

Driving Tomorrow

2016 2Q Result

27 July 2016

Business Management Team

 **NEXEN TIRE**

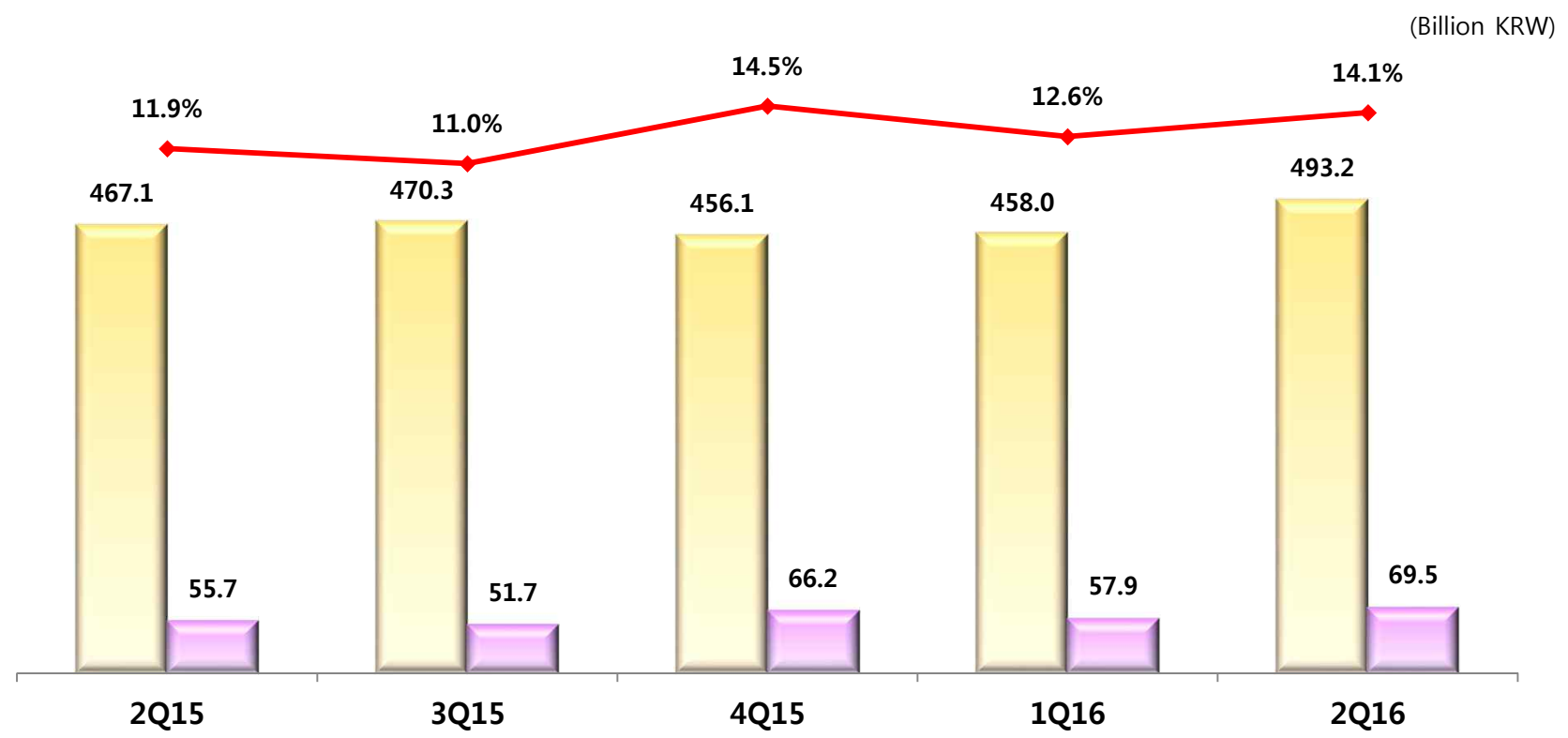


This presentation is consolidated financial result in compliance with K-IFRS with unaudited 2nd quarter of 2016 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

Consolidated Quarterly Result



- ◎ Increase in sales due to strengthening of the global marketing expansion.
- ◎ Operating profit improved due to product mix improvement and seasonality.
- ◎ Intensified competition and decreased profitability in OE segment led to limited growth.



※ K-IFRS Applied

Sales OP OPM(%)

Consolidated Income Statement



(Billion KRW)

	2016 2Q	2016 1Q	2015 2Q	QoQ	YoY
Net Sales	493.2	458.0	467.1	7.7%	5.6%
Gross Profit	179.0	160.1	156.9	11.8%	14.1%
<i>Margin(%)</i>	<i>36.3%</i>	<i>35.0%</i>	<i>33.6%</i>	<i>1.3%P</i>	<i>2.7%P</i>
Operating Profit	69.5	57.9	55.7	20.1%	24.9%
<i>Margin(%)</i>	<i>14.1%</i>	<i>12.6%</i>	<i>11.9%</i>	<i>1.5%P</i>	<i>2.2%P</i>
Ordinary Profit	57.9	54.3	55.1	6.6%	5.1%
<i>Margin(%)</i>	<i>11.7%</i>	<i>11.9%</i>	<i>11.8%</i>	<i>-0.1%P</i>	<i>-0.1%P</i>
Depreciation	37.0	36.1	35.4	2.4%	4.3%
EBITDA	106.5	94.0	91.1	13.3%	16.9%
<i>Margin(%)</i>	<i>21.6%</i>	<i>20.5%</i>	<i>19.5%</i>	<i>1.1%P</i>	<i>2.1%P</i>

Consolidated Balance Sheet



(Billion KRW)

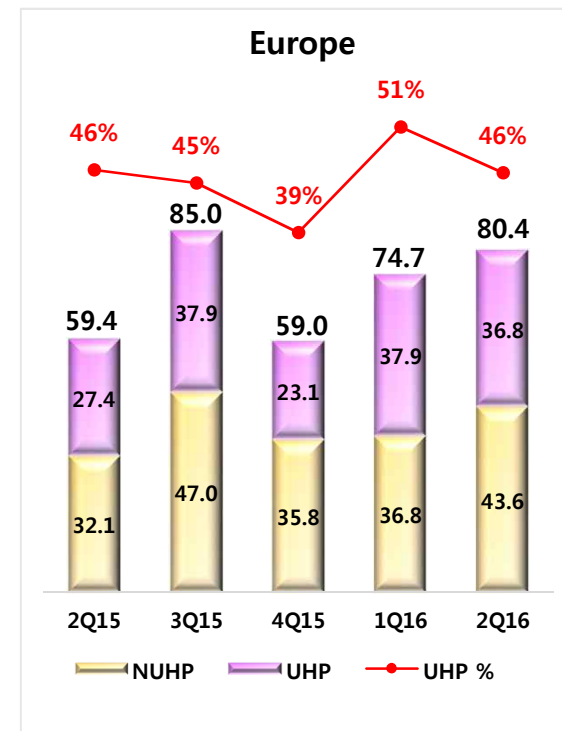
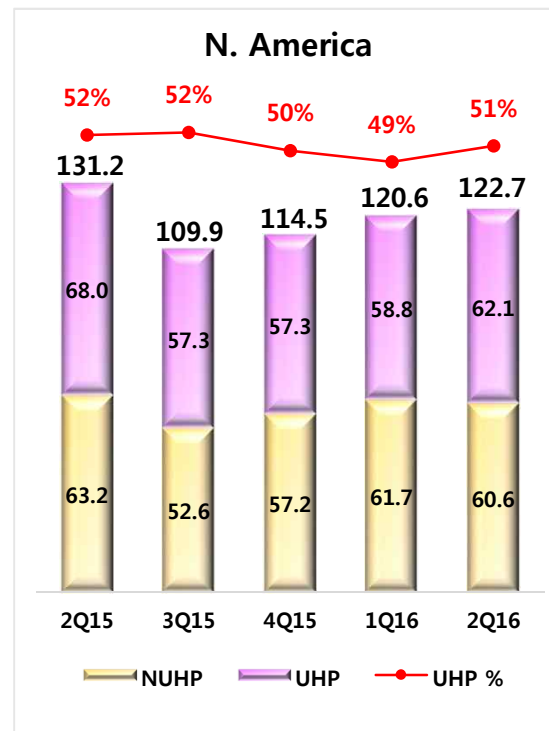
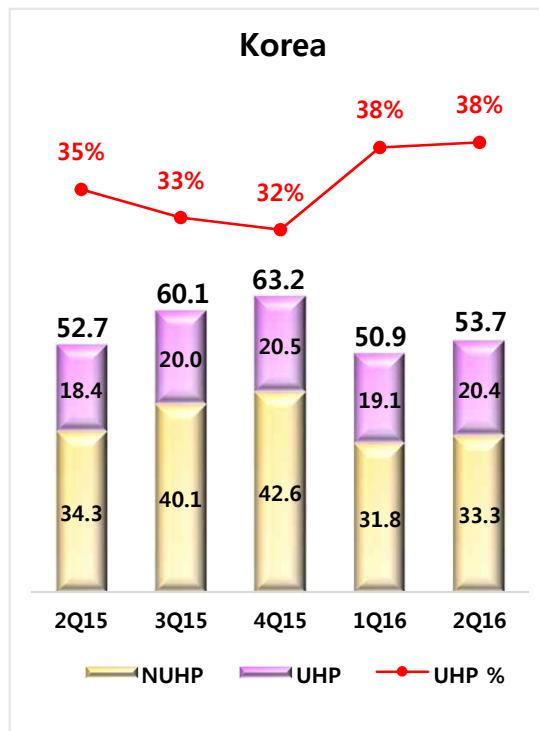
	2016 2Q (A)	2015 (B)	(A)-(B)
Assets	2,566.5	2,580.9	-14.4
Current Assets	800.6	800.7	-0.1
Quick Assets	569.1	549.1	20.0
Inventories	231.5	251.6	-20.1
<i>(Cash and Cash Equivalents)</i>	<i>260.5</i>	<i>252.2</i>	<i>8.3</i>
Non-Current Assets	1,765.8	1,780.1	-14.3
Liabilities	1,458.4	1,546.8	-88.4
Current Liabilities	538.1	580.5	-42.4
Non-Current Liabilities	920.3	966.3	-46.0
<i>(Debt)</i>	<i>937.3</i>	<i>1,005.5</i>	<i>-68.2</i>
Shareholders' Equity	1,108.0	1,034.0	74.0

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2016 2Q	676.8	61.1%	131.6%	148.8%	43.2%
2015	753.3	72.9%	149.6%	137.9%	40.1%

Consolidated Sales by Region



(Billion KRW)



- ◎ Increase in sales due to the seasonal effect.
- ◎ Domestic sales expanded through resellers and retail sales enhancement.

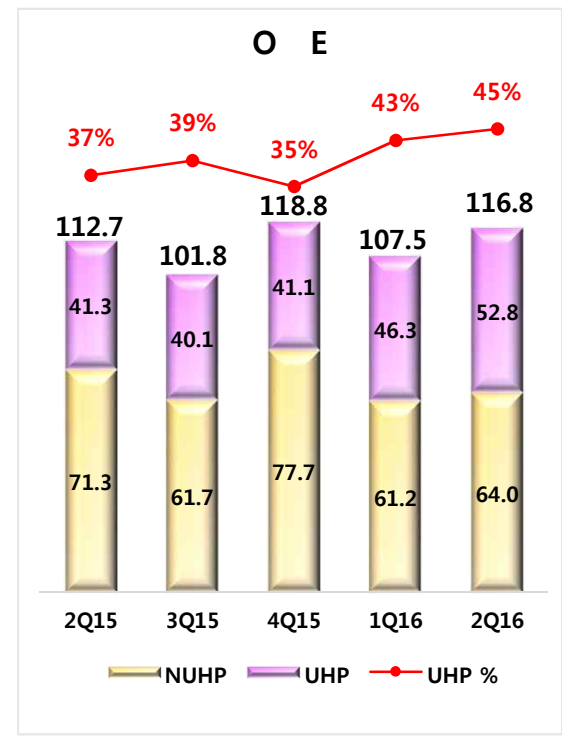
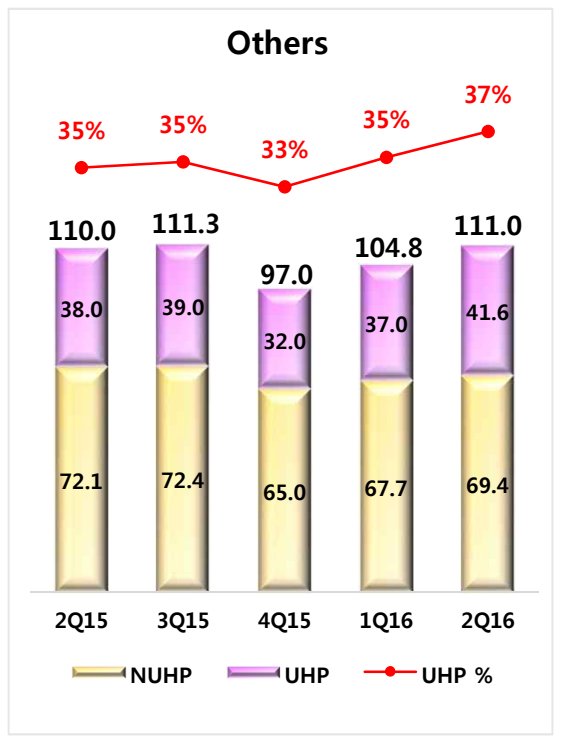
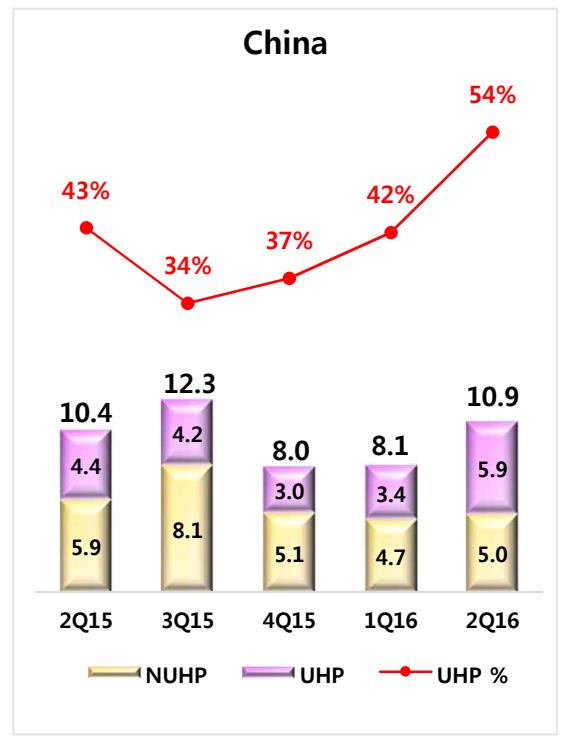
- ◎ Sales improvement by demand recovery and fast expansion of UHPT.
- ◎ Seasonal factor and low oil price led to product mix improvement and sales recovery.

- ◎ Sales increased due to major Western European countries' economic recovery.
- ◎ Tire demand recovery from low oil price and improving consumer sentiment from quantitative easing.

Consolidated Sales by Region



(Billion KRW)



- ◎ SUV/LT mix improvement led to sales recovery.
- ◎ Severe domestic competition continued, but high market growth led to earnings improvement.

- ◎ Earnings improvement with strengthened partnership with key business partners.

- ◎ New car sales increased in accordance with the individual consumption tax cuts in Korea.
- ◎ Limited growth of the domestic sales due to decreased profitability.

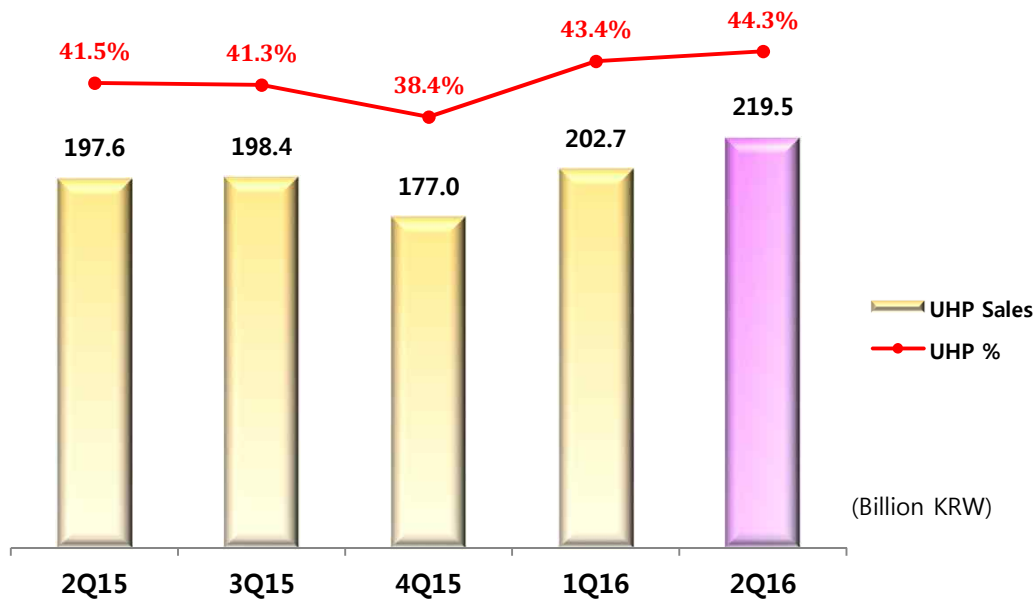
Consolidated UHPT Sales



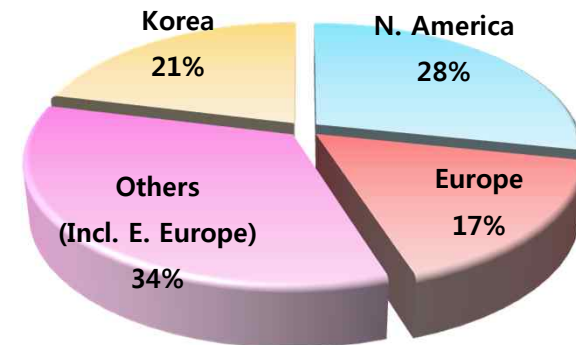
(Billion KRW)

	2016 2Q	2016 1Q	2015 2Q	QoQ	YoY
UHPT Sales	219.5	202.7	197.6	8.3%	11.1%
% / Net Sales	44.3%	43.4%	41.5%	0.9%P	2.8%P
% / Total Volume	39.0%	37.8%	36.0%	1.2%P	3.0%P

※ Sum of each corporations' shipment



<UHPT Sales by Region>



2016 2Q KRW-based

Consolidated Operating Expenses



(Billion KRW)

	2016 2Q	2016 1Q	2015 2Q	QoQ	YoY
Freight & Logistic Expense	22.7	22.0	25.2	3.3%	-9.8%
SG&A Expenses	86.7	80.2	76.1	8.1%	14.1%
- Salaries	21.3	20.3	19.8	5.1%	7.4%
- R&D	15.5	14.8	16.2	4.3%	-4.4%
- Advertising	14.8	12.4	12.0	19.4%	23.6%
- Others	35.2	32.8	28.1	7.4%	25.3%
Other Income & Expenses	0.5	0.5	1.8	-5.7%	-75.2%

Consolidated Financial Income & Expenses



(Billion KRW)

	2016 2Q	2016 1Q	2015 2Q	QoQ	YoY
Financial Income & Expenses	-12.1	-4.1	-2.4	-194.4%	-407.5%
- Interest	-5.7	-6.0	-7.6	4.8%	24.3%
- Foreign Currency Transaction	-3.2	3.5	-1.0	-189.4%	-218.6%
- Foreign Currency Translation	-1.9	0.5	6.1	-444.6%	-130.6%
- Others	-1.3	-2.2	0.1	39.5%	-1,389.4%

Consolidated Income Statement



(Billion KRW)

	2010	(%)	2011	(%)	2012	(%)	2013	(%)	2014	(%)	2015	(%)
Net Sales	1,148.6	100.0	1,430.0	100.0	1,706.2	100.0	1,728.2	100	1,758.8	100.0	1,837.5	100.0
Cost of Goods Sold	801.2	69.8	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
Gross Profit	347.4	30.2	344.3	24.1	456.8	26.8	489.0	28.3	561.0	31.9	619.0	33.7
SG&A	210.8	18.3	232.3	16.2	276.6	16.2	312.2	18.1	352.5	20.0	394.1	21.4
Operation Profit	136.6	11.9	120.0	7.8	180.2	10.6	176.8	10.2	208.6	11.9	224.9	12.2
Non-Operating Income	36.4	3.2	67.8	4.7	62.6	3.7	60.7	3.5	61.0	3.5	57.5	3.1
Non-Operating Expenses	46.4	4.0	69.0	4.8	84.0	4.9	82.4	4.8	101.7	5.8	115.1	6.3
Ordinary Profit	130.9	11.4	113.1	7.9	158.1	9.3	161.4	9.3	164.1	9.3	164.8	9.0
Income Taxes	23.7	2.1	25.4	1.8	23.8	1.4	37.5	2.2	34.2	1.9	37.7	2.1
Net Income	107.2	9.3	87.8	6.1	134.3	7.9	124.0	7.2	129.8	7.4	127.1	6.9

※ K-IFRS Applied

Consolidated Balance Sheet



(Billion KRW)

	2010	2011	2012	2013	2014	2015
Asset	1,258.9	1,902.2	2,052.1	2,299.8	2,527.3	2,580.9
Current Assets	491.3	731.4	686.0	735.0	730.0	800.7
Quick Assets	306.5	455.4	420.7	471.6	478.5	549.1
Inventories	184.8	276.0	265.2	263.4	251.5	251.6
Non-Current Assets	767.6	1,170.8	1,366.1	1,564.8	1,797.3	1,781.3
Investment Assets	82.4	81.0	68.6	48.9	46.6	283
Property & Equipment	678.8	1,083.7	1,278.9	1,482.2	1,702.4	1,692.0
Intangible Assets	6.4	6.1	5.5	7.9	13.1	140
Liabilities	775.5	1,337.2	1,371.5	1,502.7	1,594.0	1,546.8
Current Liabilities	472.8	754.3	641.8	695.0	579.6	580.5
Non-Current Liabilities	302.7	582.9	729.8	807.7	1,014.3	966.3
Capital	386.9	483.3	565.0	680.6	797.0	1,034.0

Thank You