

Driving Tomorrow

2017 3Q Result

Nov. 08, 2017

Business Management Team

 **NEXEN TIRE**

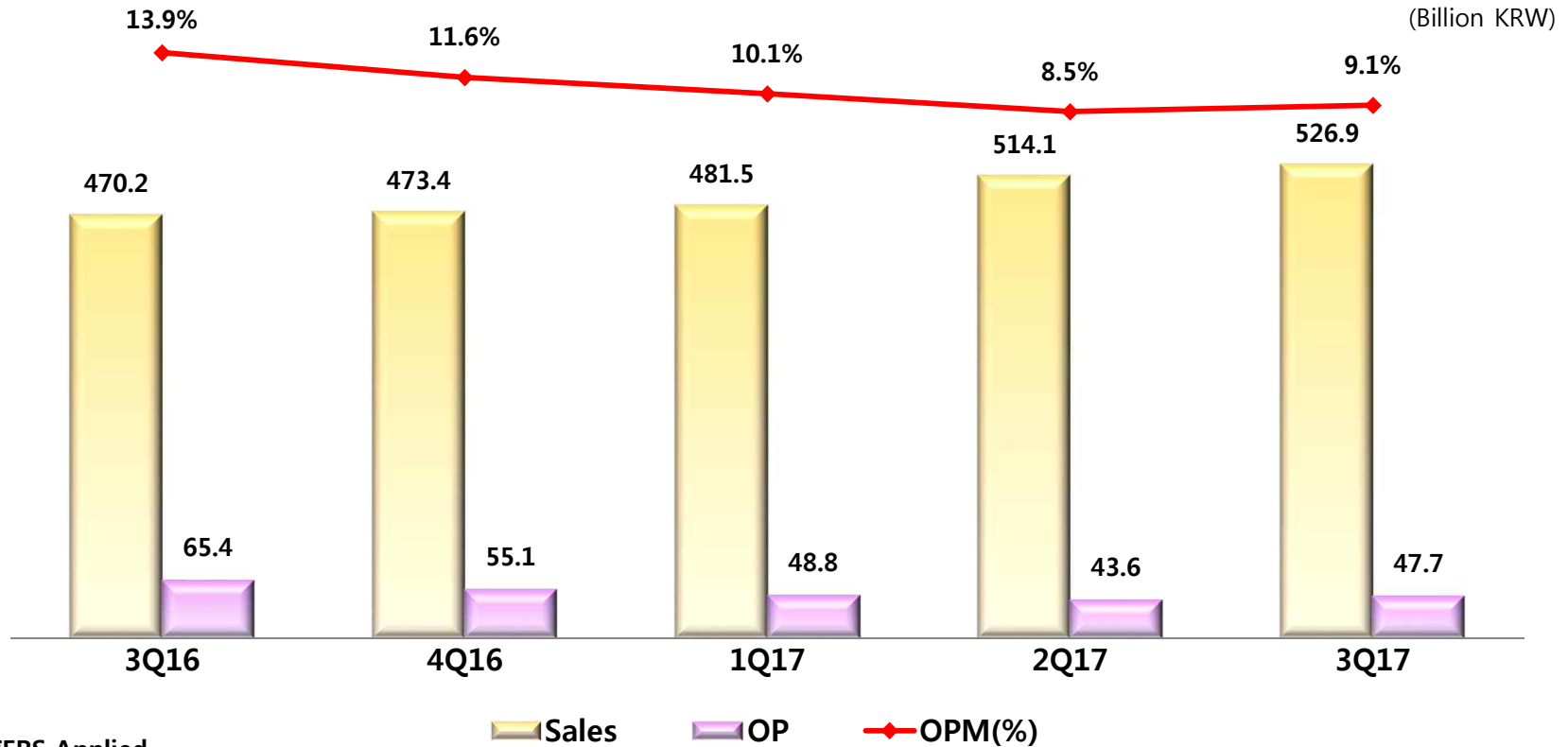


This presentation is consolidated financial result in compliance with K-IFRS with unaudited 3rd quarter of 2017 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

Consolidated Quarterly Result



- ◎ Sales increased from sales of winter products and demand in European market.
- ◎ Decline in domestic car production and stagnation in PCR demand led to limited sales growth.
- ◎ Weak operating profit continued due to rising SG&A expenses.
- ◎ Continued earnings improvement expected from China OE recovery and raw material price decline.



※ K-IFRS Applied

Consolidated Income Statement



(Billion KRW)

	2017 3Q	2017 2Q	2016 3Q	QoQ	YoY
Net Sales	526.9	514.1	470.2	2.5%	12.1%
Gross Profit	169.0	153.3	176.9	10.2%	-4.5%
<i>Margin(%)</i>	<i>32.1%</i>	<i>29.8%</i>	<i>37.6%</i>	<i>2.3%P</i>	<i>-5.6%P</i>
Operating Profit	47.7	43.6	65.4	9.5%	-27.1%
<i>Margin(%)</i>	<i>9.1%</i>	<i>8.5%</i>	<i>13.9%</i>	<i>0.6%P</i>	<i>-4.9%P</i>
Ordinary Profit	51.4	39.9	53.6	29.0%	-4.0%
<i>Margin(%)</i>	<i>9.8%</i>	<i>7.8%</i>	<i>11.4%</i>	<i>2.0%P</i>	<i>-1.6%P</i>
Depreciation	36.1	38.7	36.7	-6.8%	-1.6%
EBITDA	83.8	82.3	102.1	1.8%	-17.9%
<i>Margin(%)</i>	<i>15.9%</i>	<i>16.0%</i>	<i>21.7%</i>	<i>-0.1%P</i>	<i>-5.8%P</i>

Consolidated Balance Sheet



(Billion KRW)

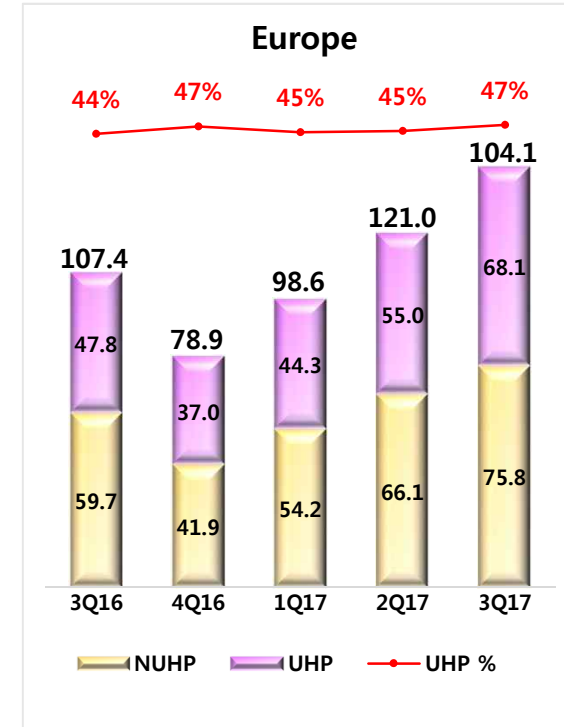
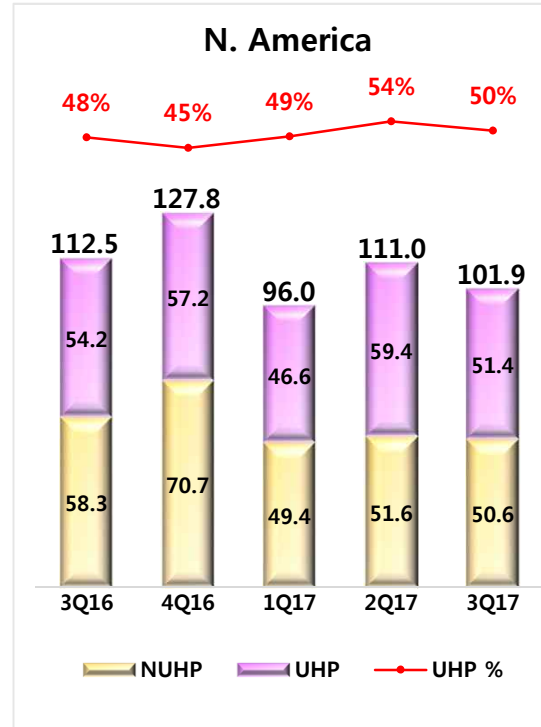
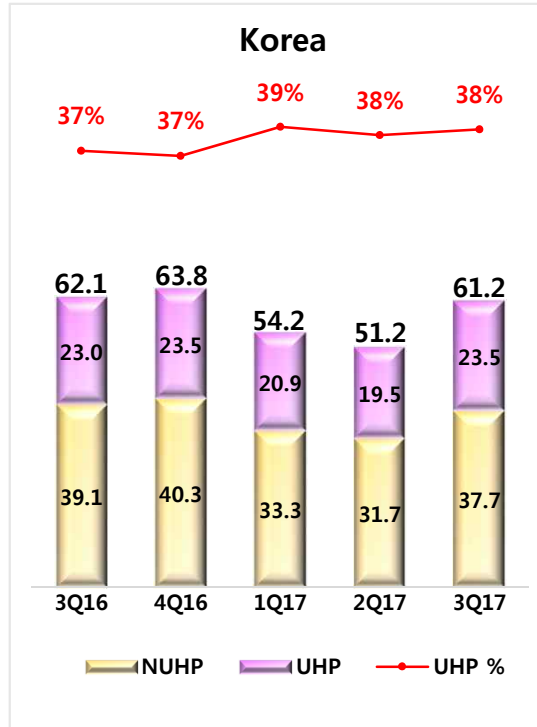
	2017 3Q (A)	2016 (B)	(A)-(B)
Assets	2,782.9	2,617.9	165.0
Current Assets	918.5	833.7	84.8
Quick Assets	655.8	582.3	73.5
Inventories	262.7	251.4	11.3
<i>(Cash and Cash Equivalents)</i>	<i>226.4</i>	<i>281.5</i>	<i>-55.1</i>
Non-Current Assets	1,864.4	1,784.2	80.2
Liabilities	1,473.4	1,415.2	58.3
Current Liabilities	570.2	560.0	10.2
Non-Current Liabilities	903.3	855.2	48.1
<i>(Debt)</i>	<i>902.7</i>	<i>854.2</i>	<i>48.5</i>
Shareholders' Equity	1,309.4	1,202.7	106.7

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2017 3Q	676.3	51.6%	112.5%	161.1%	47.1%
2016	572.7	47.6%	117.7%	148.9%	45.9%

Consolidated Sales by Region



(Billion KRW)



- ◎ QoQ sales improved from rising SUV product demand. PCR demand is relatively sluggish.
- ◎ Limited growth from increased import tires and stagnant demand.

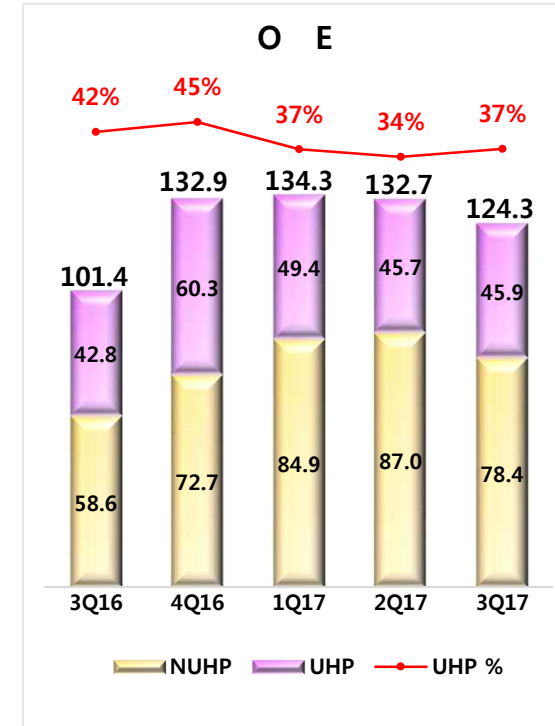
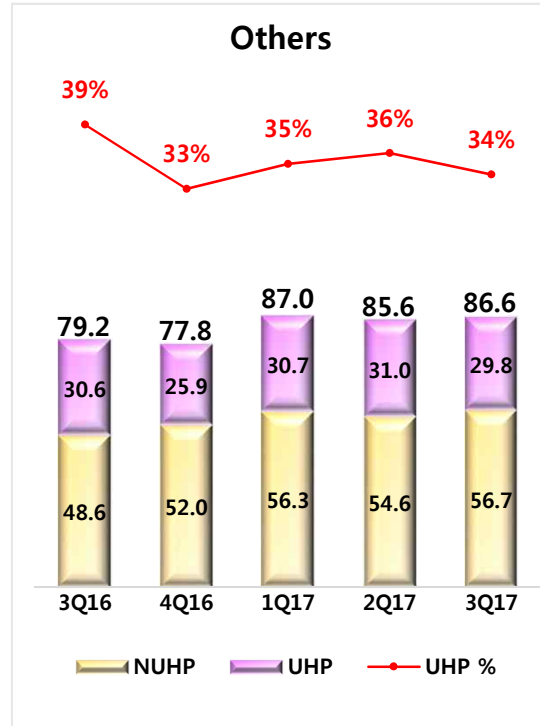
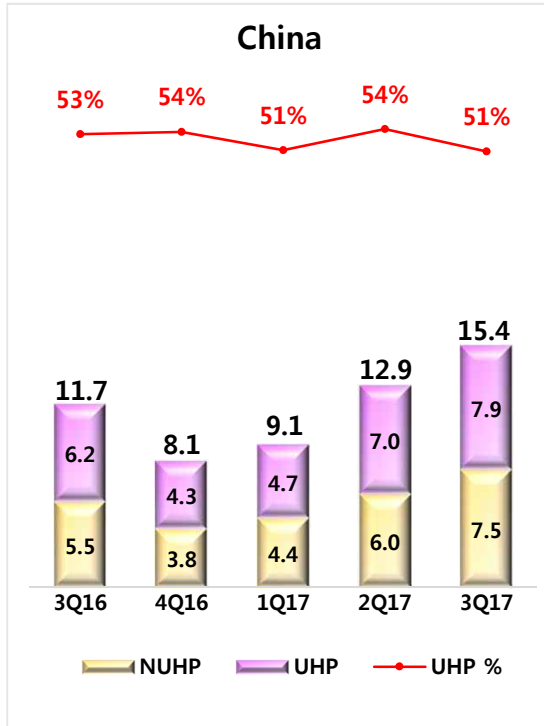
- ◎ Base effect of strong sales in '16 and overall PCR demand decline led to sales decrease.
- ◎ Reduced sales due to product mix deterioration.

- ◎ Demand increase from overall economic recovery and improved consumer sentiment in Europe.
- ◎ Strong euro and pound contributed to sales.

Consolidated Sales by Region



(Billion KRW)



- ◎ Stable sales growth due to steady increase in domestic demand.
- ◎ China's domestic market is expected to continue its current trend for a while.

- ◎ Sales growth slowed due to deteriorated products mix in Latin America.
- ◎ Slow economic recovery and sluggish sales in emerging countries.

- ◎ Weak sales by decreased shipment of domestic and overseas auto industry.

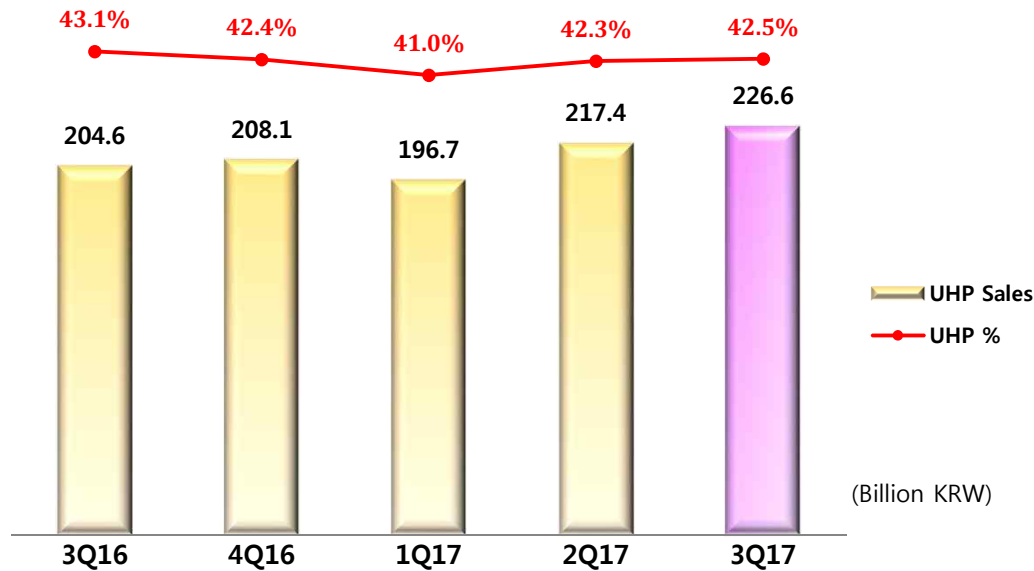
Consolidated UHPT Sales



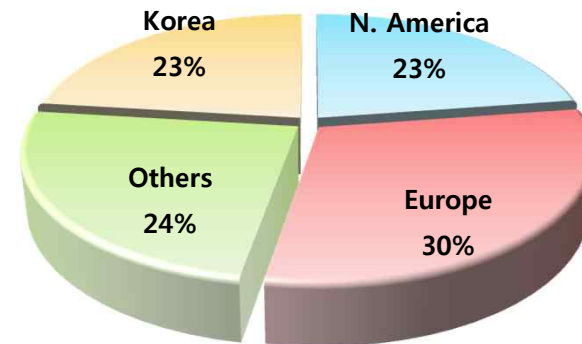
(Billion KRW)

	2017 3Q	2017 2Q	2016 3Q	QoQ	YoY
UHPT Sales	226.6	217.4	204.6	4.2%	10.7%
% / Net Sales	42.5%	42.3%	43.1%	0.2%P	-0.7%P
% / Total Volume	37.4%	38.1%	38.5%	-0.7%P	-1.1%P

※ Sum of each corporations' shipment



<UHPT Sales by Region>



2017 3Q KRW-based

Consolidated Operating Expenses



(Billion KRW)

	2017 3Q	2017 2Q	2016 3Q	QoQ	YoY
Freight & Logistic Expense	28.9	27.5	23.5	5.0%	22.7%
SG&A Expenses	92.4	82.2	87.9	12.3%	5.1%
- Salaries	24.9	24.4	22.5	2.2%	10.6%
- R&D	15.5	15.0	14.7	3.8%	5.5%
- Advertising	11.8	7.2	15.7	63.5%	-24.5%
- Others	40.1	35.6	35.0	12.5%	14.5%
Other Income & Expenses	1.4	-1.7	0.9	183.7%	63.2%

Consolidated Financial Income & Expenses



(Billion KRW)

	2017 3Q	2017 2Q	2016 3Q	QoQ	YoY
Financial Income & Expenses	2.3	-2.0	-12.7	215.1%	118.2%
- Interest	-3.6	-3.7	-3.8	3.5%	6.3%
- Foreign Currency Transaction	6.5	-4.4	-5.0	245.8%	230.1%
- Foreign Currency Translation	-0.6	-6.8	-5.4	90.5%	88.1%
- Others	0.1	-0.6	1.5	114.6%	-94.0%

Consolidated Income Statement



(Billion KRW)

	2011	(%)	2012	(%)	2013	(%)	2014	(%)	2015	(%)	2016	(%)
Net Sales	1,430.0	100.0	1,706.2	100.0	1,728.2	100	1,758.8	100.0	1,837.5	100.0	1,894.7	100.0
Cost of Goods Sold	1,085.7	75.9	1,249.4	73.2	1,239.2	71.7	1,197.8	68.1	1,218.5	66.3	1,207.9	63.8
Gross Profit	344.3	24.1	456.8	26.8	489.0	28.3	561.0	31.9	619.0	33.7	686.8	36.2
SG&A	232.3	16.2	276.6	16.2	312.2	18.1	352.5	20.0	394.1	21.4	438.8	23.2
Operation Profit	120.0	7.8	180.2	10.6	176.8	10.2	208.6	11.9	224.9	12.2	248.0	13.1
Non-Operating Income	67.8	4.7	62.6	3.7	60.7	3.5	61.0	3.5	57.5	3.1	649	3.4
Non-Operating Expenses	69.0	4.8	84.0	4.9	82.4	4.8	101.7	5.8	115.1	6.3	945	5.0
Ordinary Profit	113.1	7.9	158.1	9.3	161.4	9.3	164.1	9.3	164.8	9.0	216.5	11.4
Income Taxes	25.4	1.8	23.8	1.4	37.5	2.2	34.2	1.9	37.7	2.1	406	2.1
Net Income	87.8	6.1	134.3	7.9	124.0	7.2	129.8	7.4	127.1	6.9	176.0	9.3

※ K-IFRS Applied

Consolidated Balance Sheet



(Billion KRW)

	2011	2012	2013	2014	2015	2016
Asset	1,902.2	2,052.1	2,299.8	2,527.3	2,580.9	2,634.5
Current Assets	731.4	686.0	735.0	730.0	800.7	850.3
Quick Assets	455.4	420.7	471.6	478.5	549.1	598.9
Inventories	276.0	265.2	263.4	251.5	251.6	251.4
Non-Current Assets	1,170.8	1,366.1	1,564.8	1,797.3	1,781.3	1,784.2
Investment Assets	81.0	68.6	48.9	46.6	28.3	53.3
Property & Equipment	1,083.7	1,278.9	1,482.2	1,702.4	1,692.0	1,647.2
Intangible Assets	6.1	5.5	7.9	13.1	14.0	15.2
Liabilities	1,337.2	1,371.5	1,502.7	1,594.0	1,546.8	1,431.8
Current Liabilities	754.3	641.8	695.0	579.6	580.5	576.6
Non-Current Liabilities	582.9	729.8	807.7	1,014.3	966.3	855.2
Capital	483.3	565.0	680.6	797.0	1,034.0	1,202.7

Thank You