

Second Quarter 2013 Earnings Results

Aug 8, 2013

Disclaimer

All financial information contained in this document is based on consolidated K-IFRS.

This document contains information and financial data that have not been reviewed by an independent auditor.

The reason for our earnings release announcement prior to an independent auditor's review is to communicate our financial results to the market and investors in a timely manner.

Therefore, the information and financial data contained in this document are subject to change upon an independent auditor's review.

The company does not make any representation or warranty, as to the accuracy or completeness of the information contained in this material. And we are not responsible for the update on content that described current facts.

Contents

1. Earnings

1. 2Q13 Earnings Summary
2. Sales
3. Sales Breakdown
4. Operating Expenses
5. Incomes

2. Financial Statements (After split-off)

1. Income Statement
2. Statement of Financial Position

3. Appendix

1. Financial Statements (Consolidated)
2. Financial Statements (Parent)

1. Earnings

1-1. 2Q13 Earnings Summary

- Sales was up 26.3% Y/Y and 7.3% Q/Q to 722.6 bn KRW on the stable growth from our domestic ad and Japan LINE sales
- Operating income increased 19.6% Y/Y and 1.6% Q/Q to mark 194.2 bn KRW

(bn KRW)	2Q12	1Q13	2Q13	Growth	
				Y/Y	Q/Q
Sales	572.1	673.6	722.6	26.3%	7.3%
Search ad	298.0	327.8	329.1	10.4%	0.4%
Display ad	90.0	79.0	85.7	-4.7%	8.5%
LINE	4.7	68.8	111.9	2,285.9%	62.5%
Online game	140.0	156.3	151.7	8.3%	-3.0%
Others	39.4	41.7	44.2	12.3%	6.2%
Operating expenses	409.7	482.5	528.4	29.0%	9.5%
Operating income	162.4	191.1	194.2	19.6%	1.6%
Pre-tax income	153.8	197.1	184.5	20.0%	-6.4%
Net income	114.2	157.0	122.7	7.5%	-21.8%

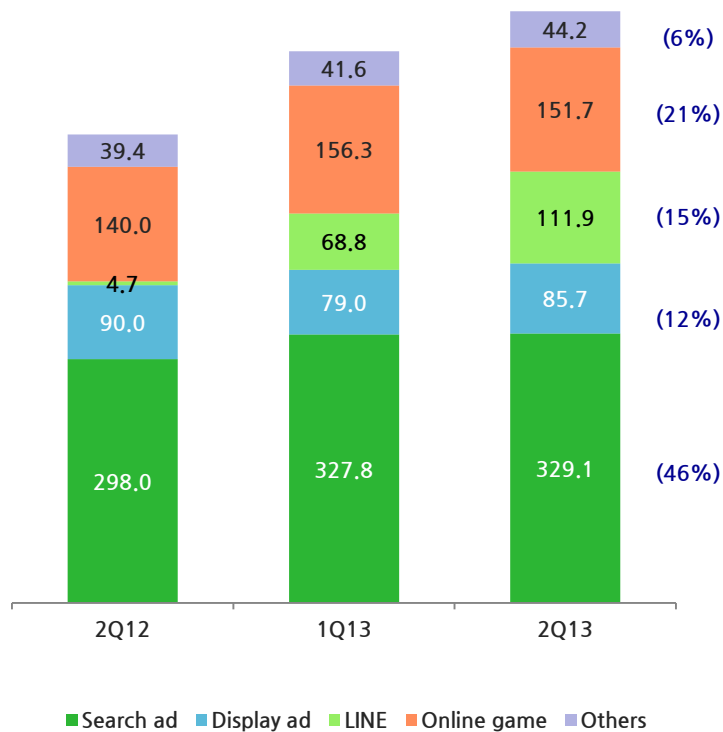
1. Earnings

1-2. 2Q13 Sales Summary

- Share of LINE increased 15% on the back of LINE growth while game was down 3%p due to our conservative stance on web-board games
- Domestic sales was 523.5 bn KRW (Y/Y 10.0%↑, Q/Q 0.6%↑) & Overseas sales was 199.1 bn KRW (Y/Y 107.4%↑, Q/Q 30.0%↑)

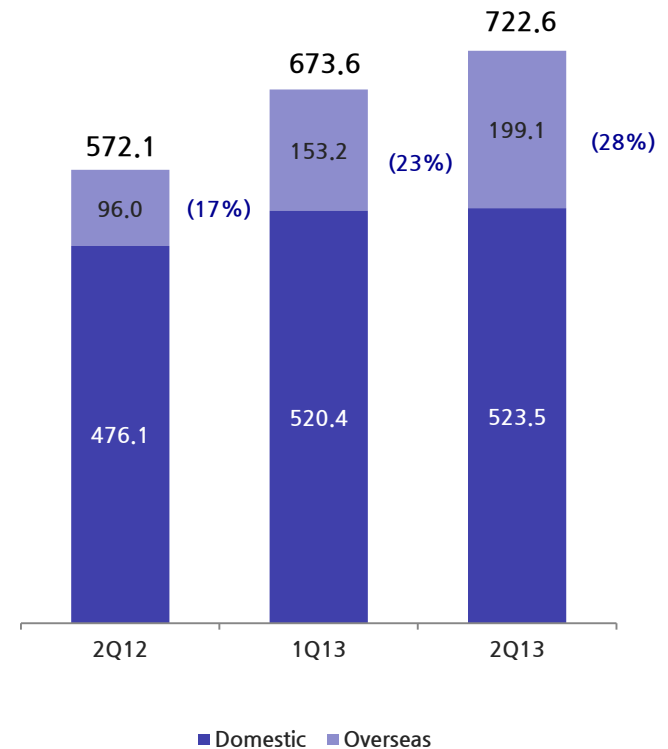
By Business Segments | Sales & Proportion

(bn KRW)



By Regions | Sales & Proportion

(bn KRW)



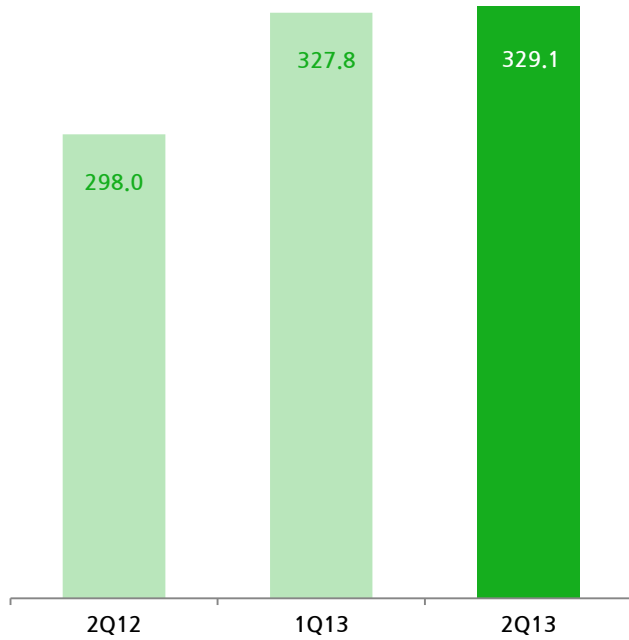
1. Earnings

1-3. Sales Breakdown: Advertisements

- Search ad was up 10.4% Y/Y and 0.4% Q/Q due to increases in PPC and mobile sales
- Display ad was down 4.7% Y/Y on the base effect of last year, but up 8.5% Q/Q with electronic, telco and social commerce industries' higher spend

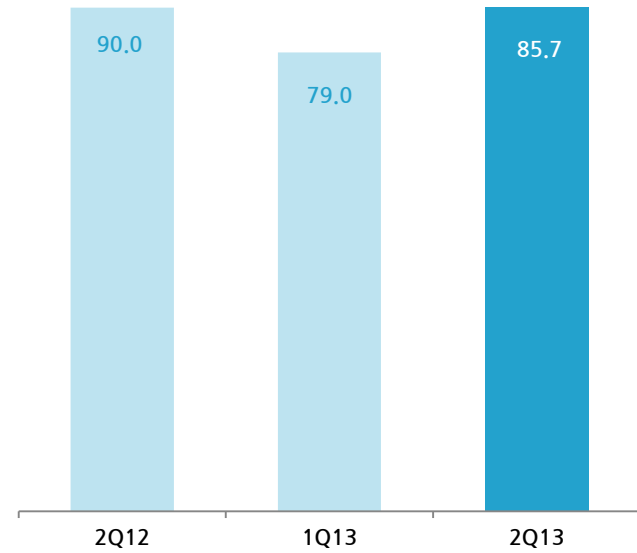
Search Ad Sales

(bn KRW)



Display Ad Sales

(bn KRW)



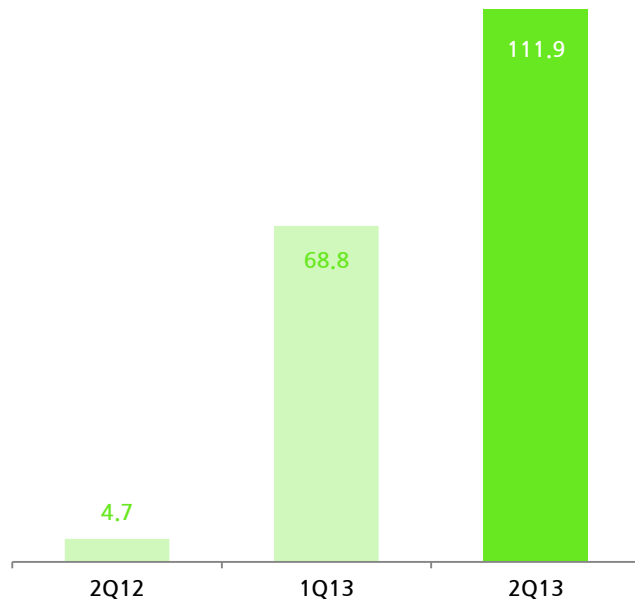
1. Earnings

1-3. Sales Breakdown : LINE & Game

- LINE sales rose 62.5% Q/Q to 111.9 bn KRW, and was up 66.9% Q/Q to 9.8 bn YEN
- Online game sales was up 8.3% Y/Y as mobile games showed robust growth, but decreased 3.0% Q/Q due to our conservative web-board games

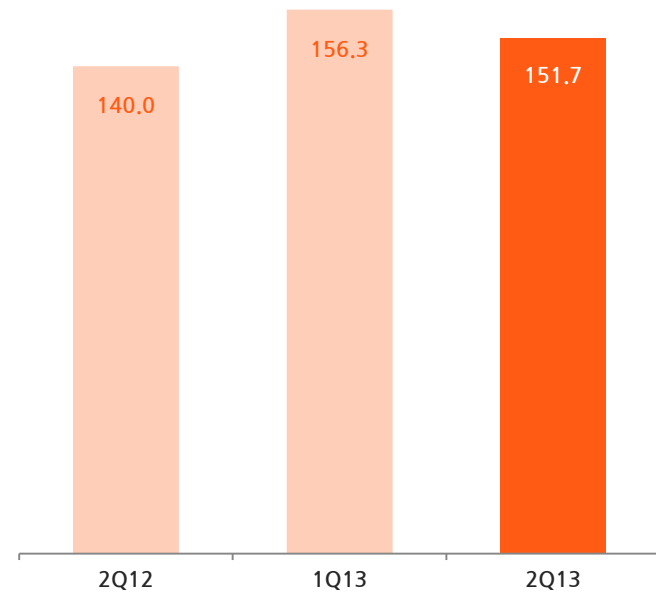
LINE Sales

(bn KRW)



Online Game Sales

(bn KRW)



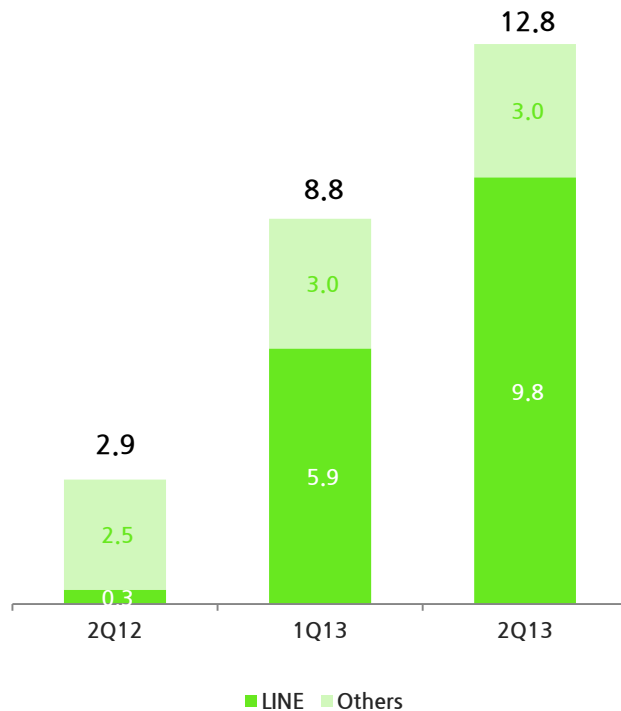
1. Earnings

1-3. Sales Breakdown : Japan LINE Corp.

- Japan LINE Corp. sales was up 348.9% Y/Y and 45.3% Q/Q to 12.8 bn YEN on solid LINE and Japan ad sales
- It rose 259% Y/Y and 41.5% Q/Q to 146.8 bn KRW, and LINE's share of total sales from Japan was up 9.9%p Q/Q to 76.2%

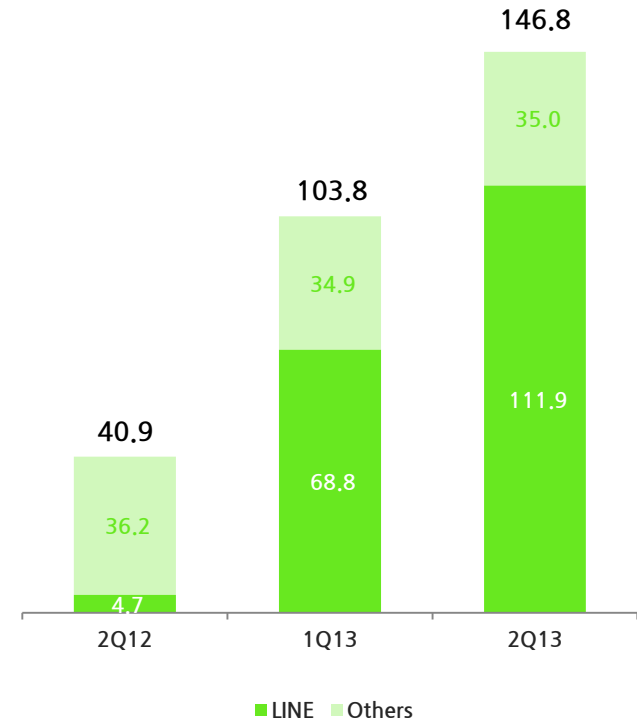
LINE Corp. Sales (JPY)

(bn JPY)



LINE Corp. Sales (KRW)

(bn KRW)



※ LINE Corp. consolidated sales
(DataHotel, LINE+, LINE Business Partners)

1. Earnings

1-4. Operating Expenses

- Labor cost was up 1.7% Y/Y & 3.2% Q/Q to record 158.3bn KRW
- Commission was up 50.3% Y/Y & 19.6% Q/Q with increased payment of commissions following rise in LINE & mobile game sales
- Marketing was up 164.0% Y/Y and 16.0% Q/Q with the execution of global marketing for LINE

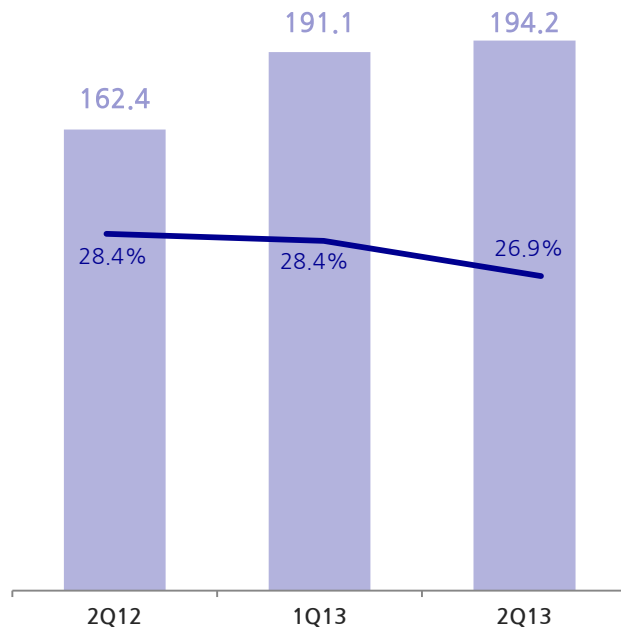
(bn KRW)	2Q12	1Q13	2Q13	Growth	
				Y/Y	Q/Q
Operating expenses	409.7	482.5	528.4	29.0%	9.5%
Labor costs	153.4	155.6	158.3	3.2%	1.7%
Commission	141.7	178.0	213.0	50.3%	19.6%
Marketing	17.5	39.8	46.1	164.0%	16.0%
Depreciation	25.4	31.1	32.1	26.7%	3.2%
Communication	26.5	29.5	31.6	19.2%	7.0%
Employee Benefit	18.2	19.3	19.1	5.0%	-0.8%
Others	27.1	29.2	28.2	4.0%	-3.4%

1. Earnings

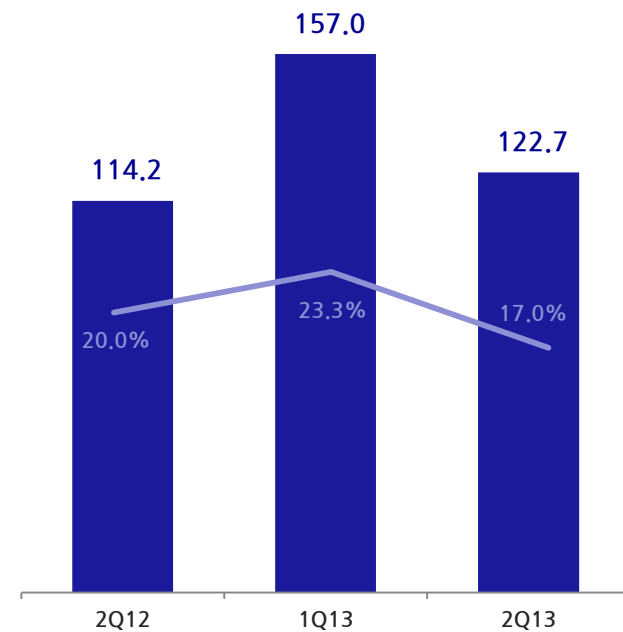
1-5. Incomes

- Operating income was up 19.6% Y/Y and 1.6% Q/Q to 194.2 bn KRW with operating income margin of 26.9%
- Net income increased 7.5% Y/Y but decreased 21.8% Q/Q to 122.7 bn KRW with net income margin of 17.0%

Operating Income(Margin)
(bn KRW)



Net Income(Margin)
(bn KRW)



2. Financial Statements (After split-off)

2-1. Income Statement

Naver	
(bn KRW)	1H13
Sales	1,097.5
Operating expenses	830.4
Labor cost	242.6
Commission	327.6
Marketing	75.2
Depreciation	55.8
Others	129.2
Operating income	267.1
Pre-tax income	281.3
Net income	205.0

NHN Ent.	
(bn KRW)	1H13
Sales	342.4
Operating expenses	224.0
Labor cost	71.2
Commission	105.7
Marketing	10.8
Depreciation	7.5
Others	28.8
Operating income	118.4
Pre-tax income	100.6
Net income	74.9

2. Financial Statements (After split-off)

2-2. Statement of Financial Position

Naver	
(bn KRW)	1H13
Total assets	2,190.5
Current assets	1,261.4
Cash & cash equivalents	727.3
Accounts receivable	274.3
Other	259.8
Non-current assets	929.1
Tangible assets	614.5
Intangible assets	106.1
Others	208.5
Total liabilities	3,464.5
Current liabilities	3,292.5
Non-current liabilities	172.0
Total equity	-1,274.0
Paid-in capital	24.1
Capital surplus	238.8
Capital adjustment	-4,394.8
Retained earnings	-35.9
Non-controlling interests	2,893.8

NHN Ent.	
(bn KRW)	1H13
Total assets	1,147.5
Current assets	798.5
Cash & cash equivalents	520.3
Accounts receivable	179.0
Other	99.2
Non-current assets	349.0
Tangible assets	11.9
Intangible assets	14.9
Others	322.2
Total liabilities	152.5
Current liabilities	106.5
Non-current liabilities	46.0
Total equity	995.0
Paid-in capital	7.6
Capital surplus	963.2
Capital adjustment	0
Retained earnings	-11.0
Non-controlling interests	29.2

Appendix

-
1. Financial Statements (Consolidated)
 2. Financial Statements (Parent)

Appendix | Consolidated - Financial Statement

Income Statement

(mn KRW)	2Q12	1Q13	2Q13
Sales	572,056	673,580	722,582
Search ad	297,959	327,815	329,090
Display ad	90,005	78,995	85,730
LINE	4,688	68,822	111,852
Online game	140,041	156,343	151,710
Others	39,364	41,605	44,200
Operating expenses	409,701	482,491	528,352
Labor cost	153,367	155,595	158,266
Commission	141,703	178,021	212,965
Marketing	17,464	39,755	46,099
Depreciation	25,362	31,128	32,139
Communication	26,468	29,505	31,556
Employee Benefits	18,225	19,280	19,127
Others	27,112	29,208	28,200
Operating income	162,356	191,089	194,231
Operating margin	28.4%	28.4%	26.9%
Finance income	17,237	27,391	19,973
Interest income	10,266	10,215	10,417
Other	6,971	17,176	9,556
Share of profit of associates	958	4,108	-277
Other income	2,429	1,911	2,458
Finance costs	13,802	5,520	26,222
Interest expense	2,182	2,400	2,291
Other	11,620	3,121	23,930
Share of loss of associates	169	836	311
Other costs	15,237	21,030	5,395
Pre-tax income	153,773	197,114	184,457
Tax	39,612	40,139	61,727
Net income	114,161	156,974	122,730

Statement of Financial Position

(mn KRW)	2Q12	1Q13	2Q13
Current assets	1,697,024	1,922,796	2,028,795
Cash & cash equivalents	1,052,472	1,306,631	1,247,605
Accounts receivable	228,706	354,354	291,299
Other	415,846	261,810	489,891
Non-current assets	1,070,987	1,214,685	1,273,281
Investment assets	307,917	315,212	321,894
Tangible assets	471,762	596,142	626,414
Intangible assets	128,385	115,601	121,010
Other	162,923	187,731	203,963
Total assets	2,768,011	3,137,482	3,302,076
Current liabilities	502,876	729,299	3,363,468
Accrued payable	111,183	170,513	215,897
Advance receipts	78,649	73,921	81,660
Accrued income taxes	83,188	161,640	116,038
Bonds	0	100,000	100,000
Other	229,856	223,225	2,849,873
Non-current liabilities	452,204	381,296	218,034
Bonds	100,000	0	0
Allowance for severance pay	120,548	183,697	195,632
Other	231,656	197,600	22,403
Total liabilities	955,080	1,110,596	3,581,502
Equity attributable to owners of the parent	1,808,122	2,019,955	-285,461
Paid-in capital	24,064	24,064	24,064
Capital surplus	195,541	195,894	195,894
Capital adjustment	-838,437	-950,436	-3,381,172
Other comprehensive income	28,954	-47,763	-47,037
Retained earnings	2,398,000	2,798,197	2,922,791
Non-controlling interests	4,809	6,931	6,035
Total equity	1,812,931	2,026,886	-279,426

Appendix | Parent - Financial Statement

Income Statement

(mn KRW)	2Q12	1Q13	2Q13
Sales	372,379	412,047	412,727
Search ad	231,519	244,933	246,131
Display ad	44,909	40,943	44,773
Online game	86,010	105,998	104,342
Others	9,941	20,172	17,482
Operating expenses	202,030	224,248	215,438
Labor cost	63,099	59,899	56,190
Commission	112,423	127,806	131,457
Marketing	7,589	14,343	8,406
Depreciation	4,987	6,204	6,431
Communication	345	295	284
Employee Benefits	6,414	6,749	5,300
Others	7,173	8,951	7,370
Operating income	170,349	187,799	197,289
Operating margin	45.7%	45.6%	47.8%
Finance income	12,728	20,796	13,462
Interest income	7,340	7,962	8,060
Other	5,388	12,834	5,401
Other income	1,445	6,842	2,386
Finance costs	8,896	4,215	3,619
Interest expense	1,831	2,257	2,115
Other	7,065	1,959	1,504
Other costs	9,226	20,341	42,593
Pre-tax income	166,400	190,882	166,925
Tax	39,196	37,365	51,147
Net income	127,204	153,517	115,778

Statement of Financial Position

(mn KRW)	2Q12	1Q13	2Q13
Current assets	1,056,570	1,271,555	1,321,440
Cash & cash equivalents	579,969	806,650	767,292
Accounts receivable	183,538	284,513	191,946
Other	293,063	180,392	362,203
Non-current assets	1,394,639	1,546,160	1,549,334
Investment assets	992,108	998,192	983,429
Tangible assets	286,209	381,472	391,309
Intangible assets	32,456	43,426	44,124
Other	83,865	123,071	130,471
Total assets	2,451,208	2,817,715	2,870,774
Current liabilities	216,511	423,488	2,966,812
Accrued payable	50,290	67,576	72,715
Advance receipts	14,538	18,197	14,742
Accrued income taxes	79,070	154,710	98,153
Bonds	0	100,000	100,000
Other	72,614	83,006	2,681,201
Non-current liabilities	400,001	282,091	109,242
Bonds	100,000	0	0
Allowance for severance pay	73,064	96,139	100,490
Other	226,937	185,952	8,752
Total liabilities	616,512	705,579	3,076,053
Equity attributable to owners of the parent	1,834,696	2,112,136	-205,280
Paid-in capital	24,064	24,064	24,064
Capital surplus	195,541	195,894	195,894
Capital adjustment	-811,662	-926,300	-3,359,153
Other comprehensive income	2,528	-883	-1,223
Retained earnings	2,424,226	2,819,361	2,935,138
Non-controlling interests	0	0	0
Total equity	1,834,696	2,112,136	-205,280