


Driving Tomorrow



2017 2Q Result

Aug. 14, 2017

Business Management Team

 **NEXEN TIRE**

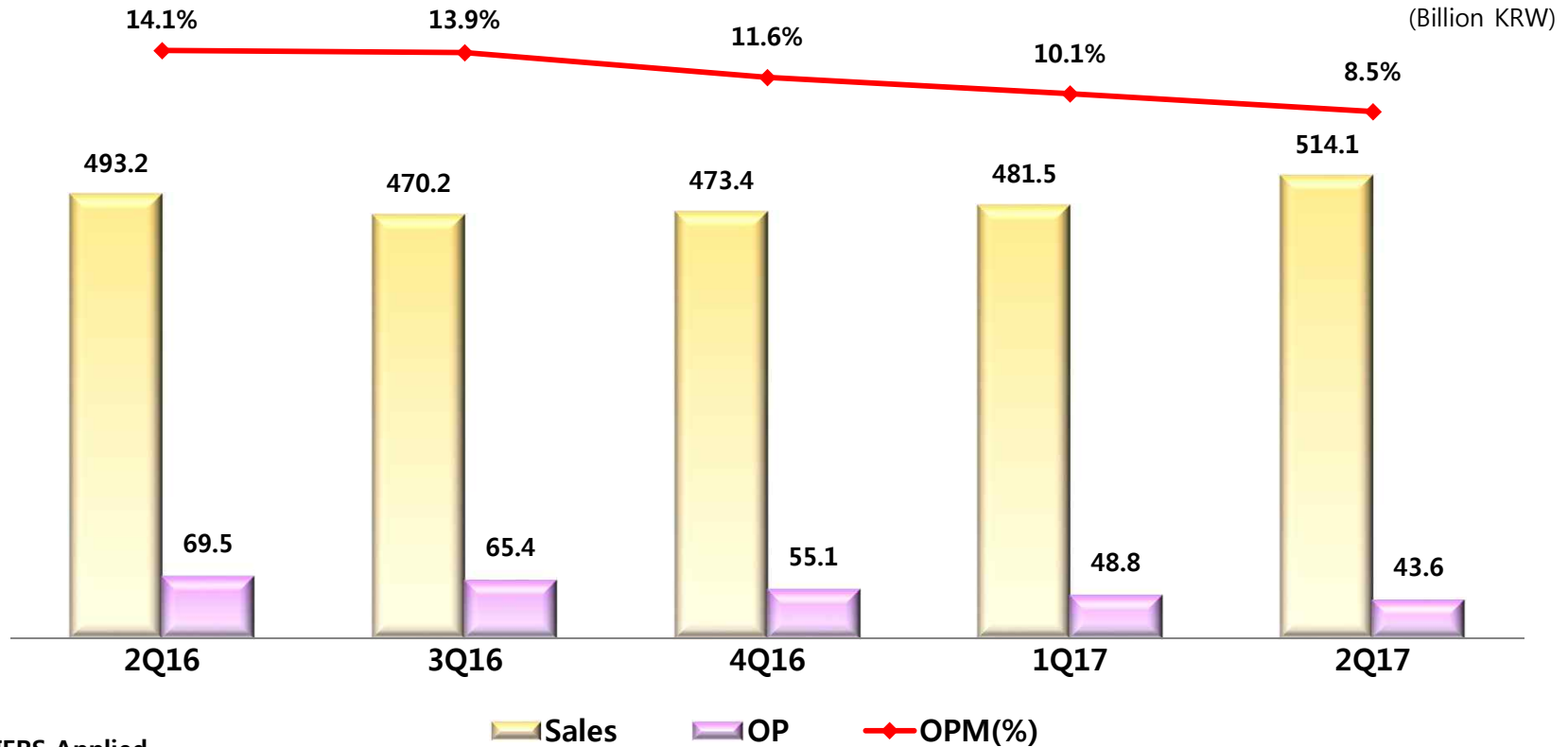


This presentation is consolidated financial result in compliance with K-IFRS with unaudited 2nd quarter of 2017 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

Consolidated Quarterly Result



- ◎ The global tire demand growth led to increase in sales and volume.
- ◎ OP declined due to high raw material input prices in the wake of surge in raw material prices in 1H.
- ◎ The overall weakness in the OE market from shrinking sales of major customers in the US and China.
- ◎ Sales growth expected to continue in 2H driven by recovery in the tire market.



※ K-IFRS Applied

Consolidated Income Statement



(Billion KRW)

	2017 2Q	2017 1Q	2016 2Q	QoQ	YoY
Net Sales	514.1	481.5	493.2	6.8%	4.2%
Gross Profit	153.3	157.0	179.0	-2.3%	-14.4%
<i>Margin(%)</i>	<i>29.8%</i>	<i>32.6%</i>	<i>36.3%</i>	<i>-2.8%P</i>	<i>-6.5%P</i>
Operating Profit	43.6	48.8	69.5	-10.7%	-37.4%
<i>Margin(%)</i>	<i>8.5%</i>	<i>10.1%</i>	<i>14.1%</i>	<i>-1.7%P</i>	<i>-5.6%P</i>
Ordinary Profit	39.9	40.4	57.9	-1.3%	-31.1%
<i>Margin(%)</i>	<i>7.8%</i>	<i>8.4%</i>	<i>11.7%</i>	<i>-0.6%P</i>	<i>-4.0%P</i>
Depreciation	38.7	36.8	37.0	5.2%	4.8%
EBITDA	82.3	85.6	106.5	-3.9%	-22.7%
<i>Margin(%)</i>	<i>16.0%</i>	<i>17.8%</i>	<i>21.6%</i>	<i>-1.8%P</i>	<i>-5.6%P</i>

Consolidated Balance Sheet



(Billion KRW)

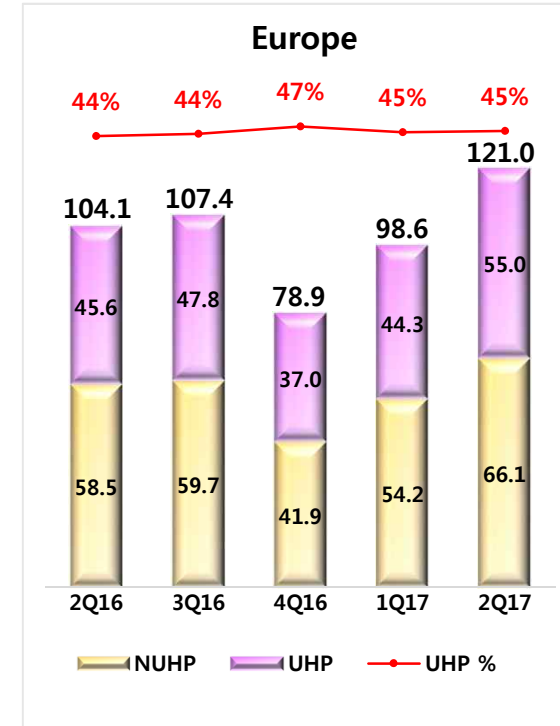
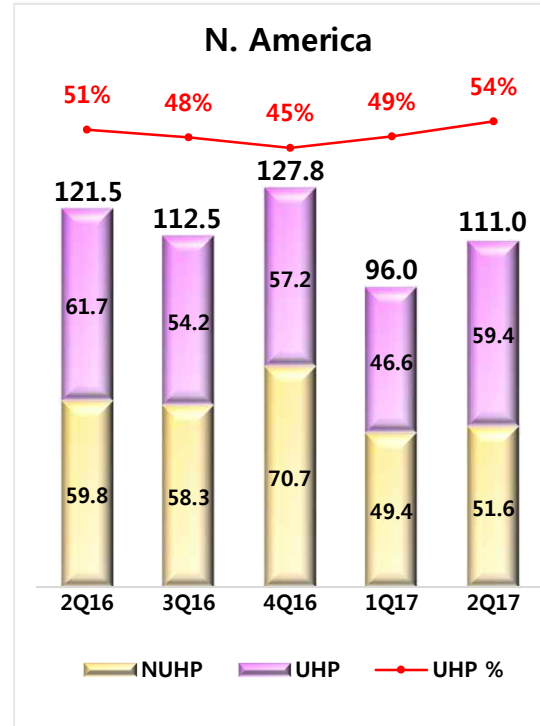
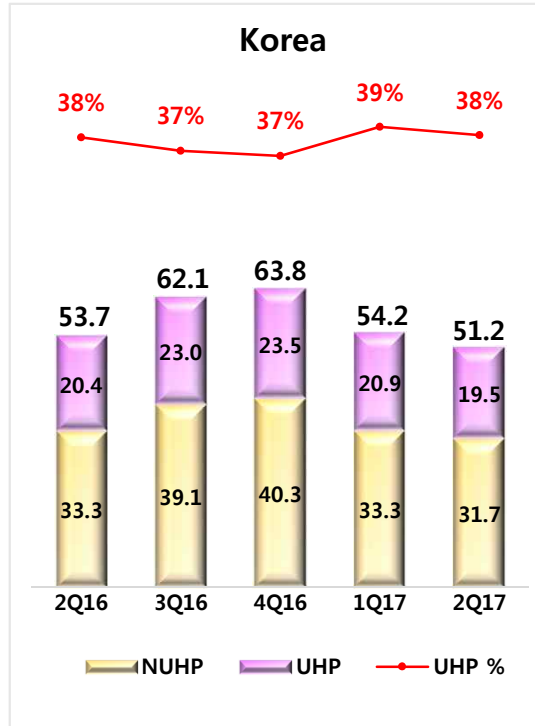
	2017 2Q (A)	2016 (B)	(A)-(B)
Assets	2,734.3	2,617.9	116.4
Current Assets	895.5	833.7	61.8
Quick Assets	607.3	582.3	25.0
Inventories	288.2	251.4	36.9
<i>(Cash and Cash Equivalents)</i>	<i>244.2</i>	<i>281.5</i>	<i>-37.3</i>
Non-Current Assets	1,838.8	1,784.2	54.6
Liabilities	1,481.5	1,415.2	66.3
Current Liabilities	633.6	560.0	73.6
Non-Current Liabilities	847.9	855.2	-7.3
<i>(Debt)</i>	<i>919.7</i>	<i>854.2</i>	<i>65.5</i>
Shareholders' Equity	1,252.9	1,202.7	50.1

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2017 2Q	675.5	53.9%	118.2%	141.3%	45.8%
2016	572.7	47.6%	117.7%	148.9%	45.9%

Consolidated Sales by Region



(Billion KRW)



◎ Sales declined due to intensified competition from domestic competitors and increased tire imports from the US and Europe.

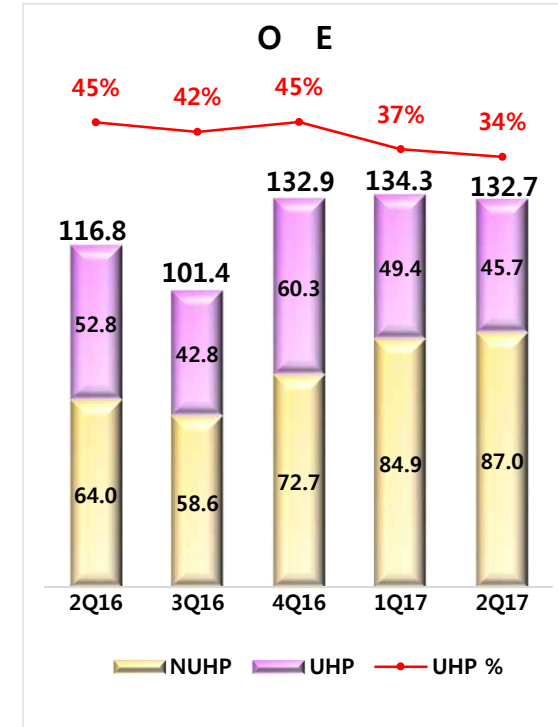
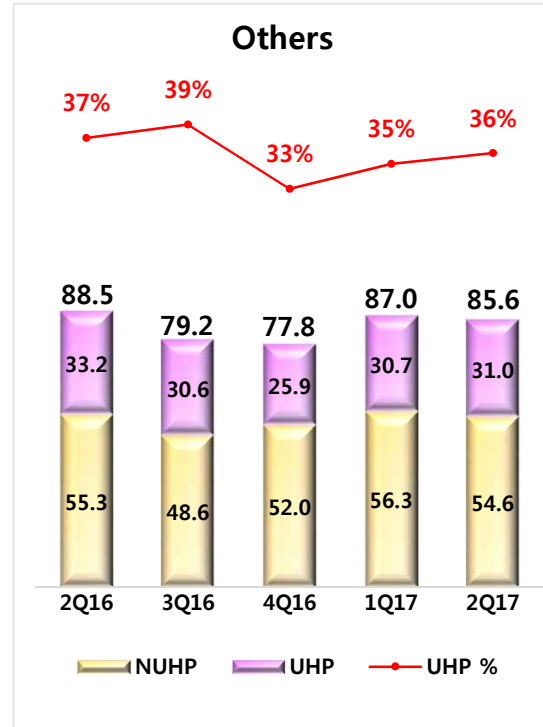
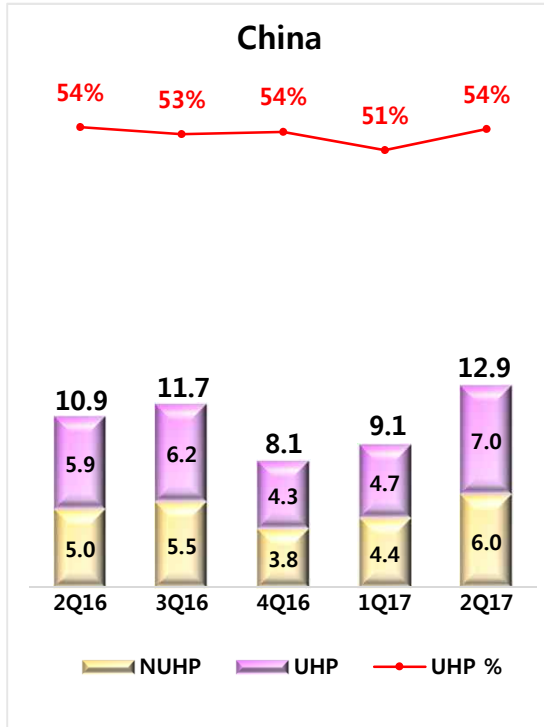
◎ Sluggish RE demand and slower market growth led to weak sales recovery.
 ◎ Fierce competition among companies due to increased supply relative to the weak demand.

◎ Sales have increased from rising demand in Western Europe and expected to continue in 2H.
 ◎ Competition will gradually eased due to continual economic and demand growth.

Consolidated Sales by Region



(Billion KRW)



◎ Sales increased from RE demand increase and eased competition due to restructuring of tire makers in China.

◎ Major Latin American countries such as Brazil contributed to sales by showing a big YoY sales growth.
 ◎ Limited sales growth due to slow economic recovery in other emerging countries.

◎ YoY sales growth led by expansion of overseas OE supply.
 ◎ Sales recovery was limited due to decline in OE shipment in China.

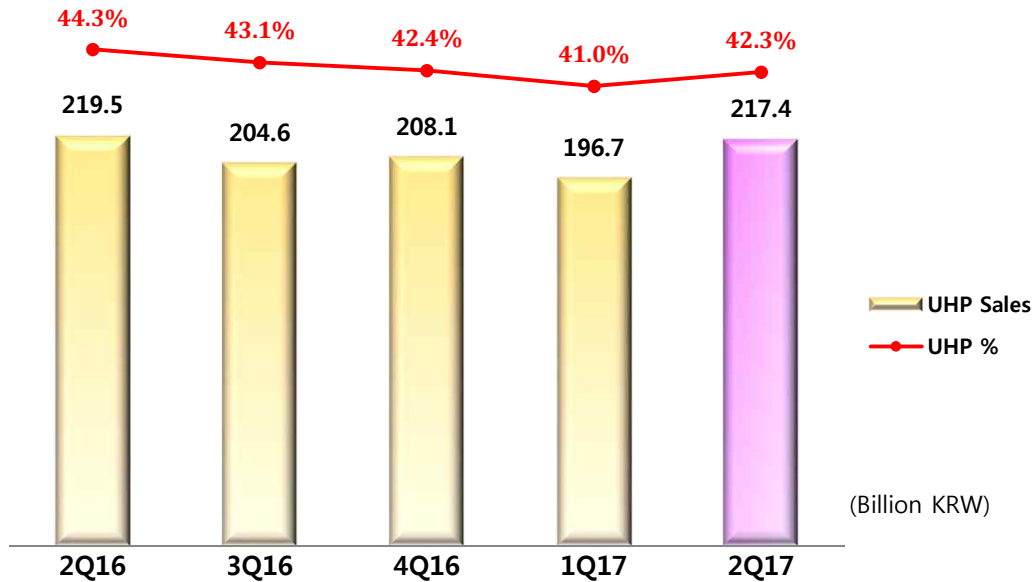
Consolidated UHPT Sales



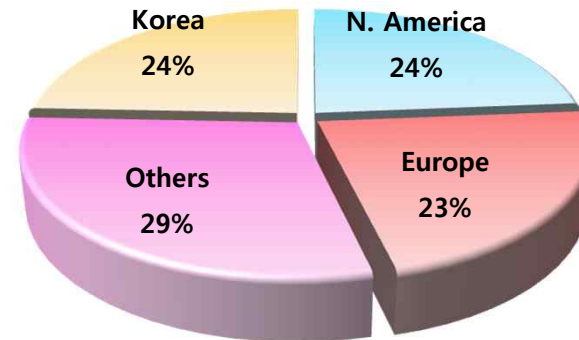
(Billion KRW)

	2017 2Q	2017 1Q	2016 2Q	QoQ	YoY
UHPT Sales	217.4	196.7	219.5	10.6%	-1.0%
% / Net Sales	42.3%	41.0%	44.3%	1.2%P	-2.0%P
% / Total Volume	38.1%	36.8%	39.0%	1.3%P	-0.8%P

※ Sum of each corporations' shipment



<UHPT Sales by Region>



2017 2Q KRW-based

Consolidated Operating Expenses



(Billion KRW)

	2017 2Q	2017 1Q	2016 2Q	QoQ	YoY
Freight & Logistic Expense	27.5	25.6	22.7	7.5%	21.1%
SG&A Expenses	82.2	82.6	86.7	-0.5%	-5.2%
- Salaries	24.4	22.2	21.3	9.8%	14.6%
- R&D	15.0	15.4	15.5	-2.8%	-3.3%
- Advertising	7.2	12.6	14.8	-42.7%	-51.1%
- Others	35.6	32.4	35.2	10.0%	1.3%
Other Income & Expenses	-1.7	1.0	0.5	-264.7%	-470.7%

Consolidated Financial Income & Expenses



(Billion KRW)

	2017 2Q	2017 1Q	2016 2Q	QoQ	YoY
Financial Income & Expenses	-2.0	-9.4	-12.1	78.6%	83.4%
- Interest	-3.7	-3.3	-5.7	-11.9%	35.2%
- Foreign Currency Transaction	-4.4	-5.4	-3.2	17.3%	-39.7%
- Foreign Currency Translation	6.8	-2.0	-1.9	433.4%	462.7%
- Others	-0.6	1.3	-1.3	-147.0%	51.7%

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