won, which is the Parent Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

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Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

(c) Translation to the presentation currency

All of the entity's financial statements that have functional currencies different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period,
- income and expense for each statement of comprehensive income are translated at the average exchange rate,
- equity is translated at the historical exchange rate, and
- all resulting exchange differences are recognized in other comprehensive income.
- Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the end of the reporting period.

2.5 Financial Assets

(a) Classification

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

- those to be measured at fair value through profit or loss
- those to be measured at fair value through other comprehensive income, and
- those to be measured at amortized cost.

The classification depends on the Group'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.

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(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.

Financial assets contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

A. 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.

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B. 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 and other receivables, 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.)

(d) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received.

(e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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2.6 Derivatives

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss within 'other income (expenses)' or 'finance income (costs)' based on the nature of transactions.

2.7 Accounts Receivables

Accounts receivables are initially recognised at fair value on the date and measured at amortise using the effective interest method, less loss allowance.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

2.9 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of all property and equipment, except for land, is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

	Useful life
Buildings	30 years
Structures	10
Vehicles	5
Equipment	3 - 5
Machinery	3 - 4
Others	4 - 6

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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2.10 Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred.

2.11 Intangible Assets

Goodwill is measured as described in Note 2.3.(a), and carried at cost less accumulated impairment losses.

Intangible assets are initially recognized at its historical cost, and carried at cost less accumulated amortization and accumulated impairment losses.

Membership rights that have an indefinite useful life are not subject to amortization because there is no foreseeable limit to the period over which the assets are expected to be utilized. The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Industrial rights	5 years
Software	5
Others	5 - 30

2.12 Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants related to assets are presented in the statement of financial position either by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from the related expense.

2.13 Impairment of Non-financial Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.14 Trade Payables and other Payables

Trade payables and other payables are the payables which is not yet paid but received the services or goods before reporting period. These payables are non-collateral payable, and normally pay within 30 days. These payables presents as current liabilities unless the payment date is more than 12 months after reporting period. These payables are initially recognised at fair value on the date and measured at amortise cost using the effective interest method.

2.15 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and present as 'trade and other payables', 'borrowings', or 'debentures' in the consolidated statement of financial position.

(b) Derecognition

Financial liabilities are removed from the consolidated statement of financial position when they are extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.16 Compound Financial Instruments

Compound financial instruments are convertible bonds that can be converted into equity instruments at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially on the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2.17 Provisions

Provisions for litigation, customer loyalty program, and restoration are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognized as interest expense.

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2.18 Current and Deferred Income Tax

The tax expense for the period consists of current and deferred tax. The Company is implementing a consolidated tax payment system to presume the Parent Company and its subsidiaries in Korea are one taxpayer. Subsidiaries that are not included in the consolidated tax payment system measure and pay their tax returns by regarding each entities as a taxation unit. Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The Group recognizes a deferred tax liability all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Group recognizes a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

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2.19 Employee Benefits

(a) Post-employment benefits

The Group operates both defined contribution and defined benefit pension plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognized as employee benefit expense when they are due.

A defined benefit plan is a pension plan that is not a defined contribution plan. Generally, post-employment benefits are payable after the completion of employment, and the benefit amount depended on the employee's age, periods of service or salary levels. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments, curtailments and settlements are recognized immediately in profit or loss as past service costs.

(b) Share-based payments

Equity-settled share-based payment is recognized at fair value of equity instruments granted, and employee benefit expense is recognized over the vesting period. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received, net of any directly attributable transaction costs, are recognized as share capital (nominal value) and share premium.

Under cash-settled share based payment plan, the Group compensates the difference of the fair value and exercise price of option as the consideration for employee services received. Total expense that will be recognized over the vesting period is determined by reference to the fair value of the option graded. Until the liability is settled, the Group is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognized in profit or loss for the period.

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When the Group granted to employees of its subsidiaries as a share option, the Group treat it as equity investment. The fair value of employee services, calculated based on the fair value of the equity instrument at the grant date, is accounted for as an increase in the investment in the subsidiary over the vesting period, and the corresponding amount is recognized in other capital.

2.20 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.

The Group allocated transaction prices based on relative individual selling to the different performance obligation identified in one contract.

(a) Advertisement

The Group has obligation to provide advertisement service over the service period. Therefore, the Group recognizes the allocated transaction price for each performance obligation over the service period as revenue. However, the Group recognizes revenue when the Group performs its obligation to provide the advertisement service if a contract is to settle the advertisement services based on the total number of the services provided, instead of the recognizing over the contract period. In addition, the Group provides the option to additionally select the goods or services when providing advertisement services to its customers. Then, the Group identifies it as a separate performance obligation and allocates the transaction price to each performance obligation on the basis of the relative individual selling price. The individual selling price is the price at which the Group would sell a promised good or service separately to the customer. The best evidence of an individual selling price is the observable price of a good or service when the Group sells that good or service separately in similar circumstances and to similar customers.

(b) Contents services

The Group provides various digital contents to its customers. The transaction price of digital contents is immediately paid by customers when they purchases contents online. When the Group provided digital contents and there is no unsatisfied performance obligations which could cause the customers to affect on the usage of contents, the Group considers the right of using of contents has transferred to the customers and recognize revenue when customers using contents. However, the Group recognizes revenue over the service period for those exposed to activities that could significantly affect the digital contents provided to customers during their usage period.

2.21 Leases

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charge to profit or loss on a straight-line basis over the period of lease.

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Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost.

If the Group is a lessor, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.22 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker (Note 33). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.23 Approval of Issuance of the Financial Statements

The consolidated financial statements 2018 were approved for issue by the Board of Directors on January 30, 2019 and are subject to change with the approval of shareholders at their Annual General Meeting.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and assumptions 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. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

(a) Estimated goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations (Note 13).

(b) Income taxes

The Group's taxable income generated from these operations are subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain (Note 27).

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When the Group does not spend its certain portion of the taxable income for investments or increase in wages or dividends in accordance with the special treatment in taxation for investment and co-existence, the Group has additional income tax obligation calculated based on the tax laws. Accordingly, the measurement of current and deferred income tax is affected by the tax effects from the new tax systems. As the Group's income tax is dependent on the investments, increase in wages and dividends, there is an uncertainty measuring the final tax effects.

(c) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 5).

(d) 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.

(e) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 19).

(f) Provisions

As at December 31, 2018, the Group recognizes provisions for litigation, restoration and others. These provisions are estimated based on past experience (Note 18).

(f) Stock option

The Group measures the cost of equity-settled share-based payment transaction by reference to the fair value of equity instruments granted at the grant date and the fair value is estimated using valuation models which considers the conditions upon which equity instruments are granted. Also, the Group measures the cost of cash-settled share-based payment transaction based on the fair value of the liability considering vesting conditions. Until the liability is settled, the Group is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement (Note 22).

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(g) 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 for machineries not depreciated fully in 2017 due to the change on current year and subsequent fiscal years are as follows:

<i>(in thousands of Korean won)</i>	2018	2019	2020	2021
Depreciation of machinery before change	₩ 102,582,910	₩ 83,597,808	₩ 36,274,402	₩ -
Depreciation of machinery after change	69,866,864	67,759,081	58,485,301	26,343,874
Increase (decrease) in profit before income tax	32,716,046	15,838,727	(22,210,899)	(26,343,874)

4. Financial Risk Management

4.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize any adverse effects on the financial performance of the Group.

4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar and the Japanese yen. Foreign exchange risk arises from recognized assets and liabilities.

The Group's financial assets and liabilities exposed to foreign currency risk for major foreign currencies (USD and JPY) as at December 31, 2018 and 2017, are as follows:

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<i>(in USD, JPY</i>		2018		2017	
<i>and thousands of Korean won)</i>		Foreign currency	Korean won	Foreign currency	Korean won
Financial asset					
Cash and cash equivalents	USD	75,149,067	₩ 84,024,172	107,871,956	₩ 115,574,013
	JPY	1,345,991,348	13,637,315	4,618,017,707	43,830,068
Shor-term financial instruments	USD	100,000,000	111,810,000	10,022,606	10,738,220
Trade and other receivables	USD	101,344,076	113,312,811	45,471,499	48,718,164
	JPY	8,536,830,097	86,493,455	13,942,430,313	132,329,000
Available-for-sale financial assets	USD	-	-	66,610,236	71,366,206
Financial assets at fair value - other comprehensive income	USD	6,993,571	7,819,512	-	-
Financial assets at fair value – profit or loss	USD	7,247,391	8,103,308	-	-
Financial liabilities					
Trade and other payables	USD	42,385,966	₩ 47,391,748	33,606,008	₩ 36,005,477
	JPY	11,391,718,912	115,418,618	11,476,198,922	108,921,751
Derivatives liabilities	JPY	66,814,263	676,949	-	-

The impact of weakened/strengthened Korean won by 5% against foreign currencies with all other variables held constant on the post-tax profit for the years ended and equity as at December 31, 2018 and 2017, is as follows:

<i>(in thousands of Korean won)</i>		Impact on post-tax profit		Impact on equity	
		2018	2017	2018	2017
USD	Weakened	₩ 9,416,109	₩ 5,269,044	₩ 9,686,430	₩ 7,973,824
	Strengthened	(9,416,109)	(5,269,044)	(9,686,430)	(7,973,824)
JPY	Weakened	(813,292)	2,548,294	(813,292)	2,548,294
	Strengthened	813,292	(2,548,294)	813,292	(2,548,294)

(b) Price risk

The Group is exposed to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position either as at fair value through other comprehensive income or at fair value through profit or loss.

The impact of increases/decreases of the stock index of each country by 5% with all other variables held constant on the Group's post-tax profit for the years ended and equity as at December 31, 2018 and 2017, are as follows:

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(in thousands of Korean won)		Impact on post-tax profit		Impact on equity	
		2018	2017	2018	2017
Korea	Increase	₩ 447	₩ 48,584	₩ 14,079,307	₩ 18,372,044
	Decrease	(447)	(48,584)	(14,079,307)	(18,372,044)
USA	Increase	7,637	3,567,286	7,637	3,567,286
	Decrease	(7,637)	(3,567,286)	(7,637)	(3,567,286)
Japan	Increase	-	-	290,553	565,976
	Decrease	-	-	(290,553)	(565,976)

Financial assets at fair value through profit or loss impact on current profit or loss and equity and financial assets at fair value through other comprehensive income impact on equity.

See Note 6 the impact on current profit or loss and equity by investment financial assets.

(c) Interest rate risk

Interest rate risk is defined as the risk that the interest income or expenses arising from deposits and borrowings will fluctuate because of changes in future market interest rate. The interest rate risk mainly arises on floating rate deposits and borrowings. The objective of interest rate risk management lies in maximizing corporate value by minimizing uncertainty in interest rates fluctuations and net interest expense.

As at December 31, 2018, the Group has floating rate deposits which exceed floating rate borrowings, and because of this, net interest income increase when interest rates increase. The Group adequately minimizes risks from interest rate fluctuations through various policies, such as avoiding high rate borrowings, reforming capital structure, monitoring fluctuations of domestic and foreign interest rates daily, weekly and monthly, establishing alternatives, and balancing floating rate short-term borrowings with floating rate deposits.

The impact of 10bp higher/lower of interest rate with all other variables held constant on the Group's post-tax profit for the years ended and equity as at December 31, 2018 and 2017, is as follows:

(in thousands of Korean won)		Impact on post-tax profit		Impact on equity	
		2018	2017	2018	2017
	Increase	₩ 838,744	631,499	838,744	631,499
	Decrease	(838,744)	(631,499)	(838,744)	(631,499)

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4.1.2 Credit Risk

The Group has three types of financial assets that are subject to the expected credit loss model:

- 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.

While cash equivalents are also subject to the impairment requirement, the identified impairment loss was immaterial.

(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 December 31, 2018, is determined as follows:

(in thousands of Korean won)

	2018			
	Less than 6 months past due and within due	More than 6 months past due	More than 1 year past due	Total
Trade and other receivables				
Expected loss rate	0.09%	44.82%	98.35%	1.16%
Gross carrying amount	₩ 1,078,813,378	₩ 2,597,969	₩ 10,660,282	₩ 1,092,071,629
Loss allowance provision	₩ 1,011,090	₩ 1,164,416	₩ 10,484,751	₩ 12,660,257
Contract assets				
Expected loss rate	0.02%	0.00%	0.00%	0.02%
Gross carrying amount	₩ 3,438,980	₩ -	₩ -	₩ 3,438,980
Loss allowance provision	₩ 712	₩ -	₩ -	₩ 712

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Movements in the loss allowance provision for trade receivables and other receivables for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		2017¹
Beginning balance - Korean IFRS 1039	₩	12,574,578	₩	17,549,536
Amounts restated through beginning balance of retained earnings (Note 36)		349,164		-
Loss allowance as at initial application date - calculated under Korean IFRS 1109		12,923,742		-
Increase in loss allowance recognized in profit or loss during the year (Unused amount reversed)		4,668,447		(3,623,071)
Receivables written off during the period as uncollectible		(1,892,796)		(1,369,061)
Other changes and others		(3,039,136)		17,174
Ending balance (the amount as at December 31, 2017 - calculated under Korean IFRS 1039) ¹	₩	12,660,257	₩	12,574,578

¹ For the year ended December 31, 2018, movements in the loss allowance provision for contract assets are arising from increase in loss allowance amounting to ₩ 712 thousand recognized in profit or loss for the year.

As at December 31, 2018 and 2017, the gross carrying amount of trade receivables, other receivables and contract assets, reflecting the maximum exposure to credit risk, is as follows:

<i>(in thousands of Korean won)</i>		2018		2017
Trade receivables	₩	585,471,178	₩	626,371,357
Other receivables		506,600,451		400,312,617
Contract assets		3,438,268		4,144,975

The amounts recognized in profit or loss within 'operating expenses' in relation to impaired receivables for the the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		2017¹
Impairment loss				
- Individual receivables written off directly	₩	-	₩	-
- Movement in loss allowance		4,668,447		(3,623,071)

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¹ In the prior year, 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 year ended December 31, 2018, are as follows:

(in thousands of Korean won)

2018

Beginning balance - Korean IFRS 1039	₩	287,604
Amounts restated through beginning balance of retained earnings (Note 36)		313,504
Loss allowance as at initial application date - calculated under Korean IFRS 1109		601,108
Reversal of loss allowance recognized in profit or loss during the year		(474,065)
Others		(43,940)
Ending balance	₩	83,103

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 year. 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.

(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 year ended December 31, 2018, are as follows:

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2018

Beginning balance - Korean IFRS 1039	₩	-
Amounts restated through beginning balance of retained earnings (Note 36)		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 year		30,301
Ending balance	₩	384,794

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 year. 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.

(d) Financial assets at fair value – through profit or loss

The Group is exposed to credit risk as financial assets at fair value – through profit or loss. The maximum exposure amount is a book value.

(e) Bad debt expenses

Following losses are recognized in profit or loss in relation to impaired financial assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

2018

2017

Trade receivables and other receivables individually impaired receivables (previous accounting policy)	₩	-	₩	-
movement in loss allowance for trade receivables and other receivables		4,668,447		(3,623,071)
Other financial assets carried at amortized cost		(474,065)		2,775,832
Financial assets at fair value through other comprehensive income		30,301		-
Net bad debt expenses (reversal)	₩	4,224,683	₩	(847,239)

4.1.3 Liquidity Risk

The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance with internal financial ratio target and external regulatory or legal requirements such as currency restrictions.

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Details of the Group's liquidity risk analysis as at December 31, 2018 and 2017, are as follows:

(in thousands of
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	2018				
	Book amount	Cash flow in agreement	Less than 1 years	Between 1 and 5 years	Over 5 years
Trade and other payables	₩ 742,275,387	₩ 742,275,388	₩ 718,904,799	₩ 23,370,589	-
Borrowings	449,934,601	464,246,615	361,202,950	103,043,665	-
Debentures	711,561,946	711,561,946	-	357,788,936	353,773,010
Financial liabilities at Fair value through profit or loss	10,203,644	10,203,644	7,418,410	2,785,234	-
	<u>₩ 1,913,975,578</u>	<u>₩ 1,928,287,593</u>	<u>₩ 1,087,526,159</u>	<u>₩ 486,988,424</u>	<u>₩ 353,773,010</u>

(in thousands of Korean won)

	2017			
	Book amount	Cash flow in agreement	Less than 1 years	Between 1 and 5 years
Trade and other payables	₩ 620,963,606	₩ 620,963,606	₩ 609,311,432	₩ 11,652,174
Borrowings	260,944,899	265,221,860	211,182,416	54,039,444
Debentures	150,000,000	152,763,800	152,763,800	-
	<u>₩ 1,031,908,505</u>	<u>₩ 1,038,949,266</u>	<u>₩ 973,257,648</u>	<u>₩ 65,691,618</u>

4.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern. The Group uses debt to equity ratio for capital management. This ratio is calculated as total debt divided by total equity as shown in the statements of financial position

The Group's debt to equity ratio as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Debt	₩ 3,932,050,396	₩ 2,714,065,325
Equity	<u>5,949,140,513</u>	<u>5,305,186,235</u>
Debt-to-equity ratio	66.09%	51.16%

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5. Fair Value

5.1 Financial Instruments Measured at Fair Value

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

(in thousands of Korean won)	2018		2017	
	Book amount	Fair value	Book amount	Fair value
Financial assets				
Financial assets at fair value through profit or loss	₩ -	₩ -	₩ 313,683,892	₩ 313,683,892
Financial assets at fair value - profit or loss	784,174,009	784,174,009	-	-
Available-for-sale financial assets ¹	-	-	1,013,113,446	1,013,113,446
Financial assets at fair value - other comprehensive income	729,376,828	729,376,828	-	-
	<u>₩ 1,513,550,837</u>	<u>₩ 1,513,550,837</u>	<u>₩ 1,326,797,338</u>	<u>₩ 1,326,797,338</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	₩ 10,203,644	₩ 10,203,644	₩ 4,638,541	₩ 4,638,541

¹ 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.

5.2 Fair Value Hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

<i>(in thousands of Korean won)</i>		2018			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at fair value - profit or loss	₩	223,025	₩ 52,371,324	₩ 731,579,660	₩ 784,174,009
Debt instruments at fair value - other comprehensive income		-	214,932,920	448,839	215,381,759
Equity instruments at fair value - other comprehensive income		396,397,609	-	117,597,460	513,995,069
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩	-	₩ 7,256,077	₩ 2,947,567	₩ 10,203,644

<i>(in thousands of Korean won)</i>		2017			
		Level 1	Level 2	Level 3	Total
Financial assets					
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
Financial liabilities					
Financial liabilities at fair value through profit or loss	₩	-	₩ -	₩ 4,638,541	₩ 4,638,541

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 are no transfers between Level 1 and Level 2 for recurring fair value measurements during the year ended December 31, 2018.

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Changes in level 3 for recurring fair value measurements for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Financial assets at fair value - profit or loss	Financial assets at fair value - other comprehensive income	Financial assets at fair value through profit or loss	Available-for- sale financial assets
Beginning balance	₩ 171,812,839	₩ 362,028,591	₩ 281,547,502	₩ 122,742,466
Effect of changes in accounting policies	635,115,739	(259,717,984)	-	-
Beginning balance (After adjustments)	806,928,578	102,310,607	-	-
Total profit or loss				
Amounts recognized in profit or loss	49,417,879	-	9,671,748	(26,738,125)
Amounts recognized in other comprehensive income	-	(14,759,484)	-	67,947,602
Purchase	307,531,449	96,682,809	160,393,754	152,981,004
Sales	(452,002,062)	(68,716,900)	(279,800,165)	(61,274,697)
Others	-	-	-	7,631,625
Transfer into Level 3 ¹	-	-	-	104,085,078
Exchange differences	19,703,816	2,529,267	-	(5,346,362)
Ending balance	₩ 731,579,660	₩ 118,046,299	₩ 171,812,839	₩ 362,028,591

¹ During the year ended December 31, 2017, the Group reclassified debt instrument that are measured based on unobservable inputs amounting to ₩ 14,515 million as level 3. Also, the Group measured equity instruments at fair value amounting to ₩ 89,570 million that were recognized at cost and reclassified as level 3.

5.4 Valuation Techniques and the Inputs

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

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							Range of unobservable inputs
	Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs		
Financial assets at fair value - profit or loss							
Securities linked derivative	₩ 43,353,829	3	Option pricing model	Underlying asset, CDS spread, KRW IRS Curve, Recovery rate	Correlation coefficient CDS SPREAD KRW IRS Curve Recovery rate		0.00~1.00 0.13%~0.57% 1.77%~1.91% 40.00%
Compound financial instruments	404,520,696	3	Option pricing model	Underlying asset price, volatility of underlying asset, discount rate	Volatility of the underlying assets Discount rate		5.6%~54.06% 1.93%~2.17%
			Market approach and others	PBR, EV/SALES< PSR< recent transaction price, net asset value	PBR EV/SALES PSR PER		1.00~9.78 2.8~16.60 0.58%~8.88 51.92
			Present value method	Adjusted discount rate considering credit risk	Discount rate		13.40%~16.00%
Beneficiary certificates and Funds	1,731,245	2	Present value method	Adjusted discount rate considering credit risk	-		-
Beneficiary certificates and Funds	283,705,136	3	Market approach and others	Underlying asset price	(*)		(*)
Debt securities	50,563,329	2	Present value method	Adjusted discount rate considering credit risk	-		-
Derivatives	76,750	2	Present value method, Option pricing model	Forward exchange rate	-		-
Debt instruments at fair value – other comprehensive profit or loss							
Debt securities	214,932,920	2	Present value method	Adjusted discount rate considering credit risk, recent transaction price	-		-
Debt securities	448,839	3	Present value method	-	-		-
Equity instruments at fair value – other comprehensive profit or loss							
Beneficiary equity securities	117,597,460	3	Present value method, market approach	Discount rate, PBR, EV/SALES, PSR, Etc	Discount rate PBR EV/SALES PSR		13.03~15.17 1.58~4.86 5.98 1.32~9.13
Financial liabilities at fair value - profit or loss							
Derivatives	2,947,567	3	Option pricing model,	Volatility of the underlying assets, discount rate	volatility- Discount rate		51.90% 1.76%
Derivatives	7,256,077	2	Present value method,	Forward exchange rate	-		-

(*) diverse inputs in underlying assets pricing

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		Fair value	Level	Valuation techniques	Major inputs	Unobservable inputs	Range of unobservable inputs
Financial assets at fair value through profit or loss							
Securities linked derivative	₩	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	Credit risk adjusted discount rate	-	-
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%
Available-for-sale financial assets							
Beneficiary certificates		26,353,363	2	-	Quoted price of the underlying assets	-	-
		22,990,070	3	Market approach	EBITDA Multiple	EBITDA Multiple	31.10
					Revenue Multiple	Revenue Multiple	2.20
					Liquidity discount rate	Liquidity discount rate	11.50%
Debt securities		126,329,485	2	Present value method	Credit risk adjusted discount rate	-	-
Debt securities		4,036,614	3	Present value method	Credit risk adjusted discount rate	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%
Financial liabilities at fair value through profit or loss							
Derivatives		4,638,541	3	Option pricing model	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%

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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 a quarter in line with the Group's quarterly reporting schedule.

5.6 Sensitivity Analysis for Recurring Fair Value Measurements Categorized Within Level 3

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument, which is categorized within level 3 and subject to sensitivity analysis, are as follows:

(in thousands of Korean won)

		2018			
		Favorable changes		Unfavorable changes	
		Profit or loss	Equity	Profit or loss	Equity
Financial assets					
Derivatives-linked securities ¹	₩	3,581	₩ 3,581	₩ (3,471)	₩ (3,471)
Derivatives ²		-	-	-	-
Unlisted shares ³		21,651,910	23,438,050	(20,386,264)	(22,155,316)
Financial liabilities					
Derivatives		149,012	149,012	(140,618)	(140,618)

(in thousands of Korean won)

		2017			
		Favorable changes		Unfavorable changes	
		Profit or loss	Equity	Profit or loss	Equity
Financial assets					
Derivatives-linked securities ¹	₩	205,597	₩ 205,597	₩ (75,031)	₩ (75,031)
Derivatives ²		9,097,706	9,086,452	(6,148,903)	(6,140,816)
Unlisted shares ³		-	24,742,192	-	(24,742,192)
Financial liabilities					
Derivatives		145,600	145,600	(151,663)	(151,663)

¹ For derivative-linked securities related to stocks (index), foreign exchange rate and interest rate, changes in their fair value are calculated by increasing or decreasing the volatility of the underlying assets and correlation, which are significant unobservable inputs, by 10%. For derivative-linked securities related to credit events, changes in fair value are calculated by increasing or decreasing the CDS SPREAD by 10bp.

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² For derivative instruments such as conversion rights to the common stock, changes in their fair value are calculated by increasing or decreasing the volatility of the stock price, which are significant unobservable inputs, by 10%.

³ For unlisted stocks, changes in their fair value are calculated by increasing or decreasing the discount rate, which is significant unobservable inputs, by 1%, and by increasing or decreasing the PBR, EV/SALES, PSR and others, which are significant unobservable inputs, by 10%.

6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

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

(in thousands of Korean won)

		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	₩	-	₩	-	₩ 3,322,884,103
Long and short-term financial instruments ¹		-	-	470,692,834	470,692,834
Financial assets at fair value - profit or loss		784,174,009	-	-	784,174,009
Trade and other receivables		-	-	1,214,712,034	1,214,712,034
Financial assets at fair value - other comprehensive income		-	729,376,828	-	729,376,828
	₩	784,174,009	₩ 729,376,828	₩ 5,008,288,971	₩ 6,521,839,808

¹ As at December 31, 2018, long and short-term financial instruments amounting to ₩ 21,200 million are restricted as deposits for shared corporate growth program, ₩ 500 million are pledged for restoration of leasehold facilities and ₩ 5,000 million are restricted for the borrowings for the Group's employees. In addition, ₩ 1,600 million are pledged to Shinhan bank for financial guarantees in relation to Naver Pay service and ₩ 2,836 million of long-term financial instrument are pledged for LINE business operation (Note 30).

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	2018	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
Trade and other payables	₩ -	₩ 742,275,387
Financial liabilities at fair value through profit or loss	10,203,644	-
Borrowings	-	449,934,601
Debentures	-	711,561,946
	<u>₩ 10,203,644</u>	<u>₩ 1,903,771,934</u>

(in thousands of Korean won)

	2017				
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for- sale financial assets	Held-to-maturity financial assets	Total
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>

¹ As at December 31, 2017, 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 ₩ 5,000 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 Naver Pay service.

(in thousands of Korean won)

	2017	
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost
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>

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6.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

2018

Financial asset at fair value - profit or loss		
Interest income	₩	4,649,320
Foreign currency exchange differences		3,972,071
Gain on valuation		38,210,342
Gain on disposal		9,401,401
Gain on derivative trading		381,469
Dividend		7,579,854
Financial asset at fair value - other comprehensive income		
Interest income		2,370,316
Dividend income		11,884,200
Foreign currency exchange differences		136,117
Reversal of impairment loss		(103,923)
Loss on valuation - other comprehensive income		(84,638,773)
Gain on disposal		(2,921,189)
Financial assets at amortized cost		
Interest income ²		20,224,140
Impairment loss		(2,277,430)
Bad debt expenses, other		(1,923,322)
Foreign currency exchange differences ²		(4,649,968)
Gain on disposal		438,229
Financial liabilities at fair value through profit or loss		
Loss on valuation		(8,053,915)
Financial liabilities at amortized cost		
Interest expense		13,723,512
Foreign currency exchange differences ²		(1,715,943)

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2017

Available-for-sale financial assets		
Loss on valuation (other comprehensive income)	₩	(22,809,784)
Loss on disposal (profit or loss)		(14,655,037)
Gain on disposal (reclassified to profit or loss) ¹		21,149,295
Interest income		6,582,462
Foreign currency exchange differences		3,483
Dividend income		11,039,823
Impairment loss (profit or loss)		(20,616,107)
Loans and receivables		
Interest income		27,399,186
Foreign currency exchange differences ²		(7,829,725)
Bad debt expenses		3,623,071
Other impairment loss ²		(2,775,832)
Financial assets at fair value through profit or loss		
Interest income		2,659,462
Gain on valuation		46,055,269
Gain on disposal		4,348,731
Held-to-maturity financial assets		
Interest income		36,920
Financial liabilities measured at amortized cost		
Interest expense ²		(568,580)
Foreign currency exchange differences ²		(9,161,420)

¹ The amount reclassified from other comprehensive income to profit or loss.

² The amounts include discontinued operations income and expenses.

7. Financial Assets

7.1 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 36 for the impacts of changes in accounting policies on the classification of financial assets and the financial statements.

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

<i>(in thousands of Korean won)</i>	2018	2017 ¹
Non-current		
Compound financial instruments	₩ 256,599,842	₩ 142,280,509
Beneficiary certificates and funds	273,778,694	186,893,358
Debt securities	23,021,003	59,426,180
	<u>553,399,539</u>	<u>388,600,047</u>
Current		
Securities linked derivatives	43,353,829	122,468,437
Compound financial instruments	147,920,853	233,206,094
Beneficiary certificates and funds, and others	11,657,687	41,649,015
Debt securities	27,542,326	11,757,647
Equity securities	223,025	122,241,647
Derivatives	76,750	2,990,536
	<u>230,774,470</u>	<u>534,313,376</u>
	<u>₩ 784,174,009</u>	<u>₩ 922,913,423</u>

¹ The amounts are after reflecting the impacts of changes in accounting policies (Note 36).

(b) Amounts recognized in profit or loss

Amounts recognized in profit or loss for the year ended December 31, 2018, are as follows:

<i>(in thousands of Korean won)</i>	2018
Securities linked derivatives	₩ 1,684,687
Compound financial instruments	34,714,142
Beneficiary certificates and funds	10,406,811
Others	1,187,572
	<u>₩ 47,993,212</u>

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7.2 Financial Assets at Fair Value - Other Comprehensive Income

(a) Equity instruments at fair value - other comprehensive income

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

<i>(in thousands of Korean won)</i>	2018		2017 ¹	
Listed equity securities	₩	396,397,609	₩	498,402,007
Unlisted equity securities		117,597,460		98,344,566
	₩	<u>513,995,069</u>	₩	<u>596,746,573</u>

¹ 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 36).

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>	2018		2017 ¹	
Government bonds	₩	-	₩	9,829,885
Corporate bonds		215,766,553		130,184,039
Less: provision for impairment		(384,794)		(354,493)
	₩	<u>215,381,759</u>	₩	<u>139,659,431</u>

¹ 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 36).

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

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7.3 Trade Receivables and Other Financial Assets at amortized cost

(a) Trade and other receivables

<i>(in thousands of Korean won)</i>	2018	2017 ¹
Trade receivables	₩ 585,471,178	₩ 626,371,357
Other receivables	506,600,451	400,312,627
Less: provision for impairment	(12,660,257)	(12,923,742)
Trade and other receivables - net	<u>₩ 1,079,411,371</u>	<u>₩ 1,013,760,242</u>

¹ The amounts are after reflecting the effect of changes in accounting policies (Note 36).

(b) Other financial assets at amortized cost

<i>(in thousands of Korean won)</i>	2018			2017 ¹		
	Current	Non-current	Total	Current	Non-current	Total
Cash equivalents	₩ 3,322,884,103	₩ -	₩ 3,322,884,103	₩ 1,907,575,061	₩ -	₩ 1,907,575,061
Time deposits	429,773,400	21,700,000	451,473,400	846,535,129	70,853,219	917,388,348
Corporate bonds	15,000,000	-	15,000,000	-	-	-
Bank debenture	-	100,595	100,595	-	15,098,700	15,098,700
Government bonds	-	2,839,526	2,839,526	200,000,000	-	200,000,000
Loans	7,740,306	348,320	8,088,626	2,013,964	1,048,006	3,061,970
Accrued income	5,727,514	-	5,726,149	5,516,543	-	5,516,543
Leasehold deposits provided	8,671,853	112,748,931	121,420,784	1,845,698	73,143,089	74,988,786
Other financial assets	-	1,426,154	1,426,154	-	57,944	57,944
	<u>3,789,797,176</u>	<u>139,163,526</u>	<u>3,928,960,702</u>	<u>2,963,486,395</u>	<u>160,200,958</u>	<u>3,123,687,353</u>
Less: provision for impairment	<u>(71,139)</u>	<u>(11,964)</u>	<u>(83,103)</u>	<u>(546,074)</u>	<u>(55,034)</u>	<u>(601,108)</u>
	<u>₩ 3,789,726,037</u>	<u>₩ 139,151,562</u>	<u>₩ 3,928,877,599</u>	<u>₩ 2,962,940,321</u>	<u>₩ 160,145,924</u>	<u>₩ 3,123,086,245</u>

¹ The amounts are after reflecting the effect of changes in accounting policies (Note 36).

(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.

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8. Contract Assets and Liabilities

(a) Contract assets and liabilities

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

<i>(in thousands of Korean won)</i>	2018		2017	
Contract assets related LINE Sticker	₩	3,067,557	₩	3,069,668
Contract assets related to advertisement service		370,711		1,075,307
Assets recognized for costs incurred to fulfil contracts		6,149,528		6,381,720
Total contract assets	₩	9,587,796	₩	10,526,695
Customer loyalty programs	₩	1,747,289	₩	4,876,339
Contracts related to advertisement service		2,968,370		279,464
Contracts related to business platform service		96,732,069		77,099,894
Contracts related to IT platform service		9,079,776		7,339,341
Contracts related to contents service		37,907,869		11,989,488
Contracts related to LINE & other platform services		253,931,056		231,065,608
Total contract liabilities	₩	402,366,429	₩	332,650,134

(b) Revenue recognized in relation to contract liabilities

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

<i>(in thousands of Korean won)</i>	2018	
Revenue recognized during the current year that was included in the contract liability balance at the beginning of the year	₩	324,016,815
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		222,432,289

(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's Market Sticker which are represented within prepaid expenses in the statements of financial position.

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2018

Assets recognized from costs to fulfil a contract at the end of reporting period	₩	18,216,224
Amortization and impairment loss recognized as cost of providing services during the current year		15,428,979

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.

9. Inventories

(in thousands of Korean won)

2018

2017

Merchandise	₩	66,836,937	₩	42,501,783
Less : Valuation loss		(13,151,305)		(9,502,714)
Finished Goods		338,153		-
Raw materials and others		3,416,508		3,205,445
	₩	<u>57,440,293</u>	₩	<u>36,204,514</u>

All of the Group's inventories are merchandise and inventories recognized as an operating expense during the year amounted to ₩97,095 million (2017: ₩60,736 million).

The Group recognized ₩3,429 million of loss on inventory valuation as an operating expenses during the year (2017: ₩3,987 million).

10. Available-for-sale Financial Assets

Details of available-for-sale financial assets as at December 31, 2017, are as follows:

(in thousands of Korean won)

2017

Equity securities		
Stocks	₩	839,899,428
Beneficiary certificates		52,802,640
Debt securities		
Corporate bonds		130,366,099
	₩	<u>1,023,068,167</u>

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Changes in available-for-sale financial assets for the year ended December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>		2017
Beginning balance	₩	416,506,432
Acquisition		708,671,193
Disposals		(50,653,345)
Impairment		(20,616,107)
Net losses reclassified from equity		(27,082,100)
Net losses reclassified to equity		(2,130,661)
Others		(1,627,245)
Ending balance		<u>1,023,068,167</u>
Less: non-current portion		(79,435,727)
Current portion	₩	943,632,440

11. Other Assets

Details of other assets as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018		2017	
	Current	Non-current	Current	Non-current
Prepayment	₩ 16,653,317	₩ 829,412	₩ 16,831,304	₩ 738,294
Prepaid expenses	116,566,098	29,730,595	81,859,909	35,312,258
Prepaid value added tax	18,487,285	-	15,385,824	-
Others	<u>5,741,136</u>	<u>52,317</u>	<u>10,540,794</u>	<u>12,841</u>
	<u>₩ 157,447,836</u>	<u>₩ 30,612,324</u>	<u>₩ 124,617,831</u>	<u>₩ 36,063,393</u>

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12. Property and Equipment

Details of property and equipment as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		
	Acquisition cost	Accumulated depreciation¹	Book amount
Land	₩ 239,113,704	₩ -	₩ 239,113,704
Buildings	465,290,041	(95,759,441)	369,530,600
Structures	113,641,283	(49,209,913)	64,431,371
Machinery	1,034,784,246	(557,971,513)	476,812,733
Vehicles	1,193,940	(661,255)	532,685
Equipment	262,941,349	(126,082,660)	136,858,689
Others	52,422,567	(23,699,659)	28,722,908
Construction in progress	141,299,521	-	141,299,521
	<u>₩ 2,310,686,650</u>	<u>₩ (853,384,441)</u>	<u>₩ 1,457,302,209</u>

(in thousands of Korean won)

	2017		
	Acquisition cost	Accumulated depreciation¹	Book amount
Land	₩ 225,378,810	₩ -	₩ 225,378,810
Buildings	453,850,500	(80,576,559)	373,273,941
Structures	110,754,898	(37,867,930)	72,886,968
Machinery	759,971,641	(480,581,461)	279,390,180
Vehicles	1,141,196	(467,021)	674,175
Equipment	186,337,763	(91,801,822)	94,535,941
Others	42,980,219	(16,721,659)	26,258,560
Construction in progress	77,614,124	-	77,614,124
	<u>₩ 1,858,029,151</u>	<u>₩ (708,016,452)</u>	<u>₩ 1,150,012,699</u>

¹ Accumulated impairment losses and government grant are included.

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Changes in property and equipment for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)	2018								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance	₩225,378,810	₩373,273,941	₩72,886,968	₩279,390,180	₩ 674,175	₩94,535,941	₩26,258,560	₩77,614,124	₩1,150,012,699
Acquisition/ capital expenditures	13,789,106	15,717,597	2,288,485	338,642,392	32,116	100,777,859	7,848,024	61,250,360	540,335,939
Increase due to business combination(N ote 32)	-	-	-	-	29,876	95,376	235,199	-	360,451
Depreciation	-	(15,206,545)	(11,341,983)	(146,015,546)	(200,112)	(44,972,552)	(10,279,378)	-	(228,016,116)
Disposals	-	(35,838)	-	(250,904)	(6,144)	(16,877,546)	(1,059,919)	-	(18,230,351)
Disposal of a subsidiary	-	-	-	(15,816)	-	(783,013)	(1,351,337)	-	(2,150,166)
Others ¹	(54,212)	(4,218,555)	597,900	5,062,427	2,774	4,082,623	7,081,759	2,435,037	14,989,753
Ending balance	₩239,113,704	₩369,530,600	₩64,431,370	₩476,812,733	₩ 532,685	₩136,858,688	₩28,722,908	₩141,299,521	₩1,457,302,209

(in thousands of Korean won)	2017								
	Land	Buildings	Structures	Machinery	Vehicles	Equipment	Others	Construction in progress	Total
Beginning balance	₩218,663,488	₩353,513,070	₩51,429,272	₩139,460,097	₩ 325,719	₩57,536,625	₩13,273,815	₩29,056,312	₩ 863,258,398
Acquisition/ capital expenditures	6,715,322	7,057,999	17,273	262,880,390	659,940	75,296,156	22,560,811	108,210,117	483,398,008
Increase due to business combination	-	75,892	-	1,027,224	1	1,198,635	1,361,523	125,146	3,788,421
Depreciation	-	(14,636,809)	(9,095,737)	(117,712,471)	(162,392)	(33,818,061)	(7,247,865)	-	(182,673,335)
Disposals	-	-	-	(817,399)	(142,177)	(3,155,053)	(1,846,748)	-	(5,961,377)
Disposal of a subsidiary	-	-	-	-	-	(1,737,725)	(117,218)	-	(1,854,943)
Others ¹	-	27,263,789	30,536,160	(5,447,661)	(6,916)	(784,636)	(1,725,758)	(59,777,451)	(9,942,473)
Ending balance	₩225,378,810	₩373,273,941	₩72,886,968	₩279,390,180	₩ 674,175	₩94,535,941	₩26,258,560	₩77,614,124	₩1,150,012,699

¹ Others includes increase and decrease from foreign currency translation and others.

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The Group leases various property and equipment under non-cancellable operating lease agreements. The lease payments recognized as expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		2017
Minimum lease payments	₩	104,806,857	₩	74,989,371
Sub lease payments		(11,668)		(2,502)
Contingent rental payments		(31,303,299)		(20,033,553)
Total lease payments	₩	<u>73,491,890</u>	₩	<u>54,953,316</u>

Total minimum lease payments in relation to non-cancellable operating leases are as follows:

<i>(in thousands of Korean won)</i>		2018		2017
Within 1 year	₩	123,554,232	₩	67,198,773
1 year to 5 years		276,318,114		178,830,727
More than 5 years		163,737,576		76,062,077
	₩	<u>563,609,922</u>	₩	<u>322,091,577</u>

13. Intangible Assets

Details of intangible assets as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		
	Acquisition cost	Accumulated amortization¹	Book amount	
Industrial rights	₩ 15,291,540	₩ (8,578,228)	₩	6,713,312
Software	83,034,254	(62,199,996)		20,834,258
Goodwill	231,044,622	(26,396,034)		204,648,588
Others	162,306,698	(87,539,386)		74,767,312
	<u>₩ 491,677,114</u>	<u>₩ (184,713,644)</u>	₩	<u>306,963,470</u>

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(in thousands of Korean won)

	2017		
	Acquisition cost	Accumulated amortization¹	Book amount
Industrial rights	₩ 15,761,085	₩ (8,046,743)	₩ 7,714,342
Software	81,025,227	(58,193,077)	22,832,150
Goodwill	264,029,762	(30,828,683)	233,201,079
Others	148,705,668	(72,941,558)	75,764,110
	<u>₩ 509,521,742</u>	<u>₩ (170,010,061)</u>	<u>₩ 339,511,681</u>

¹ Accumulated impairment losses and government grant are included.

Changes in intangible assets for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018				
	Industrial rights	Software	Goodwill	Others	Total
Beginning balance	₩ 7,714,342	₩ 22,832,150	₩ 233,201,079	₩ 75,764,110	₩ 339,511,681
Acquisition/capital expenditures	2,233,864	8,324,708	-	35,559,136	46,117,708
Increase due to business combination	2,173,622	39,801	20,659,776	1,891,700	24,764,899
Amortization	(1,704,363)	(8,320,287)	-	(23,026,322)	(33,050,972)
Disposals	-	(335,053)	-	(3,831,508)	(4,166,561)
Impairment	-	(522,246)	-	(1,863,653)	(2,385,899)
Disposal of a subsidiary	(3,138,349)	(1,445,684)	(56,894,712)	(9,417,640)	(70,896,385)
Others ¹	(565,804)	260,869	7,682,445	(308,511)	7,068,999
Ending balance	<u>₩ 6,713,312</u>	<u>₩ 20,834,258</u>	<u>₩ 204,648,588</u>	<u>₩ 74,767,312</u>	<u>₩ 306,963,470</u>

(in thousands of Korean won)

	2017				
	Industrial rights	Software	Goodwill	Others	Total
Beginning balance	₩ 1,596,368	₩ 13,345,159	₩ 45,743,763	₩ 51,446,243	₩ 112,131,533
Acquisition/capital expenditures	3,281,296	13,036,012	-	14,943,033	31,260,341
Increase due to business combination	4,014,539	5,839,873	194,365,650	29,386,720	233,606,782
Amortization	(1,167,108)	(7,457,365)	-	(14,958,269)	(23,582,742)
Disposals	(9,945)	(508,251)	-	(1,940,893)	(2,459,089)
Impairment	-	-	-	(1,829,001)	(1,829,001)
Disposal of a subsidiary	-	(142,781)	(269,465)	-	(412,246)
Others ¹	(808)	(1,280,497)	(6,638,869)	(1,283,723)	(9,203,897)
Ending balance	<u>₩ 7,714,342</u>	<u>₩ 22,832,150</u>	<u>₩ 233,201,079</u>	<u>₩ 75,764,110</u>	<u>₩ 339,511,681</u>

¹ Others includes increase and decrease from foreign currency translation and others.

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Amortization cost is classified as operating expenses

The Group recognized total research and development costs of ₩ 1,403,927 million (2017: ₩ 1,130,230 million) as expenses and they are included in 'operating expenses'.

As at December 31, 2018 and 2017, goodwill is allocated for each cash-generating unit (CGU) by which goodwill is monitored by management. The table below summarizes goodwill allocation for each cash-generating unit.

<i>(in thousands of Korean won)</i>	2018		2017	
Naver service	₩	33,489,427	₩	24,760,618
LINE service		168,660,544		195,646,691
Other		2,498,617		12,793,770
	₩	<u>204,648,588</u>	₩	<u>233,201,079</u>

Impairment Tests for Goodwill

The Group performs the impairment test on goodwill each year and evaluates the recoverable amounts of each CGU. The recoverable amounts are determined based on the values in use which are calculated based on the discounted future cash flows expected from the continuous use of the assets.

The Group estimates future cash flows of each CGU by considering past experience, operation results and future business plan for the next five years which reflect management's evaluation for internal and external information of relevant industries. In order to estimate the discount rate that reflects the time value of money and the risks specific to the CGU, the Group have assumed a risk-free rate equal to average market yields on government bonds in each country at the date of performing the annual impairment test. The Group also incorporated a risk premium, such as a group specific premium and equity premium, in the discount rate.

The major assumptions used in the calculation of values in use of LINE service CGU are as follows.

<i>(in thousands of Korean won)</i>	2018		2017	
Discount rate	₩	8.7%		7.8%
Sales growth rate during the estimation period		12.7%		13.0%
Perpetual growth rate ¹		1.3%		1.6%

¹ The perpetual growth rate is the long-term average inflation rates in Japan, take into consideration external macroeconomic data.

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There is no impairment loss recognized during the year based on the recoverable amount which is calculated with the value in use of each CGU, as the recoverable amounts have considerably exceeded the carrying amounts of cash-generating units. In validating the value-in-use determined for the cash-generating units, the sensitivity of key assumptions used in the discounted cash-flow model such as discount rates and the terminal growth rate was evaluated. The outcomes of the impairment tests were not sensitive to reasonably likely changes in any of the assumptions underlying the cash flow projections used for the impairment tests.

14. Investments in Associates and Joint Ventures

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

(in thousands of Korean won)

Name of entity	Primary business	Location	Closing month	2018		2017		
				Percentage of ownership (%)	Book amount	Book amount		
Associates								
KG Allat (Formerly, Allat)	Internet commerce payment service	Korea	December	20.00	₩ 4,203,279	₩ 3,708,376		
NetMania	Software development and distribution	Korea	December	27.17	976,619	846,150		
Synapsoft	Software development and distribution	Korea	December	26.53	4,291,022	3,993,600		
Cloud Application Factory ²	Software development and distribution	Korea	December	-	-	1,487		
BonAngels Pacemaker Fund	Investment	Korea	December	22.73	3,134,205	4,109,379		
Korea Contents Mutual Aid Association ¹	Investment	Korea	December	56.56	9,247,075	5,274,711		
ARO In Tech	Software development and distribution	Korea	December	29.85	514,709	415,967		
Future Creation NAVER-Stonebridge Early Stage Start-up Fund	Investment	Korea	December	40.00	6,109,969	6,844,658		
Future Creation NAVER-SB Startup Investment Fund	Investment	Korea	December	37.04	16,194,573	8,011,687		
Epic Voyage	Mobile service development	Japan	December	30.00	25,708	24,929		
LINE Music	Mobile service development	Japan	December	36.72	4,933,610	447,864		
Digital Media Partners II	Investment	Cayman Islands	December	30.00	2,598,808	2,499,797		
LINE Part Time Job (Formerly, AUBE) ³	Mobile service development	Japan	December	-	-	3,169,994		
NAVER-Suprema Youth Foundation No.5 Investment Fund	Investment	Korea	December	50.00	8,543,088	7,915,533		
NAVER KIP Cheer up! Gamers Fund	Investment	Korea	December	50.00	3,579,691	4,128,854		

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Name of entity	Primary business	Location	Closing month	2018		2017
				Percentage of ownership (%)	Book amount	Book amount
NSPACE	Space service business	Korea	December	49.04	217,094	1,360,751
Silicon Cube	Applied software development and distribution	Korea	December	45.05	2,291,346	2,192,699
One Store	E-Commerce business	Korea	December	34.46	19,970,146	21,511,791
Transcosmos Online Communication	Business customer support	Japan	December	37.06	1,165,315	1,152,090
Nplegames ⁵	Software development and distribution	Korea	December	-	-	4,502,629
Alchera	Software consulting, development and distribution	Korea	December	24.54	2,294,222	1,862,085
Trust Us ²	Software consulting, development and distribution	Korea	December	21.39	-	-
Yume no machi Souzou linkai	Mobile service development	Japan	December	21.77	38,801,208	37,080,639
Mirae Asset-NAVER New Growth Fund 1	Investment	Korea	December	50.00	18,179,090	19,562,524
K-Fund I ¹	Investment	France	December	100.00	108,199,648	24,435,726
Fandom ⁶	Software development and distribution	Korea	December	20.00	-	150,793
YG NAVER Contents & Lifestyle Fund ¹	Investment	Korea	December	90.91	50,388,242	48,661,077
Orpeo Sound Works ⁶	Software development and distribution	Korea	December	27.41	-	1,948,965
Nano Interactive ⁵	Software development and distribution	Korea	December	-	-	517,457
The Grim Ent.	Webtoon production	Korea	December	34.98	993,456	1,049,309
Meshkorea	Telecom order brokerage, e-commerce	Korea	December	20.94	13,299,831	25,163,892
Studio Horang	Webtoon production	Korea	December	35.00	323,373	332,814
Oozoo ⁵	Software development and distribution	Korea	December	-	-	2,442,539
Soran Media Venture Fund I ¹	Investment	Korea	December	66.67	899,296	1,000,000
Motif ⁵	Software development and distribution	Korea	December	-	-	1,999,899
Fast Cowell Private Equity Fund	Investment	Korea	December	21.13	1,464,163	1,500,000
Skeinglobe ⁵	Software development and distribution	Korea	December	-	-	1,220,800
YLAB Japan	Software development and distribution	Japan	December	35.71	404,055	479,600
Laiqu Technology (Shenzhen)	Software development and distribution	China	December	22.96	483,202	164,067
Rock Square ⁵	Software development and distribution	Korea	December	-	-	-

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Name of entity	Primary business	Location	Closing month	2018		2017
				Percentage of ownership (%)	Book amount	Book amount
FOLIO	Financial business	Japan	December	41.36	52,812,854	-
Bigpicture Comics	Webtoon production	Korea	December	35.00	961,448	-
iPASS	Mobile payment system planning and development	Taiwan	December	29.82	12,589,324	-
Bravepops ²	Software development and distribution	Korea	December	20.67	-	-
AXIS	Software development and distribution	Korea	December	30.00	2,307,974	-
MiraeAsset MAPS Private Placement Real Estate 62	Investment	Korea	December	45.08	189,393,769	-
LENSA,LTD.	Mobile advertising service business	Japan	December	49.00	947,502	-
LINE Mobile ⁴	Telecommunications service	Japan	December	49.00	74,248,707	-
Studio JHS	Webtoon production	Korea	December	35.00	649,342	-
Venture republic	Online information distribution business	Japan	December	33.98	16,392,944	-
MiraeAsset-Naver Asia Growth Fund ⁷	Investment	Korea	December	16.67	19,519,948	-
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	Investment	Singapore	December	40.00	76,157,930	-
China Ventures Fund I, L.P. ¹	Investment	China	December	66.67	3,330,600	-
LINE Games(formerly,Next floor) ⁴	Software development and distribution	Korea	December	49.48	185,596,317	-
					₩ 958,634,702	₩ 251,685,132
Joint ventures						
YTN PLUS	Digital contents distribution	Korea	December	50.00	₩ 4,852,402	₩ 4,298,774
LINE Project ²	Investment	Japan	December	49.95	-	-
Collab+LINE	Investment	USA	December	50.00	1,510,946	1,147,638
Lantu Games	Mobile service development	Hong Kong	December	50.00	192,498	399,883
JobsN	Online information service	Korea	December	49.00	1,447,064	898,764
RABBIT-LINE PAY COMPANY	Online payment service	Thailand	December	33.33	22,198,433	20,061,560
YEOPEUL	Online information service and internet contents business	Korea	December	49.00	1,157,850	523,102
Cineplay	Online information service and online advertising	Korea	December	49.00	575,843	492,381
China Lab	Database and online information service	Korea	December	49.00	239,795	185,692
Designpress	Online information service and internet contents business	Korea	December	49.00	468,740	281,207
Interbiz	Online information service and internet contents business	Korea	December	49.00	285,543	91,654

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Name of entity	Primary business	Location	Closing month	Percentage of ownership (%)	2018	2017
					Book amount	Book amount
Artitian	Online information service and internet contents business	Korea	December	49.00	173,322	134,610
Schooljam	Online information service and internet contents business	Korea	December	49.00	254,011	185,110
Agroplus	Online information service and internet contents business	Korea	December	49.00	334,721	158,006
Sumlab	Online information service and internet contents business	Korea	December	49.00	365,538	141,837
Techplus	Online information service and internet contents business	Korea	December	49.00	370,102	109,533
Animal and Human Story	Online information service and internet contents business	Korea	December	49.00	138,135	94,906
Law and Media	Online information service and internet contents business	Korea	December	49.00	182,578	107,334
DANAA Data	Software development and distribution	Korea	December	49.00	4,866,664	-
SINAMONGEIMJEU CO., LTD.	Software development and distribution	Korea	December	49.98	1,979	-
Kasikorn LINE	Software development and distribution	Korea	December	49.99	3,111,256	-
					42,727,420	29,311,991
					₩ 1,001,362,122	₩ 280,997,123

¹ 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.

² LINE Project had discontinued the use of equity method due to accumulated deficits and impairment loss. Trust us, Cloud Application Factory, and Bravepops had been recognized before the current year, due to the book amount exceeded the recoverable amount.

³ LINE Part Time Job (Formerly, AUBE) have been included in subsidiaries during the current year.

⁴ LINE Games(Formerly, Next Floor) and LINE Mobile was reclassified from subsidiaries to associates due to decrease in ownership of the Group for the year ended December 31, 2018.

⁵ Associates related to LINE Games has been excluded due to loss of control for LINE Games for the year ended December 31, 2018.

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⁶ Phantom and Orpeo sound works recognized impairment loss during the current year, due to the book amount exceeded the recoverable amount.

⁷ Although the Group owns less than 20% of the investees, the Group has control over the entities under arrangements and classified as associates.

Details of valuation of investments in associates and joint ventures that are accounted for using the equity method for the years for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

(in thousands of Korean won)			Valuation of equity method in 2018									
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending balance				
Associates												
KG Allet (formetly,Allat	₩ 3,708,376	-	₩ 494,903	₩ -	₩ -	₩ -	₩ -	₩ 4,203,279				
NetMania	846,150	-	130,469	-	-	-	-	976,619				
Synapsoft	3,993,600	-	285,705	11,717	-	-	-	4,291,022				
Cloud Application Factory	1,487	-	(1,487)	-	-	-	-	-				
BonAngels Pacemaker Fund	4,109,379	-	(225,174)	-	(750,000)	-	-	3,134,205				
Korea Contents Mutual Aid Association	5,274,711	4,000,000	(83,549)	28,458	-	-	27,455	9,247,075				
ARO In Tech	415,967	-	38,923	59,819	(4,800)	-	4,800	514,709				
Future Creation NAVER Stonebridge Early Stage Start-up Fund	6,844,658	-	(734,689)	-	-	-	-	6,109,969				
Future Creation NAVER-SB Startup Investment Fund	8,011,687	-	2,117,548	6,435,709	(1,707,292)	-	1,336,922	16,194,574				
Epic Voyage	24,929	-	(486)	1,676	-	-	(411)	25,708				
LINE Music	447,864	11,927,760	(7,321,204)	(31,415)	-	-	(89,395)	4,933,610				
Digital Media Partners II	2,499,797	-	(94,595)	193,606	-	-	-	2,598,808				
LINE Part Time Job(formerly, AUBE)	3,169,994	(3,920,189)	624,186	129,009	-	-	-	-				
NAVER-Suprema Youth Foundation No.5 Investment Fund	7,915,533	1,500,000	(652,066)	-	(220,379)	-	-	8,543,088				
NAVER KIP Cheer up! Gamers Fund	4,128,854	-	(49,163)	-	(500,000)	-	-	3,579,691				
NSPACE	1,360,751	-	(1,143,657)	-	-	-	-	217,094				
Silicon Cube	2,192,699	-	98,647	-	-	-	-	2,291,346				
One Store	21,511,791	-	(1,442,766)	(98,880)	-	-	-	19,970,145				
Transcosmos Online Communication	1,152,090	-	(63,664)	76,889	-	-	-	1,165,315				
Nplegames	4,502,629	(3,675,207)	(827,422)	-	-	-	-	-				
Alchera	1,862,085	-	444,694	-	-	-	(12,557)	2,294,222				
Trust Us	-	-	-	-	-	-	-	-				
Yume no machi Souzou linkai	37,080,639	-	(1,137,298)	2,861,552	-	-	(3,685)	38,801,208				
Mirae Asset-NAVER New Growth Fund 1	19,562,524	-	(383,610)	-	(999,824)	-	-	18,179,090				
K-Fund I	24,435,726	82,980,787	(5,470,526)	6,278,474	-	-	(24,813)	108,199,648				

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(in thousands of Korean won)	Valuation of equity method in 2018							Ending balance
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	
Associates								
Fandom	150,793	-	16,369	-	-	(167,162)	-	-
YG NAVER Contents & Lifestyle Fund	48,661,077	-	582,637	(28,390)	-	-	1,172,918	50,388,242
Orpeo Sound Works	1,948,965	-	(77,809)	-	-	(1,871,156)	-	-
Nano Interactive	517,457	(576,291)	58,876	(42)	-	-	-	-
The Grim Ent.	1,049,309	-	(55,853)	-	-	-	-	993,456
Meshkorea	25,163,892	-	(21,636,616)	-	-	-	9,772,555	13,299,831
Studio Horang	332,814	-	(9,441)	-	-	-	-	323,373
Oozoo	2,442,539	(2,442,539)	(302,411)	73,346	-	-	229,065	-
Soran Media Venture Fund I	1,000,000	-	(100,704)	-	-	-	-	899,296
Motif	1,999,899	(1,702,609)	(297,290)	-	-	-	-	-
Fast Cowell Private Equity Fund	1,500,000	-	(35,837)	-	-	-	-	1,464,163
Skeinglobe	1,220,800	(1,220,800)	-	-	-	-	-	-
YLAB Japan	479,600	350,278	(295,770)	(130,111)	-	-	58	404,055
Laiqu Technology (Shenzhen)	164,067	678,157	(449,516)	(15,976)	-	-	106,470	483,202
Rock Square	-	359,861	(359,861)	-	-	-	-	-
FOLIO	-	56,829,616	(4,787,052)	770,290	-	-	-	52,812,854
Bigpicture Comics	-	700,033	261,415	-	-	-	-	961,448
iPASS	-	12,433,800	252,130	(96,606)	-	-	-	12,589,324
Bravepops	-	648,294	110	-	-	(648,404)	-	-
AXIS	-	3,000,000	(1,780,095)	(437)	-	-	1,088,506	2,307,974
MiraeAsset MAPS Private Placement Real Estate 62	-	196,330,551	(3,819,546)	-	(6,593,313)	-	3,476,077	189,393,769
LENSA,LTD.	-	966,221	(44,856)	26,137	-	-	-	947,502
LINE Mobile ⁴	-	-	(26,658,714)	2,390,186	-	-	98,517,235	74,248,707
Studio JHS	-	700,033	(50,691)	-	-	-	-	649,342
Venture republic	-	16,667,880	(318,890)	43,954	-	-	-	16,392,944
MiraeAsset-Naver Asia Growth Fund	-	19,665,103	(145,155)	-	-	-	-	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	-	78,277,820	(2,154,475)	34,585	-	-	-	76,157,930
China Ventures Fund I, L.P. ¹	-	3,330,600	-	-	-	-	-	3,330,600
LINE Games(formerly, next floor)	-	-	(3,432,660)	(298,462)	-	-	189,327,440	185,596,318
	251,685,132	477,809,159	(81,037,987)	18,712,088	(10,775,608)	(2,686,722)	304,928,640	958,634,702
Joint ventures								
YTN PLUS	4,298,774	-	553,628	-	-	-	-	4,852,402
LINE Project	-	-	-	-	-	-	-	-
Collab+LINE	1,147,638	-	226,430	52,610	-	-	84,268	1,510,946
Lantu Games	399,883	2,238,500	(3,126,175)	718,668	-	-	(38,378)	192,498
JobsN	898,764	-	548,300	-	-	-	-	1,447,064
RABBIT-LINE PAY COMPANY	20,061,560	-	(4,274,776)	903,277	-	-	5,508,372	22,198,433

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	Valuation of equity method in 2018							
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending balance
Joint ventures								
YEOPEUL	523,102	-	634,748	-	-	-	-	1,157,850
Cineplay	492,381	-	83,462	-	-	-	-	575,843
China Lab	185,692	-	54,103	-	-	-	-	239,795
Designpress	281,207	-	187,533	-	-	-	-	468,740
Interbiz	91,654	-	193,889	-	-	-	-	285,543
Artitian	134,610	-	38,712	-	-	-	-	173,322
Schooljam	185,110	-	68,901	-	-	-	-	254,011
Agroplus	158,006	-	176,715	-	-	-	-	334,721
Sumlab	141,837	-	223,701	-	-	-	-	365,538
Techplus	109,533	-	260,569	-	-	-	-	370,102
Animal and Human Story	94,906	-	43,229	-	-	-	-	138,135
Law and Media	107,334	-	75,245	-	-	-	-	182,579
DANAA data	-	4,866,664	-	-	-	-	-	4,866,664
SINAMONGEIMJEU	-	1,979	-	-	-	-	-	1,979
Kasikom LINE	-	3,111,256	-	-	-	-	-	3,111,256
	29,311,991	10,218,399	(4,031,787)	1,674,555	-	-	5,554,262	42,727,420
	₩280,997,123	₩488,027,558	₩(85,069,774)	₩20,386,643	₩ (10,775,608)	₩ (2,686,722)	₩310,482,902	₩1,001,362,122

(in thousands of Korean won)

(in thousands of Korean won)

	Valuation of equity method in 2017												
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	Ending balance					
Associates													
Allat	₩ 3,206,028	₩ -	₩ 502,348	₩ -	₩ -	₩ -	₩ -	₩ 3,708,376					
NetMania	777,831	-	68,319	-	-	-	-	846,150					
Synapsoft	3,394,726	(25,866)	733,846	(1,964)	(107,142)	-	-	3,993,600					
Cloud Application Factory	39,359	-	(37,872)	-	-	-	-	1,487					
BonAngels Pacemaker Fund	4,909,679	(250,001)	(550,299)	-	-	-	-	4,109,379					
Korea Contents Mutual Aid Association	2,577,500	3,001,818	(304,607)	-	-	-	-	5,274,711					
ARO In Tech	379,878	-	36,089	-	-	-	-	415,967					
Future Creation NAVER													
Stonebridge Early Stage Start-up Fund	8,313,362	(5,488,000)	8,419,296	-	(4,400,000)	-	-	6,844,658					
Future Creation NAVER-SB Startup Investment Fund	9,829,236	(1,057,406)	6,717,669	-	(7,477,812)	-	-	8,011,687					
Epic Voyage	27,780	-	(537)	(2,314)	-	-	-	24,929					
LINE Music	4,287,724	-	(3,703,612)	(136,248)	-	-	-	447,864					
Green Monster	65,860	-	(85,878)	20,018	-	-	-	-					
Digital Media Partners II	2,598,721	330,054	(126,434)	(302,544)	-	-	-	2,499,797					
AUBE	3,522,535	-	(57,742)	(294,799)	-	-	-	3,169,994					
NAVER-Suprema Youth Foundation No.5 Investment Fund	5,667,325	2,500,000	(251,792)	-	-	-	-	7,915,533					

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	Valuation of equity method in 2017							Ending balance
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	
NAVER KIP Cheer up! Gamers Fund	4,558,437	-	(429,583)	-	-	-	-	4,128,854
NSPACE	861,605	700,002	(200,856)	-	-	-	-	1,360,751
Silicon Cube	1,751,159	59,815	81,725	-	-	-	300,000	2,192,699
One Store	27,110,684	-	(5,530,899)	(67,994)	-	-	-	21,511,791
Transcosmos Online Communication	437,395	872,807	(128,961)	(29,151)	-	-	-	1,152,090
Nplegames	924,048	4,384,455	(805,874)	-	-	-	-	4,502,629
Alchera	1,464,219	561,188	(163,322)	-	-	-	-	1,862,085
Sound of Heart Culture Industry Special Purpose Company	133,383	(98,486)	-	-	(34,897)	-	-	-
Trust Us	3,085,823	-	(967,403)	-	(2,118,420)	-	-	-
Yume no machi Souzou linkai	43,410,681	(16,206)	(817,209)	(5,496,627)	-	-	-	37,080,639
Mirae Asset-NAVER New Growth Fund 1	10,000,000	10,000,000	(437,476)	-	-	-	-	(19,562,524)
K-Fund I	-	27,761,313	(3,136,228)	(189,359)	-	-	-	(24,435,726)
Fandom	-	-	(46,303)	-	-	-	197,096	(150,793)
YG NAVER Contents & Lifestyle Fund	-	50,000,000	(1,338,923)	-	-	-	-	48,661,077
Orpeo Sound Works	-	1,500,006	(51,142)	-	-	-	500,101	1,948,965
Nano Interactive	-	-	(96,543)	-	-	-	614,000	517,457
The Grim Ent.	-	1,049,415	(106)	-	-	-	-	1,049,309
Meshkorea	-	27,474,987	(2,311,095)	-	-	-	-	25,163,892
Studio Horang	-	350,017	(17,203)	-	-	-	-	332,814
Oozoo	-	-	(377,242)	-	-	-	2,819,781	2,442,539
Soran Media Venture Fund I	-	1,000,000	-	-	-	-	-	1,000,000
Motif	-	1,999,899	-	-	-	-	-	1,999,899
Fast Cowell Private Equity Fund	-	1,500,000	-	-	-	-	-	1,500,000
Skeinglobe	-	1,220,800	-	-	-	-	-	1,220,800
YLAB Japan	-	479,600	-	-	-	-	-	479,600
Laiqu Technology (Shenzhen)	-	164,067	-	-	-	-	-	164,067
ITDA	-	300,000	-	-	-	(300,000)	-	-
InnoAG	-	-	(258,263)	-	-	-	258,263	-
Pig	-	-	(82,182)	-	-	-	82,182	-
	143,334,978	130,274,278	(5,756,294)	(6,500,982)	(12,019,851)	(2,418,420)	4,771,423	251,685,132
Joint ventures								
YTN PLUS	3,872,403	-	439,814	(13,443)	-	-	-	4,298,774
LINE Projct	-	-	-	-	-	-	-	-
Collab+LINE	1,253,437	-	43,982	(149,781)	-	-	-	1,147,638
Lantu Games	8,301,453	-	(6,648,315)	(1,253,255)	-	-	-	399,883
JobsN	456,947	-	441,817	-	-	-	-	898,764
RABBIT-LINE PAY COMPANY	24,283,413	-	(3,619,409)	(602,444)	-	-	-	20,061,560

NAVER Corporation and Subsidiaries

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(in thousands of Korean won)

(in thousands of Korean won)	Valuation of equity method in 2017							Ending balance
	Beginning balance	Acquisition (Disposal)	Share of profit or loss	Share of other comprehensive income (loss)	Dividends	Impairment	Others	
Joint ventures								
YEOPEUL	189,892	-	333,210	-	-	-	-	523,102
Cineplay	193,194	-	299,187	-	-	-	-	492,381
China Lab	116,235	-	69,457	-	-	-	-	185,692
Designpress	150,468	-	130,739	-	-	-	-	281,207
Interbiz	-	98,000	(6,346)	-	-	-	-	91,654
Artitian	-	98,000	36,610	-	-	-	-	134,610
Schooljam	-	98,000	87,110	-	-	-	-	185,110
Agroplus	-	98,000	60,006	-	-	-	-	158,006
Sumlab	-	98,000	43,837	-	-	-	-	141,837
Techplus	-	98,000	11,533	-	-	-	-	109,533
Animal and Human Story	-	98,000	(3,094)	-	-	-	-	94,906
Law and Media	-	98,000	9,334	-	-	-	-	107,334
	38,817,442	784,000	(8,270,528)	(2,018,923)	-	-	-	29,311,991
	₩182,152,420	₩131,058,278	₩ (14,026,822)	₩ (8,519,905)	₩ (12,019,851)	₩ (2,418,420)	₩4,771,423	₩ 280,997,123

The tables below provide summarized financial information for those associates and joint ventures that are material to the Group and received dividends from the associates and joint ventures.

(in thousands of Korean won)

	2018				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Associates					
BonAngels Pacemaker Fund	₩ 2,016,473	₩ 11,716,120	₩ 69,978	₩ -	₩ 13,662,615
Future Creation NAVER					
Stonebridge Early Stage Start-up Fund	119,209	14,929,969	376,205	-	14,672,973
Future Creation NAVER-SB					
Startup Investment Fund	8,738,988	34,838,904	451,822	-	43,126,070
One Store	92,844,264	24,071,681	63,439,899	2,449,810	51,026,236
Yume no machi Souzou linkai ¹	58,293,775	44,882,589	38,695,298	10,934,875	53,546,191
Mirae Asset-NAVER New Growth					
Fund 1	4,114,158	32,233,356	-	-	36,347,514
K-Fund I	2,093,933	106,502,302	394,787	-	108,201,448
YG NAVER Contents & Lifestyle					
Fund	27,954,231	26,182,625	-	-	54,136,856
Mesh Korea	54,147,738	8,640,640	8,728,154	10,429,379	43,630,845
LINE Games(formerly, Next Floor)	145,335,637	90,574,942	12,005,267	9,838,148	214,067,164
MIRAE ASSE-NAVER ASIA					
GROWTH INVESTMENT	939,222	188,968,557	961,742	-	188,946,037
MiraeAsset MAPS Private					
Placement Real Estate 62	9,146,624	413,526,379	7,844,640	-	414,828,363
Joint ventures					
RABBIT-LINE PAY COMPANY	48,596,338	6,781,826	19,710,215	158,263	35,509,686
Lantu Games ²	3,680,671	323,903	3,005,389	614,189	384,996

NAVER Corporation and Subsidiaries
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(in thousands of Korean won)

		2018					
		Revenue	Operating income (loss)	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)	Received dividend
Associates							
BonAngels Pacemaker Fund	₩	33,839	₩ (251,116)	₩ (251,116)	₩ -	₩ (251,116)	₩ -
Future Creation NAVER							
Stonebridge Early Stage							
Start-up Fund		297	(381,052)	(381,052)	-	(381,052)	-
Future Creation NAVER-SB							
Startup Investment Fund		-	(463,493)	10,817,744	17,376,414	28,194,158	(1,707,292)
One Store		110,284,000	(12,886,679)	(13,903,267)	-	(13,903,267)	-
Yume no machi Souzou linkai ¹		20,150,172	13,312	294,417	-	294,417	-
Mirae Asset-NAVER New							
Growth Fund 1		249,504	(767,221)	(767,221)	-	(767,221)	-
K-Fund I		12,179	(52,303)	(5,460,173)	-	(5,460,173)	-
YG NAVER Contents &							
Lifestyle Fund		1,434,036	(659,451)	(635,646)	-	(635,646)	-
Mesh Korea		73,146,028	(14,088,862)	(14,169,383)	-	(14,169,383)	-
LINE Games(formerly, Next							
Floor)		3,994,896	(6,333,177)	(7,696,663)	163,168	(7,533,495)	-
MIRAE ASSE-NAVER ASIA							
GROWTH INVESTMENT		-	(5,094,231)	(5,094,231)	-	(5,094,231)	-
MiraeAsset MAPS Private							
Placement Real Estate 62		43,415	(477,681)	(477,681)	-	(477,681)	(6,593,313)
Joint ventures							
RABBIT-LINE PAY COMPANY		2,047,681	(3,938,106)	(3,813,581)	-	(3,813,581)	-
Lantu Games ²		8,207	(6,632,346)	(6,116,952)	-	(6,116,952)	-

¹ Information based on the consolidated financial statements and profit for the year includes profit attributable to controlling shareholders.

² Including financial information of Beijing Lantu Times Technology Company, a subsidiary of Lantu Games.

(in thousands of Korean won)

		2017				
		Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Associates						
BonAngels Pacemaker Fund	₩	5,453,371	₩ 12,569,059	₩ 69,049	₩ -	₩ 17,953,381
Future Creation NAVER						
Stonebridge Early Stage						
Start-up Fund		452,443	16,379,970	322,719	-	16,509,694
Future Creation NAVER-SB						
Startup Investment Fund		1,409,172	20,131,938	508,834	-	21,032,276
One Store		76,810,419	18,564,161	38,547,067	1,327,259	55,500,254
Yume no machi Souzou linkai ¹		36,657,700	48,814,097	19,940,266	12,313,799	53,151,983
Mirae Asset-NAVER New Growth		18,131,600	21,236,905	254,123	-	39,114,382

NAVER Corporation and Subsidiaries
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(in thousands of Korean won)

	2017				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity
Fund 1					
K-Fund I	1,862,656	23,244,003	670,933	-	24,435,726
YG NAVER Contents & Lifestyle Fund	30,552,818	23,378,005	403,638	-	53,527,185
Associates					
Mesh Korea	26,793,888	8,861,091	4,468,389	11,324,833	19,861,757
Joint ventures					
RABBIT-LINE PAY COMPANY	21,948,046	1,573,585	3,005,438	111,636	20,404,557
Lantu Games ²	11,694,722	440,310	9,463,445	1,871,820	799,767

(in thousands of Korean won)

	2017					
	Revenue	Operating income (loss)	Profit (loss) for the year	Other comprehensive income	Total comprehensive income (loss)	Received dividend
Associates						
BonAngels Pacemaker Fund	₩ 58,348	₩ (1,268,008)	₩ (1,268,008)	₩ -	₩ (1,268,008)	₩ -
Future Creation NAVER Stonebridge Early Stage Start-up Fund	21,247,661	20,541,391	20,541,394	-	20,541,394	4,400,000
Future Creation NAVER-SB Startup Investment Fund	-	(548,184)	18,837,668	-	18,837,668	7,477,812
One Store	115,596,443	(8,202,934)	(16,051,252)	-	(16,051,252)	-
Yume no machi Souzou linkai ¹	22,791,855	(11,665,367)	(3,705,824)	-	(3,705,824)	-
Mirae Asset-NAVER New Growth Fund 1	140,568	(874,951)	(874,951)	-	(874,951)	-
K-Fund I	227	(3,095,185)	(3,136,228)	-	(3,136,228)	-
YG NAVER Contents & Lifestyle Fund	(524,735)	(1,472,815)	(1,472,815)	-	(1,472,815)	-
Mesh Korea	19,033,409	(8,536,159)	(7,821,673)	-	(7,821,673)	-
Joint ventures						
RABBIT-LINE PAY COMPANY	1,221,468	(7,448,794)	(7,220,456)	-	(7,220,456)	-
Lantu Games ²	54,839	(13,222,494)	(13,284,665)	-	(13,284,665)	-

¹ Information based on the consolidated financial statements, profit for the year includes profit attributable to controlling shareholders.

² Including financial information of Beijing Lantu Times Technology Company, a subsidiary of Lantu Games.

Details of adjustments from financial information of associates and joint ventures to the book amount of investments in associates and joint ventures as at December 31, 2018 and 2017, are as follows:

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(in thousands of Korean won)

2018

		Net asset (a)	Ownership interests held by the Group (b)	Interest in net asset (axb)	Goodwill	Others ³	Book amount
Associates							
KG allat(formetly, Allat)	₩	21,016,393	20.00%	₩ 4,203,279	₩ -	₩ -	₩ 4,203,279
NetMania		3,593,945	27.17%	976,619	-	-	976,619
Synapsoft		14,281,115	26.53%	3,788,791	502,231	-	4,291,022
BonAngels Pacemaker Fund		13,662,615	22.73%	3,105,139	29,066	-	3,134,205
Korea Contents Mutual Aid Association		15,322,706	56.56%	8,666,198	580,877	-	9,247,075
ARO In Tech		1,475,614	29.85%	440,482	74,227	-	514,709
Future Creation NAVER Stonebridge Early Stage Start- up Fund		14,672,973	40.00%	5,869,189	240,780	-	6,109,969
Future Creation NAVER-SB Startup Investment Fund		43,126,070	37.04%	15,972,618	221,955	-	16,194,573
Epic Voyage		87,065	30.00%	26,120	-	(412)	25,708
LINE Music		10,570,900	36.72%	3,881,634	1,141,370	(89,394)	4,933,610
Digital Media Partners II		8,662,694	30.00%	2,598,808	-	-	2,598,808
NAVER-Suprema Youth Foundation No.5 Investment Fund		17,086,176	50.00%	8,543,088	-	-	8,543,088
NAVER KIP Cheer up! Gamers Fund		7,159,381	50.00%	3,579,691	-	-	3,579,691
NSPACE		339,353	49.04%	166,419	1,082,057	(1,031,382)	217,094
Silicon Cube		2,432,384	45.05%	1,095,789	1,006,541	189,016	2,291,346
One Store		51,026,236	34.46%	17,582,490	2,387,656	-	19,970,146
Transcosmos Online Communication		3,144,638	37.06%	1,165,315	-	-	1,165,315
Alchera		2,015,855	24.54%	494,672	1,035,983	763,567	2,294,222
Yume no machi Souzou linkai ²		53,546,191	21.77%	11,659,679	27,141,529	-	38,801,208
Mirae Asset-NAVER New Growth Fund 1		36,347,514	50.00%	18,173,757	5,333	-	18,179,090
K-Fund I		108,201,448	100.00%	108,201,448	-	(1,800)	108,199,648
Fandom		45,829	20.00%	9,166	119,613	(128,779)	-
YG NAVER Contents & Lifestyle Fund		54,136,856	90.91%	49,215,324	-	1,172,918	50,388,242
Orpeo Sound Works		949,024	27.41%	260,127	1,611,048	(1,871,175)	-
The Grim Ent.		888,197	34.98%	310,696	682,760	-	993,456
Meshkorea		43,630,845	20.94%	11,038,604	19,295,275	(17,034,048)	13,299,831
Studio Horang		274,896	35.00%	96,218	227,155	-	323,373
Soran Media Venture Fund I		1,348,943	66.67%	899,296	-	-	899,296
Fast Cowell Private Equity Fund		6,909,804	21.13%	1,459,818	4,345	-	1,464,163
YLAB Japan		1,131,543	35.71%	404,055	-	-	404,055
Laiqu Technology (Shenzhen)		2,104,893	22.96%	483,202	-	-	483,202
FOLIO		69,224,348	41.36%	28,631,116	24,181,738	-	52,812,854
Bigpicture Comics		1,519,271	35.00%	531,769	429,679	-	961,448
iPASS		37,814,239	29.82%	11,277,931	1,311,393	-	12,589,324
Bravepops		(35,873)	20.67%	(7,415)	656,818	(649,403)	-

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(in thousands of Korean won)

2018

	Net asset	Ownership interests held by the Group	Interest in net asset	Goodwill	Others ³	Book amount
	(a)	(b)	(axb)			
Associates						
AXIS	2,868,936	30.00%	860,681	1,964,611	(517,318)	2,307,974
MiraeAsset MAPS Private Placement Real Estate 62	414,828,363	45.08%	187,003,862	2,389,907	-	189,393,769
LENSA,LTD.	1,933,678	49.00%	947,502	-	-	947,502
LINE Mobile	36,413,058	49.00%	17,842,399	53,271,037	3,135,271	74,248,707
Studio JHS	430,965	35.00%	150,844	498,498	-	649,342
Venture republic	6,066,411	33.98%	2,061,095	14,331,849	-	16,392,944
MiraeAsset-Naver Asia Growth Fund	117,119,689	16.67%	19,519,948	-	-	19,519,948
MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	188,946,037	40.00%	75,578,414	579,516	-	76,157,930
China Ventures Fund I, L.P. (TPG-SB China Fund)	3,330,933	99.99%	3,330,600	-	-	3,330,600
LINE Games(formerly, Next Floor)	214,067,164	49.48%	105,926,158	79,670,159	-	185,596,317
	<u>1,633,719,315</u>		<u>738,022,635</u>	<u>236,675,006</u>	<u>(16,062,939)</u>	<u>958,634,702</u>
Joint ventures						
YTN PLUS	9,704,805	50.00%	4,852,402	-	-	4,852,402
Collab+LINE	3,021,892	50.00%	1,510,946	-	-	1,510,946
Lantu Games	384,996	50.00%	192,498	-	-	192,498
JobsN	2,953,191	49.00%	1,447,064	-	-	1,447,064
RABBIT-LINE PAY COMPANY	35,509,686	33.33%	11,836,562	10,361,871	-	22,198,433
YEOPEUL	2,362,959	49.00%	1,157,850	-	-	1,157,850
Cineplay	1,175,191	49.00%	575,843	-	-	575,843
China Lab	489,378	49.00%	239,795	-	-	239,795
Designpress	956,612	49.00%	468,740	-	-	468,740
Interbiz	582,741	49.00%	285,543	-	-	285,543
Artitian	353,718	49.00%	173,322	-	-	173,322
Schooljam	518,389	49.00%	254,011	-	-	254,011
Agroplus	683,104	49.00%	334,721	-	-	334,721
Sumlab	745,995	49.00%	365,538	-	-	365,538
Techplus	755,310	49.00%	370,102	-	-	370,102
Animal and Human Story	281,909	49.00%	138,135	-	-	138,135
Law and Media	372,609	49.00%	182,578	-	-	182,578
DANAA Data ¹	9,931,967	49.00%	4,866,664	-	-	4,866,664
SINAMONGEIMJEU	3,960	49.98%	1,979	-	-	1,979
Kasikorn LINE ¹	6,114,978	50.00%	3,057,488	53,768	-	3,111,256
	<u>76,903,390</u>		<u>32,311,781</u>	<u>10,415,639</u>	<u>-</u>	<u>42,727,420</u>
	<u>₩1,710,622,705</u>		<u>₩ 770,334,416</u>	<u>₩247,090,645</u>	<u>₩(16,062,939)</u>	<u>₩1,001,362,122</u>

¹ Acquired at the end of December, 2018 and therefore, acquisition cost was recognized as book amount.

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Notes to the Consolidated Financial Statements
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² Information based on the consolidated financial statements and therefore, net asset represents amount attributable to controlling interests.

³ Others include recognized amounts for preferred shares, recognition of impairment loss and others.

(in thousands of Korean won)

		2017					
		Ownership		Interest in net		Goodwill	Book amount
		Net asset	interests held by	asset	asset		
		(a)	the Group	(b)	(axb)		
Associates							
Allat	₩	18,541,881	20.00%	₩	3,708,376	₩ -	₩ 3,708,376
NetMania		3,113,821	27.17%		846,150	-	846,150
Synapsoft		13,228,471	26.39%		3,491,369	502,231	3,993,600
Cloud Application Factory		4,939	30.10%		1,487	-	1,487
BonAngels Pacemaker Fund		17,953,381	22.73%		4,080,313	29,066	4,109,379
Korea Contents Mutual Aid Association		10,815,665	46.09%		4,984,561	290,150	5,274,711
ARO In Tech		1,144,829	29.85%		341,740	74,227	415,967
Future Creation NAVER Stonebridge Early Stage Start-up Fund		16,509,694	40.00%		6,603,878	240,780	6,844,658
Future Creation NAVER-SB Startup Investment Fund		21,032,276	37.04%		7,789,732	221,955	8,011,687
Epic Voyage		83,098	30.00%		24,929	-	24,929
LINE Music		1,340,910	33.40%		447,864	-	447,864
Digital Media Partners II		8,332,655	30.00%		2,499,797	-	2,499,797
AUBE		6,469,375	49.00%		3,169,994	-	3,169,994
NAVER-Suprema Youth Foundation No.5 Investment Fund		15,831,067	50.00%		7,915,533	-	7,915,533
NAVER KIP Cheer up! Gamers Fund		8,257,709	50.00%		4,128,854	-	4,128,854
NSPACE		568,247	49.04%		278,694	1,082,057	1,360,751
Silicon Cube		2,449,912	45.05%		1,186,158	1,006,541	2,192,699
One Store		55,500,254	34.46%		19,124,135	2,387,656	21,511,791
Transcosmos Online Communication		3,108,948	37.06%		1,152,090	-	1,152,090
Nplegames		5,024,111	31.95%		2,313,548	2,189,081	4,502,629
Alchera		3,283,860	25.16%		826,102	1,035,983	1,862,085
Yume no machi Souzou linkai ²		53,151,983	21.93%		11,655,446	25,425,193	37,080,639
Mirae Asset-NAVER New Growth Fund 1		39,114,382	50.00%		19,557,191	5,333	19,562,524
K-Fund I		24,435,726	100.00%		24,435,726	-	24,435,726
Fandom		71,480	20.00%		31,180	119,613	150,793
YG NAVER Contents & Lifestyle Fund		53,527,185	90.91%		48,661,077	-	48,661,077
Orpeo Sound Works		1,232,915	27.41%		337,917	1,611,048	1,948,965
Nano Interactive		(267,683)	35.48%		(94,984)	612,441	517,457
The Grim Ent.		1,047,866	34.98%		366,549	682,760	1,049,309
Associates							

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(in thousands of Korean won)

	2017				
	Net asset	Ownership interests held by the Group	Interest in net asset	Goodwill	Book amount
	(a)	(b)	(axb)		
Meshkorea	19,861,757	25.30%	5,868,617	19,295,275	25,163,892
Studio Horang	301,868	35.00%	105,659	227,155	332,814
Oozoo	(2,075,854)	44.53%	(924,459)	3,366,998	2,442,539
Soran Media Venture Fund I	1,476,697	66.67%	984,465	15,535	1,000,000
Motif	1,915,007	41.46%	794,005	1,205,894	1,999,899
Fast Cowell Private Equity Fund	7,079,434	21.13%	1,495,655	4,345	1,500,000
Skeinglobe	(2,456,867)	28.72%	(705,627)	1,926,427	1,220,800
YLAB Japan ¹	773,847	35.71%	479,600	-	479,600
Laiqu Technology (Shenzhen) ¹	820,335	20.00%	164,067	-	164,067
	<u>412,605,181</u>		<u>188,127,388</u>	<u>63,557,744</u>	<u>251,685,132</u>
Joint ventures					
YTN PLUS	8,597,547	50.00%	4,298,774	-	4,298,774
Collab+LINE	2,295,277	50.00%	1,147,638	-	1,147,638
Lantu Games	799,767	50.00%	399,883	-	399,883
JobsN	1,834,211	49.00%	898,764	-	898,764
RABBIT-LINE PAY COMPANY ²	20,404,557	50.00%	10,202,279	9,859,281	20,061,560
YEOPEUL	1,067,555	49.00%	523,102	-	523,102
Cineplay	1,004,860	49.00%	492,381	-	492,381
China Lab	378,964	49.00%	185,692	-	185,692
Designpress	573,892	49.00%	281,207	-	281,207
Interbiz	187,050	49.00%	91,654	-	91,654
Artitian	274,715	49.00%	134,610	-	134,610
Schooljam	377,775	49.00%	185,110	-	185,110
Agroplus	322,462	49.00%	158,006	-	158,006
Sumlab	289,463	49.00%	141,837	-	141,837
Techplus	223,537	49.00%	109,533	-	109,533
Animal and Human Story	193,686	49.00%	94,906	-	94,906
Law and Media	219,049	49.00%	107,334	-	107,334
	<u>39,044,367</u>		<u>19,452,710</u>	<u>9,859,281</u>	<u>29,311,991</u>
	<u>₩ 451,649,548</u>		<u>₩ 207,580,098</u>	<u>₩ 73,417,025</u>	<u>₩ 280,997,123</u>

¹ Acquired at the end of December, 2018 and therefore, acquisition cost was recognized as book amount.

² Information based on the consolidated financial statements and therefore, net asset represents amount attributable to controlling interests.

As at December 31, 2018, listed security in associates and joint ventures held by the Group is Yume no machi Souzou linkai, whose fair value is ₩107,458 million (2017: ₩173,871 million).

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15. Trade and Other Payables

Trade and other payables as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)	2018		2017	
	Current	Non-current	Current	Non-current
Financial liabilities				
Other payables	₩ 594,607,439	₩ 9,042,867	₩ 543,560,055	₩ 5,559,259
Accrued expenses	120,932,868	14,253,573	64,794,019	5,957,788
Deposits received	3,364,492	74,149	957,358	135,127
	<u>718,904,799</u>	<u>23,370,589</u>	<u>609,311,432</u>	<u>11,652,174</u>
Non-financial liabilities				
Accrued expenses	177,371,460	-	161,413,024	-
	<u>₩ 896,276,259</u>	<u>₩ 23,370,589</u>	<u>₩ 770,724,456</u>	<u>₩ 11,652,174</u>

16. Other Liabilities

Other liabilities as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)	2018		2017	
	Current	Non-current	Current	Non-current
Advances from customers	₩ 311,266,336	₩ -	₩ 290,878,895	₩ -
Unearned revenues	122,188,838	998,389	93,401,964	1,022,209
Withholdings	580,605,533	151,977	408,345,613	142,367
Withholdings-VAT	71,588,440	-	66,709,023	-
	<u>₩ 1,085,649,147</u>	<u>₩ 1,150,366</u>	<u>₩ 859,335,495</u>	<u>₩ 1,164,576</u>

17. Borrowings and Debentures

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

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

	Lender	Latest maturity date	Annual interest rate (%)	2018	2017
Short-term borrowings					
Foreign currency	Sumitomo Mitsui Banking Corporation	Sep 30, 2019	0.07	₩ 121,581,600 (JPY 12,000,000)	₩ 113,893,200 (JPY 12,000,000)
		Sep 30, 2019	0.12	101,318,000 (HKD 10,000,000)	94,911,000 (JPY 10,000,000)
	HIENDAT	-	-	-	1,379,472 (VND 28,166,221)
	Mizuho Corporate Bank, Ltd.	-	-	-	395,456 (JPY 41,666)
	Resona Bank Co. Ltd	June 28, 2019	0.26	10,131,800 (JPY 1,000,000)	-
	DAG Ventures VI, L.P. ¹	-	10.00	2,236,763 (HKD 15,667)	-
	Goodwater Capital II, L.P. ¹	-	10.00	1,117,286 (HKD 7,826)	-
	Mistletoe Singapore Pte. Ltd. ¹	-	10.00	2,236,800 (HKD 15,667)	-
	SCC Growth IV Holdco A, Ltd. ¹	-	10.00	33,347,751 (HKD 233,577)	-
	SenseView Investment Limited ¹	-	10.00	5,592,265 (HKD 39,170)	-
	SNOW Limited Liability Partnership ¹	-	10.00	22,265,516 (HKD 155,954)	-
	Sendai Bank	Dec 15, 2019	1.00	18,237 (JPY 1,800)	-
Local currency	KOOKMIN Bank	-	-	-	403,962
	Woori Bank	May 24, 2019	2.79	50,000,000	-
				₩ 349,846,018	₩ 210,983,090
Long-term borrowings					
Foreign currency	Japan Finance Corporation	June 30, 2020	1.40	₩ 18,672 (JPY 1,843)	₩ 28,540 (JPY 3,007)
		June 15, 2023	1.00	68,390 (JPY 6,750)	71,183 (JPY 7,500)
	Sendai Bank	Jan 15, 2020	1.00	1,520 (JPY 150)	35,592 (JPY 3,750)
		-	-	-	-
Local currency	YOJ	-	-	-	779,780
	Shinhan Bank	Oct 31, 2020	2.91	50,000,000	49,046,714
	Sunny Solution 3rd	Oct 31, 2021	3.16	50,000,000	-
Less: Current portion				(26,991)	(28,132)
				₩ 100,061,591	₩ 49,933,677

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¹ Subsidiary of the Company, SNOW China issued Redeemable Convertible Preferred Stock(RCPS). When the certain circumstance incurring such as the change of regulation environment, the holder of RCPS can be requested to repayment to the Group. Accordingly, the Company classified this RCPS as borrowings

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

(in thousands of Korean won)		Annual			
Latest maturity date	Interest rate (%)	2018	2017		
Fixed rate in Korean won	November 12, 2018	2.13	₩	-	₩ 150,000,000
Convertible bonds in foreign currency ¹ (Note 30)	September 20, 2023	-		357,788,936	
				(JPY 35,313,462 thousand)	-
	September 19, 2025	-		353,773,010	
				(JPY 34,917,094 thousand)	-
Less: Current portion				-	(150,000,000)
			₩	711,561,946	₩ -

¹ Details of convertible bonds issued on September 20, 2018, by LINE, are as follows:

Details

Par value	JPY 73,160 million
Value at issue	JPY 74,989 million
Conversion period	Matured in 2023 : from October 4, 2018 to September 6, 2023 Matured in 2025 : from October 4, 2018 to September 6, 2025
Conversion Price	Matured in 2023 : JPY 7,467 per share Matured in 2025 : JPY 7,518 per share
Mature repayment value	100% of par value
Conversion price adjustments	The conversion price is adjusted for share split or share merger, share exchange and issuance of convertible securities
Stated interest rate	0%
Early repayment by issuer	1) Clean up repayment : remaining amount is under 10% of par value. 2) 130% call-option repayment : Line's stock value in Tokyo stock exchange is excess of 130% of conversion price during 20 days continuously(matured in 2023 : from September 21, 2021, mature in 2025 : from September 20, 2023) 3) Others: reason incurred by tax or corporate law

The convertible right of this convertible bond classified as Equity

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18. Provisions

Changes in provisions for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018			
	Provision for litigation	Provision for customer loyalty programs	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	-	-	9,806,438	9,806,438
Unused amounts reversed	-	-	(1,446,965)	(1,446,965)
Used during the year	-	-	(4,677,225)	(4,677,225)
Others	-	-	541,001	541,001
Ending balance	₩ 926,439	₩ 249,054	₩ 43,711,150	₩ 44,886,643
Current portion	₩ 926,439	₩ 249,054	₩ 1,287,241	₩ 2,462,734
Non-current portion	-	-	42,423,909	42,423,909

(in thousands of Korean won)

	2017								
	Provision for litigation		Provision for Customer loyalty programs		Provision for social contribution ¹		Provision for restoration and others		Total
Beginning balance	₩	926,439	₩	249,054	₩	40,000,000	₩	20,299,791	₩ 61,475,284
Charged / (credited) to the statement of profit or loss									
Additional provisions		-		-		-		25,056,683	25,056,683
Unused amounts reversed		-		-		-		(1,041,597)	(1,041,597)
Used during the year		-		-		(40,000,000)		(2,606,596)	(42,606,596)
Others		-		-		-		(2,220,380)	(2,220,380)
Ending balance	₩	926,439	₩	249,054	₩	-	₩	39,487,901	₩ 40,663,394
Current portion	₩	926,439	₩	249,054	₩	-	₩	4,722,355	₩ 5,897,848
Non-current portion		-		-		-		34,765,546	34,765,546

¹ 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 year.

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19. Post-employment Benefits

The Group operates defined benefit pension plans mainly in Korea. The majority of the plans are final salary pension plans, which provide benefit to employees in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement. The majority of benefit payments are unfunded; however, there are also a number of trustee administered funds. Plan assets held in trusts are governed by local regulations and practice in each country.

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

<i>(in thousands of Korean won)</i>		2018		2017
Present value of funded defined benefit obligations	₩	45,061,744	₩	27,710,745
Present value of unfunded defined benefit obligations		317,685,556		272,652,127
Total		362,747,300		300,362,872
Fair value of plan assets		(17,967,039)		(16,329,665)
Net defined benefit liabilities	₩	344,780,261	₩	284,033,207

Movements in the defined benefit obligations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		2017
Beginning balance	₩	300,362,872	₩	259,251,647
Current service cost		73,977,535		58,833,379
Interest expense		11,456,098		7,806,472
Remeasurements:				
Actuarial gains from change in financial assumptions		(3,712,875)		(16,738,670)
Actuarial losses from experience adjustments		10,712,431		5,069,075
Payments from plans:				
Benefit payments		(25,315,734)		(15,310,770)
Others		(4,733,027)		1,451,739
Ending balance	₩	362,747,300	₩	300,362,872

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Movements in the fair value of plan assets for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018		2017	
Beginning balance	₩	16,329,665	₩	17,576,904
Interest income		1,442,080		522,354
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)		(266,532)		(1,030,555)
Contribution:				
Employee		1,271,215		-
Payments from plans:				
Benefit payments		(809,389)		(739,038)
Ending balance	₩	<u>17,967,039</u>	₩	<u>16,329,665</u>

Plan assets as at December 31, 2018 and 2017, consist of:

<i>(in thousands of Korean won)</i>	2018		2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Cash and cash equivalents.	₩ 17,967,039	100%	₩ 16,329,665	100%

The significant actuarial assumptions as at December 31, 2018 and 2017, are as follows:

	2018	2017
Discount rate	2.50%~3.50%	2.70%~3.70%
Salary growth rate	3.40%~10.75%	4.00%~9.17%

The sensitivity analysis of the defined benefit obligation to changes in the principal assumptions is:

<i>(in thousands of Korean won)</i>	Impact on defined benefit obligation		
	Changes in assumption	Increase in assumption	Decrease in assumption
Discount rate	1% Increase/Decrease	₩ (26,832,672)	₩ 31,412,469
Salary growth rate	1% Increase/Decrease	30,012,687	(26,293,660)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the consolidated statement of financial position.

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The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

There is no expected contributions to plan assets for the year ending December 31, 2019, and the weighted average duration of the defined benefit obligations is between 5.8 and 14.71 years.

20. Issuance and Acquisition of Shares

The Company's total number of authorized shares is 300,000,000 shares. As at December 31, 2018, the Company has issued 164,813,395 ordinary shares (₩ 100 per share) and 18,630,305 treasury shares. The Company's share capital and share premium as at December 31, 2018 amount to ₩ 16,481,340 thousand and ₩ 132,920,605 thousand, respectively.

21. Other Components of Equity

Other components of equity as at December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Treasury shares	₩ (1,296,698,329)	₩ (1,172,239,396)
Changes in the fair value of available-for-sale financial assets	-	22,782,882
Loss on valuation of financial assets at fair value - other comprehensive income	(130,955,566)	-
Share of other comprehensive income of associates and the joint ventures	11,921,362	(6,168,688)
Exchange difference	(102,731,215)	(133,834,505)
Others	(27,914,916)	(28,071,916)
	<u>₩ (1,546,389,664)</u>	<u>₩ (1,317,531,623)</u>

During the year, the Group purchase the treasury shares amounting ₩ 124,459 million (669,290 shares)

22. Share-based Payment

As at December 31, 2018, LINE, a subsidiary of the Company, entered into share-based payments agreements for the employees and directors of the Group upon the resolution of several shareholders' meetings and the Board of Directors.

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(a) Stock option

Stock options granted during the years ended December 31, 2012, 2013, 2014 and 2015 vest after two years from the grant date and are exercisable for a period of eight years from the vesting date. Stock options granted during year ended December 31, 2017 vest 25% of stock options per year over a period of four years from the grant date and are exercisable from the vesting date until July 18, 2027.

The changes in the number of stock options and weighted average exercise prices for the years ended December 31, 2018 and 2017, are as follows:

<i>(in number of shares)</i>						
2018						
Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year	Granted by
2013.12.16 (2nd)	763,500	-	(219,000)	-	544,500	LINE
2014.02.01 (3rd)	818,000	-	(164,000)	(5,000)	649,000	LINE
2014.08.01 (4th)	218,000	-	(69,500)	-	148,500	LINE
2014.10.01 (5th)	145,000	-	(22,000)	(500)	122,500	LINE
2015.02.04 (6th)	1,246,500	-	(351,000)	(4,000)	891,500	LINE
2017.07.18 (7th)	2,386,000	-	(30,000)	(973,700)	1,382,300	LINE
Total	5,577,000	-	(855,500)	(983,200)	3,738,300	
Weighted average exercise price	JPY 2,421	JPY -	JPY 1,171	JPY 4,178	JPY 2,245	

<i>(in number of shares)</i>						
2017						
Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year	Granted by
2012.12.17 (1st)	14,000,000	-	(14,000,000)	-	-	LINE
2013.12.16 (2nd)	1,654,000	-	(890,500)	-	763,500	LINE
2014.02.01 (3rd)	1,135,000	-	(313,500)	(3,500)	818,000	LINE
2014.08.01 (4th)	311,000	-	(93,000)	-	218,000	LINE
2014.10.01 (5th)	221,500	-	(74,500)	(2,000)	145,000	LINE
2015.02.04 (6th)	5,590,000	-	(4,342,000)	(1,500)	1,246,500	LINE
2017.07.18 (7th)	-	2,386,000	-	-	2,386,000	LINE
Total	22,911,500	2,386,000	(19,713,500)	(7,000)	5,577,000	
Weighted average exercise price	JPY 653	JPY 4,206	JPY 583	JPY 1,320	JPY 2,421	

The Group calculated the compensation costs using black-scholes model and the assumptions and inputs used for calculation of the compensation costs are as follows:

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	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th
Risk-free interest rate	0.30%	0.30%	0.20%	0.20%	0.20%	0.30%	-0.04%
Option maturity	6 years	6 years	6 years	6 years	6 years	6 years	5.5 years
Expected price volatility	60.00%	67.00%	58.00%	53.00%	52.00%	56.20%	44.90%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted average share price at grant date	JPY 233	JPY 1,011	JPY 1,161	JPY 3,280	JPY 3,297	JPY 4,225	JPY 3,840
Weighted average fair value of stock options granted at grant date	JPY 107	JPY 793	JPY 575	JPY 2,310	JPY 2,312	JPY 3,219	JPY 1,436
Exercise price	JPY 344	JPY 344	JPY 1,320	JPY 1,320	JPY 1,320	JPY 1,320	JPY 4,206

(b) Employee stock ownership plan (ESOP)

LINE, a subsidiary of the Group, has a policy, the Regulations on Stock Compensation, which regulates an incentive for excellent human resources in line with the stock price movement. In accordance with the Regulations on Stock Compensation, the Group has granted points equivalent to 262,069 shares to the employees of the Group on July 18, 2017 and granted 26,624 and 260,455 points on January 1, 2018 and July 20, 2018(Equity-settled). The points vest once the employees who received the points satisfy the conditions under the Regulations on the Stock Compensation where the employees are required to be employed by the Group until the vesting dates, which are set between April 1, 2018 and April 1, 2020, and October 1, 2018 and October 1, 2010, and April 2019 and April 1, 2021. And the employees receive LINE's shares equivalent to the number of points.

In addition, the Group has granted points equivalent to 567,056, 58,697, and 543,696 shares to the employees of the Group on the same date when the Group granted points, the employees who are granted the points will receive the cash from selling LINE's shares which are equivalent to the number of points(Cash-settled).

The changes in the number of points for the years ended December 31, 2018 and 2017, are as follows:

<i>(in number of shares)</i>		2018				
	Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year
Equity-settled	2017.07.18	251,302	-	(51,286)	(20,300)	179,716
Equity-settled	2018.01.01	-	26,624	(6,603)	(2,244)	17,777
Equity-settled	2018.07.20	-	260,455	-	(12,547)	247,908

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(in number of shares)

		2018				
	Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year
Cash-settled	2017.01.18	533,502	-	(125,585)	(66,452)	341,465
Cash-settled	2018.01.01	-	58,697	(15,527)	(8,536)	34,634
Cash-settled	2018.07.20	-	543,696	(2,729)	(26,442)	514,525

(in number of shares)

		2017				
	Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year
Equity-settled	2017.07.18	-	262,069	-	(10,767)	251,302

(in number of shares)

		2017				
	Grant date	Unexercised at the beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Unexercised at the end of the year
Cash-settled	2017.01.18	-	567,056	-	(33,554)	533,502

As the Group's ESOP does not have an exercise price, the employees receive the number of shares or the amount of cash equivalent to the points. The fair value of the points (Equity-settled) at the vest date was LINE's share price of the day the points were granted, JPY 3,840, JPY 4,865 and JPY 5,130 respectively, and the fair value of the points issued from cash-settled ESOP was JPY 3,775 as measured at the end of the year.

23. Retained Earnings

Retained earnings as at December 31, 2018 and 2017, consist of:

(in thousands of Korean won)

	2018		2017	
Legal reserves ¹	₩	8,240,670	₩	8,240,670
Other reserves		13,909,235		13,909,235
Retained earnings before appropriation		5,207,052,908		4,533,367,963
	₩	<u>5,229,202,813</u>	₩	<u>4,555,517,868</u>

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¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed in accordance with a resolution of the shareholders' meeting.

24. Operating Expenses

Operating expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Salaries and wages	₩ 1,074,277,728	₩ 790,903,118
Post-employment benefits	85,433,633	69,105,426
Share-based payments	21,436,191	27,404,744
Employee benefits	183,278,753	114,347,273
Travel	45,411,276	30,920,522
Depreciation	228,016,116	182,673,335
Amortization	33,050,972	23,582,742
Communication	157,427,133	128,303,064
Utility	40,632,932	30,326,797
Taxes and dues	28,068,611	25,130,013
Rental	104,806,857	74,989,371
Commission	1,779,071,017	1,401,446,447
Advertising	649,388,039	442,804,307
Insurance	3,725,781	13,026,271
Freight	7,748,789	8,464,794
Supplies	45,937,551	37,040,492
Training	25,724,542	20,612,750
Others	130,936,051	78,199,656
	<u>₩ 4,644,371,972</u>	<u>₩ 3,499,281,122</u>

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25. Other Income and Other Expenses

Details of other income for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Rental income	₩ 131,096	₩ 229,521
Foreign currency exchange gain	24,466,402	16,996,896
Gain on disposal of property and equipment	2,532,561	1,039,695
Gain on disposal of investments in associates and joint ventures	272,764,648	3,263,910
Others	16,879,217	13,527,140
	<u>₩ 316,773,924</u>	<u>₩ 35,057,162</u>

Details of other expenses for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Foreign currency exchange loss	₩ 28,524,388	₩ 32,073,255
Donations	39,500,034	40,276,389
Impairment loss on investments in associates and joint ventures	2,686,722	2,418,420
Other impairment loss	1,923,322	2,775,832
Others	41,990,498	9,441,490
	<u>₩ 114,624,964</u>	<u>₩ 86,985,386</u>

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26. Finance Income and Costs

Details of finance income for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Dividends income	24,446,651	11,039,823
Foreign currency exchange gain	21,713,285	6,775,729
Gain on valuation of financial assets at fair value through profit or loss	-	46,761,928
Gain on valuation of financial assets at fair value - profit or loss	100,480,376	-
Gain on transactions of financial assets at fair value through profit or loss	-	4,816,406
Gain on transaction of derivatives	769,556	-
Gain on transactions of financial assets at fair value - profit or loss	15,838,019	-
Gain on disposal of available-for-sale financial assets	-	8,938,418
Gain on disposal of financial assets at fair value - other comprehensive income	495,878	-
Gain on disposal of financial assets at value of amortised cost	438,229	-
	<u>W 164,181,994</u>	<u>W 78,332,304</u>

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Details of finance costs for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		2017
Interest expenses	₩	13,723,512	₩	568,580
Foreign currency exchange loss		19,913,023		7,595,857
Loss on valuation of financial assets at fair value through profit or loss		-		706,659
Loss on valuation of financial assets at fair value - profit or loss		70,323,949		-
Loss on transactions of financial assets at fair value through profit or loss		-		467,675
Loss on transactions of derivative		388,087		-
Loss on disposal of financial assets at fair value – profit or loss		6,436,617		-
Loss on disposal of financial assets at fair value - other comprehensive income		3,417,067		-
Impairment loss on financial assets at fair value - other comprehensive income		103,923		-
Others		25,059,065		23,060,267
	₩	<u>139,365,244</u>	₩	<u>32,414,107</u>

27. Income tax expense

Income tax expense for the years ended December 31, 2018 and 2017, consists of:

<i>(in thousands of Korean won)</i>		2018		2017
Current tax:				
Current tax on profits for the year	₩	439,104,933	₩	390,004,613
Adjustments in respect of prior year		37,518,074		9,965,884
Deferred tax:				
Origination and reversal of temporary differences		12,032,609		31,630,169
Impact of changes in corporate tax rate		(202,448)		(6,121,517)
Income tax expense	₩	<u>488,453,168</u>	₩	<u>425,479,149</u>
Continuing operations	₩	488,756,398	₩	423,173,258
Discontinued operations		(303,230)		2,305,891

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Profit before income tax expense	₩ 1,116,355,041	₩ 1,195,580,819
Continuing operations profit before income tax expense	1,111,672,275	1,195,828,989
Discontinued operations profit before income tax expense	4,682,766	(248,170)
Tax at domestic tax rates applicable to profits in the respective countries	352,784,776	314,318,870
Adjustments:		
Income not subject to tax	(4,399,318)	(2,948,048)
Expenses not deductible for tax purposes	17,138,449	5,606,334
Tax credits	134,573	(6,964,661)
Changes in non-recoverable deferred tax asset	80,474,189	61,021,650
Adjustment in respect of prior year	37,518,074	9,965,884
Change in deferred tax attributable to the corporate tax rate	(202,448)	(6,121,517)
Effects of the tax system for recirculation of corporate income	1,846,097	32,227,928
Others	3,158,776	18,372,709
Income tax expense	₩ 488,453,168	₩ 425,479,149
Continuing operations	₩ 488,756,398	₩ 423,173,258
Discontinued operations	(303,230)	2,305,891

The weighted average applicable tax rate of the Group was 31.63% (2017: 26.29%).

Due to the amendment of the Corporate Tax Law of Korea during the prior year, the tax rate for taxable income exceeding ₩ 300 billion will be increased by 22% per annum to 25% from 2018. The Group measured deferred income tax assets and liabilities based on the increase in the average tax rate due to the revision.

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Income tax effect related to components of other comprehensive income (loss) for the years ended December 31, 2018 and 2017, is as follows:

<i>(in thousands of Korean won)</i>	2018		
	Before tax	Tax effect	After tax
Loss on valuation of financial assets at fair value - other comprehensive income	₩ (115,873,783)	₩ 31,235,009	₩ (84,638,774)
Remeasurements of the net defined benefit liabilities	(7,266,088)	180,607	(7,085,481)
Exchange difference ¹	77,213,086	-	77,213,086
Changes in investments in associates and joint ventures that are accounted for using the equity method ¹	20,386,643	-	20,386,643
	<u>₩ (25,540,142)</u>	<u>₩ 31,415,616</u>	<u>₩ 5,875,474</u>

<i>(in thousands of Korean won)</i>	2017		
	Before tax	Tax effect	After tax
Changes in the fair value of available-for-sale financial assets	₩ (2,130,661)	₩ 470,173	₩ (1,660,488)
Reclassification of available-for-sale financial assets	(27,082,099)	5,932,804	(21,149,295)
Remeasurements of the net defined benefit liabilities	10,639,041	(2,058,796)	8,580,245
Exchange difference ¹	(120,187,582)	74,080	(120,113,502)
Changes in investments in associates and joint ventures that are accounted for using the equity method ¹	(8,355,322)	-	(8,355,322)
	<u>₩ (147,116,623)</u>	<u>₩ 4,418,261</u>	<u>₩ (142,698,362)</u>

¹ The Group did not recognize deferred tax assets and liabilities for the exchange differences and share of other comprehensive income of subsidiaries and associates from the investment in subsidiaries and associates as at December 31, 2018 considering the Group has no plan for disposal of those investments.

The income tax that are changed or credited directly to equity does not exist for the year ended December 31, 2018.

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The aggregate current tax relating to items that are charged or credited directly to equity for the year ended December 31, 2017, is as follows.

<i>(in thousands of Korean won)</i>	2017		
	Before tax	Tax effect	After tax
Gain on disposal of treasury shares	₩ 314,706,255	₩ (76,158,914)	₩ 238,547,341

The analysis of deferred tax assets and liabilities as at December 31, 2018 and 2017, is as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Deferred tax assets		
Deferred tax asset to be recovered within 12 months	₩ 157,271,949	₩ 115,916,619
Deferred tax asset to be recovered after more than 12 months	180,713,016	121,127,052
	<u>337,984,965</u>	<u>237,043,671</u>
Deferred tax liabilities		
Deferred tax liability to be within 12 months	(16,912,252)	(3,484,355)
Deferred tax liability to be recovered after more than 12 months	(67,138,787)	(10,243,457)
	<u>(84,051,039)</u>	<u>(13,727,812)</u>
Deferred tax assets, net	<u>₩ 253,933,926</u>	<u>₩ 223,315,859</u>

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

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	2018							
	Beginning balance	Change of Accounting Policy	Statement of profit or loss	Other comprehensiv e income (loss)	Equity	Business Combination	Exchange difference	Ending balance
Financial assets at fair value - profit or loss	₩ (10,243,457)	₩ -	₩ (6,673,232)	₩ -	₩ -	₩ (171)	₩ 4,608	₩ (16,912,252)
Financial assets at fair value - other comprehensive income	(3,484,355)	-	3,484,355	-	-	-	-	-
Convertible bond	-	-	514,021	-	(9,431,285)	-	(153,363)	(9,070,627)
Investments in subsidiaries and associates	-	-	(57,061,449)	-	-	(1,722,376)	715,665	(58,068,160)
Deferred income tax liabilities	(13,727,812)	-	(59,736,305)	-	(9,431,285)	(1,722,547)	566,910	(84,051,039)
Financial liabilities at fair value through profit or loss	-	-	1,991,793	-	-	-	-	1,991,793
Financial assets at fair value through other comprehensive income	-	-	15,407,222	31,235,009	-	3,206,612	(43,478)	49,805,365
Provision for impairment	5,825,474	(102,590)	501,315	-	-	17,601	249,385	6,491,185
Investments in subsidiaries and associates	21,826,740	-	(21,826,740)	-	-	-	-	-
Intangible assets	9,661,621	-	(864,605)	-	-	(91,475)	24,801	8,730,342
Accrued expenses	34,488,108	-	12,033,367	-	-	343,511	499,665	47,364,651
Unearned revenues	40,654,640	-	29,751,886	-	-	5,108,259	4,140,706	79,655,491
Net defined benefit liabilities	65,445,415	-	16,590,745	180,607	-	1,758,053	127	83,974,947
Tax losses and tax credit carryforward	14,057,234	-	(8,930,571)	-	-	(785,618)	26,417	4,367,462
Others	45,084,439	(644,420)	3,251,731	-	(200,856)	5,763,740	2,349,095	55,603,729
Deferred income tax assets	237,043,671	(747,010)	47,906,143	31,415,616	(200,856)	15,320,683	7,246,718	337,984,965
Deferred income tax assets, net	₩ 223,315,859	₩ (747,010)	₩ (11,830,162)	₩ 31,415,616	₩ (9,632,141)	₩13,598,136	₩ 7,813,628	₩ 253,933,926

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	2017						
	Beginning balance	Statement of profit or loss	Other comprehensive income (loss)	Share issuance of subsidiary	Business combination	Exchange difference	Ending balance
Financial assets at fair value through profit or loss	₩ (245,775)	₩ (9,997,682)	₩ -	₩ -	₩ -	₩ -	₩ (10,243,457)
Available-for-sale financial assets	(6,952,103)	(3,004,740)	6,402,977	-	-	69,511	(3,484,355)
Deferred income tax liabilities	(7,197,878)	(13,002,422)	6,402,977	-	-	69,511	(13,727,812)
Provision for impairment	7,397,375	(1,226,814)	-	-	-	(345,087)	5,825,474
Investments in subsidiaries and associates	29,861,081	(5,521,475)	74,080	(2,586,946)	-	-	21,826,740
Intangible assets	9,802,898	(130,142)	-	-	-	(11,135)	9,661,621
Accrued expenses	43,915,278	(9,213,897)	-	-	-	(213,273)	34,488,108
Unearned revenue	34,184,465	9,693,878	-	-	-	(3,223,703)	40,654,640
Net defined benefit liabilities	53,884,124	13,614,559	(2,058,796)	-	5,807	(279)	65,445,415
Provision for social contribution	9,680,000	(9,680,000)	-	-	-	-	-
Tax losses and tax credit carryforward	10,325,014	3,748,542	-	-	-	(16,322)	14,057,234
Others	73,415,895	(13,790,881)	-	-	(9,287,099)	(5,253,476)	45,084,439
Deferred income tax assets	272,466,130	(12,506,230)	(1,984,716)	(2,586,946)	(9,281,292)	(9,063,275)	237,043,671
Deferred income tax assets, net	₩ 265,268,252	₩ (25,508,652)	₩ 4,418,261	₩ (2,586,946)	₩ (9,281,292)	₩ (8,993,764)	₩ 223,315,859

The Group did not recognize deferred tax assets for the temporary differences amounting to ₩ 995,158 million (2017: ₩ 616,829 million) from the investments in subsidiaries and associates which are not subject to disposal, tax losses amounting to ₩ 173,172 million (2017: ₩ 251,102 million) which are not recoverable because of the uncertainty of future taxable income of the subsidiaries.

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28. Earnings per Share

Basic earnings per share for operating profit from continuing operations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won and in number of shares)</i>	2018		2017	
Profit attributable to the ordinary equity holders of the Group	₩	643,826,906	₩	775,433,641
Weighted average number of ordinary shares outstanding		<u>146,236,075</u>		<u>145,487,145</u>
Basic earnings per share from continuing operations <i>(in Korean won)</i>	₩	<u>4,403</u>	₩	<u>5,330</u>

Basic earnings (loss) per share for operating profit (loss) from discontinued operations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won and in number of shares)</i>	2018		2017	
Gain (loss) from discontinued operation attributable to the ordinary equity holders of the Parent Company	₩	4,985,996	₩	(2,554,061)
Weighted average number of ordinary shares outstanding		<u>146,236,075</u>		<u>145,487,145</u>
Basic earnings (loss) per share from discontinued operations <i>(in Korean won)</i>	₩	<u>34</u>	₩	<u>(18)</u>

Weighted average number of ordinary shares outstanding for the years ended December 31, 2018 and 2017, are calculated as follows:

<i>(in number of shares)</i>	2018	
	Number of ordinary shares outstanding	Cumulative shares
Beginning balance	146,852,380	53,601,118,700
Treasury shares acquisition	(669,290)	<u>(224,951,565)</u>
		<u>53,376,167,135</u>

Weighted average number of ordinary shares outstanding:

$$53,376,167,135 \div 365 \text{ days} = 146,236,075 \text{ shares}$$

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(in number of shares)

	2017	
	Number of ordinary shares outstanding	Cumulative shares
Beginning balance	144,037,065	52,573,528,725
Treasury shares disposal	2,815,315	529,279,220
		<u>53,102,807,945</u>

Weighted average number of ordinary shares outstanding:

$53,102,807,945 \div 365 \text{ days} = 145,487,145 \text{ shares}$

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has stock options and convertible bond granted by a subsidiary as dilutive potential ordinary shares. Increase in the rate of non-controlling interest caused by exercising stock options and convertible bond granted by a subsidiary results in decrease in profit from continuing operations attributable to owners of the Parent Company. The Group calculated diluted earnings per share by assuming all stock options are exercised at the beginning of the year.

(in thousands of Korean won)

	2018	2017
Profit attributable to ordinary equity holders of the Parent Company	₩ 643,826,906	₩ 775,433,641
Adjustment for net profit of non-controlling interest	-	2,302,564
Profit attributable to ordinary equity holders of the Parent Company for diluted earnings per share	643,826,906	773,131,077
Weighted average number of ordinary shares	146,236,075	145,487,145
Diluted earnings per share (in Korean won)	₩ 4,403	₩ 5,314

Basic earnings per shares from discontinued operations are identical to diluted earnings per share from discontinued operations because of the anti-dilution.

During 2018, the Company decided the share split which change par value price from ₩ 500 to ₩ 100 per an ordinary share to increase the number of outstanding shares. Accordingly, earnings per share in 2017 was recalculated.

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29. Cash Generated from Operations

Details of cash generated from operations and changes in assets and liabilities due to operations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Profit for the year	₩ 627,901,873	₩ 770,101,670
Adjustments:		
Impairment loss (reversal)	2,277,430	(3,623,071)
Depreciation	228,016,116	182,673,335
Amortization	33,050,972	23,582,742
Gain on foreign currency translation	(20,229,868)	(7,297,442)
Loss on foreign currency translation	20,367,983	12,701,182
Gain on disposal of property and equipment	(2,532,561)	(1,039,695)
Loss on disposal of property and equipment	3,100,702	1,076,023
Gain on disposal of intangible assets	(323,686)	-
Loss on disposal of intangible assets	363,530	-
Impairment loss on intangible assets	2,385,899	1,829,001
Gain on valuation of financial assets at fair value through profit or loss	-	(46,761,928)
Gain on valuation of financial assets at fair value - profit or loss	(100,480,376)	-
Loss on valuation of financial assets at fair value through profit or loss	-	706,659
Loss on valuation of financial assets at fair value - profit or loss	70,323,949	-
Gain on transactions of financial assets at fair value through profit or loss	-	(4,816,406)
Gain on transactions of financial assets at fair value - profit or loss	(15,838,019)	-
Loss on transaction of financial assets at fair value through profit or loss	-	467,675
Loss on transaction of financial assets at fair value - profit or loss	6,436,617	-
Gain on transaction of financial assets at fair value through other comprehensive income	(495,878)	-
Loss on transaction of financial assets at fair value through other comprehensive income	3,417,067	-
Gain on disposal of available-for-sale financial assets	-	(8,938,418)
Loss on disposal of available-for-sale financial assets	-	2,444,160
Impairment loss on available-for-sale financial assets	-	20,616,107
Impairment loss on financial assets at fair value through other comprehensive income	103,923	-
Gain on disposal of investments in associates and joint ventures	(272,764,648)	(3,263,910)
Loss on disposal of investments in associates and joint ventures	446,089	-
Impairment loss on investments associates and joint ventures	2,686,722	2,418,420

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<i>(in thousands of Korean won)</i>	2018	2017
Share of profit of associates and joint ventures	(8,751,958)	(18,565,929)
Share of loss of associates and joint ventures	93,821,731	32,592,750
Share-based payments	21,436,191	27,404,744
Post-employment benefits	85,433,633	69,105,426
Interest income	(27,243,776)	(36,678,031)
Interest expenses	13,723,512	568,580
Dividends income	(24,446,651)	(11,039,823)
Income tax expenses	488,756,398	425,479,149
Others	4,033,114	1,724,978
Change in operating assets and liabilities, net:		
Decrease (increase) in trade receivables	48,775,939	(176,170,233)
Increase in other receivables	(67,249,323)	(183,732,987)
Increase in other current assets	(72,706,106)	(60,745,391)
Increase in other payables	51,562,754	96,619,548
Increase (decrease) in accrued expenses	76,835,730	(10,059,835)
Increase in other current liabilities	218,713,764	249,771,119
Increase (decrease) in provisions	(4,438,491)	(34,847,834)
Decrease in net defined benefit liabilities	(17,860,098)	(12,872,335)
Others	(13,420,306)	(6,504,009)
	<u>₩ 1,455,189,893</u>	<u>₩ 1,294,925,991</u>

Significant transactions not affecting cash flows for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Reclassification of construction in progress	₩ 1,114,625	₩ 59,700,983
Other payables for acquisition of property and equipment	5,300,850	11,687,049
Reclassification of current portion of available-for-sale financial assets	-	57,782,056
Reclassification of current portion of long-term financial instruments	15,000,000	155,043,410
Reclassification of current portion of long-term borrowings and debentures	138,111	150,000,000
Increase of other receivable from subsidiaries transaction	26,647,956	-

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Changes in liabilities arising from financing activities for the years ended December 31, 2018, are as follows:

(in thousands of Korean won)

	Liabilities from financing activities						Total
	Short-term borrowings	Current portion of long-term borrowings	Long-term borrowings	Current portion of debentures	Debenture		
Beginning balance	₩211,011,222	₩ -	₩ 49,933,677	₩150,000,000	₩ -		₩ 410,944,899
Cash flows-proceeds	533,051,142	-	50,973,797	-	705,013,490		1,289,038,429
Cash flows-repayment	(408,212,130)	(111,120)	-	(150,000,000)	-		(558,323,250)
Current portion	-	138,111	(138,111)	-	-		-
Business combination	2,444,066	-	92,000	-	-		2,536,066
Others ¹	11,551,718	-	(799,772)	-	6,548,456		17,300,402
Ending balance	₩349,846,018	₩ 26,991	₩100,061,591	₩ -	₩711,561,946		₩1,161,496,546

1 Exchange difference is included in Others.

30. Commitments and Contingencies

As at December 31, 2018, the Group has borrowing agreement with three financial institutions including Kookmin bank, and Sunny Solution 3rd of up to ₩ 452,000 million. And the Group has borrowing agreement with Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank of up to JPY 28,880 million.

As at December 31, 2018, the Group was provided with guarantees up to ₩ 10,452 million from Seoul Guarantee Insurance and up to ₩ 4,500 million from Shinhan bank regarding the performance and financial guarantee.

As at December 31, 2018, the Company has entered into a construction contract amounting to ₩ 403,511 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 ₩ 372,561 million. Also, the Company 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 ₩ 100 million. As at December 31, 2018, the Company has entered into an acquisition contract intellectual property right and others amounting to ₩ 3,000 million in related to acquisition for database and the outstanding amount of the contract is ₩ 500 million.

As at December 31, 2018, the Group has been involved in 32 lawsuits as a defendant with regard to patent, trademark, defamation and compensation for damage (aggregate amounts of cases ₩15,248 million) and the Group is a plaintiff in three lawsuit case filed with regard to compensation for damage (amount of the case ₩ 271 million). 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.

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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 December 31, 2018, which are recognized as deposits and long-term financial instruments, respectively. In addition, the Group had credit guarantee contracts with banks for JPY 18,500 million from Sumitomo Mitsui Banking Corporation and Mizuho Corporate Bank as at December 31, 2018 to comply with the Japanese Payment Services Act.

For the year ended December 31, 2018, the Group has entered into an agreement to lend ordinary shares of Line held by the Company up to 6,000,000 ordinary shares to Morgan Stanley MUFG Securities Co., Ltd. in the process of acquiring convertible bonds issued by LINE, a subsidiary of the Group. When the convertible bonds matures, the lending agreement for convertible bonds with a five-year maturity will be terminated upon the maturity date(50% of lend ordinary shares) and for convertible bonds with a seven-year maturity will be terminated after five business days from the maturity date(50% of lend ordinary shares). Meanwhile, in the event of an early redemption, conversion and others, the lending agreement will be terminated after five business days from the date the event occurred.

As at December 31, 2018, the Group has entered executives and staff members group injury insurance in KB insurance.

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31. Related Party Transactions

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

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

Type	2018	2017
Associates	KG Allat (Formerly, Allat), NetMania, Synapsoft, 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, LENSEA, LTD., Line Mobile, MiraeAsset-Naver Asia Growth Fund, China Ventures Fund I, L.P., Venture republic, Studio JHS, MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT, SINAMON Games, DANAA Data, LINE Games, Kasikorn LINE	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, Beijing Lantu Times Technology Company, 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 Company, 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 Company, 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	2018	2017
Others ¹	EVERYOUNG KOREA, Happybean foundation, NAVER Cultural foundation, Connect foundation and Iscon	Bluenet, Iscon, Happybean foundation, NAVER Cultural foundation, Connect foundation, EVERYOUNG KOREA and other individuals

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¹ 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.

Transactions with related parties including operating revenues and expenses for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	
	Operating revenues and others	Operating expenses and others
Associates		
iPASS	₩ 14,594	₩ 2,099,114
Line Mobile	3,986,409	724,204
LINE MUSIC	13,312,016	496,832
LINE Part Time Job	3,567,431	2,998
Transcosmos online communications	1,052,252	-
Yume no Machi Souzou linkai	2,195,558	1,815,926
Synapsoft	-	1,034,163
Bigpicture Comics	-	1,151,899
Others	567,719	3,394,280
Joint ventures		
RABBIT-LINE PAY COMPANY	3,004,508	425,294
Designpress	22,857	1,270,021
YTN PLUS	-	1,824,510
Cineplay	-	1,779,447
YEOPEUL	84,357	2,372,366
JobsN	239,255	1,647,595
Animal and Human Story	-	1,012,909
Law and Media	-	1,007,250
Schooljam	-	1,112,713
Sumlab	-	1,299,806
Agroplus	34,571	1,077,029
Artitian	-	1,146,410
Interbiz	42,214	1,520,530
Techplus	-	1,553,549
China lab	7,000	1,201,806
Others	34,100	26,673
Others ¹		
NAVER Cultural foundation	195,066	3,500,326
Iscorn	-	2,525
EVERYOUNG KOREA	94,280	4,230,073
Connect foundation	1,854,595	7,001,535
Happybean foundation	1,077,382	3,627

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¹ 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. And, transaction amounts after designated as a large enterprise group are disclosed.

(in thousands of Korean won)

	2017	
	Operating revenues and others	Operating expenses and others
Associates		
Synapsoft	₩ -	₩ 847,814
LINE Part time Job(formerly, AUBE)	10,369,642	3,021
Line MUsic	6,205,032	45,310
Transcosmos online communications	551,709	20,541
Yume no Machi Souzou linkai	194,449	48,058
ARO In Tech	-	637,831
Allat	-	2,810,284
One Store	293,205	77
Silicon cube	-	2,623,663
Alchera	-	512,041
NSPACE	-	319,009
Orpeo Sound Works	-	199,400
Green Monster	912	210,638
Others	59,758	251,825
Joint ventures		
YTN PLUS	-	664,422
RABBIT-LINE PAY COMPANY	1,893,130	163,424
Designpress	-	996,000
Cineplay	-	1,263,550
YEOPEUL	139,000	1,398,310
JobsN	996,391	1,843,403
Artitian	-	541,400
China Lab	-	1,035,587
Interbiz	-	688,100
Agroplus	-	650,170
Schooljam	23	332,000
Sumlab	-	322,340
Techplus	-	249,000
Animal and Human Story	-	327,600
Others	3,341	148,281
Others¹		
Everyoung Korea	9,077	1,601,160
NAVER Cultural foundation	24,577	5,000,074

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Connect foundation	289,222	7,174,012
Happybean foundation	153,895	10,000,850
Others	1,629	78,888

¹ 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. And, transaction amounts after designated as a large enterprise group are disclosed.

Outstanding balances of receivables and payables as at December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Accrued expenses and others
Associates				
iPASS	₩ 946,157	₩ 48,724	₩ 2,319,191	₩ -
Line Mobile	1,254,238	266,057	275,278	110,043
LINE MUSIC	2,471,430	447,832	3,024,936	-
Transcosmos online communications	182,825	-	-	-
Yume no Machi Souzou linkai	354,040	-	3,142,080	342,886
Synapsoft	-	-	1,220,000	-
AXIS	-	806,150	-	-
Orpeo Sound Works	22	-	176,800	-
Others	167,877	13,980	304,924	13,921
Joint ventures				
Lantu Games	-	1,152,342	-	-
RABBIT-LINE PAY COMPANY	927,659	238,562	195,978	-
YTN PLUS	-	-	178,767	-
Sumlab	-	-	230,547	-
JobsN	267,521	-	63,965	-
China Lab	7,700	-	372,430	-
Others	117,700	-	235,197	-
Others ¹				
NAVER Cultural foundation	22,103	-	-	-
Connect foundation	447,933	147	-	-
Happybean foundation	109,871	8,931	934,503	-

¹ 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.

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	2017			
	Receivables		Payables	
	Trade receivables	Other receivables and others	Other payables	Leasehold deposits and others
Associates				
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 communications	171,461	-	-	-
Allat	113,481	-	-	-
Oozoo	-	1,524,963	-	-
Others	-	-	130,626	30,105
Joint ventures				
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	-
Others ¹				
Happybean foundation	79,016	1,384	769,389	-
Connect foundation	221,814	1,758	442,528	-
NAVER Cultural foundation	11,680	366	-	-

¹ 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.

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Fund transactions with related parties for the years ended December 31, 2018 and 2017, are as follows.

(in thousands of Korean won)

Type	Name of entity	Contributions in cash	2018		Loan capital
			Dividends received and others		
Associates	DIGITAL MEDIA PARTNERS II	88,986	-	-	-
	Folio	56,829,616	-	-	-
	iPASS	12,433,800	-	-	-
	Kasikom LINE	3,111,256	-	-	-
	K-Fund I	82,980,787	-	-	-
	Laiqu Technology (Shenzhen)	678,157	-	-	-
	LINE Music	11,927,760	-	-	-
	MIRAE ASSET-NAVER ASIA GROWTH INVESTMENT	78,606,768	-	-	-
	NAVER-Suprema Youth Foundation No.5 Investment Fund	1,500,000	220,379	-	-
	Ventur republic	16,764,774	-	-	-
	YLAB Japan	350,278	-	-	-
	Nano Interactive	174,236	-	-	-
	NAVER KIP Cheer up! Gamers Fund	-	500,000	-	-
	Rock Square	1,500,120	-	-	-
	MiraeAsset-Naver Asia Growth Fund	19,665,103	-	-	-
	Mirae Asset-NAVER New Growth Fund 1	-	999,824	-	-
	MiraeAsset MAPS Private Placement Real Estate 62	196,330,551	6,593,313	-	-
	Future Creation NAVER-SB Startup Investment Fund	-	1,707,292	-	-
	BonAngels Pacemaker Fund	-	750,000	-	-
	Bravepops	648,294	-	-	-
	Bigpicture Comics	700,033	-	-	-
	Studio JHS	700,033	-	-	-
	SINAMON Games	1,979	-	-	-
	ARO In Tech	-	4,800	-	-
	AXIS	3,000,000	-	800,000	-
	Korea Contents Mutual Aid Association	4,000,000	-	-	-
	Lensa	966,221	-	-	-
	China Ventures Fund I. L.P>	3,330,600	-	-	-
Joint Ventures	Lantu Games	2,238,500	-	1,112,700	-
	DANAA Data	4,866,664	-	-	-

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Type	Name of entity	2017		
		Contributions in cash	Dividends received and others	Loan capital
Associates	DIGITAL MEDIA PARTNERS II	330,054	-	-
	K-Fund I	27,761,313	-	-
	NAVER-Suprema Youth Foundation No.5 Investment Fund	2,500,000	-	-
	Transcosmos Online Communication	760,367	-	-
	Maumsori	-	34,897	-
	MeshKorea	23,999,997	-	-
	Mirae Asset-NAVER New Growth Fund 1	10,000,000	-	-
	Future Creation NAVER Stonebridge Early Stage Start-up Fund	-	4,400,000	-
	Future Creation NAVER-SB Startup Investment Fund	-	7,477,812	-
	BonAngels Pacemaker Fund	-	250,000	-
	Synapsoft	-	107,142	-
	Silicon Cube	300,000	-	-
	Nspace	700,003	-	-
	Nple Games	1,999,094	-	-
	Orpeo Sound Works	1,500,183	-	-
	Korea Contents Mutual Aid Association	3,000,000	-	-
	YG NAVER Contents & Lifestyle Fund	50,000,000	-	-
	Laiqu Technology (Shenzhen)	164,067	-	-
	YLAB Japan	479,600	-	-
	ITDA	300,000	-	-
	OOZoo	2,819,781	-	-
	Nano Interactive	617,000	-	-
	The Grim Ent	1,049,415	-	-
	Studio Horang	365,016	-	-
	Soran Media Venture Fund I	1,000,000	-	-
	Motif	1,999,899	-	-
	Fast Cowell Private Equity Fund	1,500,000	-	-
	Skeinglobe	2,500,000	-	-
Joint Ventures	Interbiz	98,000	-	-
	Artitian	98,000	-	-
	Schooljam	98,000	-	-
	Agplus	98,000	-	-
	SumLab	98,000	-	-
	Techplus	98,000	-	-
	Animal and Human Story	98,000	-	-
	Law and Media	98,000	-	-

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The compensation paid or payable to key management (executive directors) for employee services for the years ended December 31, 2018 and 2017, consists of:

<i>(in thousands of Korean won)</i>		2018		2017
Short-term employee benefits	₩	2,298,000	₩	2,904,032
Post-employment benefits		261,932		394,795
Other long-term benefits		1,647,212		1,403,498

32. Business Combination

- (a) On February 28, 2018, the Group acquired 53.49% shares of Oozoo. The goodwill is attributable to the workforce of the acquired workforce business and the synergy to technology development.

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>	Amount
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 ¹	(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
Tangible assets	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>

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

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- (b) 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.

(in thousands of Korean won)

Amount

Consideration

Cash and cash equivalents	₩	842,813
Fair value of equity held before the business combination		3,754,349

4,597,162

Non-controlling interest ¹

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

15,149,763

Liabilities

Trade and other payables	7,158,735
Other liabilities	1,801

7,160,536

Total identifiable net assets

7,989,227

A gain from bargain purchase

₩ (196,331)

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

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(c) 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.

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>	Amount
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>

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- (d) On July 31, 2018, the Group acquired 50.98% shares of Unchain. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

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>	Amount	
Consideration		
Cash and cash equivalents	₩	1,010,002
		<u>1,010,002</u>
Non-controlling interest ¹		495,099
Recognized amounts of identifiable assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents		1,004,871
Other assets		439
		<u>1,005,310</u>
Liabilities		-
Total identifiable net assets		<u>1,005,310</u>
Goodwill	₩	<u>499,791</u>

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

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(e) On October 26, 2018, the Group acquired 100% shares of Audiensori Corporation, which publishes audio books and provides relevant contents. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

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>	Amount
Consideration	
Cash and cash equivalents	₩ 1,811,600
	<u>1,811,600</u>
Non-controlling interest	-
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	1,759
Trade and other receivables	468,969
Property and equipment	125,315
Intangible assets	1,896,335
Deferred tax assets	56,687
Other assets	257,294
	<u>2,846,698</u>
Liabilities	
Trade and other payables	222,461
Short-term borrowings	2,410,284
Deferred tax liabilities	26,180
Other liabilities	266,925
	<u>2,925,850</u>
Total identifiable net assets	<u>(79,152)</u>
Goodwill	₩ <u>1,890,752</u>

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- (f) On October 31, 2018, the Group acquired 59.06% shares of Mission World Group Ltd. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

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>	Amount
Consideration	
Cash and cash equivalents	₩ 16,198,752
	<u>16,198,752</u>
Non-controlling interest ¹	3,817,965
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	11,903,015
Trade and other receivables	559,431
Inventory	273,728
Property and equipment	27,712
Intangible assets	2,168,987
Deferred tax assets	6,288
Other assets	237,821
	<u>15,176,982</u>
Liabilities	
Trade and other payables	1,465,327
Other liabilities	534,385
	<u>1,999,712</u>
Total identifiable net assets	<u>13,177,270</u>
Goodwill	₩ <u>6,839,447</u>

¹ The non-controlling interest was measured using the proportionate amount of the fair value of identifiable net assets.

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- (g) On December 31, 2018, the Group acquired 40% shares of Grayhash Co., Ltd., which checks weakness in software and develops security solution, with their security technology. The goodwill is attributable to the workforce of the acquired business and the synergy to technology development.

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>	Amount
Consideration	
Cash and cash equivalents	₩ 5,497,392
	<u>5,497,392</u>
Non-controlling interest	-
Recognized amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and cash equivalents	470,999
Trade and other receivables	187,886
Property and equipment	80,438
Intangible assets	1,975
Other assets	10,000
	<u>751,298</u>
Liabilities	
Trade and other payables	1,628
Other liabilities	408,852
	<u>410,230</u>
Total identifiable net assets	<u>341,068</u>
Goodwill	₩ <u>5,156,324</u>

33. Operating Segment Information

The chief operating decision-maker of the Group is the Board of Directors who makes resource allocation decisions and assesses performance based on financial information presented on a consolidated basis. Accordingly, the Group have determined that they have a single reportable segment and operating segment structure. Operating information by service types is reported to the chief operating decision-maker and there is no difference from the amount reported in the consolidated statements of comprehensive income.

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Operating revenues by service types for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018		2017	
	Operating revenue	Ratio (%)	Operating revenue	Ratio (%)
Adbvertisement ¹	573,044,332	10.26	461,277,473	9.86
Business Platform ²	2,475,784,054	44.31	2,153,049,555	46.02
IT Platform ³	355,824,705	6.37	217,805,728	4.66
Contents Service ⁴	125,780,230	2.25	101,537,508	2.17
LINE & Other Platforms ⁵	2,056,471,212	36.81	1,744,798,664	37.29
	<u>5,586,904,533</u>	<u>100.00</u>	<u>4,678,468,928</u>	<u>100.00</u>

¹ DA, Shopping DA, NAVER TV Video Ads, and others. (CPM)

² Search, Shopping Search, and others. (CPC/CPS)

³ NAVER Pay, IT Services, Cloud, WORKS, and others.

⁴ NAVER Music, Webtoon, V LIVE, and others.

⁵ LINE, Camp Mobile, SNOW, and othersc.

Revenue from external customers and non-current assets

<i>(in thousands of Korean won)</i>	Revenue from external customers		Non-current assets¹	
	2018	2017	2018	2017
Domestic	₩ 3,720,179,900	₩ 3,314,009,566	₩ 1,924,694,854	₩ 1,408,347,312
Japan	1,614,411,227	1,288,979,250	526,047,919	261,344,882
Others	252,313,406	75,480,112	345,497,352	136,892,701
	<u>₩ 5,586,904,533</u>	<u>₩ 4,678,468,928</u>	<u>₩ 2,796,240,125</u>	<u>₩ 1,806,584,895</u>

¹ Financial instruments and deferred tax assets are not included.

Type of revenue from the customers

<i>(in thousands of Korean won)</i>	Amount
By timing of revenue recognition	
Recognized at a point in time	₩ 2,766,711,952
Recognized over time	2,820,192,581
	<u>5,586,904,533</u>

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33. 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 years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Operating revenues	₩ -	₩ -
Operating expenses	(60,494)	(77,229)
Operating loss	(60,494)	(77,229)
Other income	4,858,086	274,188
Other expenses	(151,766)	(224,653)
Finance income	51,117	-
Finance costs	(14,176)	(220,476)
Profit (loss) before income tax	4,682,767	(248,170)
Income tax expense	303,230	2,305,891
Profit (loss) for the year of discontinued operations	₩ 4,985,997	₩ (2,554,061)

Summarized cash flows from discontinued operations for the years ended December 31, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Cash flows from operating activities	₩ 174,297	₩ (1,307,453)
Cash flows from investing activities	-	-
Cash flows from financing activities	(3,477,810)	(1,166,488)
Effects of exchange rate changes on cash and cash equivalents	14,430	(248,946)
Net cash outflow	₩ (3,289,083)	₩ (2,722,887)

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35. Information for Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the years ended December 31, 2018 and 2017:

(in thousands of
Korean won)

		2018					
		Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Changes in non-controlling interests by share issuance of subsidiaries	Profit or loss allocated to non-controlling interests	Other comprehensive loss allocated to non-controlling interests	Others
							Accumulated non-controlling interests at the end of the year
LINE	26.64	₩ 531,279,176	₩96,437,838	₩ (15,278,324)	₩(16,188,375)	₩ 34,352,358	₩ 630,602,673

(in thousands of
Korean won)

		2017					
		Non-controlling interest rate (%)	Accumulated non-controlling interests at the beginning of the year	Changes in non-controlling interests by share issuance of subsidiaries	Profit or loss allocated to non-controlling interests	Other comprehensive loss allocated to non-controlling interests	Others
							Accumulated non-controlling interests at the end of the year
LINE	26.32	₩ 506,140,466	₩ (18,486,626)	₩ 17,204,460	₩ 7,403,576	₩ 19,017,300	₩ 531,279,176

Effects of transactions with non-controlling interests on the equity attributable to owners of the Parent Company for the years ended December 31, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018	2017
Changes in interest in subsidiaries that do not result in loss of control ¹	₩ 7,378,776	₩ 132,150,161
Net effect on the Parent Company's equity	₩ 7,378,776	₩ 132,150,161

¹ During the year, the Group recognized additional 0.32% of non-controlling interests due to shares issuance from exercised stock option of LINE, a subsidiary of the Group. Additionally, the Group ownership of LINE Biz+ Taiwan and Snow China were decreased by 22.04% and 18.03%, respectively due to issuance of share capital in subsidiaries..

Summary of financial information of subsidiary which non-controlling interests are material to the Group.

The amounts disclosed for subsidiary are before inter-company eliminations.

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Consolidated financial position :

<i>(in thousands of Korean won)</i>	2018	2017
Current Assets	₩ 3,298,042,745	₩ 1,809,468,724
Non-Current Assets	1,631,959,421	1,070,501,169
Current Liabilities	1,248,501,187	962,558,889
Non-Current Liabilities	1,568,878,835	114,320,300
Equity	₩ 2,112,622,145	₩ 1,803,090,705

Consolidated statements of comprehensive income :

<i>(in thousands of Korean won)</i>	2018	2017
Revenue	₩ 2,343,516,401	₩ 1,807,010,879
Net Income	(57,691,216)	82,807,127
Other comprehensive Income	(61,127,589)	35,634,297
Total comprehensive income	₩ (118,818,805)	₩ 118,441,425

Consolidated cash flows :

<i>(in thousands of Korean won)</i>	2018	2017
Cash flows from operating activities	₩ 90,859,681	₩ 110,594,415
Cash flows from investing activities	(526,751,082)	(345,248,230)
Cash flows from financing activities	1,776,963,161	115,375,241
Effects of exchange rate changes on cash and cash equivalents	89,421,033	(104,126,853)
Net increase in cash and cash equivalents	1,430,492,793	(223,405,427)
Cash and cash equivalents at the beginning of the year	1,173,156,907	1,396,562,334
Cash and cash equivalents at the end of the year	₩ 2,603,649,700	₩ 1,173,156,907

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36. Changes in Accounting Policies

35.1 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 year due to the application of Korean IFRS 1109, are as follows:

<i>(in thousands of Korean won)</i>	Notes	Amount
Retained earnings		
Beginning balance - Korean IFRS 1039		₩ 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)	49,139,539
Reclassification of available-for-sale assets to financial assets at fair value - other comprehensive income (Reclassification within equity)	(b)(iv)	15,903,131
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
Beginning balance - Korean IFRS 1109		<u>₩ 4,620,030,455</u>

(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

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this reclassification are as follows:

<i>(in thousands of Korean won)</i>	Notes	Fair value - profit or loss	Fair value - other comprehensive income ¹ (Available-for- sale financial assets in 2017)	Amortized cost ² (Loans and receivables in 2017)	Total
Financial assets – January 1, 2018					
Beginning balance – Korean IFRS 1039 ¹		₩ 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)	364,506,856	(364,506,856)	-	-
Reclassification from available-for-sale assets to financial assets at amortized cost	(v)	-	(6,218,700)	6,218,700	-
Beginning balance - Korean IFRS 1109 ³		<u>₩ 922,913,423</u>	<u>₩ 736,760,496</u>	<u>₩ 4,143,727,856</u>	<u>₩ 5,803,401,775</u>

¹ 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.

² Includes cash and cash equivalents and long and short-term financial instruments.

³ The adjustments arising from impairment of financial assets are not included (Note 3).

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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)	(49,139,539)	-	49,139,539
Reclassification from available-for-sale financial assets to equity instruments at fair value - other comprehensive income	(iv)	22,590,712	(38,493,843)	15,903,131
Reclassification from available-for-sale financial assets to debt instruments at fair value - other comprehensive income	(vi)	3,765,945	(3,765,945)	-
Beginning balance - Korean IFRS 1109 ¹		₩ -	₩ (41,698,844)	₩ 4,621,150,206

¹ The adjustments arising from impairment of financial assets are not included (Note 3).

(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 year ended December 31, 2018, fair value gains related to these financial assets amounting to ₩ 643 million were recognized in profit or loss, along with related tax expense of ₩ 176 million.

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(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 ₩ 364,507 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 ₩ 49,140 million were transferred to retained earnings on January 1, 2018. For the year ended December 31, 2018, fair value gains related to these investments amounting to ₩ 15,454 million were recognized in profit, along with related deferred tax expense of ₩ 4,588 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 ₩ 596,747 million were reclassified to financial instruments at fair value - other comprehensive income. As at January 1, 2018, the related accumulated other comprehensive income of ₩ (-) 17,274 million will not be reclassified to profit or loss even though these assets are disposed of, finance income was ₩ 42,387 million lower (tax impact of ₩ 13,079 million) during the year ended December 31, 2018.

(v) Reclassification from available-for-sale to financial assets at amortized cost

This item were reclassified from available-for-sale 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 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.

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(vii) 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.

(viii) 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

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

(in thousands of Korean won)	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	222,714	
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	596,746,573	
				Fair value through profit or loss	246,516,375	
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	117,767,767	
				Amortized costs	6,218,700	
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	
	Total financial assets		₩ 5,802,251,162		₩ 5,803,401,775	

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(c) 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 36 (a) above.

(i) Trade 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.

35.2 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.

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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	(315,798,649)	1,138,392,243	-	1,132,173,544
Trade and other receivables	1,101,072,454	(3,974,572)	1,097,097,882	(12,308,081)	1,084,789,802
Financial assets at fair value through profit or loss	313,683,892	(313,683,892)	-	-	-
Financial assets at fair value - profit or loss	-	922,913,423	922,913,423	-	948,799,175
Available-for-sale financial assets	1,023,068,167	(1,023,068,167)	-	-	-
Financial assets at fair value - other comprehensive income	-	736,406,004	736,406,004	-	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
Total Assets	₩ 8,019,251,560	₩ 30,861	₩ 8,019,282,421	₩ 7,749,620	₩ 8,027,032,041
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
Total liabilities	₩ 2,714,065,325	₩ -	₩ 2,714,065,325	₩ 17,201,704	₩ 2,731,267,029
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)
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
Total equities	₩ 5,305,186,235	₩ 30,861	₩ 5,305,217,096	₩ (9,452,084)	₩ 5,295,765,012

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(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.

(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.

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

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 December 31, 2018

<i>(in thousands of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Trade and other receivables	₩ 1,214,712,034	₩ 11,322,361	₩ 1,226,034,395
Other current assets	157,447,835	(16,575,423)	140,872,412
Other non-current assets	30,612,324	-	30,612,324
Deferred tax assets	340,368,958	(2,638,014)	337,540,760
Other assets	8,138,239,942	-	8,138,239,942
Total Assets	₩ 9,881,190,909	₩ (7,891,076)	₩ 9,873,299,833
Trade and other payables	₩ 919,646,847	₩ -	₩ 919,646,847
Other current liabilities	1,085,649,147	(16,065,472)	1,069,583,675
Other non-current liabilities	1,150,367	-	1,150,367
Deferred tax liabilities	86,244,847	-	86,244,847
Provisions	44,886,643	(209,367)	44,677,276
Other liabilities	1,794,472,545	-	1,794,472,545
Total liabilities	₩ 3,932,050,396	₩ (16,274,839)	₩ 3,915,775,557
Retained earnings	₩ 5,229,202,813	₩ 8,120,077	₩ 5,237,322,890
Others	719,937,700	263,686	720,201,386
Total equities	₩ 5,949,140,513	₩ 8,383,763	₩ 5,957,524,276

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Consolidated Statement of comprehensive income for the year ended December 31, 2018

<i>(in thousands of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Operating revenues	₩ 5,586,904,533	₩ (90,221,570)	₩ 5,496,682,963
Operating expenses	(4,644,371,971)	89,456,538	(4,554,915,433)
Operating profit	942,532,562	(765,032)	941,767,530
Profit before income tax	1,111,672,275	(765,032)	1,110,907,243
Income tax expense	(488,756,398)	(260,653)	((489,017,051)
Profit from continuing operations	622,915,877	(1,025,685)	621,890,192
Profit from discontinuing operations	4,985,996	-	4,985,996
Profit for the year	₩ 627,901,873	₩ (1,025,685)	₩ 626,876,188
Total comprehensive income for the year	₩ 633,777,348	₩ (1,068,321)	₩ 632,709,027

Consolidated Statement of cash flows for the year ended December 31, 2018

<i>(in thousands of Korean won)</i>	Reported amount	Adjustments	Amount before application of Korean IFRS 1115
Profit for the year	₩ 627,901,873	₩ (1,025,685))	₩ 626,876,188
Adjustments for			
Income tax expenses	488,756,398	260,653	489,017,051
Others	118,317,758	-	118,317,758
Changes in operating assets and liabilities, net			
Trade and other receivables	(18,473,384)	975,484	(17,497,900)
Other current assets	(72,706,106)	(1,127,694)	(73,833,800)
Other payables	51,562,754	-	51,562,754
Other liabilities	295,549,495	917,242	296,466,737
Others	(35,718,895)	-	(35,718,895)
Cash generated from operations	₩ 1,455,189,893	₩ -	₩ 1,455,189,893

37. Events After the Reporting Period

With the resolution of Board of Directors as at January 30, 2019, the Company acquired 735,295 shares of treasury stock after the reporting period.