

*Driving Tomorrow*

# 2015 3Q Result

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28 Oct 2015

Business Management Team

 **NEXEN TIRE**



This presentation is consolidated financial result in compliance with K-IFRS with unaudited 3<sup>rd</sup> quarter of 2015 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

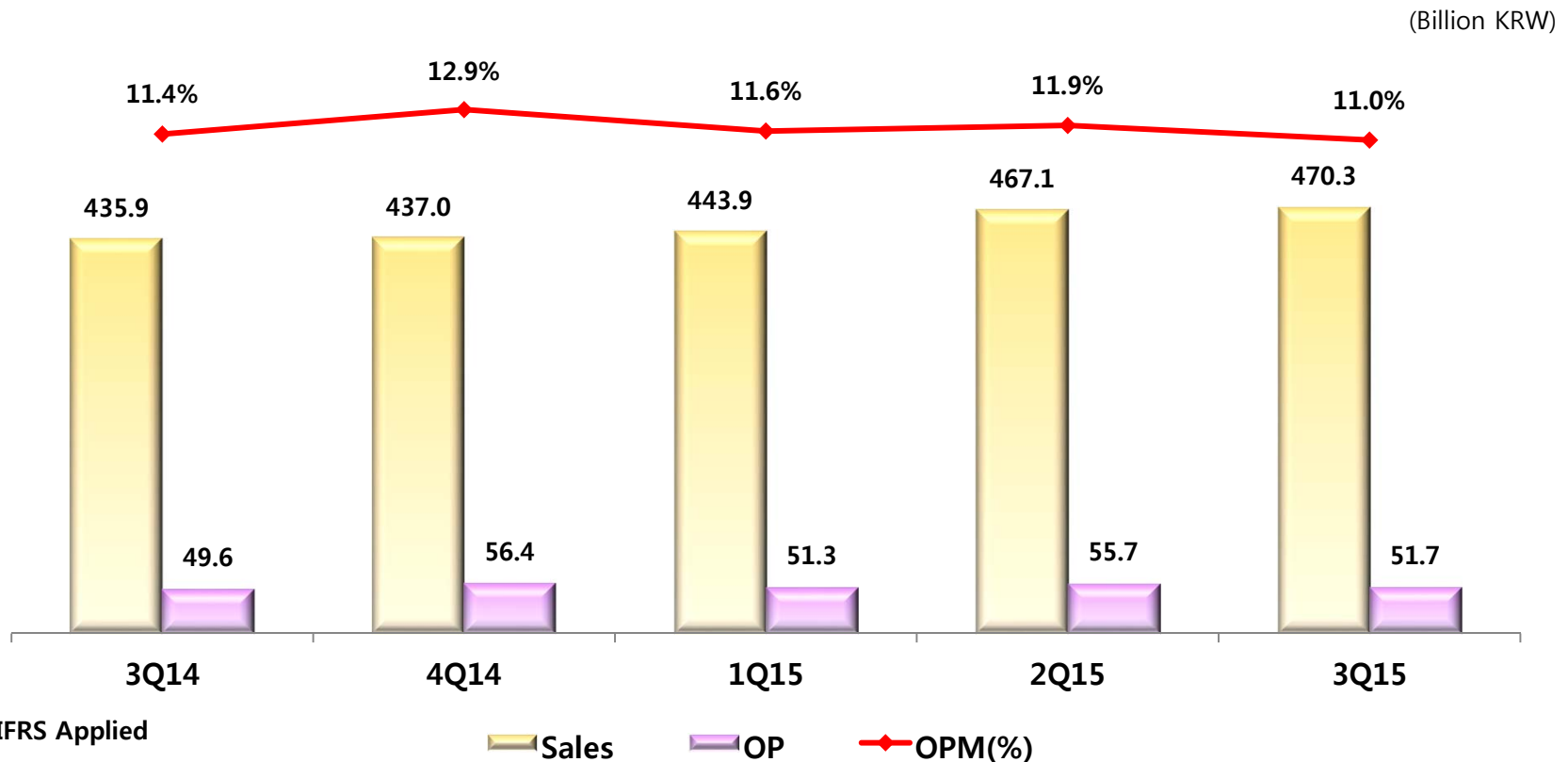
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- I. Consolidated Result
- II. Result by Plant

# Consolidated Quarterly Result



- ◎ Sales increased due to favorable FX rates / Euro appreciation led to sales increase in the EU.
- ◎ UHP sales decreased in N. America from fewer working days and product mix deterioration.
- ◎ OE sales declined along with the global auto sale decline.



# Consolidated Income Statement



(Billion KRW)

	2015 3Q	2015 2Q	2014 3Q	QoQ	YoY
Net Sales	470.3	467.1	435.9	0.7%	7.9%
Gross Profit	154.5	156.9	137.3	-1.5%	12.5%
<i>Margin(%)</i>	<i>32.8%</i>	<i>33.6%</i>	<i>31.5%</i>	<i>-0.7%P</i>	<i>1.4%P</i>
Operating Profit	51.7	55.7	49.6	-7.1%	4.4%
<i>Margin(%)</i>	<i>11.0%</i>	<i>11.9%</i>	<i>11.4%</i>	<i>-0.9%P</i>	<i>-0.4%P</i>
Ordinary Profit	26.5	55.1	33.0	-51.9%	-19.8%
<i>Margin(%)</i>	<i>5.6%</i>	<i>11.8%</i>	<i>7.6%</i>	<i>-6.2%P</i>	<i>-1.9%P</i>
Depreciation	36.6	35.4	29.2	3.3%	25.3%
EBITDA	88.3	91.1	78.8	-3.0%	12.1%
<i>Margin(%)</i>	<i>18.8%</i>	<i>19.5%</i>	<i>18.1%</i>	<i>-0.7%P</i>	<i>0.7%P</i>

# Consolidated Balance Sheet



(Billion KRW)

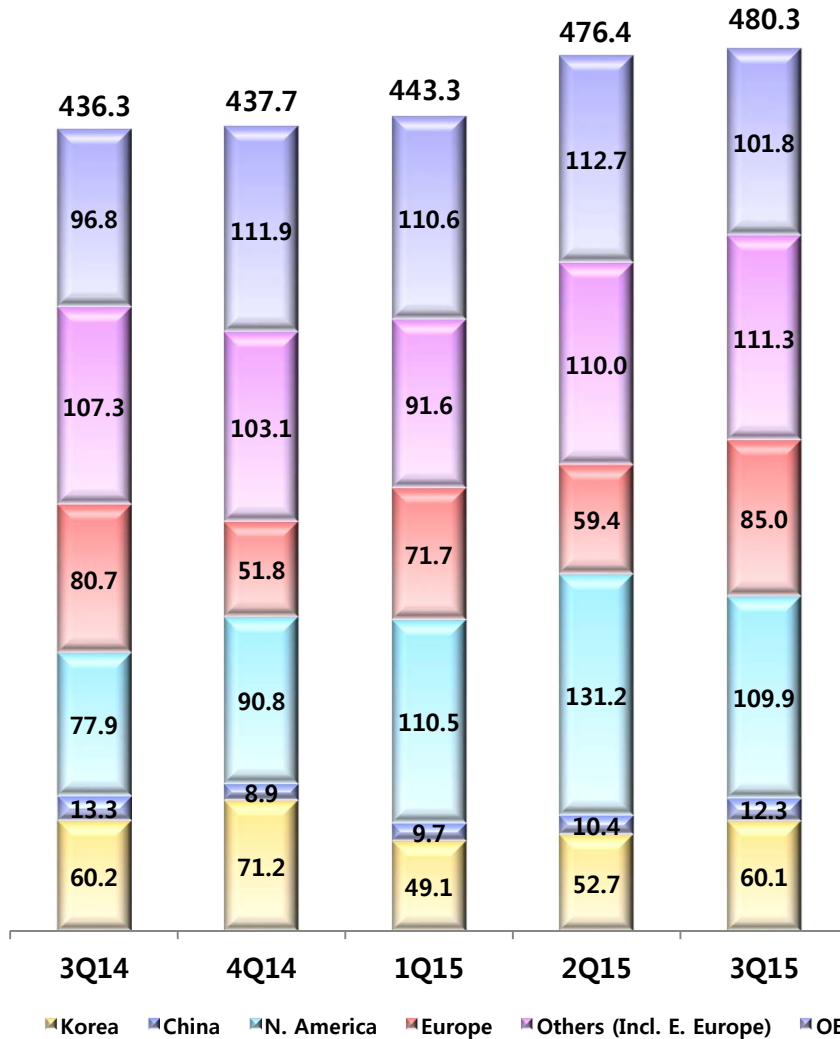
	2015 3Q (A)	2014 (B)	(A)-(B)
<b>Assets</b>	<b>2,635.6</b>	<b>2,527.3</b>	<b>108.3</b>
<b>Current Assets</b>	<b>832.9</b>	<b>730.0</b>	<b>102.9</b>
Quick Assets	572.4	478.5	93.9
Inventories	260.5	251.5	9.0
<i>(Cash and Cash Equivalents)</i>	<i>218.5</i>	<i>193.4</i>	<i>6.9</i>
<b>Non-Current Assets</b>	<b>1,802.7</b>	<b>1,797.3</b>	<b>5.4</b>
<b>Liabilities</b>	<b>1,613.4</b>	<b>1,594.0</b>	<b>19.4</b>
<b>Current Liabilities</b>	<b>652.7</b>	<b>579.6</b>	<b>73.1</b>
<b>Non-Current Liabilities</b>	<b>960.7</b>	<b>1,014.3</b>	<b>-53.7</b>
<i>(Debt)</i>	<i>1,032.4</i>	<i>1,064.3</i>	<i>-48.0</i>
<b>Shareholders' Equity</b>	<b>1,022.2</b>	<b>933.4</b>	<b>88.9</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
<b>2015 3Q</b>	<b>813.9</b>	<b>79.6%</b>	<b>157.8%</b>	<b>127.6%</b>	<b>38.8%</b>
<b>2014</b>	<b>868.8</b>	<b>93.1%</b>	<b>170.8%</b>	<b>125.9%</b>	<b>36.9%</b>

# Consolidated Sales by Region



(Billion KRW)



**OE** –Low new car demand in the global markets led to low sales.

**Others** –EM continued currency depreciation and negative real economy growth. / Aggressive price competition from China led to limited sales growth.

**Europe** –Enhance distribution strategy by expanding online B2B.  
 -Sales recovery from strong Euro/GBP conversion.  
 -Aggressive price competition continued from China.

**N. America** –Sales decreased by SUV tire sales slump.  
 -Sluggish sales due to increased competition with global competitors.

**China** –Sales improved by expanding the domestic distribution channels and increased promotion activity.

**Korea** –Expand domestic promotional events and advertising.  
 -Sales increased due to SUV tire demand growth.

※ Sum of each plant shipment, exclusive of the internal transaction

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# Consolidated UHPT Sales

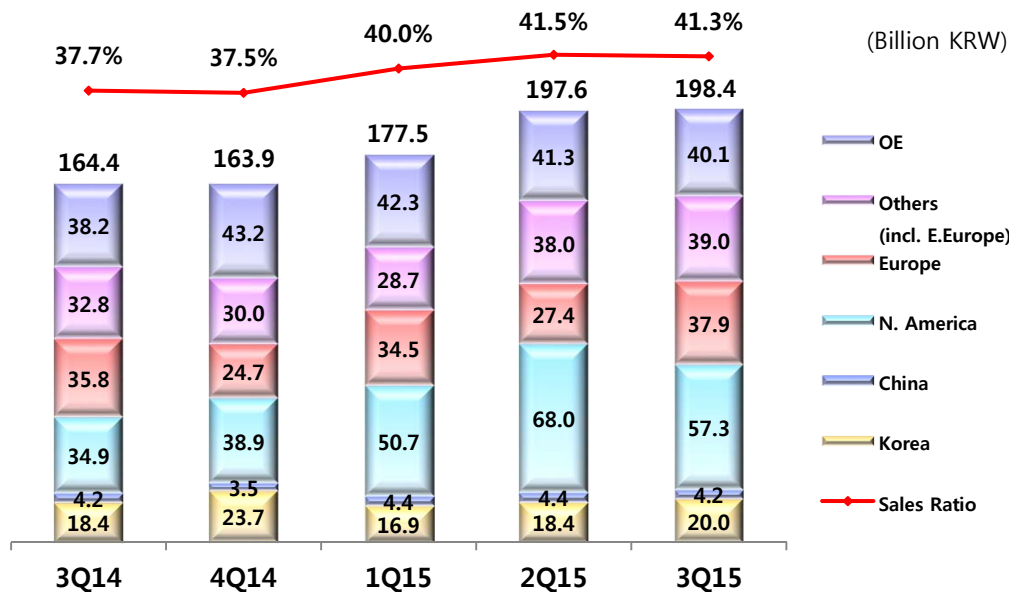


◎ Europe: Sales recovered from currency improvement and auto demand increase.  
 ◎ N. America: Sales decreased due to product mix change including low winter product sales.

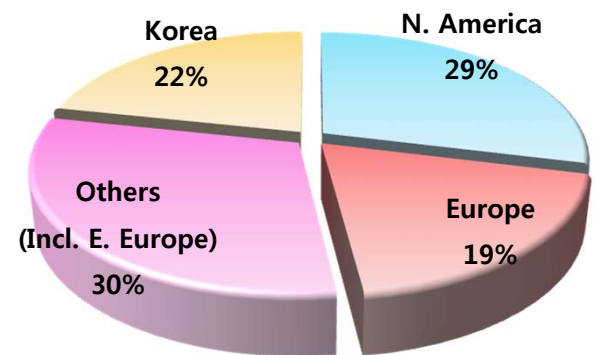
(Billion KRW)

	2015 3Q	2015 2Q	2014 3Q	QoQ	YoY
UHPT Sales	198.4	197.6	164.4	0.4%	20.7%
% / Net Sales	41.3%	41.5%	37.7%	-0.2%P	3.6%P
% / Total Volume	35.1%	36.0%	32.9%	-0.9%P	2.2%P

※ Sum of each plant shipment, exclusive of the internal transaction



## <UHPT Sales by Region>



2015 3Q KRW-based



# Consolidated Operating Expenses



(Billion KRW)

	2015 3Q	2015 2Q	2014 3Q	QoQ	YoY
Freight & Logistic Expense	24.0	25.2	22.1	-4.5%	8.5%
SG&A Expenses	78.7	76.1	65.6	3.5%	20.1%
- Salaries	20.3	19.8	18.1	2.3%	12.2%
- R&D	16.2	16.2	15.8	-0.1%	2.6%
- Advertising	12.4	12.0	7.4	3.1%	68.0%
- Others	29.9	28.1	24.4	6.6%	22.7%
Other Income & Expenses	-0.9	1.8	-2.5	-146.9%	65.4%

# Consolidated Financial Income & Expenses



(Billion KRW)

	2015 3Q	2015 2Q	2014 2Q	QoQ	YoY
<b>Financial Income &amp; Expenses</b>	<b>-24.4</b>	<b>-2.4</b>	<b>-14.1</b>	<b>-923.3%</b>	<b>-73.4%</b>
- Interest	-7.0	-7.6	-5.4	8.1%	-29.0%
- Foreign Currency Transaction	2.9	-1.0	9.5	388.0%	-69.7%
- Foreign Currency Translation	-17.0	6.1	-17.7	-379.0%	3.9%
- Others	-3.2	0.1	-0.4	-3,300.3%	-743.2%

## Raw Material Input Price



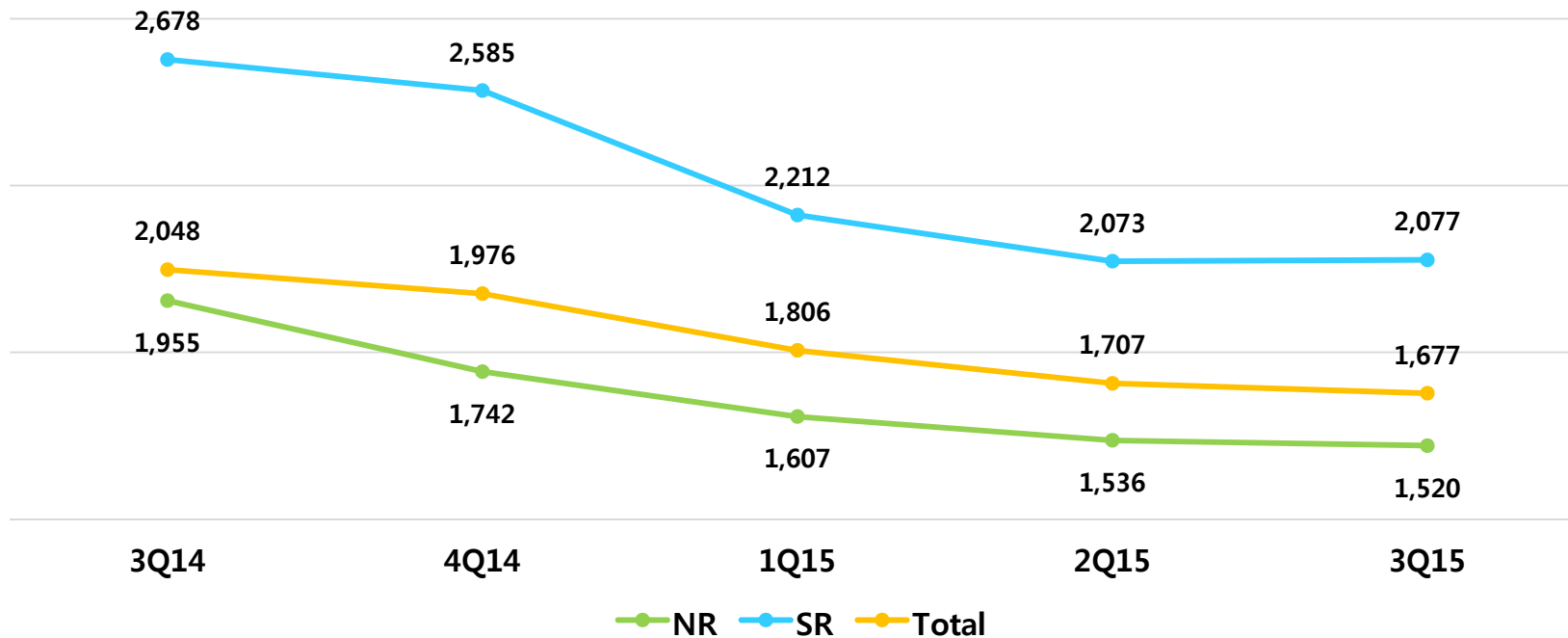
**NR** : -Weak demand caused price downturn along with production increase.  
 -Demand is expected to rise with China economic recovery, however low price will continue for the time being from holidays.

**SR** : -Speed of price downward is slowing from stable oil price.  
 -Price will be stable due to the limited demand regardless of upward trend of oil price.

QoQ: -1.7%

YoY: -18.1%

(USD/ton)



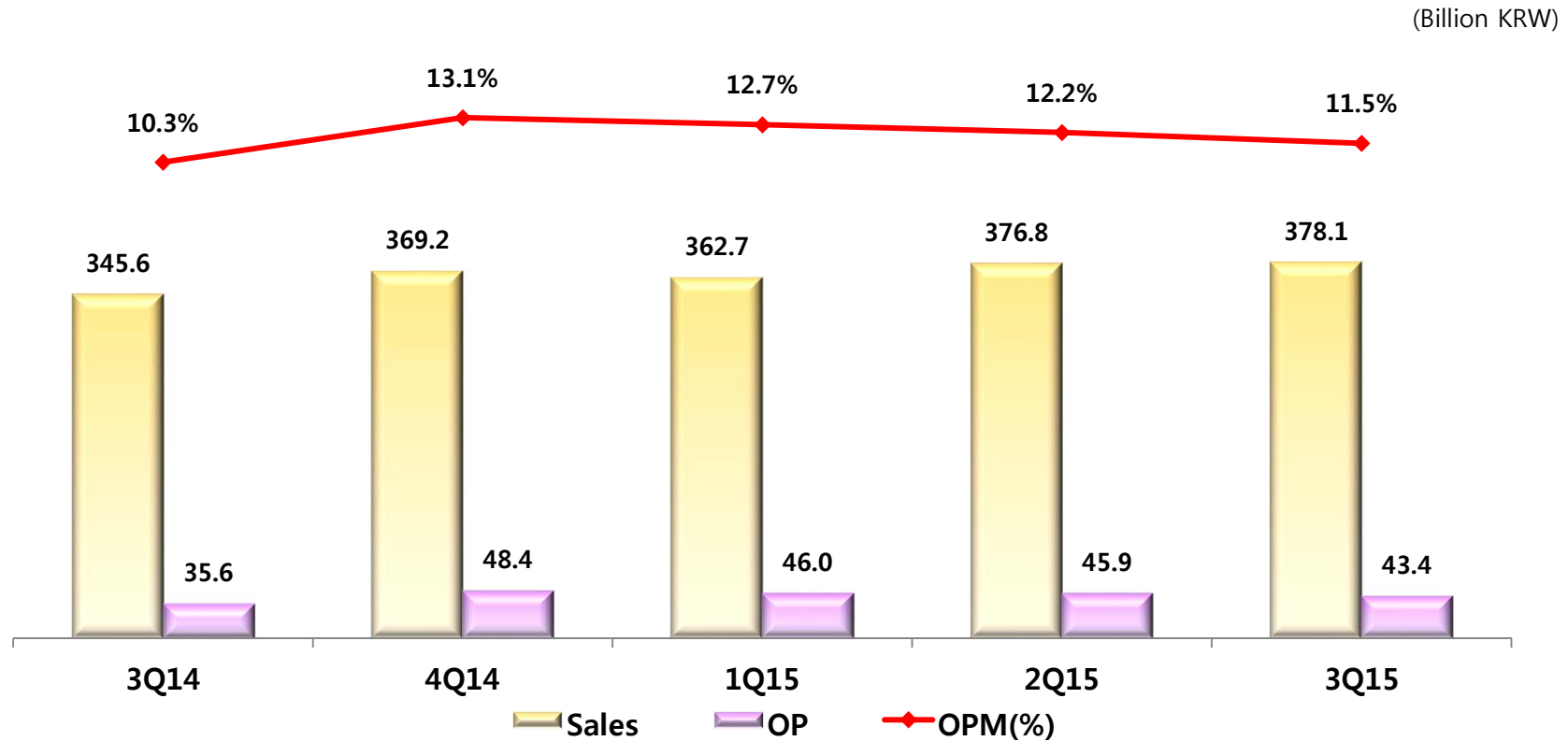
## Contents

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# Korea Quarterly Result



- ◎ N. America entered low demand season and intensified competition caused margin decline.
- ◎ Limited Revenue growth from competition by Chinese influx in the global markets.
- ◎ OE sales declined due to reduced shipment from domestic auto makers.



※ K-IFRS Applied

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# Korea Income Statement



(Billion KRW)

	2015 3Q	2015 2Q	2014 3Q	QoQ	YoY
Net Sales	378.1	376.8	345.6	0.3%	9.4%
Gross Profit	124.4	125.4	105.2	-0.8%	18.2%
<i>Margin(%)</i>	<i>32.9%</i>	<i>33.3%</i>	<i>30.5%</i>	<i>-0.4%P</i>	<i>2.4%P</i>
Operating Profit	43.4	45.9	35.6	-5.3%	22.2%
<i>Margin(%)</i>	<i>11.5%</i>	<i>12.2%</i>	<i>10.3%</i>	<i>-0.7%P</i>	<i>1.2%P</i>
Ordinary Profit	33.3	48.1	28.1	-30.8%	18.4%
<i>Margin(%)</i>	<i>8.8%</i>	<i>12.8%</i>	<i>8.1%</i>	<i>-4.0%P</i>	<i>0.7%P</i>
Depreciation	26.3	26.0	20.2	1.2%	30.3%
EBITDA	69.8	71.9	55.8	-3.0%	25.1%
<i>Margin(%)</i>	<i>18.5%</i>	<i>19.1%</i>	<i>16.1%</i>	<i>-0.6%P</i>	<i>2.3%P</i>

# Korea Balance Sheet



(Billion KRW)

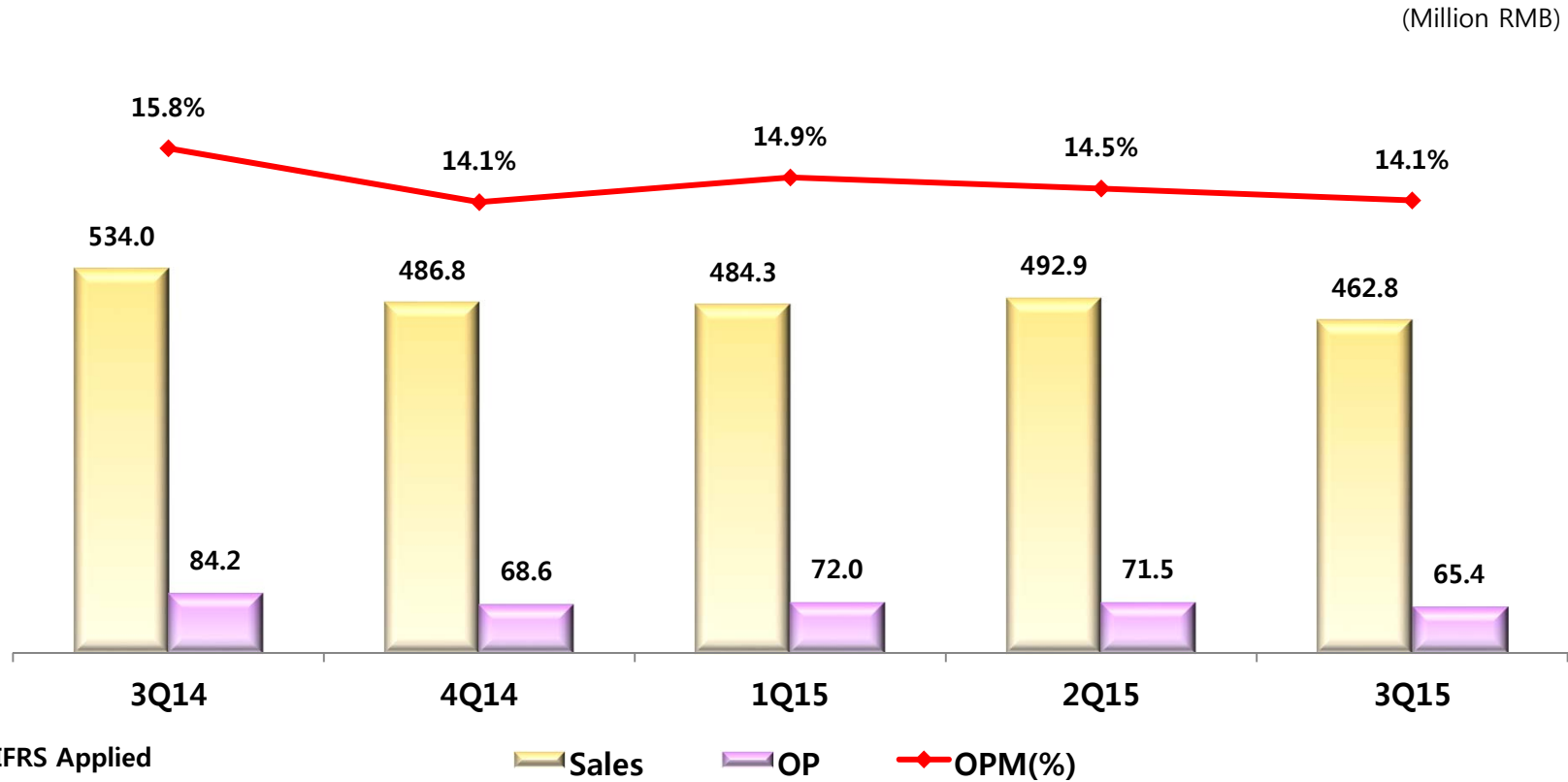
	2015 3Q (A)	2014 (B)	(A)-(B)
<b>Assets</b>	<b>2,216.2</b>	<b>2,136.3</b>	<b>79.9</b>
<b>Current Assets</b>	<b>686.2</b>	<b>593.8</b>	<b>92.3</b>
<b>Quick Assets</b>	<b>559.1</b>	<b>461.5</b>	<b>97.6</b>
<b>Inventories</b>	<b>127.1</b>	<b>132.3</b>	<b>-5.2</b>
<i>(Cash and Cash Equivalents)</i>	<i>165.3</i>	<i>161.6</i>	<i>3.7</i>
<b>Non-Current Assets</b>	<b>1,530.0</b>	<b>1,542.4</b>	<b>-12.5</b>
<b>Liabilities</b>	<b>1,235.0</b>	<b>1,240.0</b>	<b>-5.1</b>
<b>Current Liabilities</b>	<b>428.2</b>	<b>397.2</b>	<b>30.9</b>
<b>Non-Current Liabilities</b>	<b>806.8</b>	<b>842.8</b>	<b>-36.0</b>
<i>(Debt)</i>	<i>725.4</i>	<i>776.4</i>	<i>-51.0</i>
<b>Shareholders' Equity</b>	<b>981.2</b>	<b>896.3</b>	<b>84.9</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2015 3Q	560.1	57.1%	125.9%	160.3%	44.3%
2014	614.8	68.6%	138.4%	149.5%	42.0%

# China Quarterly Result



◎ Sales and profit decreased due to the termination of winter product sale season.  
 ◎ Intensified market competition caused sales decline.





# China Income Statement



(Million RMB)

	2015 3Q	2015 2Q	2014 3Q	QoQ	YoY
Net Sales	463	493	534	-6.1%	-13.3%
Gross Profit	132	149	156	-11.2%	-15.5%
<i>Margin(%)</i>	<i>28.5%</i>	<i>30.2%</i>	<i>29.3%</i>	<i>-1.6%P</i>	<i>-0.7%P</i>
Operating Profit	65	72	84	-8.5%	-22.3%
<i>Margin(%)</i>	<i>14.1%</i>	<i>14.5%</i>	<i>15.8%</i>	<i>-0.4%P</i>	<i>-1.6%P</i>
Ordinary Profit	3	77	51	-96.7%	-95.1%
<i>Margin(%)</i>	<i>0.5%</i>	<i>15.7%</i>	<i>9.6%</i>	<i>-15.1%P</i>	<i>-9.1%P</i>
Depreciation	34	33	32	2.2%	6.6%
EBITDA	100	105	116	-5.1%	-14.3%
<i>Margin(%)</i>	<i>21.5%</i>	<i>21.3%</i>	<i>21.8%</i>	<i>0.2%P</i>	<i>-0.3%P</i>

※ IFRS standard format

# China Balance Sheet



(Million RMB)

	2015 3Q (A)	2014 (B)	(A)-(B)
<b>Assets</b>	<b>3,056</b>	<b>3,049</b>	<b>7</b>
<b>Current Assets</b>	<b>934</b>	<b>938</b>	<b>-3</b>
Quick Assets	800	781	19
Inventories	135	157	-23
<i>(Cash and Cash Equivalents)</i>	<i>188</i>	<i>177</i>	<i>11</i>
<b>Non-Current Assets</b>	<b>2,122</b>	<b>2,111</b>	<b>12</b>
<b>Liabilities</b>	<b>1,846</b>	<b>1,925</b>	<b>-79</b>
<b>Current Liabilities</b>	<b>1,085</b>	<b>1,029</b>	<b>56</b>
<b>Non-Current Liabilities</b>	<b>761</b>	<b>896</b>	<b>-134</b>
<i>(Debt)</i>	<i>1,523</i>	<i>1,628</i>	<i>-105</i>
<b>Shareholders' Equity</b>	<b>1,210</b>	<b>1,124</b>	<b>86</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2015 3Q	1,334	110.3%	152.6%	86.2%	39.6%
2014	1,450	129.0%	171.2%	91.1%	36.9%

# Consolidated Income Statement



(Billion KRW)

	2009	(%)	2010	(%)	2011	(%)	2012	(%)	2013	(%)	2014	(%)
Net Sales	1,009.9	100.0	1,148.6	100.0	1,430.0	100.0	1,706.2	100.0	1,728.2	100	1,758.8	100.0%
Cost of Goods Sold	669.0	66.2	801.2	69.8	1,085.7	75.9	1,249.4	73.2	1,239.2	71.7	1,197.8	68.1%
Gross Profit	340.9	33.8	347.4	30.2	344.3	24.1	456.8	26.8	489.0	28.3	561.0	31.9%
SG&A	175.8	17.4	210.8	18.3	232.3	16.2	276.6	16.2	312.2	18.1	352.5	20.0%
Operation Profit	165.1	16.4	136.6	11.9	120.0	7.8	180.2	10.6	176.8	10.2	208.6	11.9%
Non-Operating Income	45.2	4.5	36.4	3.2	67.8	4.7	62.6	3.7	60.7	3.5	61.0	3.5%
Non-Operating Expenses	70.0	6.9	46.4	4.0	69.0	4.8	84.0	4.9	82.4	4.8	101.7	5.8%
Ordinary Profit	140.3	13.9	130.9	11.4	113.1	7.9	158.1	9.3	161.4	9.3	164.1	9.3%
Income Taxes	26.9	2.7	23.7	2.1	25.4	1.8	23.8	1.4	37.5	2.2	34.2	1.9%
Net Income	113.3	11.2	107.2	9.3	87.8	6.1	134.3	7.9	124.0	7.2	129.8	7.4%

※ K-IFRS applied from 2010

# Consolidated Balance Sheet



(Billion KRW)

	2009	2010	2011	2012	2013	2014
<b>Asset</b>	<b>1,020.2</b>	<b>1,258.9</b>	<b>1,902.2</b>	<b>2,052.1</b>	<b>2,299.8</b>	<b>2,527.3</b>
<b>Current Assets</b>	<b>380.3</b>	<b>491.3</b>	<b>731.4</b>	<b>686.0</b>	<b>735.0</b>	<b>730.0</b>
Quick Assets	244.9	306.5	455.4	420.7	471.6	478.5
Inventories	135.4	184.8	276.0	265.2	263.4	251.5
<b>Non-Current Assets</b>	<b>639.9</b>	<b>767.6</b>	<b>1,170.8</b>	<b>1,366.1</b>	<b>1,564.8</b>	<b>1,797.3</b>
Investment Assets	39.0	82.4	81.0	68.6	48.9	46.6
Property & Equipment	595.8	678.8	1,083.7	1,278.9	1,482.2	1,702.4
Intangible Assets	5.0	6.4	6.1	5.5	7.9	13.1
<b>Liabilities</b>	<b>633.2</b>	<b>775.5</b>	<b>1,337.2</b>	<b>1,371.5</b>	<b>1,502.7</b>	<b>1,594.0</b>
<b>Current Liabilities</b>	<b>323.8</b>	<b>472.8</b>	<b>754.3</b>	<b>641.8</b>	<b>695.0</b>	<b>579.6</b>
<b>Non-Current Liabilities</b>	<b>309.4</b>	<b>302.7</b>	<b>582.9</b>	<b>729.8</b>	<b>807.7</b>	<b>1,014.3</b>
<b>Capital</b>	<b>386.9</b>	<b>483.3</b>	<b>565.0</b>	<b>680.6</b>	<b>797.0</b>	<b>933.4</b>

※ K-IFRS applied from 2010

# Thank You