

*Driving Tomorrow*

# 2016 1Q Result

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27 Apr 2016

Business Management Team

 **NEXEN TIRE**



This presentation is consolidated financial result in compliance with K-IFRS with unaudited 1<sup>st</sup> quarter of 2016 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

# Contents

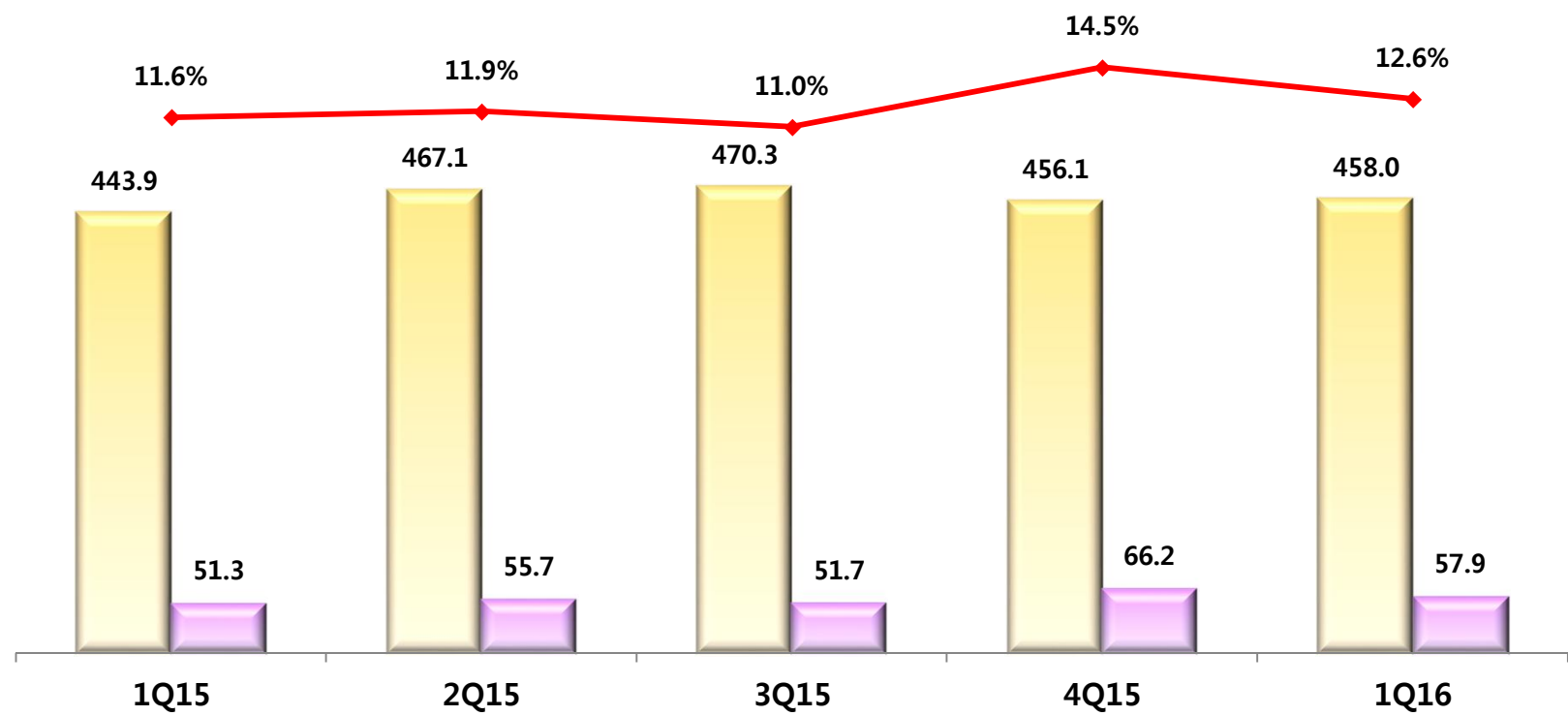
- I. Consolidated Result
- II. Result by Plant

# Consolidated Quarterly Result



- ◎ Sales increased due to improved product mix by UHPT sales increase.
- ◎ Achieving stable sales from favorable USD and Euro FX rate impact.
- ◎ Increased SG&A is offset by the decline of raw materials.

(Billion KRW)



※ K-IFRS Applied

Sales OP OPM(%)

Business Management Team



# Consolidated Income Statement



(Billion KRW)

	2016 1Q	2015 4Q	2015 1Q	QoQ	YoY
Net Sales	458.0	456.1	443.9	0.4%	3.2%
Gross Profit	160.1	158.7	149.0	0.9%	7.5%
<i>Margin(%)</i>	<i>35.0%</i>	<i>34.8%</i>	<i>33.6%</i>	<i>0.2%P</i>	<i>1.4%P</i>
Operating Profit	57.9	66.2	51.3	-12.5%	12.9%
<i>Margin(%)</i>	<i>12.6%</i>	<i>14.5%</i>	<i>11.6%</i>	<i>-1.9%P</i>	<i>1.1%P</i>
Ordinary Profit	54.3	50.1	33.1	8.4%	64.0%
<i>Margin(%)</i>	<i>11.9%</i>	<i>11.0%</i>	<i>7.5%</i>	<i>0.9%P</i>	<i>4.4%P</i>
Depreciation	36.1	35.6	35.0	1.3%	3.1%
EBITDA	94.0	101.8	86.3	-7.7%	8.9%
<i>Margin(%)</i>	<i>20.5%</i>	<i>22.3%</i>	<i>19.4%</i>	<i>-1.8%P</i>	<i>1.1%P</i>

# Consolidated Balance Sheet



(Billion KRW)

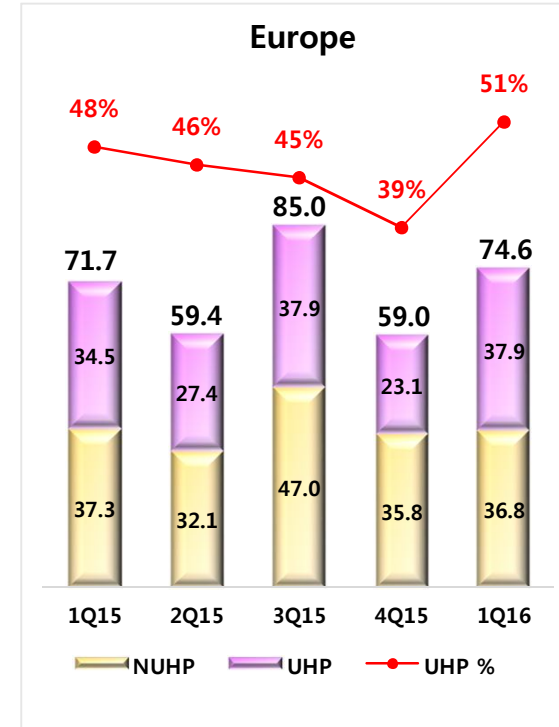
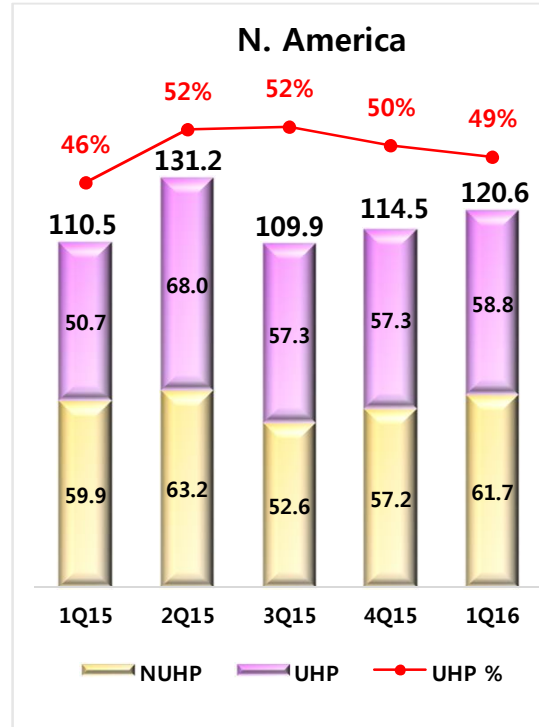
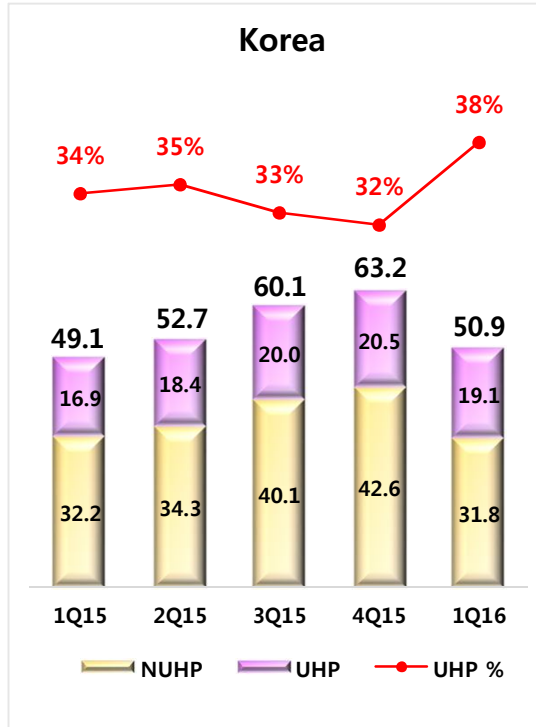
	2016 1Q (A)	2015 (B)	(A)-(B)
<b>Assets</b>	<b>2,567.0</b>	<b>2,580.9</b>	<b>-13.8</b>
<b>Current Assets</b>	<b>797.6</b>	<b>800.7</b>	<b>-3.2</b>
<b>Quick Assets</b>	<b>557.8</b>	<b>549.1</b>	<b>8.7</b>
<b>Inventories</b>	<b>239.7</b>	<b>251.6</b>	<b>-11.9</b>
<i>(Cash and Cash Equivalents)</i>	<i>230.9</i>	<i>252.2</i>	<i>-21.3</i>
<b>Non-Current Assets</b>	<b>1,769.5</b>	<b>1,780.1</b>	<b>-10.7</b>
<b>Liabilities</b>	<b>1,500.2</b>	<b>1,546.8</b>	<b>-46.6</b>
<b>Current Liabilities</b>	<b>571.3</b>	<b>580.5</b>	<b>-9.3</b>
<b>Non-Current Liabilities</b>	<b>929.0</b>	<b>966.3</b>	<b>-37.3</b>
<i>(Debt)</i>	<i>1,007.2</i>	<i>1,005.5</i>	<i>1.7</i>
<b>Shareholders' Equity</b>	<b>1,066.8</b>	<b>1,034.0</b>	<b>32.8</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
<b>2016 1Q</b>	<b>776.3</b>	<b>72.8%</b>	<b>140.6%</b>	<b>139.6%</b>	<b>41.6%</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)



- ◎ Sales decreased from low season effect but UHPT demand is rising.
- ◎ Expanding domestic distributors, B2B, and advertisement to promote domestic sales.

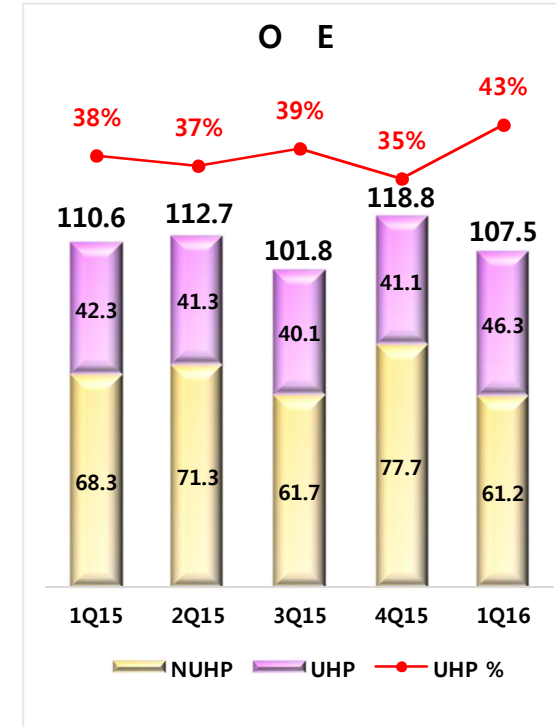
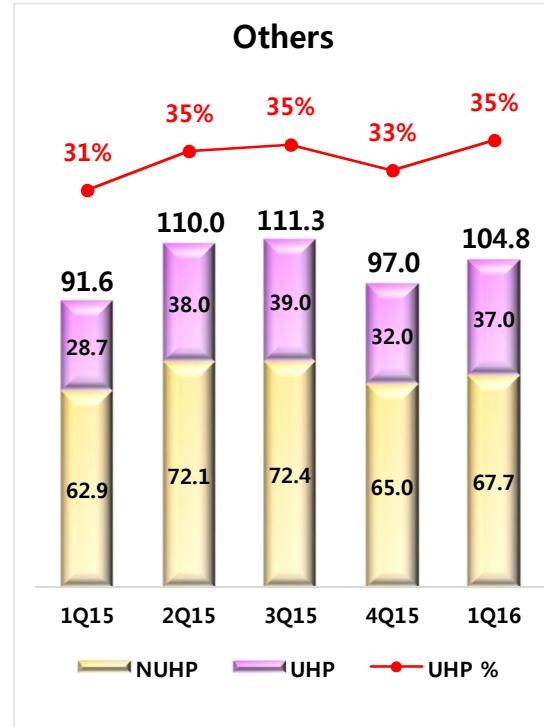
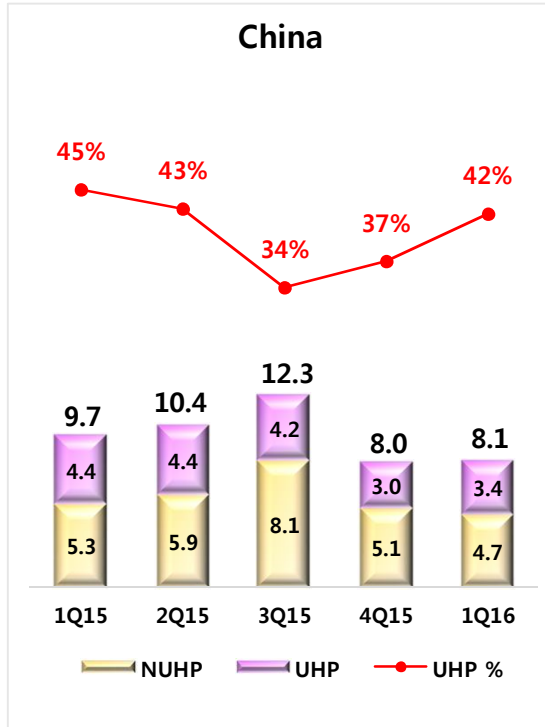
- ◎ Sales increased due to demand recovery along with economic recovery and SUV sales increase.
- ◎ Gradual market recovery is expected based on driven mileage increase by low oil price.

- ◎ Stable recovery of the overall market growth is limited by deflation and weak demand in southern European regions.

# Consolidated Sales by Region



(Billion KRW)



- ◎ Sluggish sales growth due to intensified price competition in the domestic market.
- ◎ Downward pressure on the global and domestic economy recession protracted slow growth.

- ◎ Sales growth was limited due to decline in tire dealer profitability in South America.
- ◎ Low-end competitors in EM and oil producing countries led to intensified competition.

- ◎ Sales declined due to reduced domestic and export auto sales.
- ◎ UHPT sales proportion increased in accordance with the demand for high inch product.



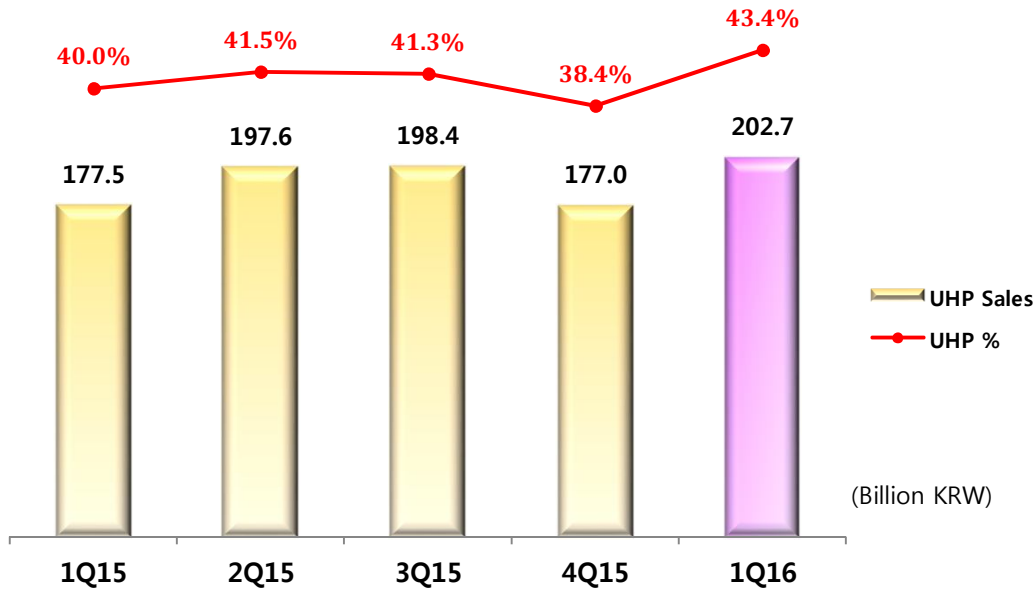
# Consolidated UHPT Sales



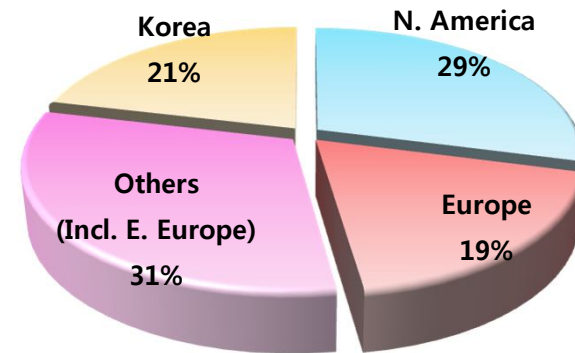
(Billion KRW)

	2016 1Q	2015 4Q	2015 1Q	QoQ	YoY
UHPT Sales	202.7	177.0	177.5	14.5%	14.2%
% / Net Sales	43.4%	38.4%	40.0%	5.0%P	3.4%P
% / Total Volume	37.8%	32.4%	35.0%	5.4%P	2.8%P

※ Sum of each corporation's shipment



## <UHPT Sales by Region>



2016 1Q KRW-based

# Consolidated Operating Expenses



(Billion KRW)

	2016 1Q	2015 4Q	2015 1Q	QoQ	YoY
<b>Freight &amp; Logistic Expense</b>	22.0	22.4	24.2	-1.9%	-9.1%
<b>SG&amp;A Expenses</b>	80.2	70.1	73.5	14.4%	9.2%
- Salaries	20.3	20.3	18.8	-0.1%	7.8%
- R&D	14.8	16.8	16.0	-11.6%	-7.0%
- Advertising	12.4	8.6	10.3	43.9%	20.9%
- Others	32.8	24.4	28.5	34.0%	14.9%
<b>Other Income &amp; Expenses</b>	0.5	-4.1	0.7	111.7%	-26.8%

# Consolidated Financial Income & Expenses



(Billion KRW)

	2016 1Q	2015 4Q	2015 1Q	QoQ	YoY
<b>Financial Income &amp; Expenses</b>	<b>-4.1</b>	<b>-12.0</b>	<b>-18.9</b>	<b>65.8%</b>	<b>78.2%</b>
- Interest	-6.0	-6.0	-6.3	-0.4%	4.4%
- Foreign Currency Transaction	3.5	2.2	-0.7	61.1%	574.9%
- Foreign Currency Translation	0.5	-9.0	-10.1	106.1%	105.4%
- Others	-2.2	0.8	-1.7	-379.4%	-27.7%

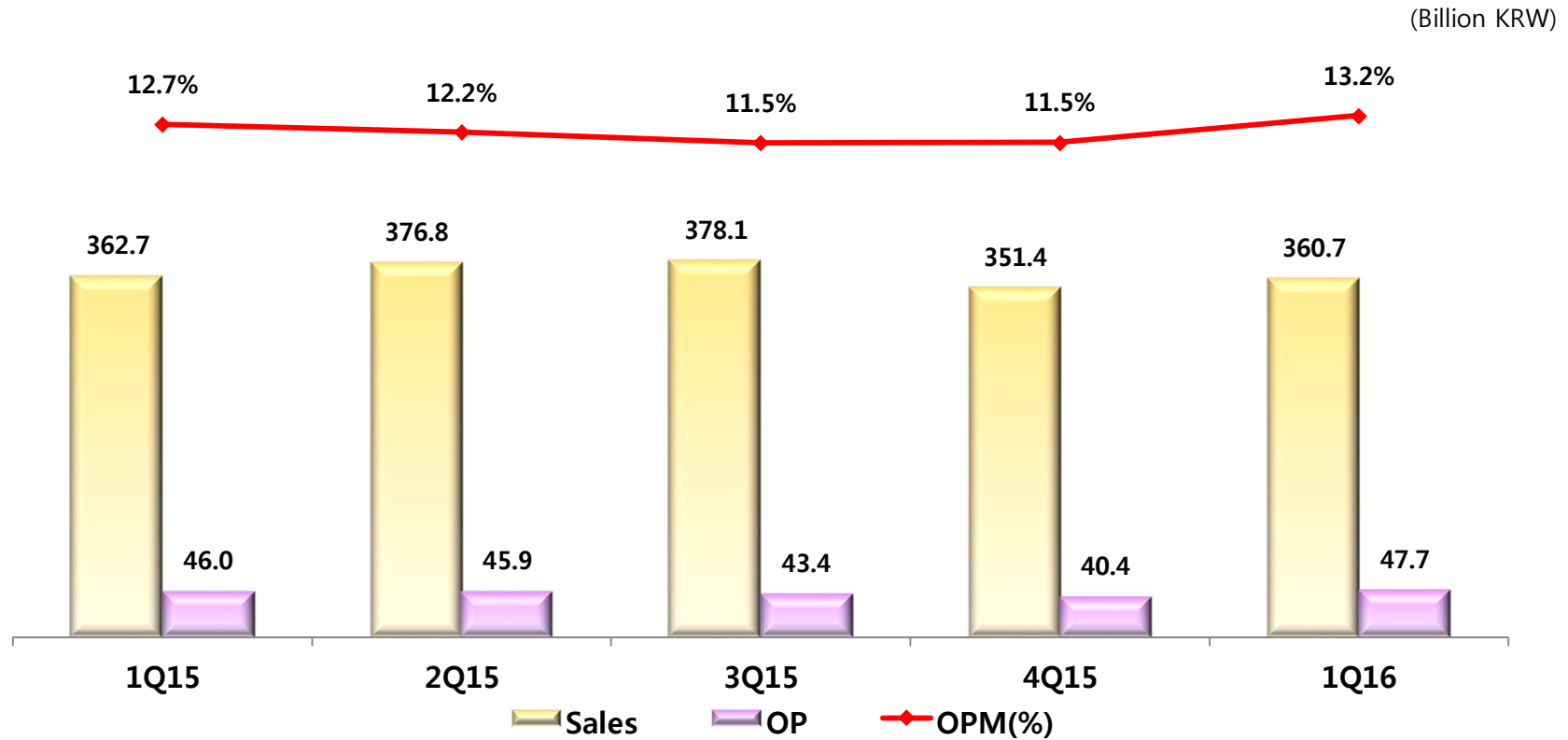
## Contents

- I. Consolidated Result
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# Korea Quarterly Result



- ◎ Earnings increased from the North America market recovery and favorable FX rate.
- ◎ Operating profit improved due to the reduced COGS by low raw materials.
- ◎ Steady demand growth led by Asia-Pacific region is expected.



※ K-IFRS Applied

Business Management Team

# Korea Income Statement



(Billion KRW)

	2016 1Q	2015 4Q	2015 1Q	QoQ	YoY
Net Sales	360.7	351.4	362.7	2.7%	-0.5%
Gross Profit	125.7	113.3	123.4	11.0%	1.9%
<i>Margin(%)</i>	<i>34.9%</i>	<i>32.3%</i>	<i>34.0%</i>	<i>2.6%P</i>	<i>0.8%P</i>
Operating Profit	47.7	40.4	46.0	17.9%	3.7%
<i>Margin(%)</i>	<i>13.2%</i>	<i>11.5%</i>	<i>12.7%</i>	<i>1.7%P</i>	<i>0.5%P</i>
Ordinary Profit	47.9	37.5	38.1	27.8%	25.6%
<i>Margin(%)</i>	<i>13.3%</i>	<i>10.7%</i>	<i>10.5%</i>	<i>2.6%P</i>	<i>2.8%P</i>
Depreciation	27.2	26.6	25.4	2.4%	7.2%
EBITDA	74.9	67.0	71.4	11.8%	5.0%
<i>Margin(%)</i>	<i>20.8%</i>	<i>19.1%</i>	<i>19.7%</i>	<i>1.7%P</i>	<i>1.1%P</i>

# Korea Balance Sheet



(Billion KRW)

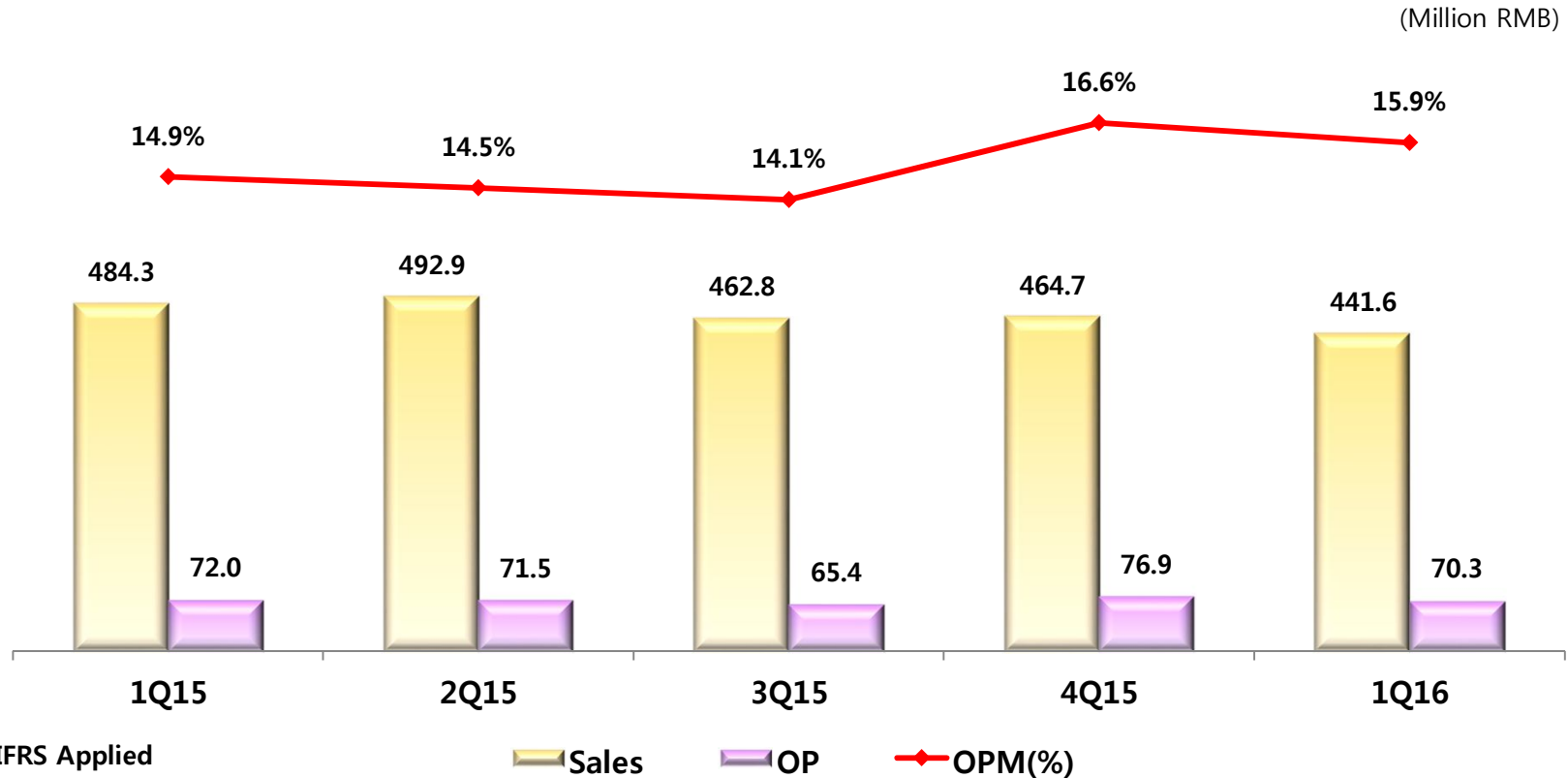
	2016 1Q (A)	2015 (B)	(A)-(B)
<b>Assets</b>	<b>2,170.8</b>	<b>2,188.7</b>	<b>-17.9</b>
<b>Current Assets</b>	<b>642.8</b>	<b>659.9</b>	<b>-17.1</b>
Quick Assets	525.2	538.1	-12.9
Inventories	117.6	121.9	-4.2
<i>(Cash and Cash Equivalents)</i>	<i>172.6</i>	<i>189.8</i>	<i>-17.1</i>
<b>Non-Current Assets</b>	<b>1,527.9</b>	<b>1,528.7</b>	<b>-0.8</b>
<b>Liabilities</b>	<b>1,150.4</b>	<b>1,197.5</b>	<b>-47.0</b>
<b>Current Liabilities</b>	<b>351.9</b>	<b>381.6</b>	<b>-29.6</b>
<b>Non-Current Liabilities</b>	<b>798.5</b>	<b>815.9</b>	<b>-17.4</b>
<i>(Debt)</i>	<i>716.7</i>	<i>710.3</i>	<i>6.4</i>
<b>Shareholders' Equity</b>	<b>1,020.3</b>	<b>991.2</b>	<b>29.1</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2016 1Q	544.1	53.3%	112.7%	182.7%	47.0%
2015	520.5	52.6%	121.4%	172.8%	45.2%

# China Quarterly Result



- ◎ Sales reduced from China's domestic OE sales decline impact.
- ◎ Intensified competition in Europe and EM due to weak demand led to sales drop.
- ◎ Operating profit declined due to increase in SG&A expenses.





# China Income Statement



(Million RMB)

	2016 1Q	2015 4Q	2015 1Q	QoQ	YoY
Net Sales	442	465	484	-5.0%	-8.8%
Gross Profit	127	122	141	4.0%	-9.8%
<i>Margin(%)</i>	<i>28.8%</i>	<i>26.3%</i>	<i>29.1%</i>	<i>2.5%P</i>	<i>-0.3%P</i>
Operating Profit	70	77	72	-8.6%	-2.3%
<i>Margin(%)</i>	<i>15.9%</i>	<i>16.6%</i>	<i>14.9%</i>	<i>-0.6%P</i>	<i>1.1%P</i>
Ordinary Profit	68	25	33	176.4%	106.2%
<i>Margin(%)</i>	<i>15.5%</i>	<i>5.3%</i>	<i>6.9%</i>	<i>10.2%P</i>	<i>8.6%P</i>
Depreciation	35	35	33	0.6%	6.5%
EBITDA	106	112	105	-5.7%	0.5%
<i>Margin(%)</i>	<i>23.9%</i>	<i>24.1%</i>	<i>21.7%</i>	<i>-0.2%P</i>	<i>2.2%P</i>

※ IFRS standard format

# China Balance Sheet



(Million RMB)

	2016 1Q (A)	2015 (B)	(A)-(B)
<b>Assets</b>	<b>3,029</b>	<b>3,055</b>	<b>-26</b>
<b>Current Assets</b>	<b>952</b>	<b>957</b>	<b>-4</b>
<b>Quick Assets</b>	<b>820</b>	<b>814</b>	<b>6</b>
<b>Inventories</b>	<b>132</b>	<b>143</b>	<b>-11</b>
<i>(Cash and Cash Equivalents)</i>	<i>231</i>	<i>218</i>	<i>14</i>
<b>Non-Current Assets</b>	<b>2,076</b>	<b>2,098</b>	<b>-22</b>
<b>Liabilities</b>	<b>1,746</b>	<b>1,824</b>	<b>-78</b>
<b>Current Liabilities</b>	<b>1,064</b>	<b>1,047</b>	<b>17</b>
<b>Non-Current Liabilities</b>	<b>682</b>	<b>777</b>	<b>-95</b>
<i>(Debt)</i>	<i>1,505</i>	<i>1,560</i>	<i>-55</i>
<b>Shareholders' Equity</b>	<b>1,282</b>	<b>1,231</b>	<b>51</b>

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2016 1Q	1,274	99.3%	136.2%	89.5%	42.3%
2015	1,342	109.1%	148.2%	91.3%	40.3%

# 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