

NAVER

A Set of Global Challenges

2Q20 Earnings Result

2020.07.30

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Earnings Summary

Operating Revenue

- Increased 16.7% YoY with solid growth from main businesses driven by online shopping demand & performance ads, along with the acceleration of new business pillars such as NAVER Financial, webtoon, and cloud services

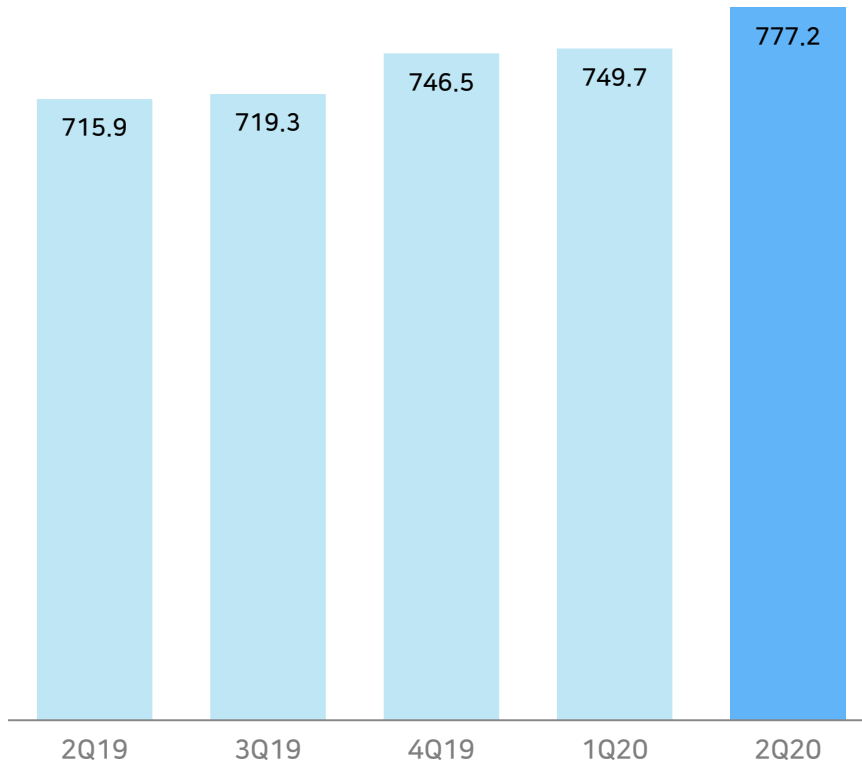
Operating Income

- Despite the rise in marketing costs, rose 79.7% YoY with the exclusion of one-off effect from 2Q19 LINE Pay promotion

(bn KRW)	2Q19	3Q19	4Q19	1Q20	2Q20	Y/Y	Q/Q
Operating Revenue	1,630.3	1,664.8	1,787.4	1,732.1	1,902.5	16.7%	9.8%
NAVER Segments	1,038.4	1,042.8	1,124.2	1,097.3	1,211.6	16.7%	10.4%
LINE and Other Segments	591.8	622.0	663.2	634.8	690.8	16.7%	8.8%
Operating Expenses	1,501.9	1,462.7	1,614.0	1,510.6	1,671.9	11.3%	10.7%
Operating Income	128.3	202.1	173.4	221.5	230.6	79.7%	4.1%
Operating Margin(%)	7.9%	12.1%	9.7%	12.8%	12.1%	4.2%p	-0.7%p
Operating Income from NAVER Segments	322.4	302.4	314.2	307.4	338.9	5.1%	10.2%
Operating Income from LINE & Other Segments	-194.1	-100.3	-140.7	-86.0	-108.3	N/A	N/A
Net Income	27.8	85.3	196.2	134.9	90.7	226.7%	-32.8%

Quarterly Revenue

(bn KRW)



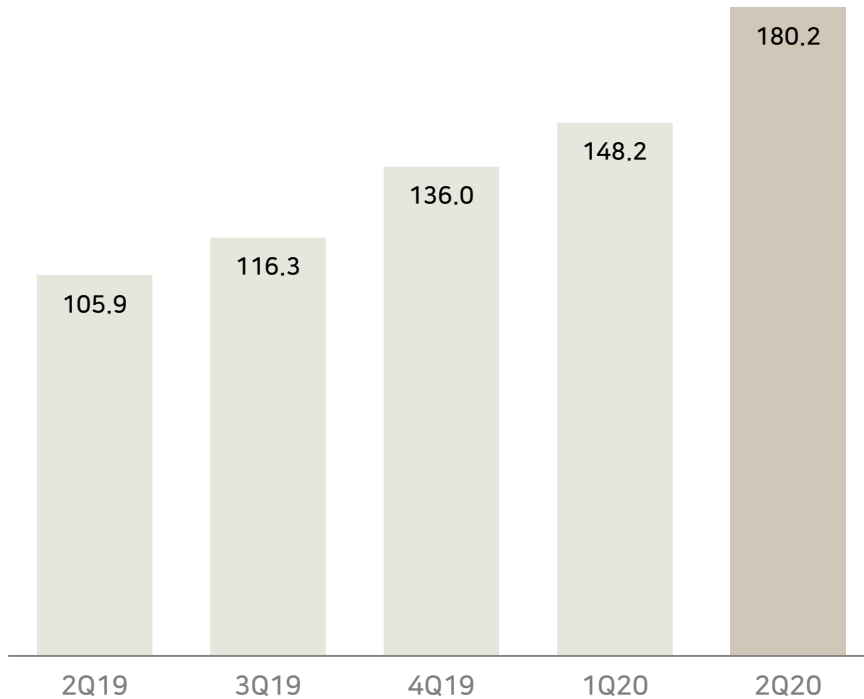
2Q20 YoY 8.6% ↑ / QoQ 3.7% ↑

- Smart store's GMV rose 64% YoY following the increased online shopping demands
- Reinforce user benefits via NAVER plus membership, and continue to grow together with SMEs through technical & data tool supports(e.g. LIVE Commerce, BizAdvisor)

Quarterly Revenue

(bn KRW)

2Q20 YoY 70.2% ↑ / QoQ 21.6% ↑

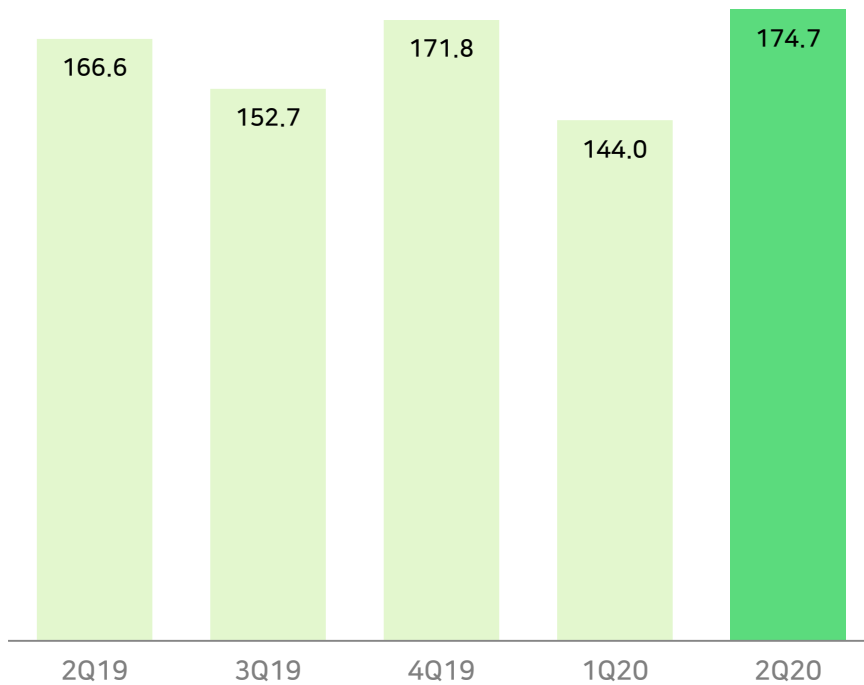


- NAVER Pay GMV grew 56% YoY on back of good online shopping performance and expansion of external partnership
- With the spread of non face-to-face environment, Cloud services added new customer base and usage

Quarterly Revenue

(bn KRW)

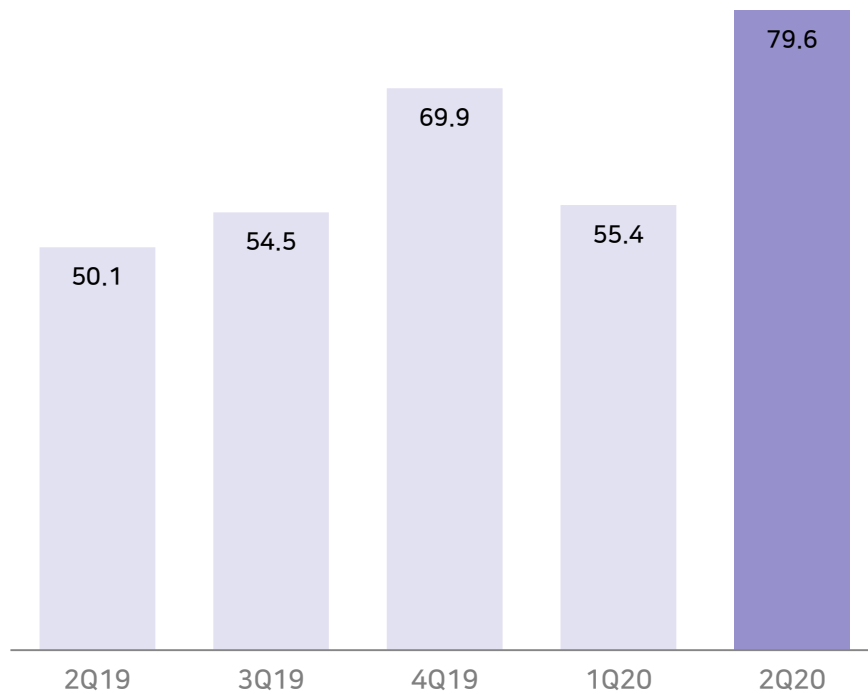
2Q20 YoY 4.9% ↑ / QoQ 21.3% ↑



- Minimized COVID-19 effect with performance ad expansion
- Plan to improve ad efficiency through further expansion of performance ads in 2H20 and automatic bidding & targeting function enhancements

Quarterly Revenue

(bn KRW)



2Q20 YoY 58.9% ↑ / QoQ 43.8% ↑

- Webtoon marks global MAU of 64 mn and GMV grew 58% YoY
- V LIVE revenue recovered following the resumption of artists' activities

Operating Expenses

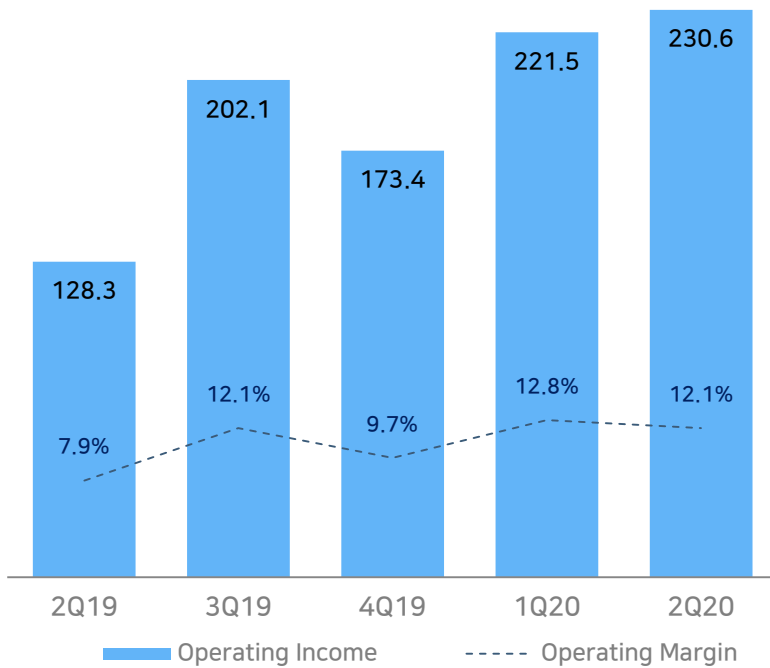
Details

- Platform Development & Operations: Increased labor costs following the rise in headcount and more
- Agency & Partner Commission: Rise in variable costs such as payment and sales commission related to revenue growth
- Infrastructure: More depreciation cost from CapEx expansion(e.g. servers) & additional hiring for cloud business
- Marketing: Expansion of NAVER Pay point rewards and global marketing for webtoon, BAND, and etc.

(bn KRW)	2Q19	3Q19	4Q19	1Q20	2Q20	Y/Y	Q/Q
Operating Expenses	1,501.9	1,462.7	1,614.0	1,510.6	1,671.9	11.3%	10.7%
Platform Development & Operations	234.6	228.7	252.4	259.4	263.7	12.4%	1.7%
Agency & Partner Commission	298.2	304.6	339.7	320.5	361.0	21.1%	12.6%
Infrastructure	80.4	85.0	94.8	89.2	110.0	36.8%	23.3%
Marketing	102.9	122.1	123.1	120.7	138.1	34.2%	14.4%
LINE & Other Platforms	785.8	722.3	804.0	720.8	799.1	1.7%	10.9%
Operating Income	128.3	202.1	173.4	221.5	230.6	79.7%	4.1%
Pre-tax Income	110.4	180.2	386.3	253.9	175.8	59.2%	-30.8%
Tax	82.9	94.8	189.7	119.0	85.1	2.6%	-28.5%
Net Income	27.8	85.3	196.2	134.9	90.7	226.7%	-32.8%

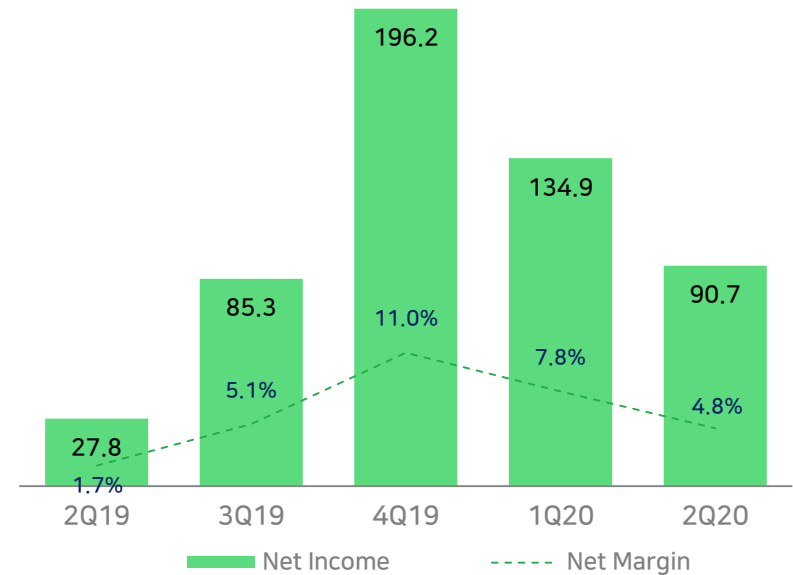
Operating Income & Margin

(bn KRW)



Net Income & Margin

(bn KRW)

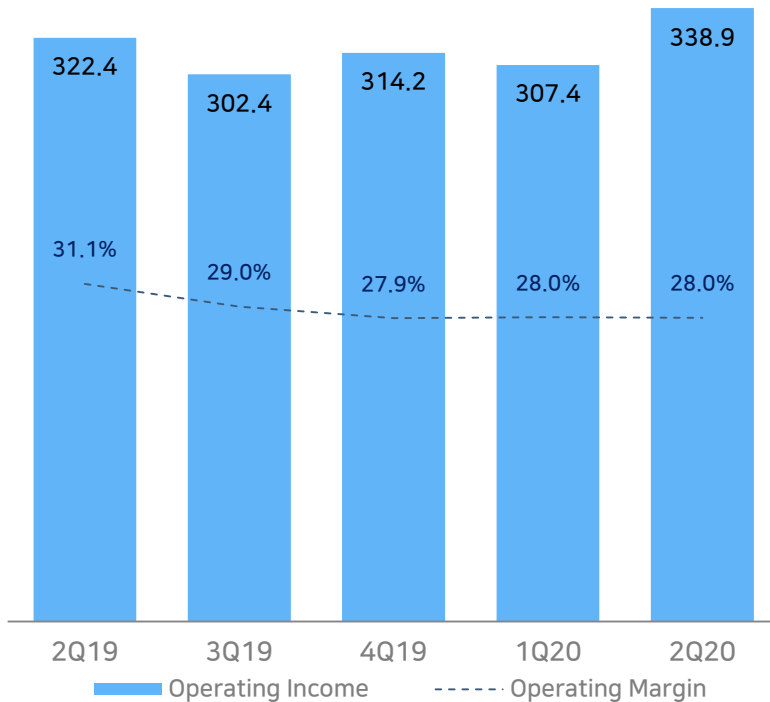


Operating Income by Segments

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

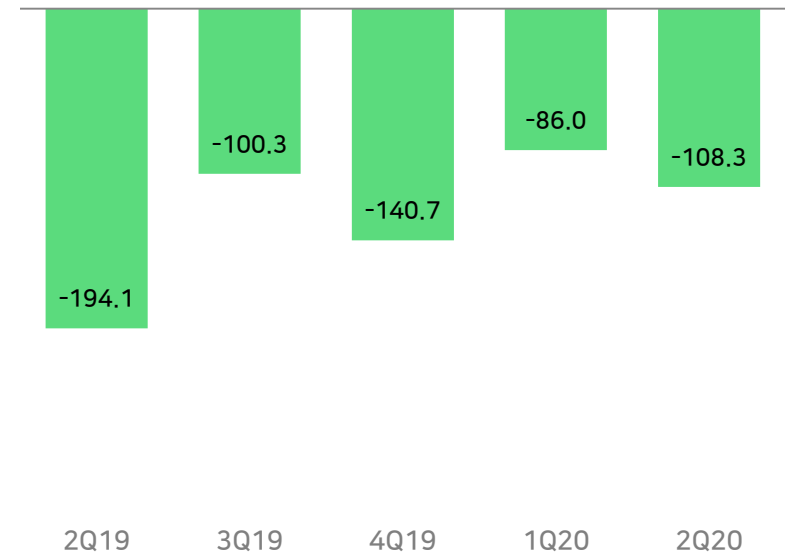
Operating Income (NAVER Segments)

(bn KRW)



Operating Income (LINE and Other Segments)

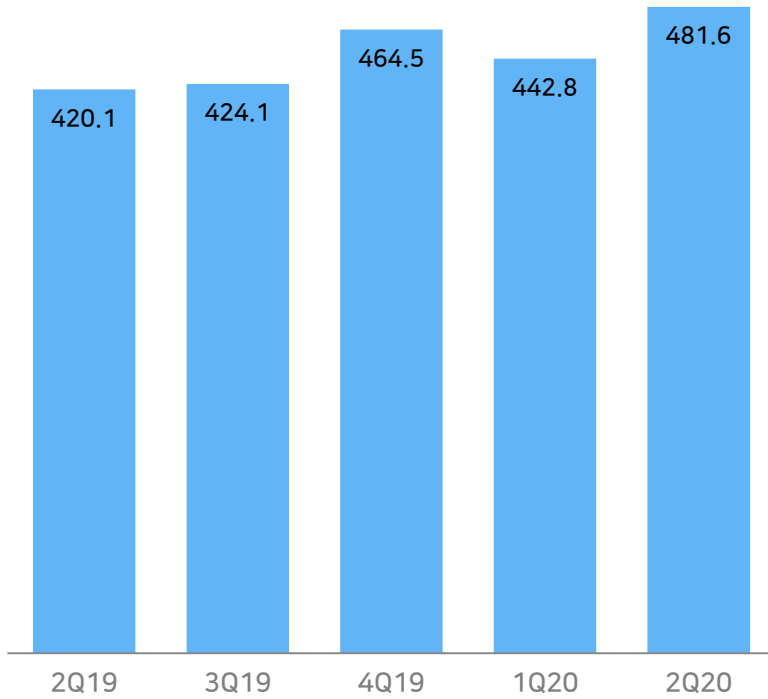
(bn KRW)



Investments

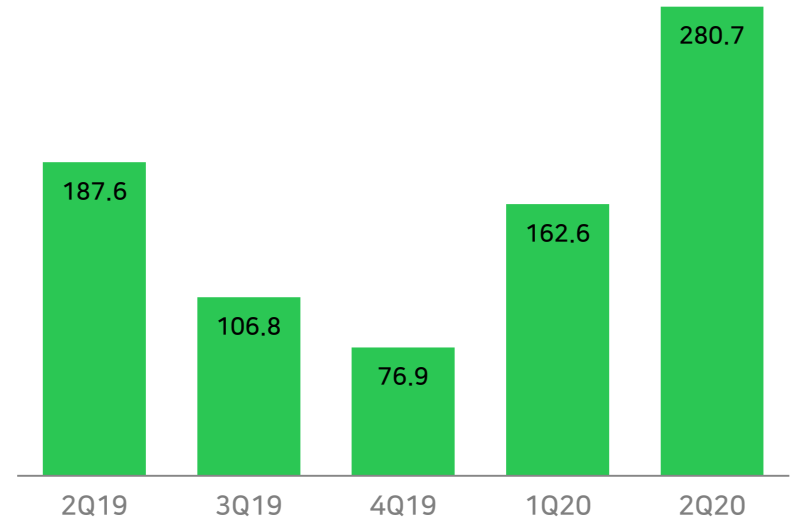
R&D

(bn KRW)



CapEx

(bn KRW)



Financial Statements Summary

Consolidated Income Statement

(mn KRW)	2Q19	3Q19	4Q19	1Q20	2Q20
Operating Revenue	1,630,275	1,664,815	1,787,448	1,732,064	1,902,468
Operating Expenses	1,501,940	1,462,729	1,614,043	1,510,569	1,671,870
Operating Income	128,335	202,086	173,405	221,495	230,598
Non-operating Revenue	65,279	82,817	335,079	148,889	153,239
Non-operating Expenses	83,190	104,655	122,225	116,515	208,069
Pre-tax Income	110,424	180,248	386,259	253,869	175,768
Tax	82,896	94,821	189,737	118,995	85,085
Net Income from Continuing Operations	27,528	85,427	196,522	134,874	90,683
Net Income from Discontinued Operations	230	-159	-313	-	-
Net Income	27,758	85,268	196,209	134,874	90,683
Controlling Interests	79,212	125,428	248,711	184,804	139,498
Non-controlling Interests	-51,455	-40,160	-52,500	-49,929	-48,816

Consolidated Statement of Financial Position

(mn KRW)	2Q19	3Q19	4Q19	1Q20	2Q20
Current Assets	5,365,624	5,497,195	5,643,714	6,533,603	7,099,070
Non-current Assets	6,070,952	6,309,522	6,655,813	7,232,431	7,593,094
Total Assets	11,436,576	11,806,717	12,299,527	13,766,034	14,692,164
Current Liabilities	3,216,112	3,343,625	3,773,119	4,097,112	4,579,566
Non-current Liabilities	1,950,889	2,025,575	2,022,482	2,213,686	2,154,746
Total Liabilities	5,167,001	5,369,200	5,795,601	6,310,798	6,734,312
Paid-in Capital	16,481	16,481	16,481	16,481	16,481
Capital Surplus	1,584,580	1,612,329	1,575,308	2,233,804	2,334,872
Other Components of Equity	-1,508,308	-1,471,649	-1,498,653	-1,412,146	-1,353,565
Retained Earnings	5,399,329	5,524,748	5,712,091	5,802,449	5,944,391
Non-controlling Interests	777,493	755,607	698,698	814,648	1,015,673
Total Equity	6,269,575	6,437,517	6,503,926	7,455,236	7,957,852

Income Statement

(mn KRW)	2Q19	3Q19	4Q19	1Q20	2Q20
Operating Revenue	1,000,176	996,224	990,995	917,961	993,667
Operating Expenses	651,165	653,551	629,554	592,504	631,532
Operating Income	349,011	342,674	361,441	325,457	362,135
Non-operating Revenue	29,669	107,353	88,182	150,046	43,173
Non-operating Expenses	21,504	29,138	40,669	29,119	59,376
Pre-tax Income	357,176	420,888	408,954	446,384	345,932
Tax	78,240	110,105	163,322	119,318	92,153
Net Income	278,936	310,783	245,632	327,066	253,779

Statement of Financial Position

(mn KRW)	2Q19	3Q19	4Q19	1Q20	2Q20
Current Assets	1,435,183	1,468,747	880,762	1,044,023	912,221
Non-current Assets	5,173,833	5,446,104	5,790,825	5,950,738	6,293,486
Total Assets	6,609,016	6,914,851	6,671,587	6,994,761	7,205,707
Current Liabilities	1,407,383	1,419,144	908,933	1,049,880	917,090
Non-current Liabilities	195,166	201,624	233,108	237,392	242,705
Total Liabilities	1,602,549	1,620,768	1,142,041	1,287,272	1,159,795
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	-1,518,110	-1,551,638	-1,548,532	-1,603,207	-1,521,006
Retained Earnings	6,145,689	6,466,833	6,699,191	6,931,809	7,188,030
Total Equity	5,006,467	5,294,083	5,529,546	5,707,489	6,045,912