

*Driving Tomorrow*

# 2016 3Q Result

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03 November 2016

Business Management Team

 **NEXEN TIRE**



This presentation is consolidated financial result in compliance with K-IFRS with unaudited 3<sup>rd</sup> quarter of 2016 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

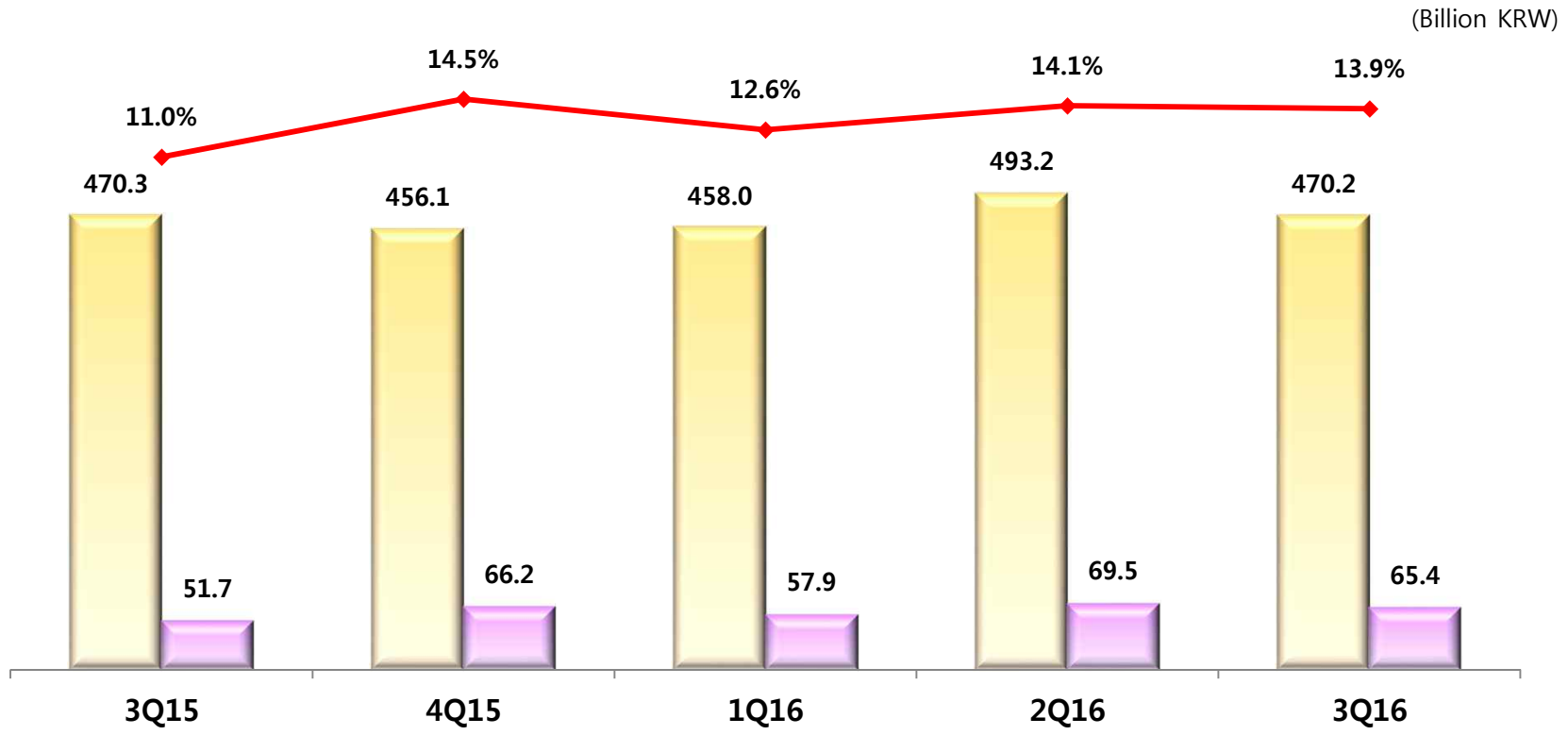
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- I. Consolidated Result
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# Consolidated Quarterly Result



- ◎ Sales decreased due to the reduced number of working days and unfavorable FX rate.
- ◎ Regional price increase of major companies will lead to the market ASP increase.



※ K-IFRS Applied

█ Sales   
 █ OP   
 ◆ OPM(%)

# Consolidated Income Statement



(Billion KRW)

	2016 3Q	2016 2Q	2015 3Q	QoQ	YoY
Net Sales	470.2	493.2	470.3	-4.7%	0.0%
Gross Profit	176.9	179.0	154.5	-1.2%	14.5%
<i>Margin(%)</i>	<i>37.6%</i>	<i>36.3%</i>	<i>32.8%</i>	<i>1.3%P</i>	<i>4.8%P</i>
Operating Profit	65.4	69.5	51.7	-5.9%	26.5%
<i>Margin(%)</i>	<i>13.9%</i>	<i>14.1%</i>	<i>11.0%</i>	<i>-0.2%P</i>	<i>2.9%P</i>
Ordinary Profit	53.6	57.9	26.5	-7.4%	102.4%
<i>Margin(%)</i>	<i>11.4%</i>	<i>11.7%</i>	<i>5.6%</i>	<i>-0.3%P</i>	<i>5.8%P</i>
Depreciation	36.7	37.0	36.6	-0.8%	0.1%
EBITDA	102.1	106.5	88.3	-4.1%	15.6%
<i>Margin(%)</i>	<i>21.7%</i>	<i>21.6%</i>	<i>18.8%</i>	<i>0.1%P</i>	<i>2.9%P</i>

# Consolidated Balance Sheet



(Billion KRW)

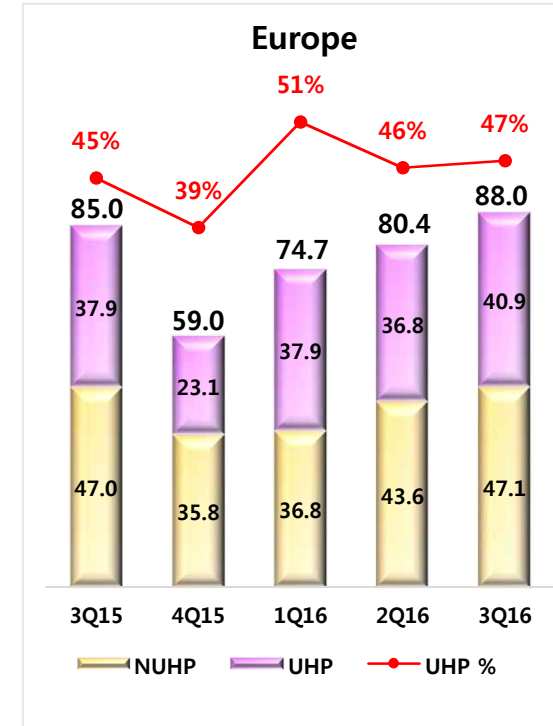
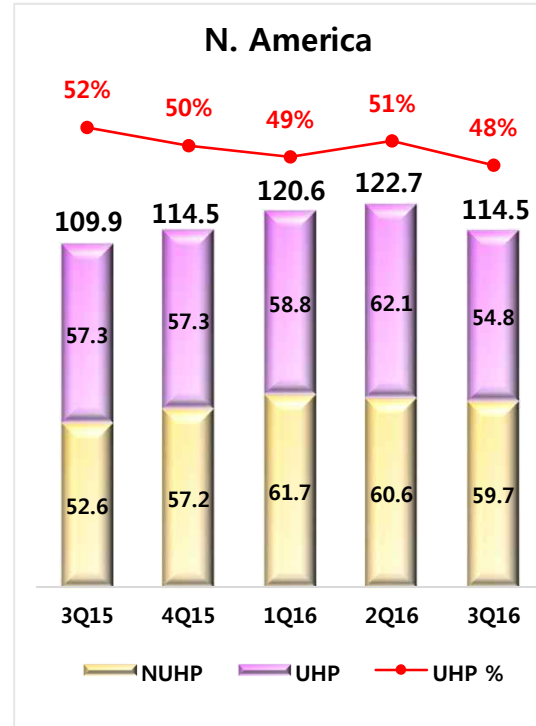
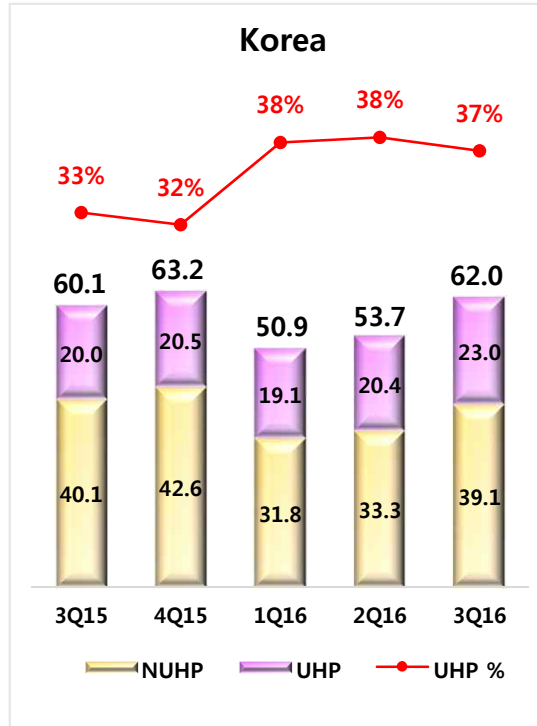
	2016 3Q (A)	2015 (B)	(A)-(B)
<b>Assets</b>	<b>2,547.1</b>	<b>2,580.9</b>	<b>-33.8</b>
<b>Current Assets</b>	<b>801.8</b>	<b>800.7</b>	<b>1.1</b>
Quick Assets	572.0	549.1	22.9
Inventories	229.8	251.6	-21.8
<i>(Cash and Cash Equivalents)</i>	<i>241.5</i>	<i>252.2</i>	<i>-10.7</i>
<b>Non-Current Assets</b>	<b>1,745.3</b>	<b>1,780.1</b>	<b>-34.9</b>
<b>Liabilities</b>	<b>1,402.7</b>	<b>1,546.8</b>	<b>-144.1</b>
<b>Current Liabilities</b>	<b>553.2</b>	<b>580.5</b>	<b>-27.3</b>
<b>Non-Current Liabilities</b>	<b>849.5</b>	<b>966.3</b>	<b>-116.8</b>
<i>(Debt)</i>	<i>875.9</i>	<i>1,005.5</i>	<i>-129.6</i>
<b>Shareholders' Equity</b>	<b>1,144.4</b>	<b>1,034.0</b>	<b>110.4</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
<b>2016 3Q</b>	<b>634.4</b>	<b>55.4%</b>	<b>122.6%</b>	<b>144.9%</b>	<b>44.9%</b>
<b>2015</b>	<b>753.3</b>	<b>72.9%</b>	<b>149.6%</b>	<b>137.9%</b>	<b>40.1%</b>

# Consolidated Sales by Region



(Billion KRW)



- ◎ Increase in sales due to strong domestic replacement demand.
- ◎ Sales increase led by expanding new customers and increased sales of premium products.

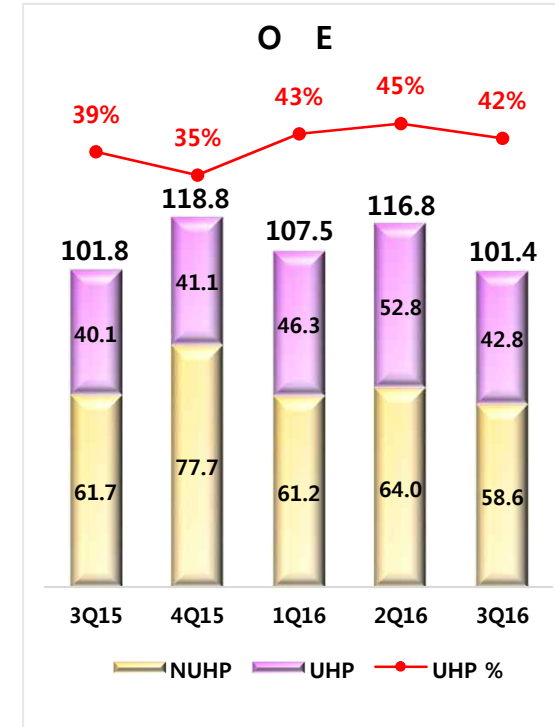
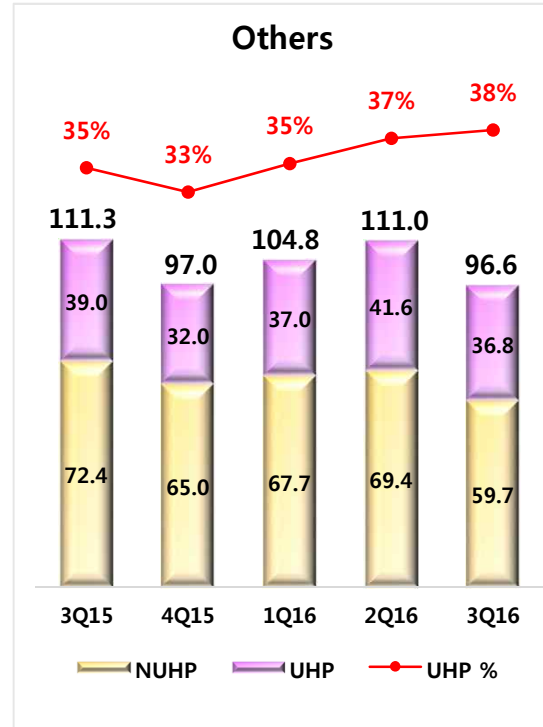
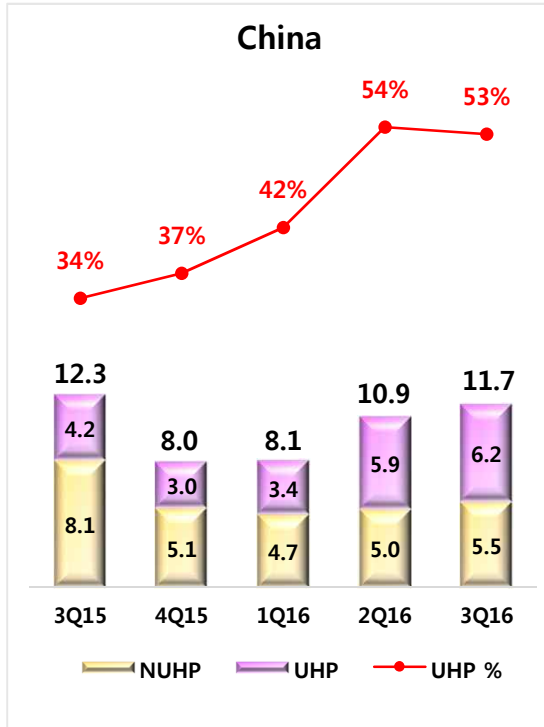
- ◎ PCR sales declined due to the weak demand and seasonal factors.
- ◎ Future demand growth is expected due to the strong performance of SUV/LT products.

- ◎ Sales increase from enhancing marketing activities and expanding new customers.
- ◎ Market demand is trading down to mid-end brand due to improved quality and price competitiveness.

# Consolidated Sales by Region



(Billion KRW)



- ◎ Earnings increased due to steady market mix improvement.
- ◎ Domestic competition will be intensified due to anticipated anti-dumping duty imposition against Chinese TBR sold in the US.

- ◎ Sales declined due to reduced demand in key emerging markets such as Brazil and Russia.
- ◎ Decline in sales due to unstable FX rate and protectionism in emerging markets.

- ◎ Sales decreased due to domestic automakers strike.
- ◎ Domestic sales decrease is being recovered through overseas OE sales.



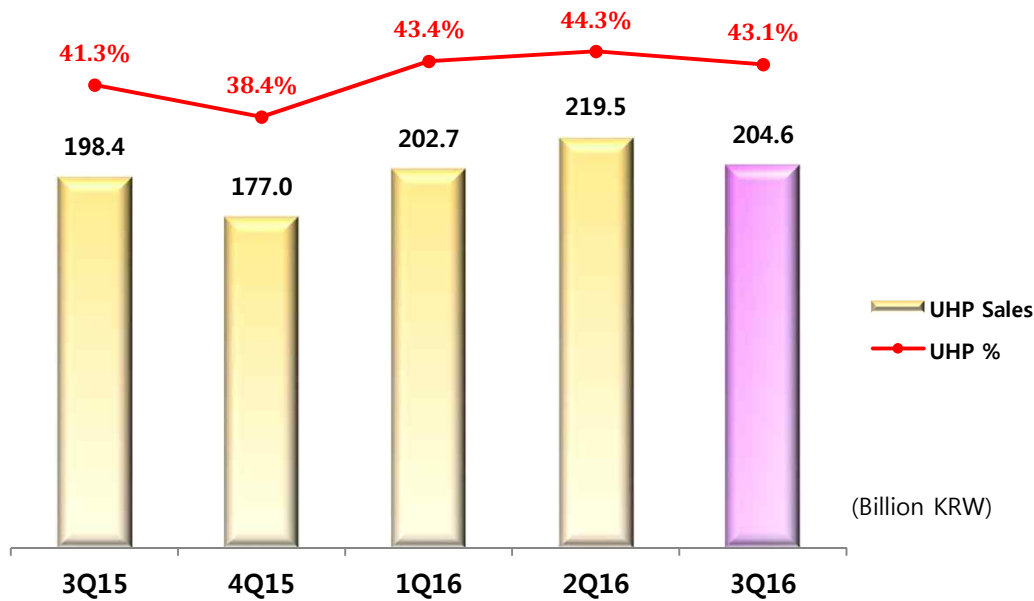
# Consolidated UHPT Sales



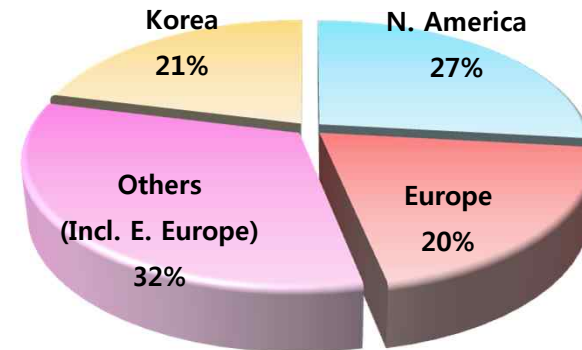
(Billion KRW)

	2016 3Q	2016 2Q	2015 3Q	QoQ	YoY
UHPT Sales	204.6	219.5	198.4	-6.8%	3.1%
% / Net Sales	43.1%	44.3%	41.3%	-1.2%P	1.8%P
% / Total Volume	38.5%	39.0%	35.1%	-0.4%P	3.5%P

※ Sum of each corporations' shipment



## <UHPT Sales by Region>



2016 3Q KRW-based

## Consolidated Operating Expenses



(Billion KRW)

	2016 3Q	2016 2Q	2015 3Q	QoQ	YoY
Freight & Logistic Expense	23.5	22.7	24.0	3.6%	-2.1%
SG&A Expenses	87.9	86.7	78.7	1.4%	11.7%
- Salaries	22.5	21.3	20.3	5.9%	11.2%
- R&D	14.7	15.5	16.2	-4.9%	-8.9%
- Advertising	15.7	14.8	12.4	5.8%	26.8%
- Others	35.0	35.2	29.9	-0.5%	17.0%
Other Income & Expenses	0.9	0.5	-0.9	90.0%	200.6%

# Consolidated Financial Income & Expenses



(Billion KRW)

	2016 3Q	2016 2Q	2015 3Q	QoQ	YoY
<b>Financial Income &amp; Expenses</b>	<b>-12.7</b>	<b>-12.1</b>	<b>-24.4</b>	<b>-5.0%</b>	<b>47.9%</b>
- Interest	-3.8	-5.7	-7.0	33.2%	45.0%
- Foreign Currency Transaction	-5.0	-3.2	2.9	-56.6%	-273.2%
- Foreign Currency Translation	-5.4	-1.9	-17.0	-190.6%	68.1%
- Others	1.5	-1.3	-3.2	217.8%	147.5%

# 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
<b>Asset</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>2,580.9</b>
<b>Current Assets</b>	<b>491.3</b>	<b>731.4</b>	<b>686.0</b>	<b>735.0</b>	<b>730.0</b>	<b>800.7</b>
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
<b>Non-Current Assets</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>	<b>1,781.3</b>
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
<b>Liabilities</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>1,546.8</b>
<b>Current Liabilities</b>	<b>472.8</b>	<b>754.3</b>	<b>641.8</b>	<b>695.0</b>	<b>579.6</b>	<b>580.5</b>
<b>Non-Current Liabilities</b>	<b>302.7</b>	<b>582.9</b>	<b>729.8</b>	<b>807.7</b>	<b>1,014.3</b>	<b>966.3</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>1,034.0</b>

# Thank You