

2014 2Q Result

2014.08.06

Business Management Team



This presentation is consolidated financial result in compliance with K-IFRS with unaudited 2nd quarter of 2014 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

Nexen Tire Partners with MLB Teams

Nexen renewed its sponsorship with the LA Dodgers and the Detroit Tigers for the 2014 baseball season. Additionally, enter into new official partnership with the Texas Rangers to step up its marketing efforts in the US market.



NEXEN
NEXEN TIRE

2014 Official Partnership

NEXEN TIRE / LA DODGERS



Supply OE tires to <Seat> in Spain and Renault subsidiary <Dacia>

Nexen Tire will supply its high-performance N'Blue HD for OE tires to VW Group brand <Seat> in Spain. N'Blue HD will also be mounted exclusively for <Dacia> Lodgy and Dokker.



The first tire company to sweep four of the world's top design awards

Nexen Tire has been selected as a finalist at the 2014 <IDEA-International Design Excellence Awards>, becoming the first in the tire industry to achieve a grand slam of world design awards, having already picked up <IF Design Award>, <Red Dot Design Award> and <G-Mark>.

<Green Hive> is a concept tire features an innovative design that allows its replaceable tread to be replenished on a continual basis.

Take part in the international tire exhibitions

Nexen Tire will continue to strive to enhance brand value in Europe and expand business in China through strenuous technology development efforts and various marketing events.



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Income Statement

(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Net Sales	433.1	452.9	451.1	-4.4%	-4.0%
Gross Profit	134.4	140.6	125.1	-4.4%	7.5%
<i>Margin(%)</i>	<i>31.0%</i>	<i>31.1%</i>	<i>27.7%</i>	<i>0.0%P</i>	<i>3.3%P</i>
Operating Profit	48.8	53.8	45.8	-9.4%	6.4%
<i>Margin(%)</i>	<i>11.3%</i>	<i>11.9%</i>	<i>10.2%</i>	<i>-0.6%P</i>	<i>1.1%P</i>
Ordinary Profit	48.8	43.5	36.3	12.3%	34.6%
<i>Margin(%)</i>	<i>11.3%</i>	<i>9.6%</i>	<i>8.0%</i>	<i>1.7%P</i>	<i>3.2%P</i>
Depreciation	27.3	27.0	25.5	1.1%	6.8%
EBITDA	76.0	80.8	71.4	-5.9%	6.5%
<i>Margin(%)</i>	<i>17.6%</i>	<i>17.8%</i>	<i>15.8%</i>	<i>-0.3%P</i>	<i>1.7%P</i>

Balance Sheet

(in KRW billion)

	2014 2Q (A)	2013 (B)	(A)-(B)
Assets	2,412.1	2,299.8	112.3
Current Assets	716.0	735.0	-19.0
Quick Assets	494.7	471.6	23.2
Inventories	221.3	263.4	-42.1
<i>(Cash and Cash Equivalents)</i>	<i>186.2</i>	<i>191.0</i>	<i>-4.8</i>
Non-Current Assets	1,696.1	1,564.8	131.3
Liabilities	1,548.3	1,502.7	45.7
Current Liabilities	795.8	695.0	100.8
Non-Current Liabilities	752.6	807.7	-55.1
<i>(Debt)</i>	<i>967.7</i>	<i>966.6</i>	<i>1.1</i>
Shareholders' Equity	863.8	797.0	66.8

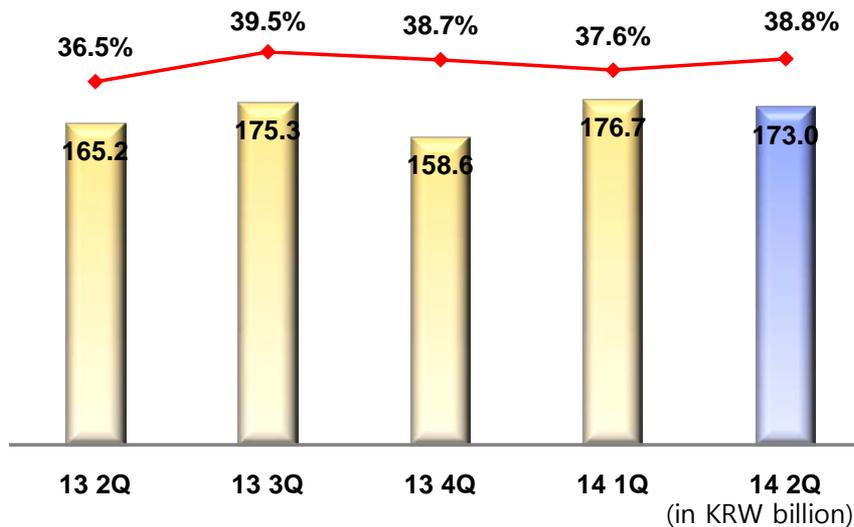
	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2014 2Q	781.5	90.5%	179.3%	90.0%	35.8%
2013	775.6	97.3%	188.5%	105.8%	34.7%

UHPT Sales

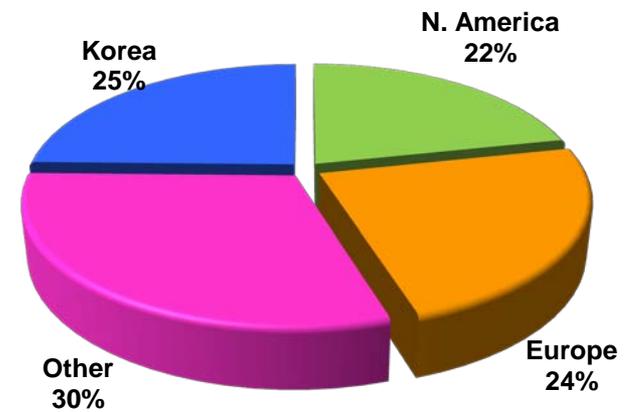
(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
UHPT Sales	173.0	176.7	165.2	-2.1%	4.8%
% / Net Sales	38.8%	37.6%	36.5%	1.1%P	2.3%P
% / Total Volume	34.1%	32.9%	31.7%	1.3%P	2.4%P

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



<UHPT Sales by Region>



2014 2Q KRW-based

Operating Expenses

(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Freight & Logistic Expense	20.2	21.5	23.4	-5.9%	-13.3%
SG&A Expenses	65.4	65.3	55.9	0.2%	17.0%
- Salaries	18.0	17.6	15.8	2.3%	13.4%
- R&D	16.0	14.6	13.8	10.2%	16.4%
- Advertising	7.2	5.7	6.3	25.6%	13.1%
- Others	24.2	27.4	19.9	-11.8%	21.6%
Other Income & Expenses	0.1	-0.8	0.1	114.5%	2.1%

Financial Income & Expenses

(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Financial Income & Expenses	-0.1	-9.6	-9.7	99.4%	99.4%
- Interest	-6.7	-6.9	-8.2	2.1%	18.0%
- Foreign Currency Transaction	4.3	0.5	3.9	862.0%	10.2%
- Foreign Currency Translation	2.6	-3.1	-5.4	183.3%	147.3%
- Others	-0.2	-0.1	-0.01	-196.3%	-1,600.9%

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Income Statement

(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Net Sales	330.8	336.5	363.4	-1.7%	-9.0%
Gross Profit	96.1	105.4	104.7	-8.8%	-8.3%
<i>Margin(%)</i>	<i>29.0%</i>	<i>31.3%</i>	<i>28.8%</i>	<i>-2.3%P</i>	<i>0.2%P</i>
Operating Profit	26.8	40.1	41.2	-33.2%	-35.0%
<i>Margin(%)</i>	<i>8.1%</i>	<i>11.9%</i>	<i>11.3%</i>	<i>-3.8%P</i>	<i>-3.2%P</i>
Ordinary Profit	32.8	39.0	34.9	-15.9%	-6.0%
<i>Margin(%)</i>	<i>9.9%</i>	<i>11.6%</i>	<i>9.6%</i>	<i>-1.7%P</i>	<i>0.3%P</i>
Depreciation	19.5	18.8	17.8	3.9%	9.3%
EBITDA	46.3	58.8	59.0	-21.4%	-21.6%
<i>Margin(%)</i>	<i>14.0%</i>	<i>17.5%</i>	<i>16.2%</i>	<i>-3.5%P</i>	<i>-2.3%P</i>

Balance Sheet

(in KRW billion)

	2014 2Q (A)	2013 (B)	(A)-(B)
Assets	2,055.1	1,905.3	149.8
Current Assets	584.4	598.1	-13.8
Quick Assets	446.2	443.4	2.8
Inventories	138.2	154.7	-16.6
<i>(Cash and Cash Equivalents)</i>	<i>164.5</i>	<i>171.5</i>	<i>-7.1</i>
Non-Current Assets	1,470.7	1,307.2	163.6
Liabilities	1,205.0	1,127.2	77.8
Current Liabilities	609.3	484.9	124.4
Non-Current Liabilities	595.7	642.4	-46.7
<i>(Debt)</i>	<i>701.6</i>	<i>677.3</i>	<i>24.3</i>
Shareholders' Equity	850.1	778.1	72.0

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2014 2Q	537.1	63.2%	141.8%	95.9%	41.4%
2013	505.7	65.0%	144.9%	123.4%	40.8%

Operating Expenses

(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Freight & Logistic Expense	16.3	17.3	18.9	-6.0%	-13.9%
SG&A Expenses	53.0	48.0	44.6	10.5%	18.8%
- Salaries	14.0	13.6	12.4	3.1%	13.2%
- R&D	15.3	13.9	12.8	9.8%	19.0%
- Advertising	6.1	4.7	5.1	28.4%	20.0%
- Others	17.7	15.7	14.4	12.3%	23.0%
Other Income & Expenses	3.9	3.3	4.0	17.4%	-1.9%

Financial Income & Expenses

(in KRW billion)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Financial Income & Expenses	2.1	-4.4	-10.3	148.7%	120.8%
- Interest	-4.6	-4.5	-5.1	-1.9%	10.7%
- Foreign Currency Transaction	1.9	-0.6	1.5	445.3%	25.8%
- Foreign Currency Translation	4.5	0.5	-6.6	796.1%	169.2%
- Others	0.2	0.2	-0.1	47.2%	262.1%

Income Statement

(in RMB million)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Net Sales	569	523	481	8.8%	18.3%
Gross Profit	168	147	108	14.2%	56.0%
<i>Margin(%)</i>	<i>29.5%</i>	<i>28.1%</i>	<i>22.4%</i>	<i>1.4%P</i>	<i>7.1%P</i>
Operating Profit	98	74	40	31.6%	144.8%
<i>Margin(%)</i>	<i>17.2%</i>	<i>14.2%</i>	<i>8.3%</i>	<i>3.0%P</i>	<i>8.9%P</i>
Ordinary Profit	87	45	45	91.4%	92.0%
<i>Margin(%)</i>	<i>15.2%</i>	<i>8.7%</i>	<i>9.4%</i>	<i>6.6%P</i>	<i>5.8%P</i>
Depreciation	31	30	26	3.0%	18.2%
EBITDA	129	104	66	23.3%	94.5%
<i>Margin(%)</i>	<i>22.6%</i>	<i>20.0%</i>	<i>13.8%</i>	<i>2.7%P</i>	<i>8.9%P</i>

※ K-IFRS standard format

Income Statement

(in RMB million)

	2014 2Q	2014 1Q	2013 2Q	QoQ	YoY
Net Sales	569	523	481	8.8%	18.3%
Gross Profit	168	147	108	14.2%	56.0%
<i>Margin(%)</i>	<i>29.5%</i>	<i>28.1%</i>	<i>22.4%</i>	<i>1.4%P</i>	<i>7.1%P</i>
Operating Profit	87	46	45	89.6%	92.1%
<i>Margin(%)</i>	<i>15.2%</i>	<i>8.7%</i>	<i>9.4%</i>	<i>6.5%P</i>	<i>5.8%P</i>
Ordinary Profit	87	45	45	91.4%	92.0%
<i>Margin(%)</i>	<i>15.2%</i>	<i>8.7%</i>	<i>9.4%</i>	<i>6.6%P</i>	<i>5.8%P</i>
Depreciation	31	30	26	3.0%	18.2%
EBITDA	118	76	71	55.1%	64.8%
<i>Margin(%)</i>	<i>20.7%</i>	<i>14.5%</i>	<i>14.9%</i>	<i>6.2%P</i>	<i>5.8%P</i>

※ China-GAAP

Balance Sheet

(in RMB million)

	2014 2Q (A)	2013 (B)	(A)-(B)
Assets	3,004	2,976	28.8
Current Assets	899	882	16.6
Quick Assets	765	730	34.8
Inventories	134	152	-18.2
<i>(Cash and Cash Equivalents)</i>	<i>132</i>	<i>112</i>	<i>19.7</i>
Non-Current Assets	2,106	2,094	12.2
Liabilities	1,960	2,010	-50.2
Current Liabilities	1,100	1,145	-45.6
Non-Current Liabilities	861	865	-4.6
<i>(Debt)</i>	<i>1,631</i>	<i>1,680</i>	<i>-49.2</i>
Shareholders' Equity	1,044	965	79.0

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2014 2Q	1,499	143.5%	187.7%	81.7%	34.8%
2013	1,567	162.4%	208.3%	77.0%	32.4%

Consolidated Income Statement

(in KRW Billion)

	2008	(%)	2009	(%)	2010	(%)	2011	(%)	2012	(%)	2013	(%)
Net Sales	784.1	100.0	1,009.9	100.0	1,148.6	100.0	1,430.0	100.0	1,706.2	100.0	1,728.2	100
Cost of Goods Sold	590.8	75.3	669.0	66.2	801.2	69.8	1,085.7	75.9	1,249.4	73.2	1,239.2	71.7
Gross Profit	193.4	24.7	340.9	33.8	347.4	30.2	344.3	24.1	456.8	26.8	489.0	28.3
SG&A	153.9	19.6	175.8	17.4	210.8	18.3	232.3	16.2	276.6	16.2	312.2	18.1
Operation Profit	39.5	5.0	165.1	16.4	136.6	11.9	120.0	7.8	180.2	10.6	176.8	10.2
Non-Operating Income	78.7	10.0	45.2	4.5	36.4	3.2	67.8	4.7	62.6	3.7	60.7	3.5
Non-Operating Expenses	127.3	16.2	70.0	6.9	46.4	4.0	69.0	4.8	84.0	4.9	82.4	4.8
Ordinary Profit	-9.1	-1.2	140.3	13.9	130.9	11.4	113.1	7.9	158.1	9.3	161.4	9.3
Income Taxes	3.0	0.4	26.9	2.7	23.7	2.1	25.4	1.8	23.8	1.4	37.5	2.2
Net Income	-12.1	-1.5	113.3	11.2	107.2	9.3	87.8	6.1	134.3	7.9	124.0	7.2

※ K-IFRS applied from 2010

Consolidated Balance Sheet

(in KRW Billion)

	2008	2009	2010	2011	2012	2013
Asset	998.7	1,020.2	1,258.9	1,902.2	2,052.1	2,299.8
Current Assets	338.7	380.3	491.3	731.4	686.0	735.0
Quick Assets	212.2	244.9	306.5	455.4	420.7	471.6
Inventories	126.5	135.4	184.8	276.0	265.2	263.4
Non-Current Assets	660.1	639.9	767.6	1,170.8	1,366.1	1,564.8
Investment Assets	54.6	39.0	82.4	81.0	68.6	48.9
Property & Equipment	600.6	595.8	678.8	1,083.7	1,278.9	1,482.2
Intangible Assets	4.8	5.0	6.4	6.1	5.5	7.9
Liabilities	720.7	633.2	775.5	1,337.2	1,371.5	1,502.7
Current Liabilities	370.2	323.8	472.8	754.3	641.8	695.0
Non-Current Liabilities	350.5	309.4	302.7	582.9	729.8	807.7
Capital	278.0	386.9	483.3	565.0	680.6	797.0

※ K-IFRS applied from 2010

Thank You