

*Driving Tomorrow*

# 2017 1Q Result

May 10, 2017

Business Management Team

 **NEXEN TIRE**

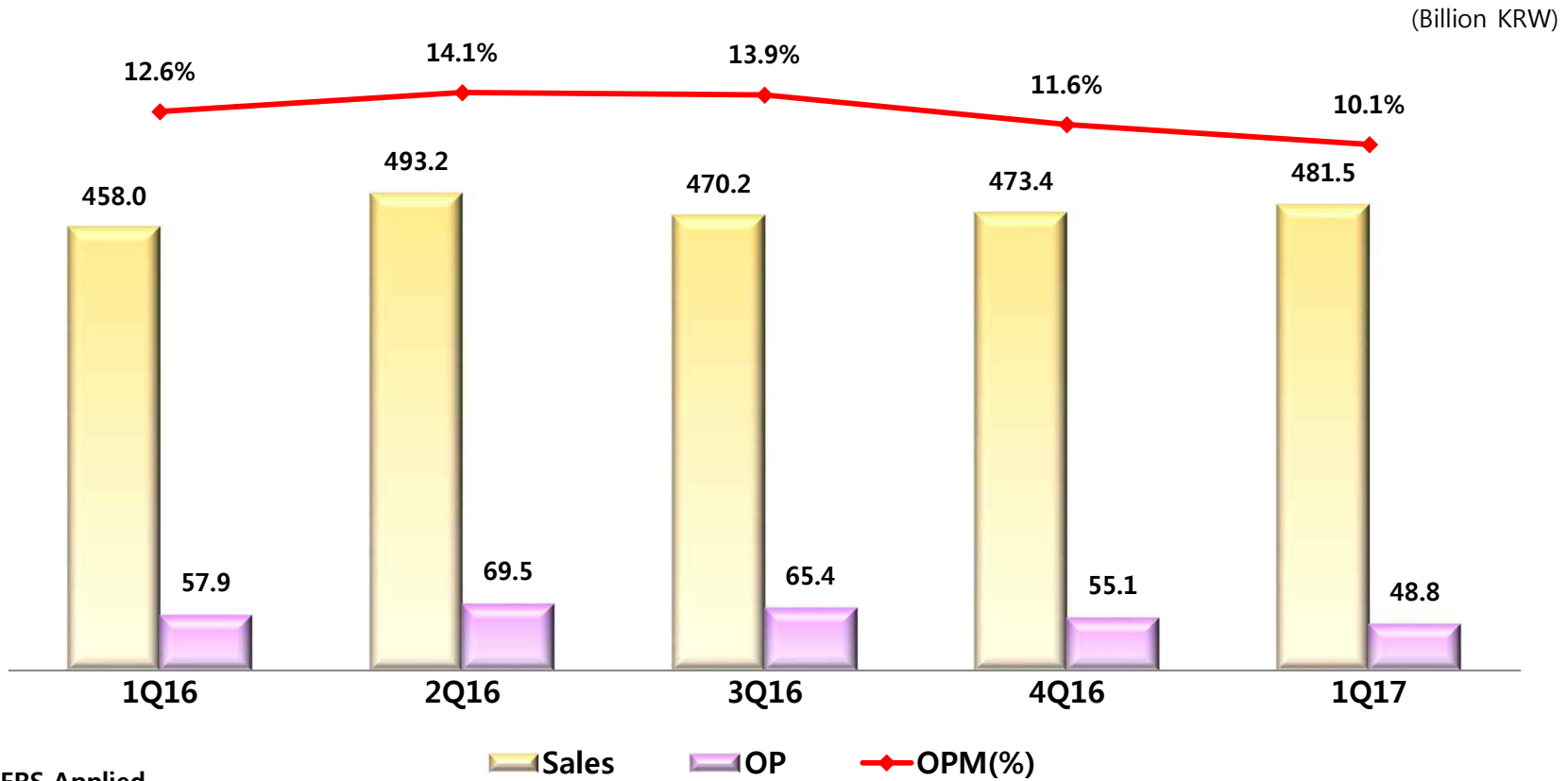


This presentation is consolidated financial result in compliance with K-IFRS with unaudited 1<sup>st</sup> quarter of 2017 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

# Consolidated Quarterly Result



- ⊙ Limited sales growth due to unfavorable FX rate despite increased sales volume.
- ⊙ Profit declined due to cost increase led by unstable conditions in raw material market.
- ⊙ Earnings expected to improve in 2H on stabilization of raw material market, purchasing diversification and ASP increase.



※ K-IFRS Applied

# Consolidated Income Statement



(Billion KRW)

|                  | 2017 1Q      | 2016 4Q      | 2016 1Q      | QoQ           | YoY           |
|------------------|--------------|--------------|--------------|---------------|---------------|
| Net Sales        | 481.5        | 473.4        | 458.0        | 1.7%          | 5.1%          |
| Gross Profit     | 157.0        | 170.8        | 160.1        | -8.1%         | -2.0%         |
| <i>Margin(%)</i> | <i>32.6%</i> | <i>36.1%</i> | <i>35.0%</i> | <i>-3.5%P</i> | <i>-2.4%P</i> |
| Operating Profit | 48.8         | 55.1         | 57.9         | -11.6%        | -15.8%        |
| <i>Margin(%)</i> | <i>10.1%</i> | <i>11.6%</i> | <i>12.6%</i> | <i>-1.5%P</i> | <i>-2.5%P</i> |
| Ordinary Profit  | 40.4         | 50.7         | 54.3         | -20.4%        | -25.6%        |
| <i>Margin(%)</i> | <i>8.4%</i>  | <i>10.7%</i> | <i>11.9%</i> | <i>-2.3%P</i> | <i>-3.5%P</i> |
| Depreciation     | 36.8         | 37.0         | 36.1         | -0.4%         | 2.0%          |
| EBITDA           | 85.6         | 92.2         | 94.0         | -7.1%         | -9.0%         |
| <i>Margin(%)</i> | <i>17.8%</i> | <i>19.5%</i> | <i>20.5%</i> | <i>-1.7%P</i> | <i>-2.8%P</i> |

# Consolidated Balance Sheet



(Billion KRW)

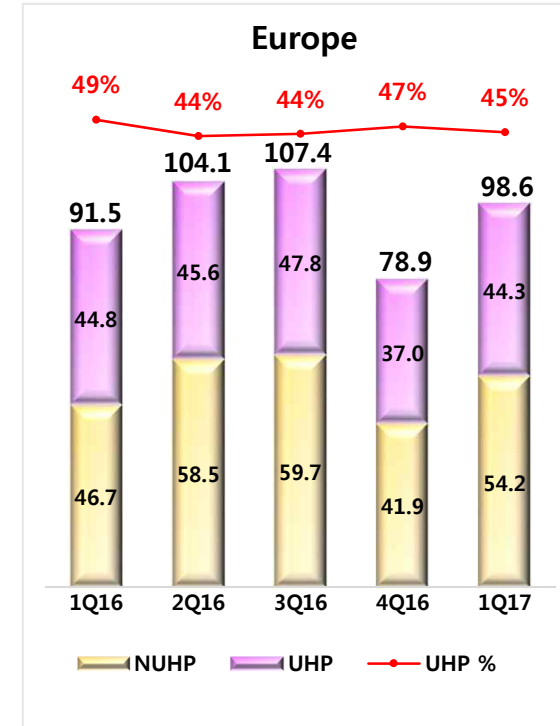
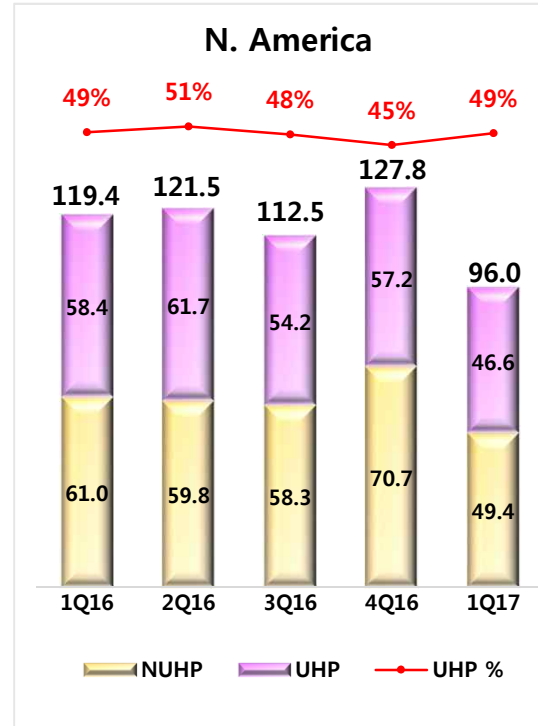
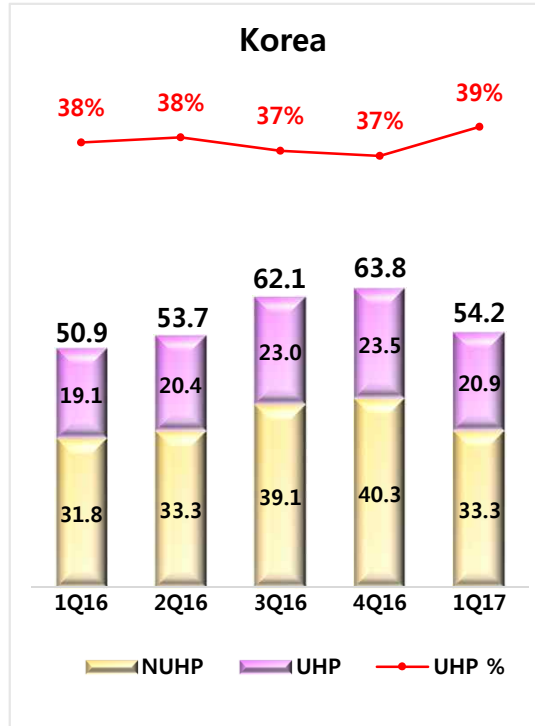
|                                    | 2017 1Q (A)    | 2016 (B)       | (A)-(B)      |
|------------------------------------|----------------|----------------|--------------|
| <b>Assets</b>                      | <b>2,607.1</b> | <b>2,617.9</b> | <b>-10.8</b> |
| <b>Current Assets</b>              | <b>837.6</b>   | <b>833.7</b>   | <b>3.9</b>   |
| Quick Assets                       | 580.4          | 582.3          | -2.0         |
| Inventories                        | 257.2          | 251.4          | 5.8          |
| <i>(Cash and Cash Equivalents)</i> | <i>226.5</i>   | <i>281.5</i>   | <i>-55.0</i> |
| <b>Non-Current Assets</b>          | <b>1,769.5</b> | <b>1,784.2</b> | <b>-14.7</b> |
| <b>Liabilities</b>                 | <b>1,399.7</b> | <b>1,415.2</b> | <b>-15.5</b> |
| <b>Current Liabilities</b>         | <b>578.1</b>   | <b>560.0</b>   | <b>18.1</b>  |
| <b>Non-Current Liabilities</b>     | <b>821.6</b>   | <b>855.2</b>   | <b>-33.6</b> |
| <i>(Debt)</i>                      | <i>846.1</i>   | <i>854.2</i>   | <i>-8.1</i>  |
| <b>Shareholders' Equity</b>        | <b>1,207.4</b> | <b>1,202.7</b> | <b>4.7</b>   |

|                | Net Debt     | Net Debt %   | Liabilities % | Current Ratio | Equity Ratio |
|----------------|--------------|--------------|---------------|---------------|--------------|
| <b>2017 1Q</b> | <b>619.6</b> | <b>51.3%</b> | <b>115.9%</b> | <b>144.9%</b> | <b>46.3%</b> |
| <b>2016</b>    | <b>572.7</b> | <b>47.6%</b> | <b>117.7%</b> | <b>148.9%</b> | <b>45.9%</b> |

# Consolidated Sales by Region



(Billion KRW)



◎ YoY improvement in earnings led by stable demand growth of the domestic market and UHP products.

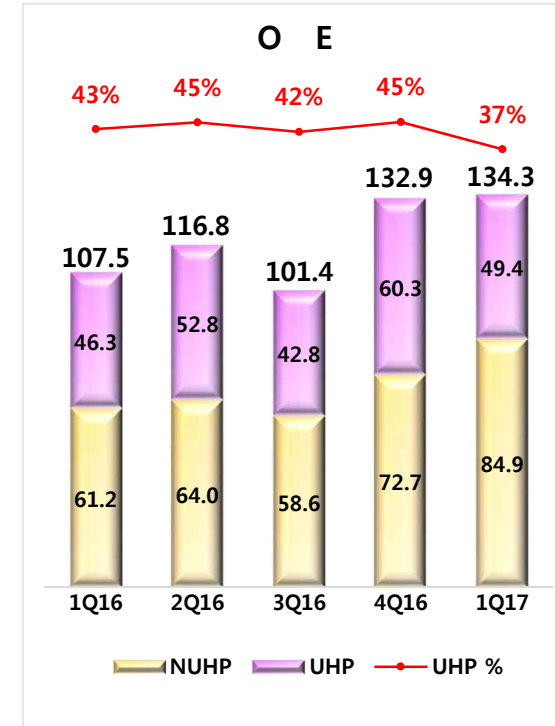
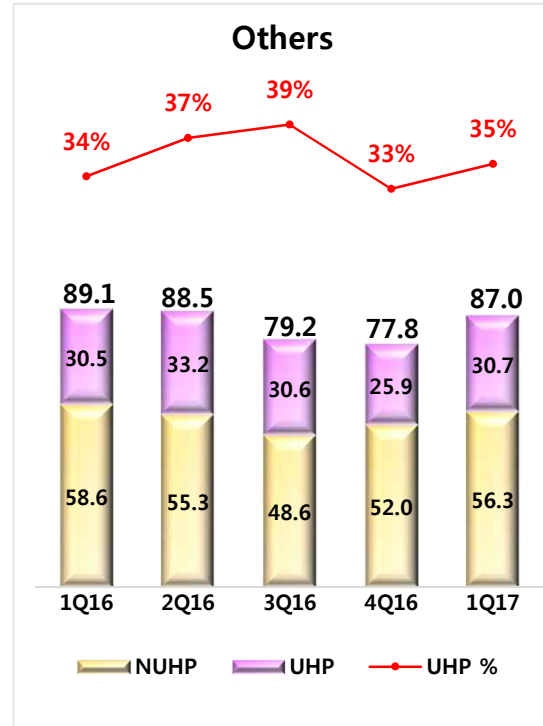
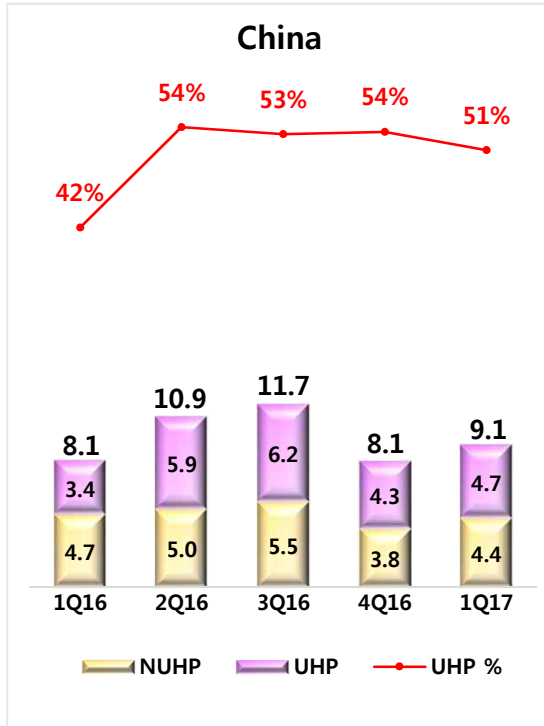
◎ Prolonged low growth of PCR products and overall market decline in demand.  
 ◎ Inventory adjustment and order reduction of customers due to weak market demand.

◎ Growth in all sectors and imported tire demand in Europe increased.  
 ◎ Demand is expected to increase with intensified competition with imported Chinese products.

# Consolidated Sales by Region



(Billion KRW)



◎ Despite the slowdown in global growth, the Chinese domestic market continued to grow due to strong demand and rapid growth of SUV/MPV market.

◎ The Latin American market is recovering from a long-term recession, but growth is limited due to weak sales in other regions.

◎ Maintained growth in Q1 led by increased production of auto makers in Korea.  
 ◎ Negative impact on future growth is expected from weak auto shipment due to political issues.

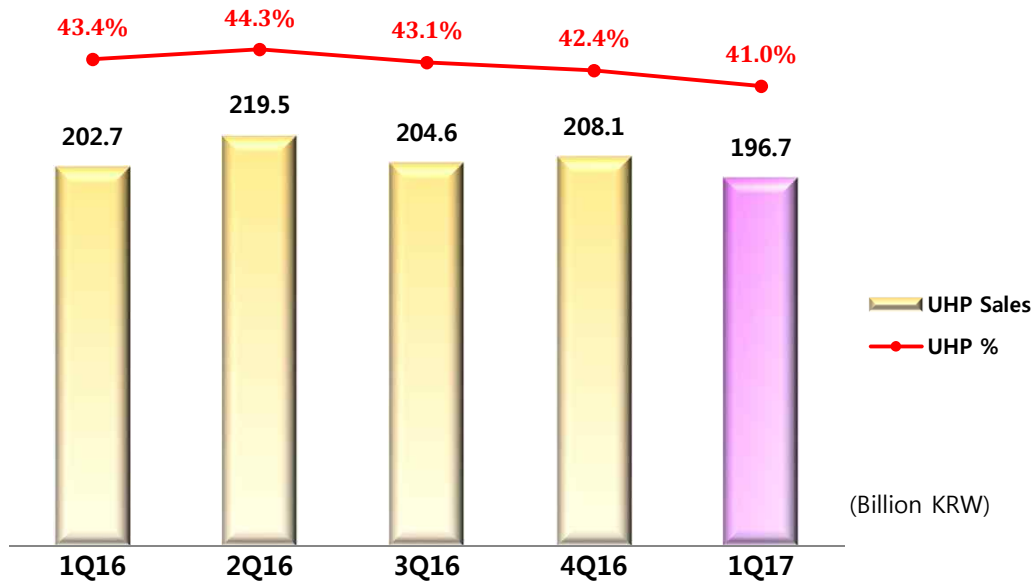
# Consolidated UHPT Sales



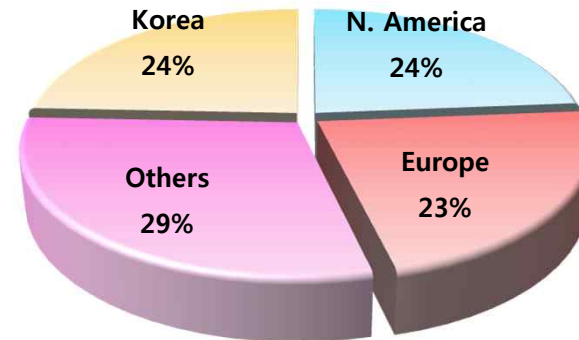
(Billion KRW)

|                  | 2017 1Q | 2016 4Q | 2016 1Q | QoQ    | YoY    |
|------------------|---------|---------|---------|--------|--------|
| UHPT Sales       | 196.7   | 208.1   | 202.7   | -5.5%  | -3.0%  |
| % / Net Sales    | 41.0%   | 42.4%   | 43.4%   | -1.4%P | -2.4%P |
| % / Total Volume | 36.8%   | 38.4%   | 37.8%   | -1.6%P | -1.0%P |

※ Sum of each corporations' shipment



## <UHPT Sales by Region>



2017 1Q KRW-based



# Consolidated Operating Expenses



(Billion KRW)

|                                       | 2017 1Q | 2016 4Q | 2016 1Q | QoQ    | YoY    |
|---------------------------------------|---------|---------|---------|--------|--------|
| <b>Freight &amp; Logistic Expense</b> | 25.6    | 28.8    | 22.0    | -11.3% | 16.4%  |
| <b>SG&amp;A Expenses</b>              | 82.6    | 86.8    | 80.2    | -4.8%  | 3.0%   |
| - Salaries                            | 22.2    | 21.7    | 20.3    | 2.6%   | 9.8%   |
| - R&D                                 | 15.4    | 14.9    | 14.8    | 3.3%   | 3.7%   |
| - Advertising                         | 12.6    | 13.4    | 12.4    | -5.4%  | 1.9%   |
| - Others                              | 32.4    | 36.9    | 32.8    | -12.2% | -1.1%  |
| <b>Other Income &amp; Expenses</b>    | 1.0     | -3.6    | 0.5     | 128.0% | 112.3% |

# Consolidated Financial Income & Expenses



(Billion KRW)

|  | 2017 1Q     | 2016 4Q     | 2016 1Q     | QoQ              | YoY            |
|--|-------------|-------------|-------------|------------------|----------------|
| <b>Financial Income &amp; Expenses</b> | <b>-9.4</b> | <b>-0.7</b> | <b>-4.1</b> | <b>-1,149.8%</b> | <b>-128.2%</b> |
| - Interest                             | -3.3        | -3.9        | -6.0        | 14.6%            | 44.9%          |
| - Foreign Currency Transaction         | -5.4        | -4.3        | 3.5         | -24.0%           | -251.0%        |
| - Foreign Currency Translation         | -2.0        | 7.2         | 0.5         | -128.2%          | -474.9%        |
| - Others                               | 1.3         | 0.2         | -2.2        | 439.6%           | 162.2%         |

# 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           |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Asset</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>2,634.5</b> |
| <b>Current Assets</b>          | <b>731.4</b>   | <b>686.0</b>   | <b>735.0</b>   | <b>730.0</b>   | <b>800.7</b>   | <b>850.3</b>   |
| 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          |
| <b>Non-Current Assets</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> | <b>1,784.2</b> |
| 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           |
| <b>Liabilities</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>1,431.8</b> |
| <b>Current Liabilities</b>     | <b>754.3</b>   | <b>641.8</b>   | <b>695.0</b>   | <b>579.6</b>   | <b>580.5</b>   | <b>576.6</b>   |
| <b>Non-Current Liabilities</b> | <b>582.9</b>   | <b>729.8</b>   | <b>807.7</b>   | <b>1,014.3</b> | <b>966.3</b>   | <b>855.2</b>   |
| <b>Capital</b>                 | <b>483.3</b>   | <b>565.0</b>   | <b>680.6</b>   | <b>797.0</b>   | <b>1,034.0</b> | <b>1,202.7</b> |

# Thank You