

3Q 2018 Earnings Result

2018. 10.25

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The financial information included in this document are earnings results based on newly adopted K-IFRS in 2018.

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Earnings Summary (Consolidated)

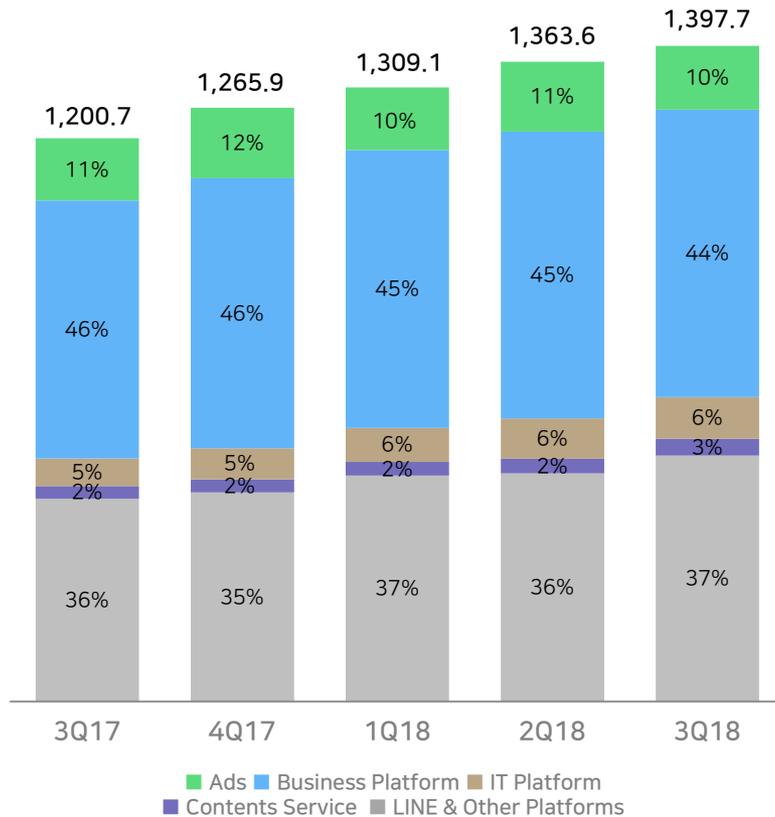
(bn KRW)	3Q17	4Q17	1Q18	2Q18	3Q18	Growth	
						Y/Y	Q/Q
Operating Revenue	1,200.7	1,265.9	1,309.1	1,363.6	1,397.7	16.4%	2.5%
Ads	132.9	150.5	133.1	148.7	136.1	2.5%	-8.4%
Business Platform	549.8	575.6	592.7	611.6	613.0	11.5%	0.2%
IT Platform	58.6	66.4	72.5	85.7	88.5	51.1%	3.3%
Contents Service	27.2	27.6	29.6	31.7	36.1	32.8%	13.7%
LINE & Other Platforms	432.2	445.8	481.2	485.9	524.0	21.2%	7.8%
Operating Expenses	888.6	974.8	1,052.1	1,113.0	1,176.0	32.3%	5.7%
Operating Income	312.1	291.1	257.0	250.6	221.7	-29.0%	-11.5%
Operating Margin(%)	26.0%	23.0%	19.6%	18.4%	15.9%	-10.1%p	-2.5%p
Net Income	215.8	172.0	153.8	281.8	68.4	-68.3%	-75.7%

- One-off factors for the 3Q18 net income decline include base effect of disposition gains from consolidated subsidiaries(LINE Mobile 112.7bn won), decrease in non-operating revenue from reduced financial investments, recognition of loss from investment in associates(LINE Mobile, etc.), and recognition of tax revision for the previous years.

Breakdown (Consolidated)

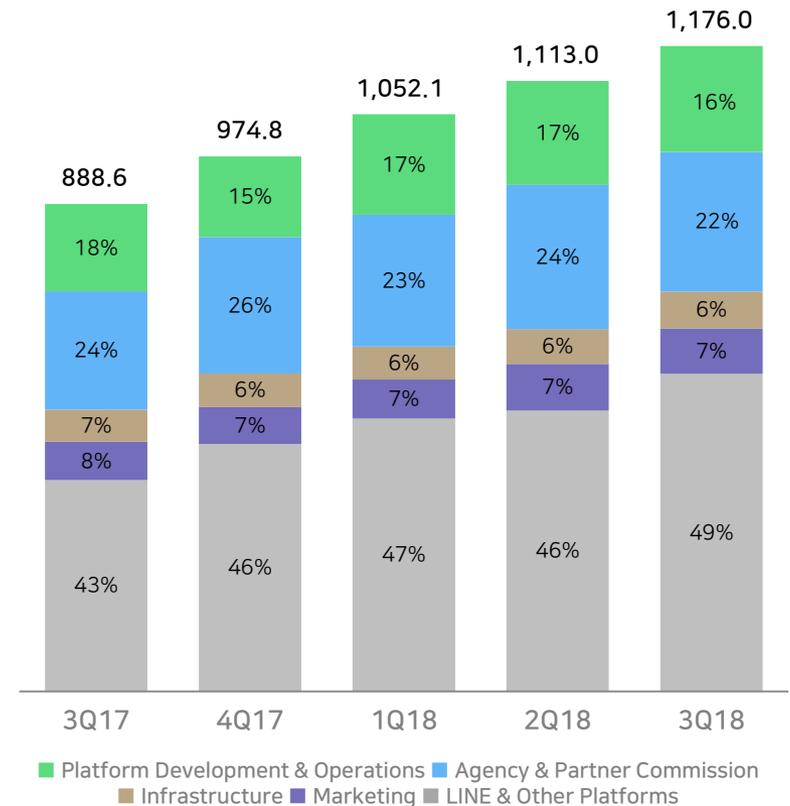
Operating Revenue

(bn KRW)



Operating Expenses

(bn KRW)



(bn KRW)



YoY 2.5% ↑ / QoQ 8.4% ↓

- Slowdown in growth rate due to seasonal effect with Chuseok holiday
- To focus on enhancing ad effectiveness following the NAVER mobile renewal

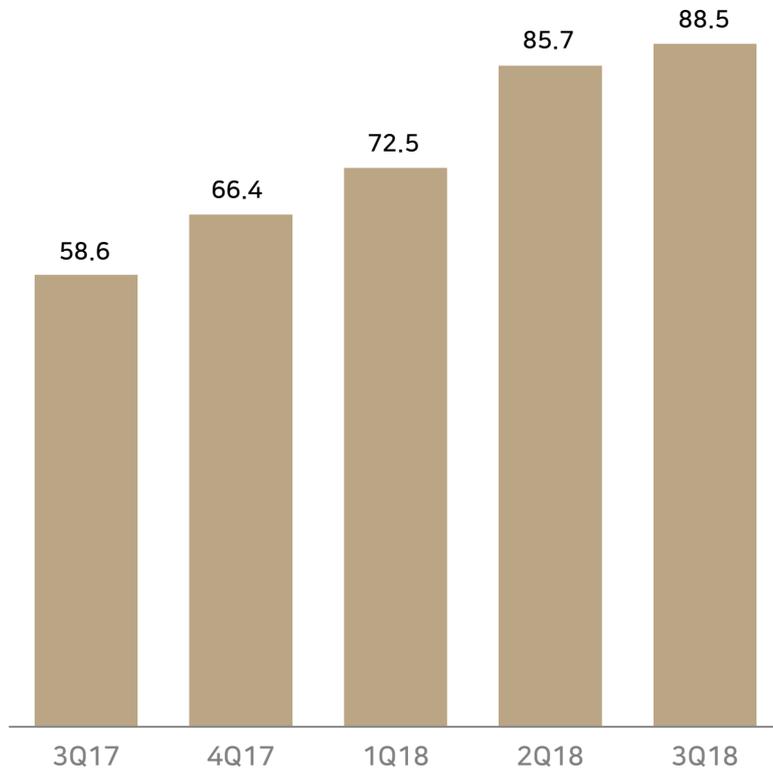
(bn KRW)



YoY 11.5% ↑ / QoQ 0.2% ↑

- Despite stable contribution from Organic Search and Shopping Search ad product, growth rate slowed with Chuseok effect
- To seek new business opportunities by strengthening shopping content on renewed NAVER mobile

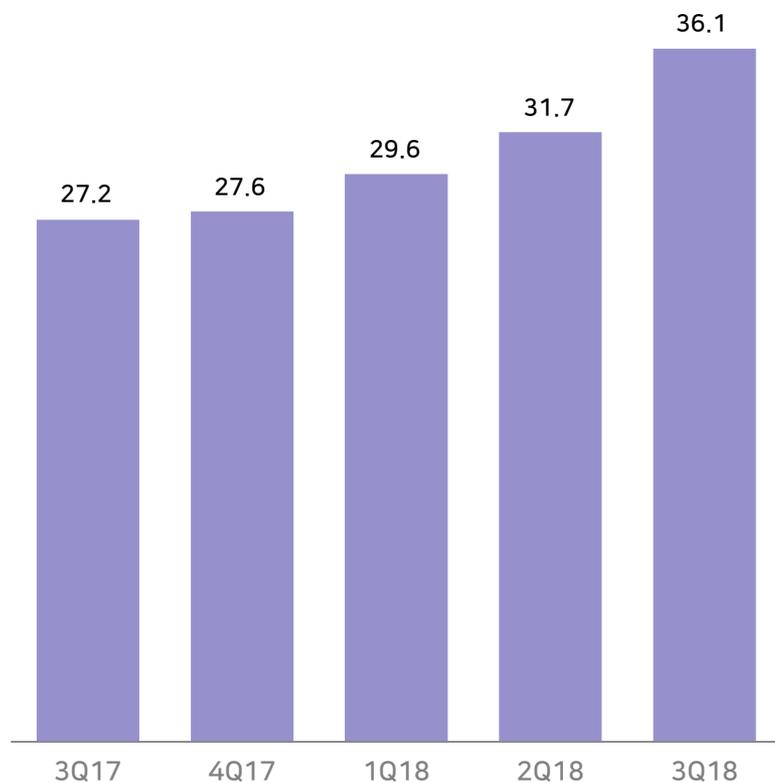
(bn KRW)



YoY 51.1% ↑ / QoQ 3.3% ↑

- Continued growth in shopping GMV & number of NAVER Pay affiliates
To focus on expanding NAVER Pay
- NAVER Cloud continues to add new customers(i.e. Lotte.com) and aims to build more references from diverse sectors
- LINE Works marks #1 in Japan's biz chat market

(bn KRW)



YoY 32.8% ↑ / QoQ 13.7% ↑

- Strengthened content recommendation and consumption of premium webtoon content
To focus on expanding overseas
- V LIVE's cumulative downloads at 60 million
Aim to become a global entertainment platform

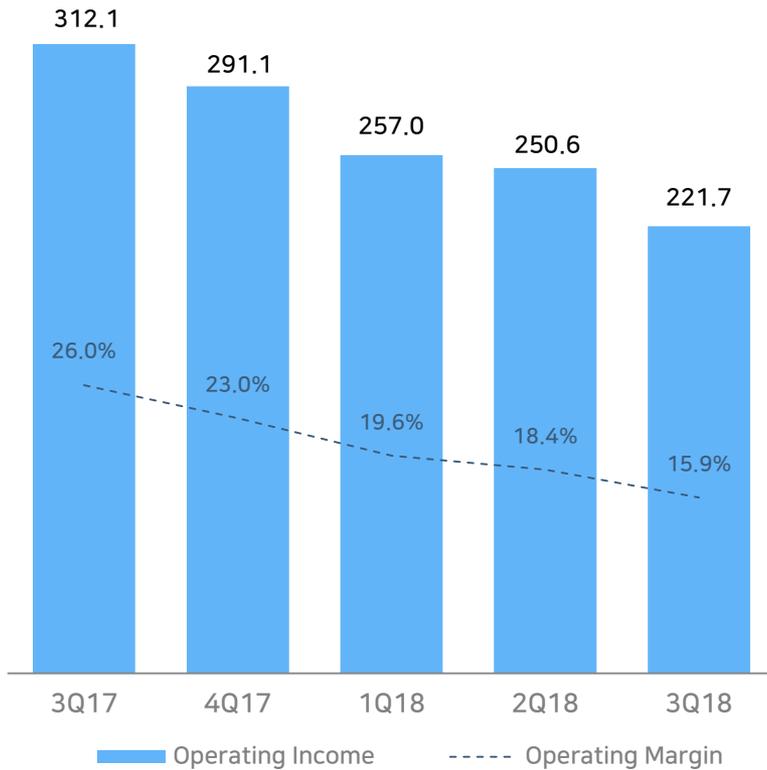
Operating Expenses (Consolidated)

(bn KRW)	3Q17	4Q17	1Q18	2Q18	3Q18	Growth	
						Y/Y	Q/Q
Operating Expenses	888.6	974.8	1,052.1	1,113.0	1,176.0	32.3%	5.7%
Platform Development & Operations	159.6	146.6	183.2	190.2	193.1	21.0%	1.5%
Agency & Partner Commission	215.7	248.5	240.4	262.2	254.7	18.1%	-2.8%
Infrastructure	58.0	61.7	60.3	63.8	67.3	15.9%	5.4%
Marketing	70.0	67.0	71.0	84.9	82.3	17.5%	-3.1%
LINE & Other Platforms	385.2	450.9	497.2	511.9	578.6	50.2%	13.0%

Income (Consolidated)

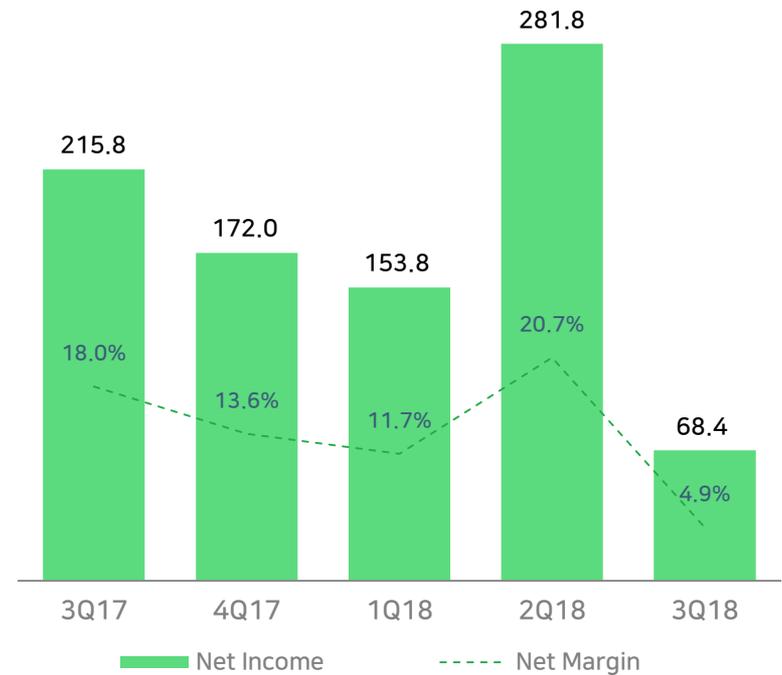
Operating Income

(bn KRW)



Net Income

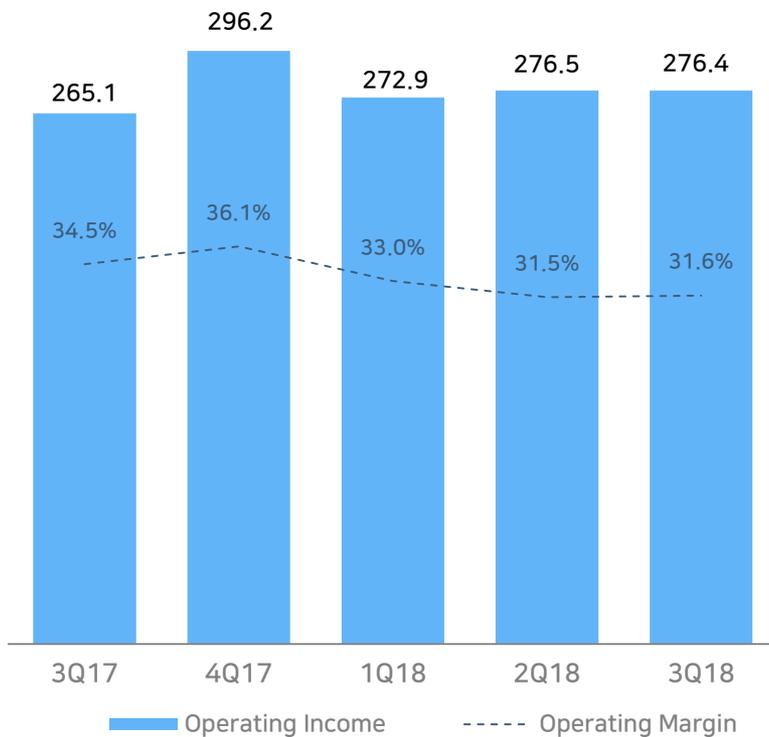
(bn KRW)



Operating Income by Segments (Consolidated)

Operating Income (NAVER Segments)

(bn KRW)



Operating Income (LINE and Other Segments)

(bn KRW)

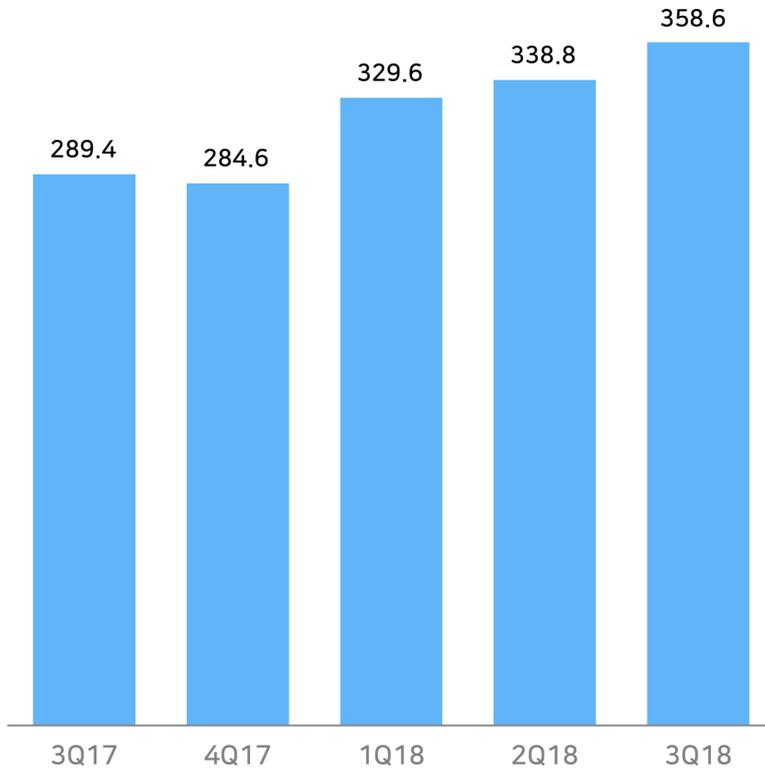


*Note: Segments are a split of consolidated earnings based on K-IFRS, separating key business of NAVER with others, thus the figures may differ from the numbers reported by LINE 10

Investments (Consolidated)

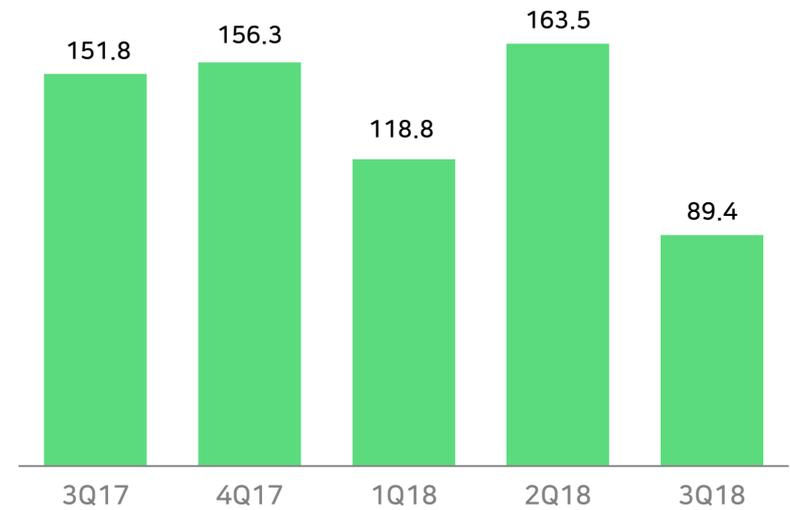
R&D

(bn KRW)



CapEx

(bn KRW)



Appendix. NAVER (Financial Statements Summary)

Consolidated Income Statement

(mn KRW)	3Q17	4Q17	1Q18	2Q18	3Q18
Operating Revenue	1,200,676	1,265,914	1,309,060	1,363,616	1,397,714
Operating Expenses	888,592	974,821	1,052,079	1,113,033	1,175,995
Operating Income	312,084	291,093	256,981	250,583	221,718
Operating Margin	26.0%	23.0%	19.6%	18.4%	15.9%
Non-operating Revenue	41,742	43,854	54,657	196,351	37,550
Non-operating Expenses	32,800	72,053	55,972	58,551	72,457
Pre-tax Income	321,026	262,893	255,666	388,383	186,812
Tax	105,186	90,889	102,683	106,717	118,416
Net Income from Continuing Operations	215,840	172,004	152,982	281,666	68,395
Discontinued Operations Income	-41	3	769	92	-9
Net Income	215,798	172,007	153,752	281,758	68,387
Controlling Interests	214,057	180,193	165,223	264,218	98,969
Non-controlling Interests	1,741	-8,186	-11,472	17,540	-30,583

Consolidated Statement of Financial Position

(mn KRW)	3Q17	4Q17	1Q18	2Q18	3Q18
Current Assets	4,381,998	4,784,228	4,699,863	4,588,635	5,671,009
Non-current Assets	3,238,183	3,235,024	3,667,525	3,940,161	4,243,234
Total Assets	7,620,181	8,019,252	8,367,389	8,528,796	9,914,243
Current Liabilities	1,969,679	2,302,730	2,511,730	2,341,943	2,863,672
Non-current Liabilities	506,678	411,335	477,803	503,469	1,174,594
Total Liabilities	2,476,357	2,714,065	2,989,533	2,845,412	4,038,266
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	1,452,184	1,507,879	1,513,368	1,523,507	1,557,712
Other Components of Equity	-1,266,353	-1,317,532	-1,455,499	-1,465,796	-1,487,422
Retained Earnings	4,370,295	4,555,518	4,733,637	4,997,849	5,164,126
Non-controlling Interests	571,218	542,840	569,869	611,342	711,850
Total Equity	5,143,824	5,305,186	5,377,856	5,683,384	5,875,977

Income Statement

(mn KRW)	3Q17	4Q17	1Q18	2Q18	3Q18
Operating Revenue	746,425	795,845	810,609	861,041	855,395
Operating Expenses	445,766	477,942	516,854	550,996	540,547
Operating Income	300,659	317,903	293,755	310,045	314,848
Operating Margin	40.3%	39.9%	36.2%	36.0%	36.8%
Non-operating Revenue	20,497	40,330	22,465	78,845	17,463
Non-operating Expenses	27,084	62,467	33,649	50,211	64,841
Pre-tax Income	294,072	295,766	282,571	338,679	267,470
Tax	73,394	91,693	70,284	84,345	79,124
Net Income	220,678	204,073	212,287	254,334	188,346

Statement of Financial Position

(mn KRW)	3Q17	4Q17	1Q18	2Q18	3Q18
Current Assets	2,264,783	2,629,856	2,439,077	2,413,356	1,504,452
Non-current Assets	2,726,578	2,712,499	3,045,029	3,148,443	4,621,517
Total Assets	4,991,361	5,342,355	5,484,106	5,561,799	6,125,968
Current Liabilities	1,004,090	1,266,828	1,408,137	1,231,147	1,591,968
Non-current Liabilities	272,780	141,666	148,280	165,595	171,146
Total Liabilities	1,276,871	1,408,494	1,556,417	1,396,742	1,763,115
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	362,406	362,406	362,406	362,406	362,406
Other Components of Equity	-1,202,549	-1,178,359	-1,409,528	-1,426,493	-1,417,043
Retained Earnings	4,538,152	4,733,332	4,958,329	5,212,663	5,401,009
Total Equity	3,714,491	3,933,861	3,927,689	4,165,058	4,362,853