

NAVER

A Set of Global Challenges

4Q19 & FY2019 Earnings Result

2020.01.30

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Earnings Summary (Consolidated)

Operating Revenue

- Increased 17.9% YoY with solid growth from Ads & Business Platform, rapid growth from NAVER Pay & Webtoon

Operating Income

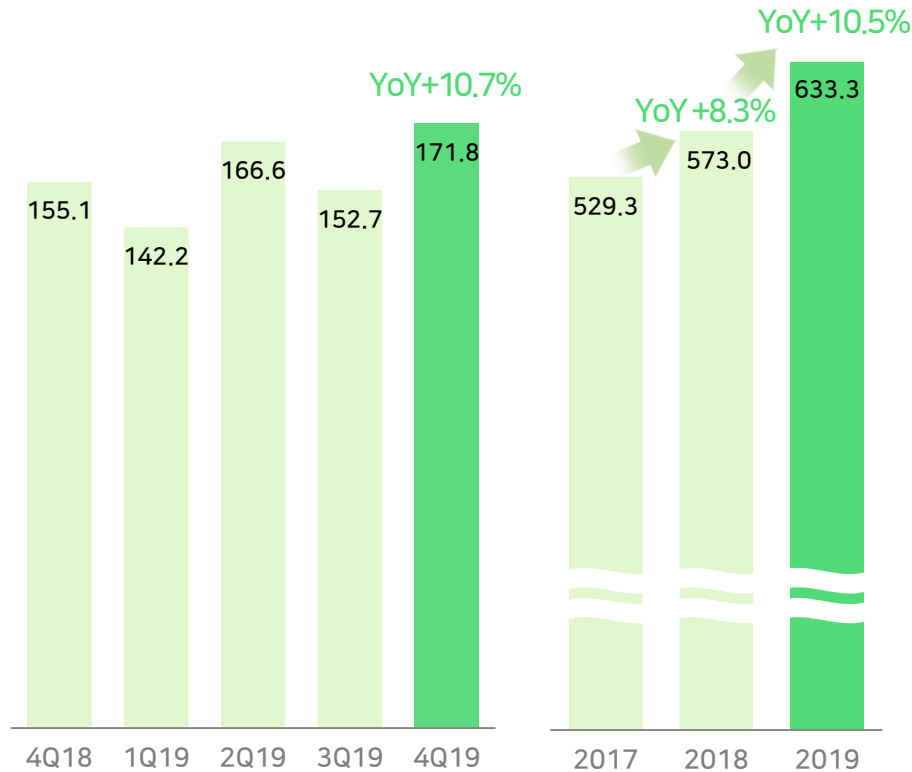
- Down 18.7% YoY with one-offs such as year-end bonus & share based compensation(SBC) adjustments reflecting the share price rise, and increases in LINE's expenses

(bn KRW)	4Q18	3Q19	4Q19	Y/Y	Q/Q	FY2019	Y/Y
Operating Revenue	1,516.5	1,664.8	1,787.4	17.9%	7.4%	6,593.4	18.0%
NAVER Segments	951.2	1,042.8	1,124.2	18.2%	7.8%	4,151.3	17.6%
LINE and Other Segments	565.3	622.0	663.2	17.3%	6.6%	2,442.1	18.8%
Operating Expenses	1,303.3	1,462.7	1,614.0	23.8%	10.3%	5,883.3	26.7%
Operating Income	213.3	202.1	173.4	-18.7%	-14.2%	710.1	-24.7%
Operating Margin(%)	14.1%	12.1%	9.7%	-4.4%p	-2.4%p	10.8%	-6.1%p
Operating Income from NAVER Segments	308.7	302.4	314.2	1.8%	3.9%	1,247.8	10.0%
Operating Income from LINE & Other Segments	-95.4	-100.3	-140.7	n/a	n/a	-537.7	n/a
Net Income	124.0	85.3	196.2	58.2%	130.1%	396.8	-36.8%

* Excluding the one-offs, NAVER Segments' 4Q19 operating margin was 31%

Quarterly & Annual Revenue

(bn KRW)

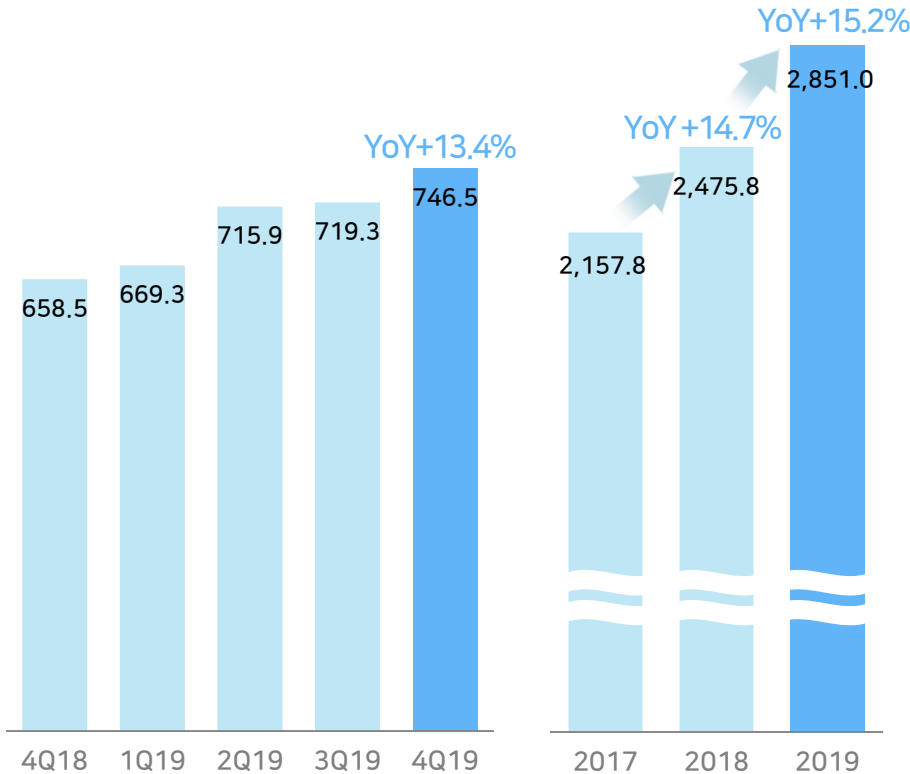


4Q19 YoY 10.7% ↑ / QoQ 12.5% ↑

- Solid growth on back of NAVER mobile's inventory expansion and ad unit price adjustments
- To enhance mobile ad products and introduce new ad products

Quarterly & Annual Revenue

(bn KRW)



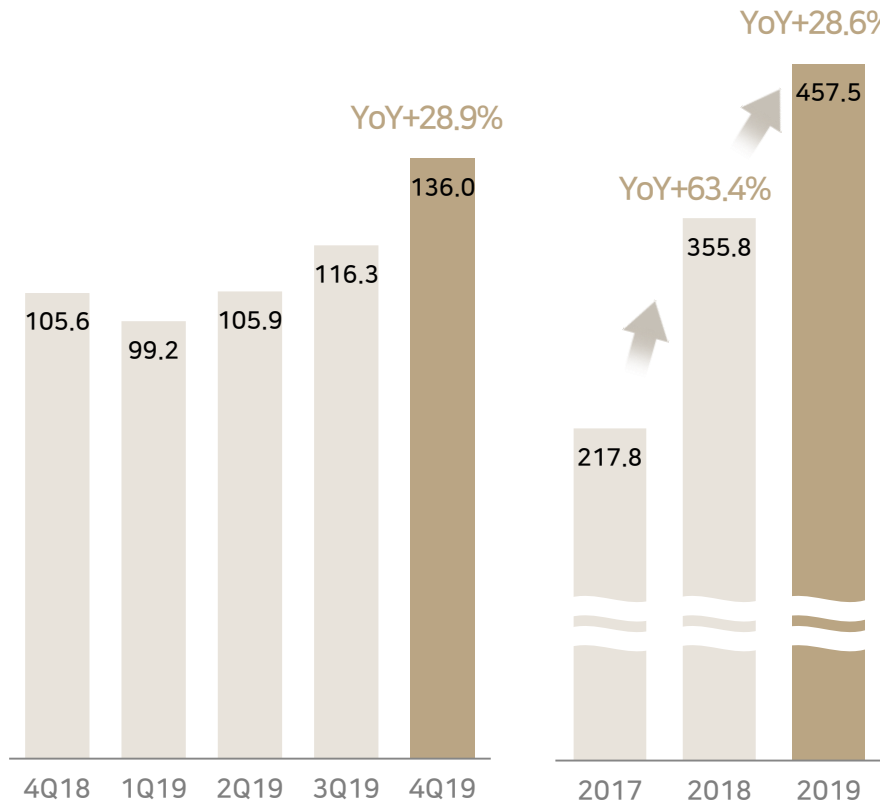
4Q19 YoY 13.4% ↑ / QoQ 3.8% ↑

- Solid growth with products improvements, ad optimization with AI, and strong growth from shopping search ads
- To improve competitiveness of shopping by expanding cooperation with brands & strengthening data commerce

Quarterly & Annual Revenue

(bn KRW)

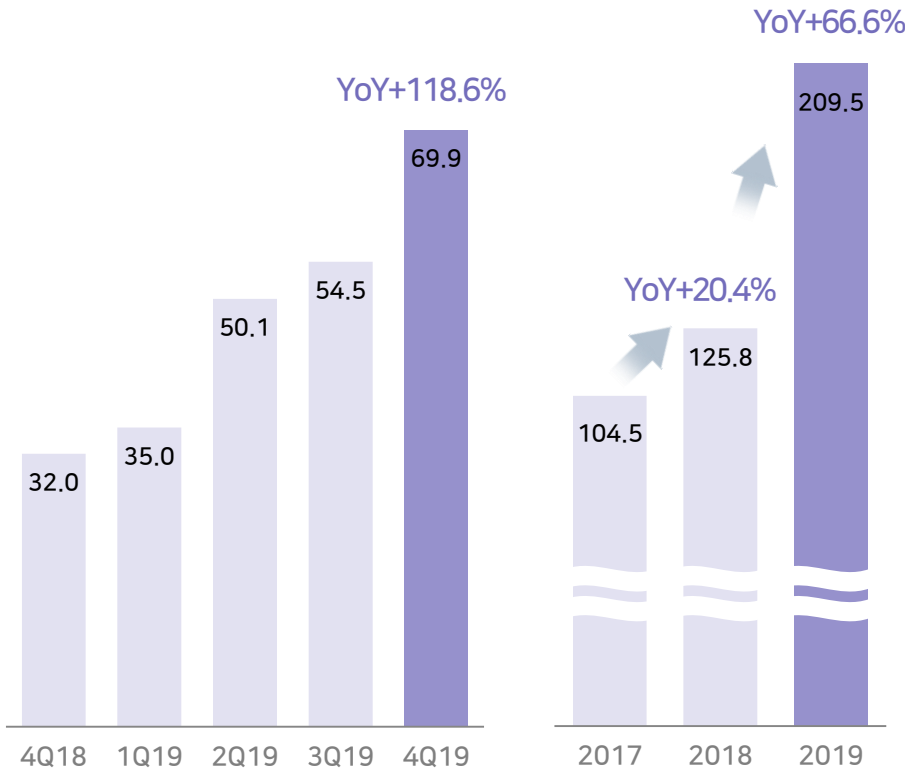
4Q19 YoY 28.9% ↑ / QoQ 16.9% ↑



- Spun off NAVER Financial on Nov. 1, 2019. To focus on providing differentiated financial services from 2020
- Cloud continues to acquire new references with the launch of Financial Cloud Zone and by winning major government research projects

Quarterly & Annual Revenue

(bn KRW)



4Q19 YoY 118.6% ↑ / QoQ 28.4% ↑

- Webtoon marks global MAU of 60 mn & North America MAU of 10 mn
4Q19 Global GMV grew over 60% YoY
Expanding domestically proven business models into overseas
- V LIVE's cumulative downloads at 85+ mn
Successful settlement of new business models such as 'V Fanship' & 'Live Performance' products

Operating Expenses

Details

- Platform Development & Operations: Year-end bonus, SBC adjustments following the share price rise, etc.
- Marketing: Increases in NAVER Pay point booking linked to GMV growth, Webtoon's global marketing
- LINE & Other Platforms: SBC adjustments, accruing of year-end tax, marketing(TV commercials & LINE Pay), etc.

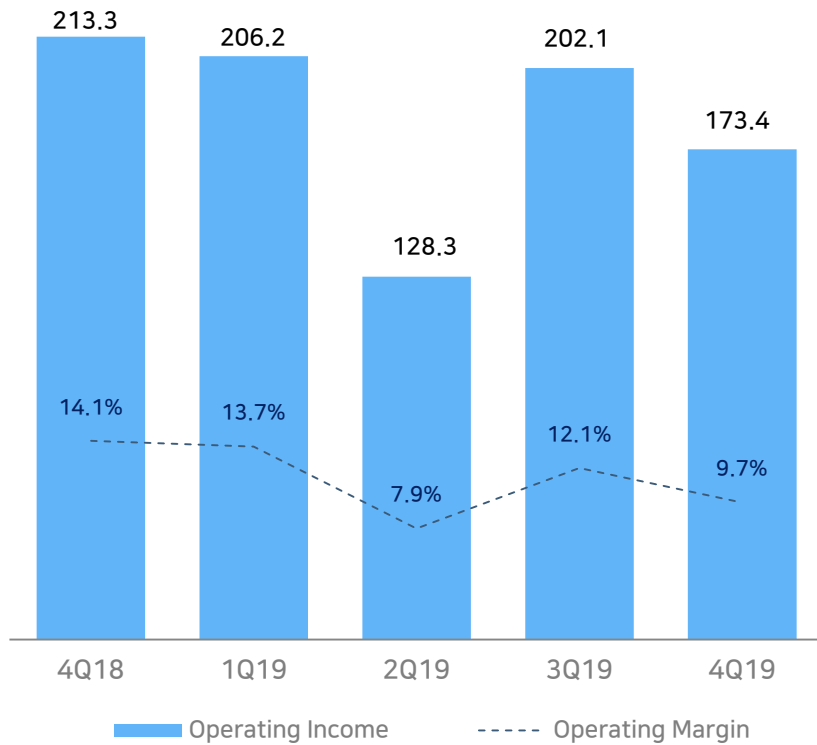
(bn KRW)	4Q18	3Q19	4Q19	Y/Y	Q/Q	FY2019	Y/Y
Operating Expenses	1,303.3	1,462.7	1,614.0	23.8%	10.3%	5,883.3	26.7%
Platform Development & Operations	195.1	228.7	252.4	29.4%	10.4%	934.1	21.4%
Agency & Partner Commission	278.2	304.6	339.7	22.1%	11.5%	1,219.4	17.8%
Infrastructure	69.7	85.0	94.8	36.0%	11.6%	336.1	32.8%
Marketing	99.5	122.1	123.1	23.8%	0.8%	413.9	22.4%
LINE & Other Platforms	660.8	722.3	804.0	21.7%	11.3%	2,979.8	32.6%
Operating Income	213.3	202.1	173.4	-18.7%	-14.2%	710.1	-24.7%
Pre-tax Income	280.8	180.2	386.3	37.6%	114.3%	866.7	-22.0%
Tax	160.9	94.8	189.7	17.9%	100.1%	466.3	-4.6%
Net Income	124.0	85.3	196.2	58.2%	130.1%	396.8	-36.8%

*4Q19 Pre-tax Income includes valuation gain from equity holding of Woowa Brothers(171.4bn KRW).

Income (Consolidated)

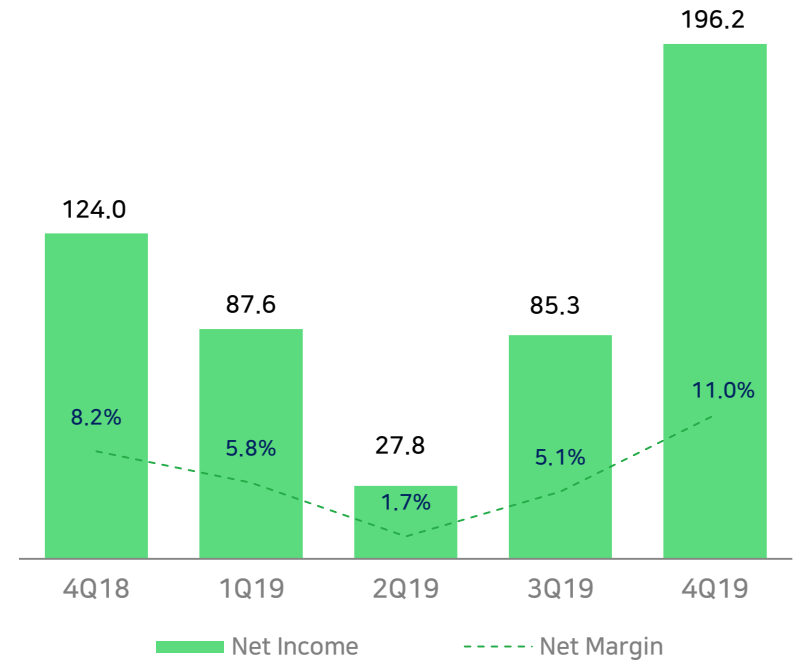
Operating Income & Margin

(bn KRW)



Net Income & Margin

(bn KRW)

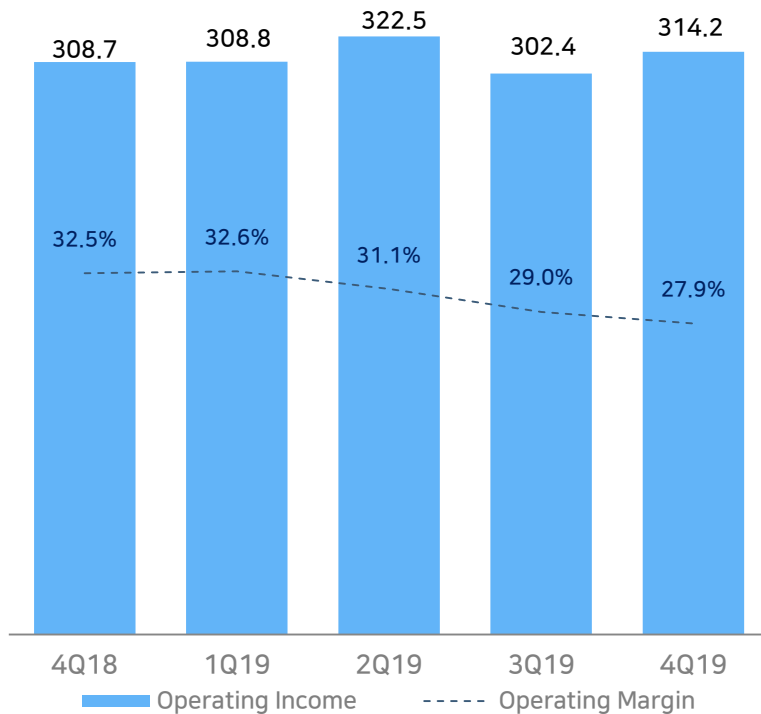


Operating Income by Segments (Consolidated)

※ 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

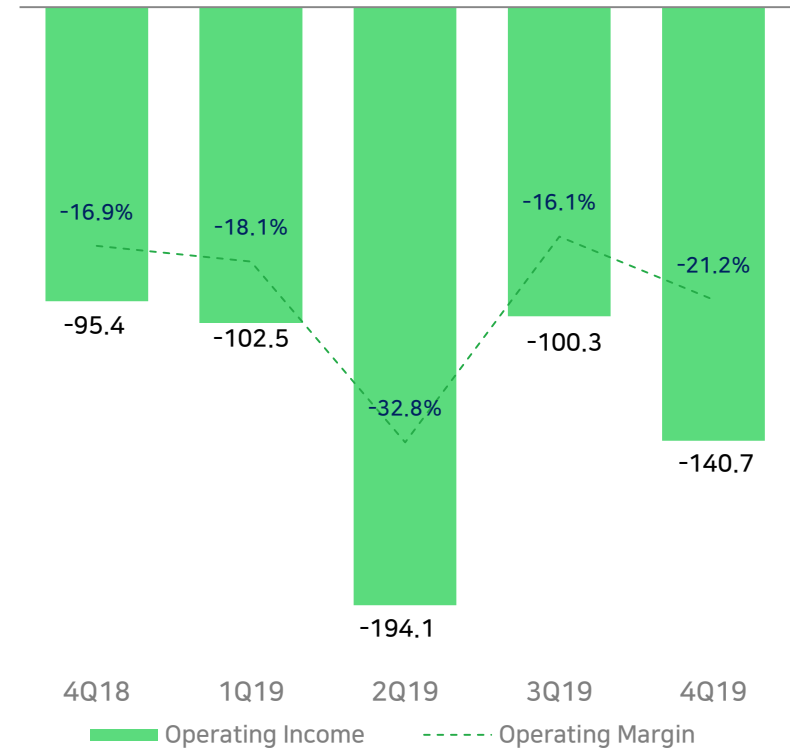
Operating Income (NAVER Segments)

(bn KRW)



Operating Income (LINE and Other Segments)

(bn KRW)

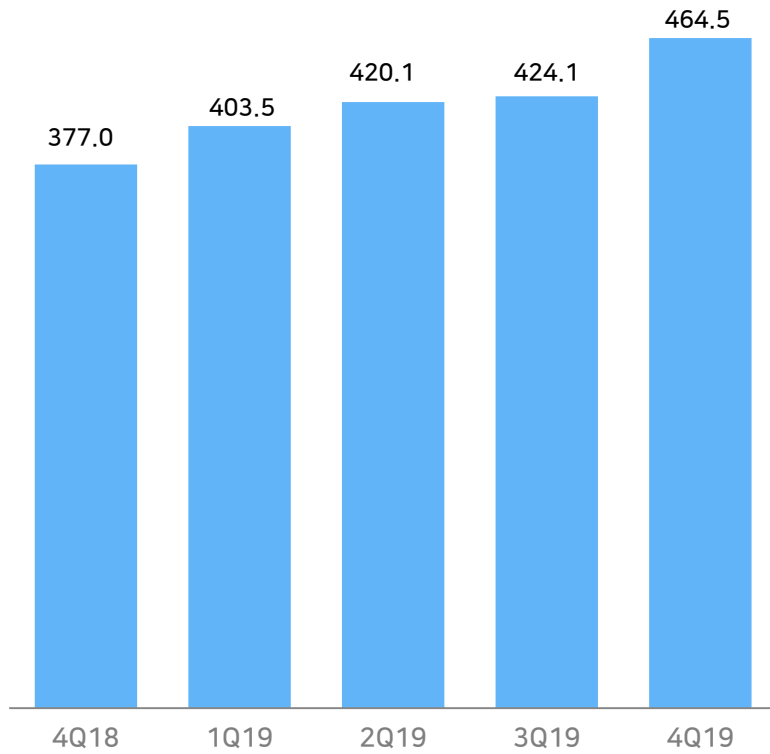


*Excluding the one-offs, NAVER Segments' 4Q19 operating margin was 31%

Investments (Consolidated)

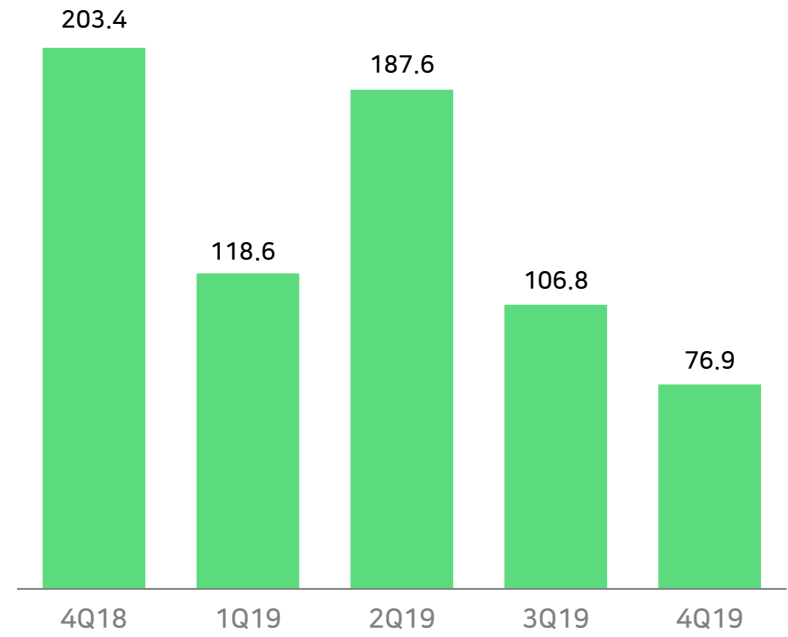
R&D

(bn KRW)



CapEx

(bn KRW)

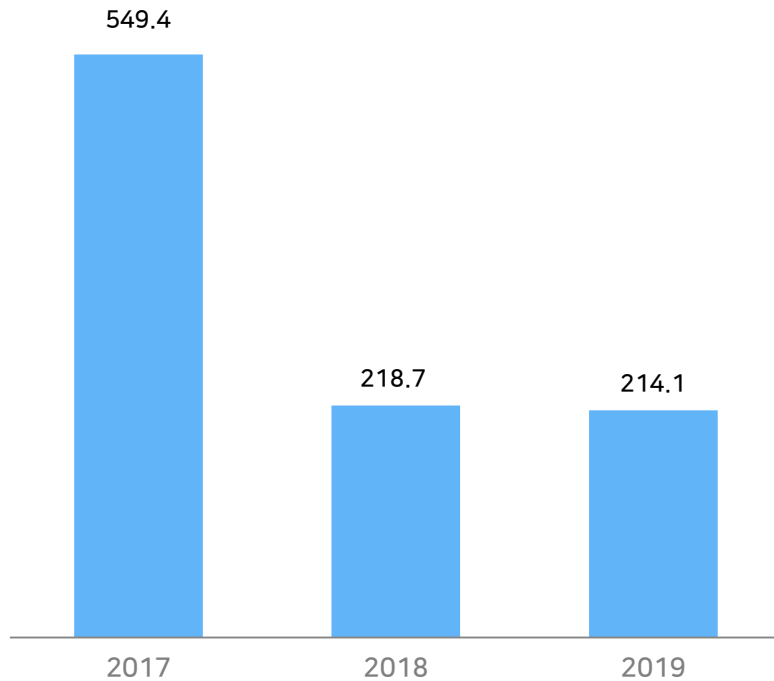


FCF (Consolidated)

- FCF: Operating Income + Non-cash Items¹⁾ – CapEx²⁾ – Tax³⁾

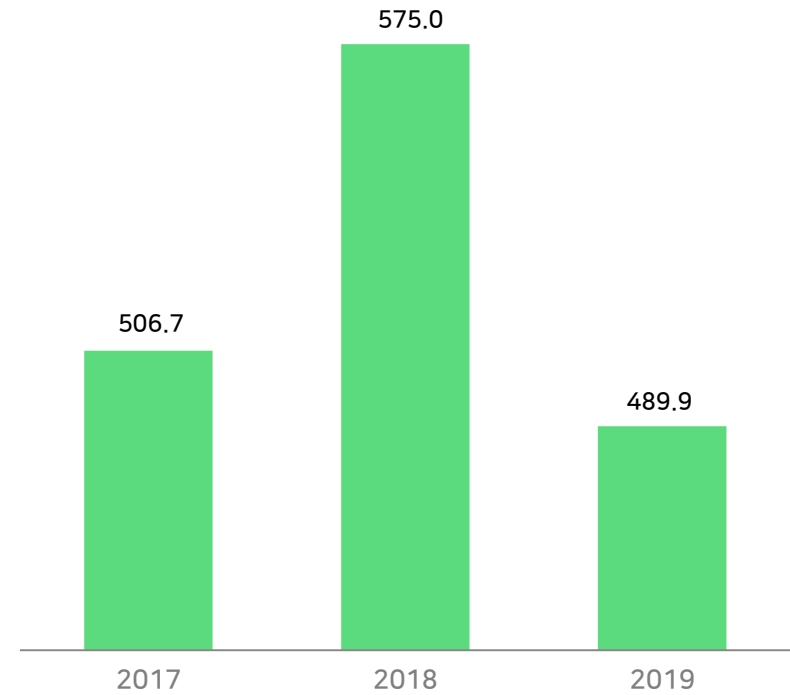
Free Cash Flow

(bn KRW)



CapEx

(bn KRW)



1) Non-cash Items: Tangible & intangible asset depreciation cost, bad debt expenses, retirement benefit(excluding net payment), SBC, etc.

2) CapEx: Tangible & intangible asset acquisition cost

3) Tax(actual payment amount): 2019 estimated tax is 506.7 bn KRW

Financial Statements Summary

Consolidated Income Statement

(mn KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Operating Revenue	1,516,515	1,510,862	1,630,275	1,664,815	1,787,448
Operating Expenses	1,303,264	1,304,617	1,501,940	1,462,729	1,614,043
Operating Income	213,250	206,245	128,335	202,086	173,405
Operating Margin	14.1%	13.7%	7.9%	12.1%	9.7%
Non-operating Revenue	228,394	96,911	65,279	82,817	335,079
Non-operating Expenses	160,832	113,364	83,190	104,655	122,225
Pre-tax Income	280,812	189,791	110,423	180,248	386,260
Tax	160,940	98,858	82,896	94,821	189,737
Net Income from Continuing Operations	119,872	90,933	27,527	85,428	196,523
Discontinued Operations Income	4,133	-3,347	230	-159	-313
Net Income	124,005	87,586	27,757	85,268	196,210
Controlling Interests	120,402	129,701	79,212	125,428	248,711
Non-controlling Interests	3,603	-42,115	-51,455	-40,160	-52,500

Consolidated Statement of Financial Position

(mn KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Current Assets	5,385,570	5,625,304	5,365,624	5,497,195	5,643,714
Non-current Assets	4,495,621	5,282,046	6,070,952	6,309,522	6,655,813
Total Assets	9,881,191	10,907,350	11,436,576	11,806,717	12,299,527
Current Liabilities	2,619,672	3,025,749	3,216,112	3,343,625	3,773,119
Non-current Liabilities	1,312,379	1,833,101	1,950,889	2,025,575	2,022,482
Total Liabilities	3,932,050	4,858,850	5,167,001	5,369,200	5,795,601
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	1,540,986	1,545,717	1,584,580	1,612,329	1,575,308
Other Components of Equity	-1,546,390	-1,589,605	-1,508,308	-1,471,649	-1,498,653
Retained Earnings	5,229,203	5,309,898	5,399,329	5,524,748	5,712,091
Non-controlling Interests	708,861	766,009	777,493	755,607	698,698
Total Equity	5,949,141	6,048,500	6,269,575	6,437,517	6,503,926

Income Statement

(mn KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Operating Revenue	931,968	912,618	1,000,176	996,224	990,995
Operating Expenses	587,068	571,931	651,165	653,551	629,554
Operating Income	344,901	340,687	349,011	342,674	361,441
Operating Margin	37.0%	37.3%	34.9%	34.4%	36.5%
Non-operating Revenue	88,513	69,653	29,669	107,353	88,182
Non-operating Expenses	98,664	55,862	21,504	29,138	40,669
Pre-tax Income	334,749	354,478	357,176	420,889	408,953
Tax	89,293	97,304	78,240	110,105	163,322
Net Income	245,456	257,174	278,935	310,784	245,631

Statement of Financial Position

(mn KRW)	4Q18	1Q19	2Q19	3Q19	4Q19
Current Assets	1,226,981	1,361,198	1,435,183	1,468,747	880,762
Non-current Assets	4,701,612	4,997,563	5,173,833	5,446,104	5,790,825
Total Assets	5,928,592	6,358,761	6,609,015	6,914,851	6,671,587
Current Liabilities	1,210,780	1,471,784	1,407,383	1,419,144	908,933
Non-current Liabilities	160,931	185,936	195,166	201,624	233,108
Total Liabilities	1,371,711	1,657,720	1,602,549	1,620,768	1,142,040
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	-1,477,547	-1,544,621	-1,518,110	-1,551,638	-1,548,532
Retained Earnings	5,655,541	5,866,774	6,145,689	6,466,833	6,699,191
Total Equity	4,556,882	4,701,041	5,006,466	5,294,083	5,529,547