

NAVER

A Set of Global Challenges

1Q20 Earnings Result

2020.04.23

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Earnings Summary

Operating Revenue

- Rose 14.6% YoY on back of solid growth from Business Platform, NAVER Pay, and Webtoon's Global Business

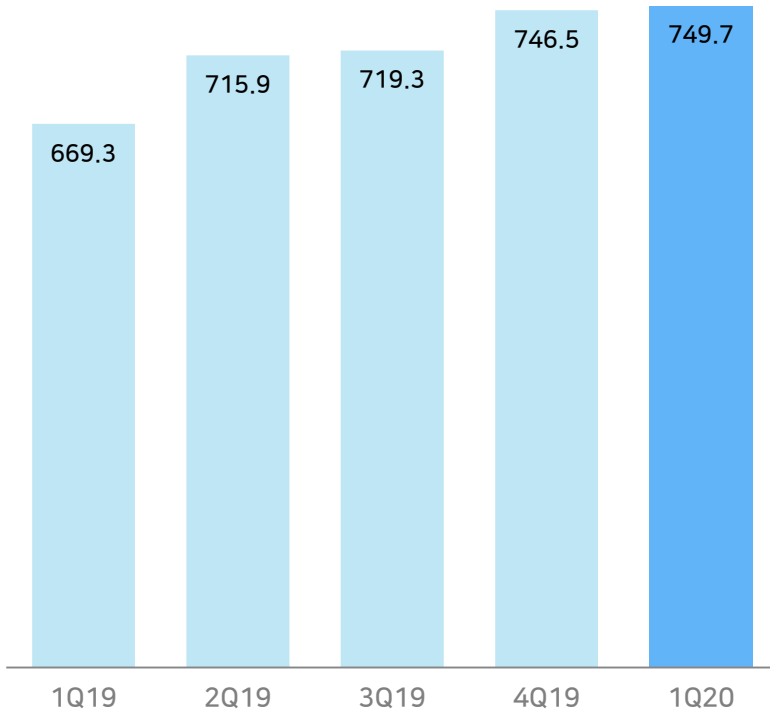
Operating Income

- Increased 27.7% QoQ & 7.4% YoY with less operating expenses from NAVER and LINE Segments

(bn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20	Y/Y	Q/Q
Operating Revenue	1,510.9	1,630.3	1,664.8	1,787.4	1,732.1	14.6%	-3.1%
NAVER Segments	945.8	1,038.4	1,042.8	1,124.2	1,097.3	16.0%	-2.4%
LINE and Other Segments	565.1	591.9	622.0	663.2	634.8	12.3%	-4.3%
Operating Expenses	1,304.7	1,502.0	1,462.7	1,614.0	1,510.6	15.8%	-6.4%
Operating Income	206.2	128.3	202.1	173.4	221.5	7.4%	27.7%
Operating Margin(%)	13.7%	7.9%	12.1%	9.7%	12.8%	-0.9%p	3.1%p
Operating Income from NAVER Segments	308.8	322.4	302.4	314.2	307.4	-0.4%	-2.1%
Operating Income from LINE & Other Segments	-102.5	-194.1	-100.3	-140.7	-86.0	n/a	n/a
Net Income	87.6	27.8	85.3	196.2	134.9	54.0%	-31.3%

Quarterly Revenue

(bn KRW)

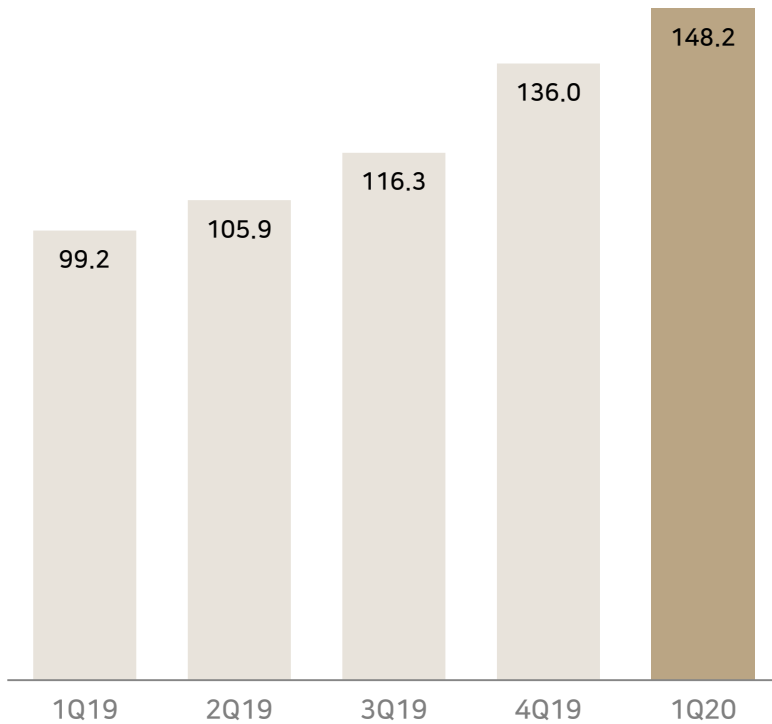


1Q20 YoY 12.0% ↑ / QoQ 0.4% ↑

- Despite the decrease in overall ad spending, Smart store's GMV rose 56% YoY backed by increased online shopping demands
- Plan to reinforce LIVE Commerce and daily necessities category by strengthening ties with logistics

Quarterly Revenue

(bn KRW)

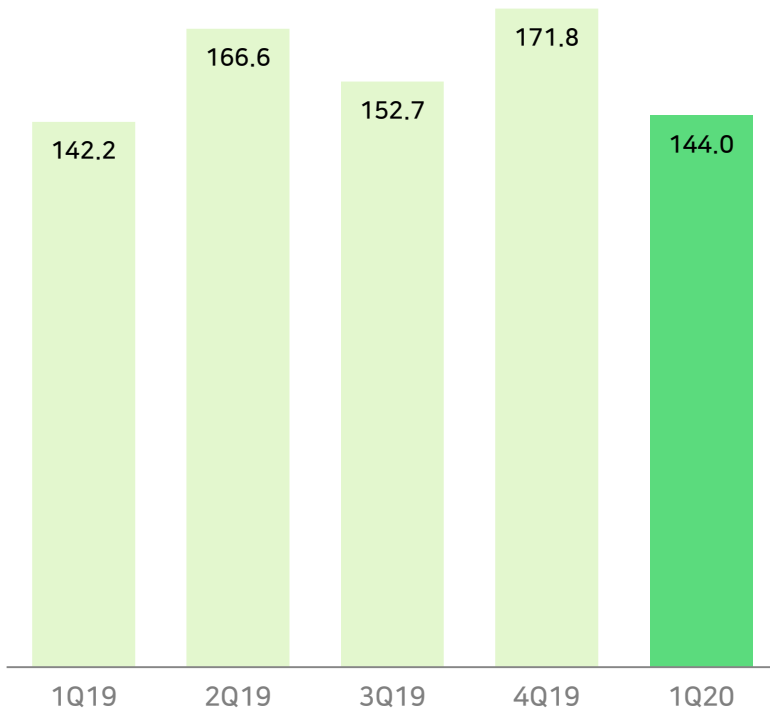


1Q20 YoY 49.4% ↑ / QoQ 8.9% ↑

- NAVER Pay GMV increased 46% YoY on back of online payment growth
- Cloud service expands technical supports for work from home, distant learning, and more

Quarterly Revenue

(bn KRW)

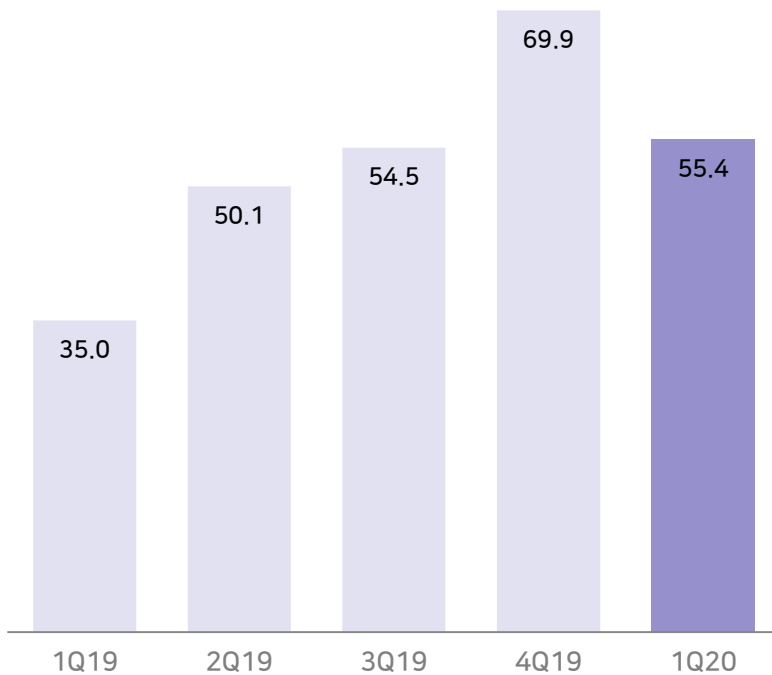


1Q20 YoY 1.2% ↑ / QoQ 16.2% ↓

- Following the COVID-19 outbreak, ad execution from certain industries declined
- Plan to launch 'Smart Channel' product on top of NAVER's main page in May

Quarterly Revenue

(bn KRW)



1Q20 YoY 58.0% ↑ / QoQ 20.8% ↓

- Webtoon marks global MAU of 62 mn.
1Q20 total GMV growth exceeded 60% YoY.
Europe/LATAM MAU increased more than fourfold
- Negative QoQ impact from V concert cancellation and decreased AI Speaker sales

Operating Expenses

Details

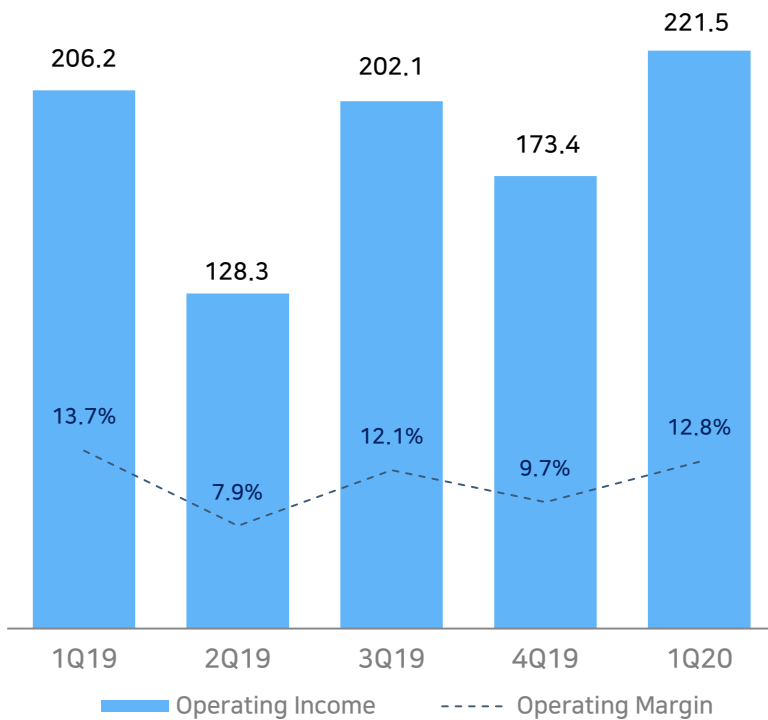
- Platform Development & Operations: Increased labor cost from new hires and stock-based compensation costs
- Marketing: Increases in NAVER Pay point linked to GMV growth & Webtoon's Europe/LATAM region marketing
- Pre-tax Income: Down 34.3% QoQ but up 33.8% YoY due to base effect of last quarter's valuation gain from equity holdings

(bn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20	Y/Y	Q/Q
Operating Expenses	1,304.6	1,501.9	1,462.7	1,614.0	1,510.6	15.8%	-6.4%
Platform Development & Operations	218.4	234.6	228.7	252.4	259.4	18.7%	2.8%
Agency & Partner Commission	277.0	298.2	304.6	339.7	320.5	15.7%	-5.6%
Infrastructure	75.8	80.4	85.0	94.8	89.2	17.7%	-5.9%
Marketing	65.8	102.9	122.1	123.1	120.7	83.4%	-1.9%
LINE & Other Platforms	667.6	785.8	722.3	804.0	720.8	8.0%	-10.4%
Operating Income	206.2	128.3	202.1	173.4	221.5	7.4%	27.7%
Pre-tax Income	189.8	110.4	180.2	386.3	253.9	33.8%	-34.3%
Tax	98.9	82.9	94.8	189.7	119.0	20.4%	-37.3%
Net Income	87.6	27.8	85.3	196.2	134.9	54.0%	-31.3%

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

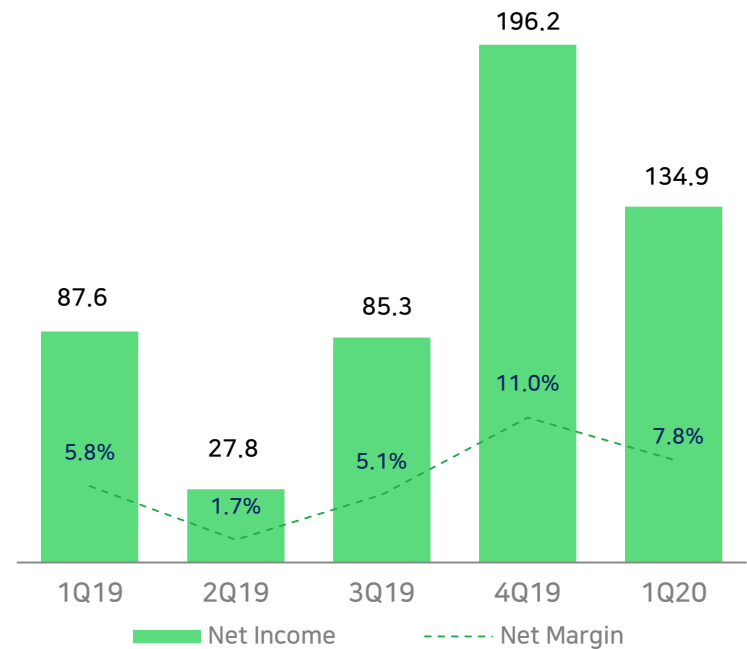
Operating Income & Margin

(bn KRW)



Net Income & Margin

(bn KRW)

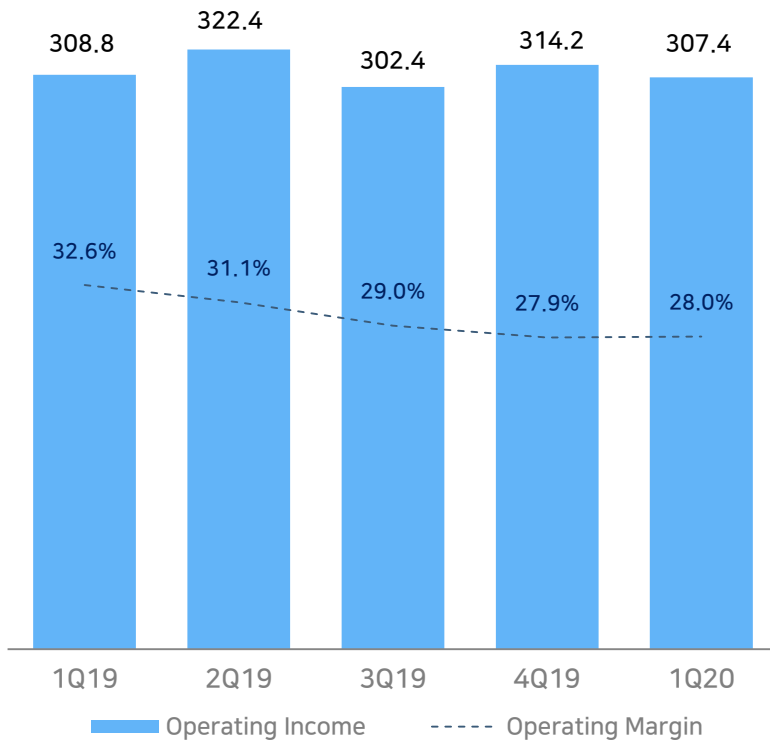


Operating Income by Segments

※ 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

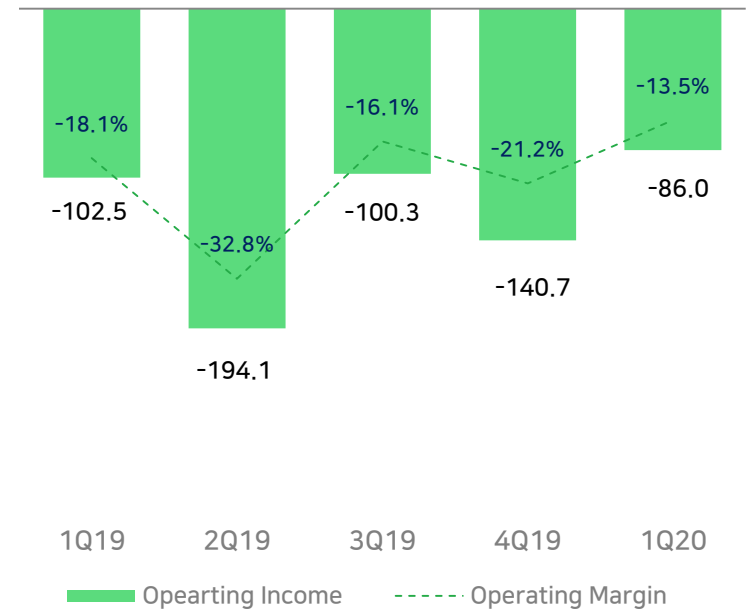
Operating Income (NAVER Segments)

(bn KRW)



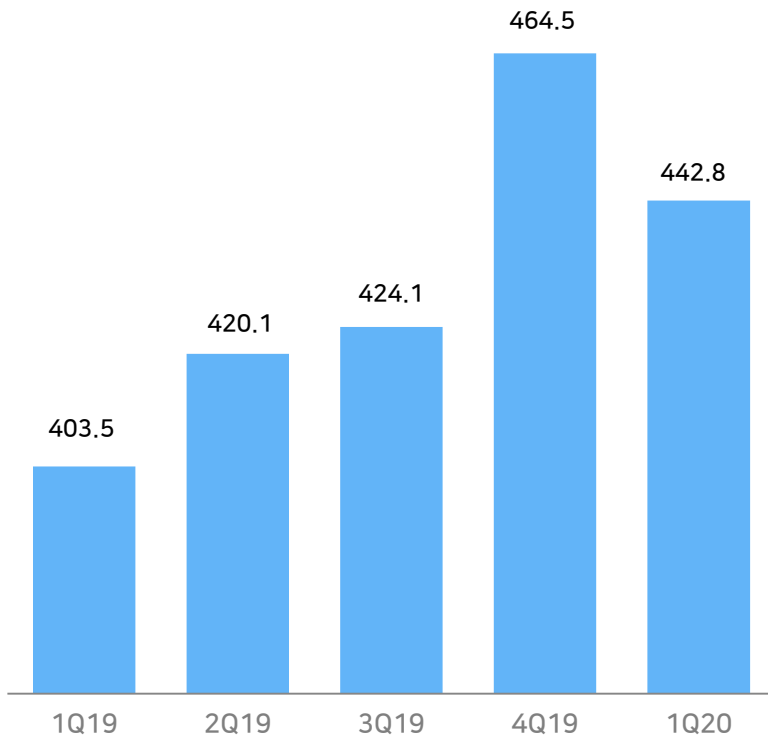
Operating Income (LINE and Other Segments)

(bn KRW)



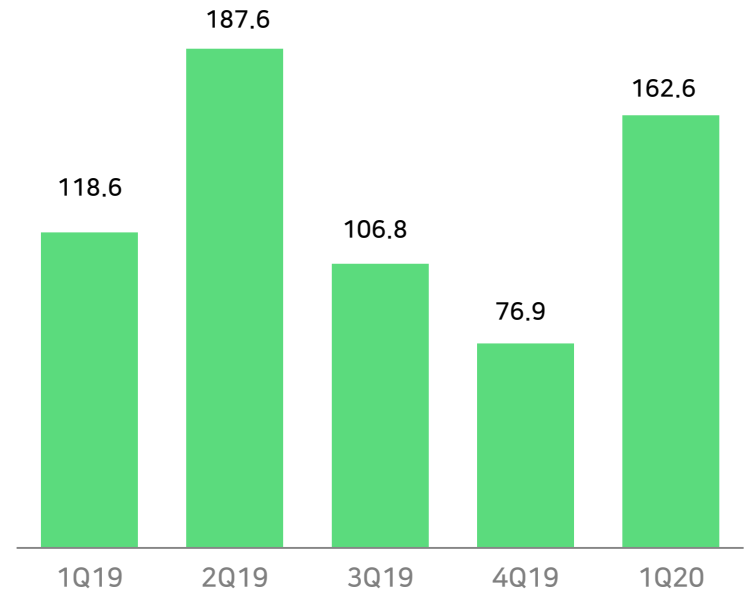
R&D

(bn KRW)



CapEx

(bn KRW)



Financial Statements Summary

Consolidated Income Statement

(mn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20
Operating Revenue	1,510,862	1,630,275	1,664,815	1,787,448	1,732,064
Operating Expenses	1,304,617	1,501,940	1,462,729	1,614,043	1,510,569
Operating Income	206,245	128,335	202,086	173,405	221,495
Non-operating Revenue	96,911	65,279	82,817	335,079	148,889
Non-operating Expenses	113,364	83,190	104,655	122,225	116,515
Pre-tax Income	189,791	110,423	180,248	386,260	253,870
Tax	98,858	82,896	94,821	189,737	118,995
Net Income from Continuing Operations	90,933	27,527	85,428	196,523	134,875
Net Income from Discontinued Operations	-3,347	230	-159	-313	-
Net Income	87,586	27,757	85,268	196,210	134,875
Controlling Interests	129,701	79,212	125,428	248,711	184,804
Non-controlling Interests	-42,115	-51,455	-40,160	-52,500	-49,929

Consolidated Statement of Financial Position

(mn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20
Current Assets	5,625,304	5,365,624	5,497,195	5,643,714	6,533,603
Non-current Assets	5,282,046	6,070,952	6,309,522	6,655,813	7,232,431
Total Assets	10,907,350	11,436,576	11,806,717	12,299,527	13,766,034
Current Liabilities	3,025,749	3,216,112	3,343,625	3,773,119	4,097,112
Non-current Liabilities	1,833,101	1,950,889	2,025,575	2,022,482	2,213,686
Total Liabilities	4,858,850	5,167,001	5,369,200	5,795,601	6,310,797
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	1,545,717	1,584,580	1,612,329	1,575,308	2,233,804
Other Components of Equity	-1,589,605	-1,508,308	-1,471,649	-1,498,653	-1,412,146
Retained Earnings	5,309,898	5,399,329	5,524,748	5,712,091	5,802,449
Non-controlling Interests	766,009	777,493	755,607	698,698	814,648
Total Equity	6,048,500	6,269,575	6,437,517	6,503,926	7,455,237

Income Statement

(mn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20
Operating Revenue	912,618	1,000,176	996,224	990,995	917,961
Operating Expenses	571,931	651,165	653,551	629,554	592,504
Operating Income	340,687	349,011	342,674	361,441	325,456
Non-operating Revenue	69,653	29,669	107,353	88,182	150,046
Non-operating Expenses	55,862	21,504	29,138	40,669	29,119
Pre-tax Income	354,478	357,176	420,889	408,953	446,383
Tax	97,304	78,240	110,105	163,322	119,318
Net Income	257,174	278,935	310,784	245,631	327,065

Statement of Financial Position

(mn KRW)	1Q19	2Q19	3Q19	4Q19	1Q20
Current Assets	1,361,198	1,435,183	1,468,747	880,762	1,044,023
Non-current Assets	4,997,563	5,173,833	5,446,104	5,790,825	5,950,738
Total Assets	6,358,761	6,609,015	6,914,851	6,671,587	6,994,762
Current Liabilities	1,471,784	1,407,383	1,419,144	908,933	1,049,880
Non-current Liabilities	185,936	195,166	201,624	233,108	237,392
Total Liabilities	1,657,720	1,602,549	1,620,768	1,142,040	1,287,272
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	-1,544,621	-1,518,110	-1,551,638	-1,548,532	-1,603,207
Retained Earnings	5,866,774	6,145,689	6,466,833	6,699,191	6,931,809
Total Equity	4,701,041	5,006,466	5,294,083	5,529,547	5,707,490