

Driving Tomorrow

2014 3Q Result

2014.10.29

Business Management Team

 **NEXEN TIRE**



This presentation is consolidated financial result in compliance with K-IFRS with unaudited 3rd quarter of 2014 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

Contents

- I. Consolidated Result
- II. Result by Plant

Consolidated Income Statement



Global : Sales recovering, operating profit increase from low raw material price
 Korea : OP margin gain in 3Q due to increased volume and reduced SG&A (QoQ)
 China : Sales and operating profit upside for YoY

(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Net Sales	435.9	433.1	438.5	0.6%	-0.6%
Gross Profit	137.3	134.4	124.7	2.1%	10.1%
<i>Margin(%)</i>	<i>31.5%</i>	<i>31.0%</i>	<i>28.4%</i>	<i>0.5%P</i>	<i>3.1%P</i>
Operating Profit	49.6	48.8	46.3	1.6%	7.0%
<i>Margin(%)</i>	<i>11.4%</i>	<i>11.3%</i>	<i>10.6%</i>	<i>0.1%P</i>	<i>0.8%P</i>
Ordinary Profit	33.0	48.8	52.6	-32.4%	-37.2%
<i>Margin(%)</i>	<i>7.6%</i>	<i>11.3%</i>	<i>12.0%</i>	<i>-3.7%P</i>	<i>-4.4%P</i>
Depreciation	29.2	27.3	25.6	7.2%	14.3%
EBITDA	78.8	76.0	71.9	3.6%	9.6%
<i>Margin(%)</i>	<i>18.1%</i>	<i>17.6%</i>	<i>16.4%</i>	<i>0.5%P</i>	<i>1.7%P</i>

Consolidated Balance Sheet



(in KRW billion)

	2014 3Q (A)	2013 (B)	(A)-(B)
Assets	2,512.4	2,299.8	212.6
Current Assets	765.6	735.0	30.6
Quick Assets	539.7	471.6	68.1
Inventories	225.9	263.4	-37.5
<i>(Cash and Cash Equivalents)</i>	<i>205.4</i>	<i>191.0</i>	<i>14.4</i>
Non-Current Assets	1,746.8	1,564.8	182.0
Liabilities	1,613.1	1,502.7	110.4
Current Liabilities	632.7	695.0	-62.3
Non-Current Liabilities	980.4	807.7	172.7
<i>(Debt)</i>	<i>1,046.5</i>	<i>966.6</i>	<i>79.9</i>
Shareholders' Equity	899.3	797.0	102.3

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2014 3Q	841.1	93.5%	179.4%	121.0%	35.8%
2013	775.6	97.3%	188.5%	105.8%	34.7%

Consolidated UHPT Sales

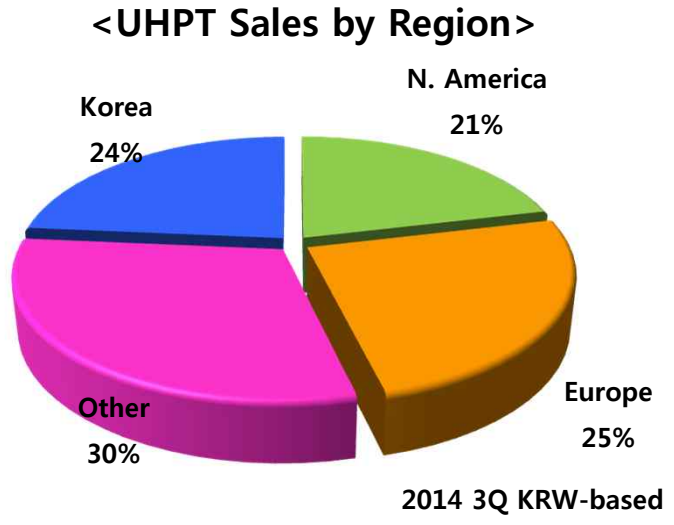
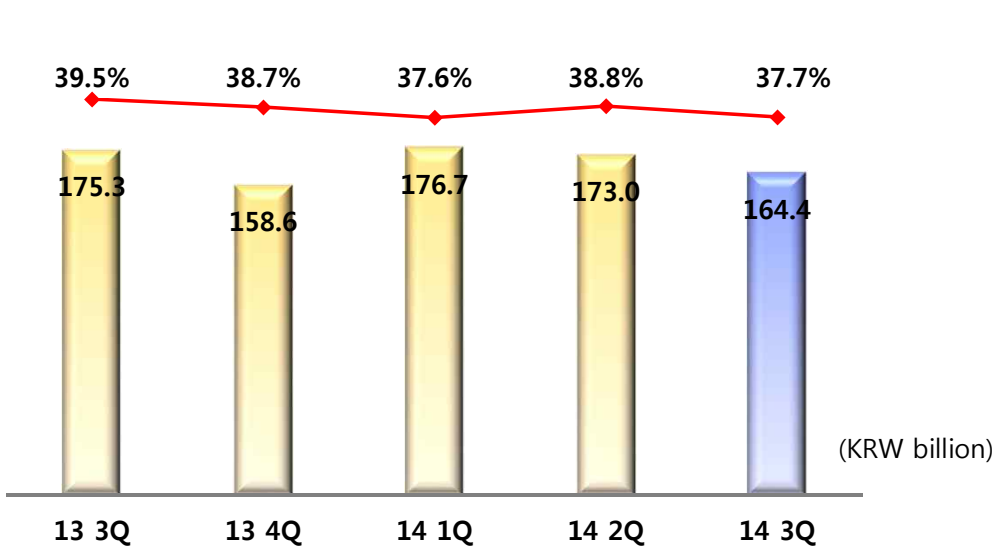


Overall global demand for UHPT is gradually increasing but weak demand in several regions resulted in product mix deterioration

(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
UHPT Sales	164.4	173.0	175.3	-5.0%	-6.2%
% / Net Sales	37.7%	38.8%	39.5%	-1.1%P	-1.8%P
% / Total Volume	32.9%	34.1%	34.3%	-1.3%P	-1.4%P

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



Consolidated Operating Expenses



Increased demand for premium tires and OE tires resulting R&D uptrend
Efforts to raise the global brand awareness resulting high advertising expense

(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Freight & Logistic Expense	22.1	20.2	22.5	9.4%	-1.7%
SG&A Expenses	65.6	65.4	55.9	0.3%	17.4%
- Salaries	18.1	18.0	16.0	0.5%	13.2%
- R&D	15.8	16.0	14.4	-1.8%	9.7%
- Advertising	7.4	7.2	4.5	2.5%	64.2%
- Others	24.4	24.2	21.1	0.8%	15.8%
Other Income & Expenses	-2.5	0.1	7.7	-2,266.7%	-131.9%

Consolidated Financial Income & Expenses



(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Financial Income & Expenses	-14.1	-0.05	-1.5	-25,566.9%	-867.6%
- Interest	-5.4	-6.7	-7.6	19.6%	28.9%
- Foreign Currency Transaction	9.5	4.3	3.0	118.0%	219.4%
- Foreign Currency Translation	-17.7	2.6	3.2	-794.7%	-651.0%
- Others	-0.4	-0.2	-0.02	-76.0%	-1,440.4%

Raw Material Input Price

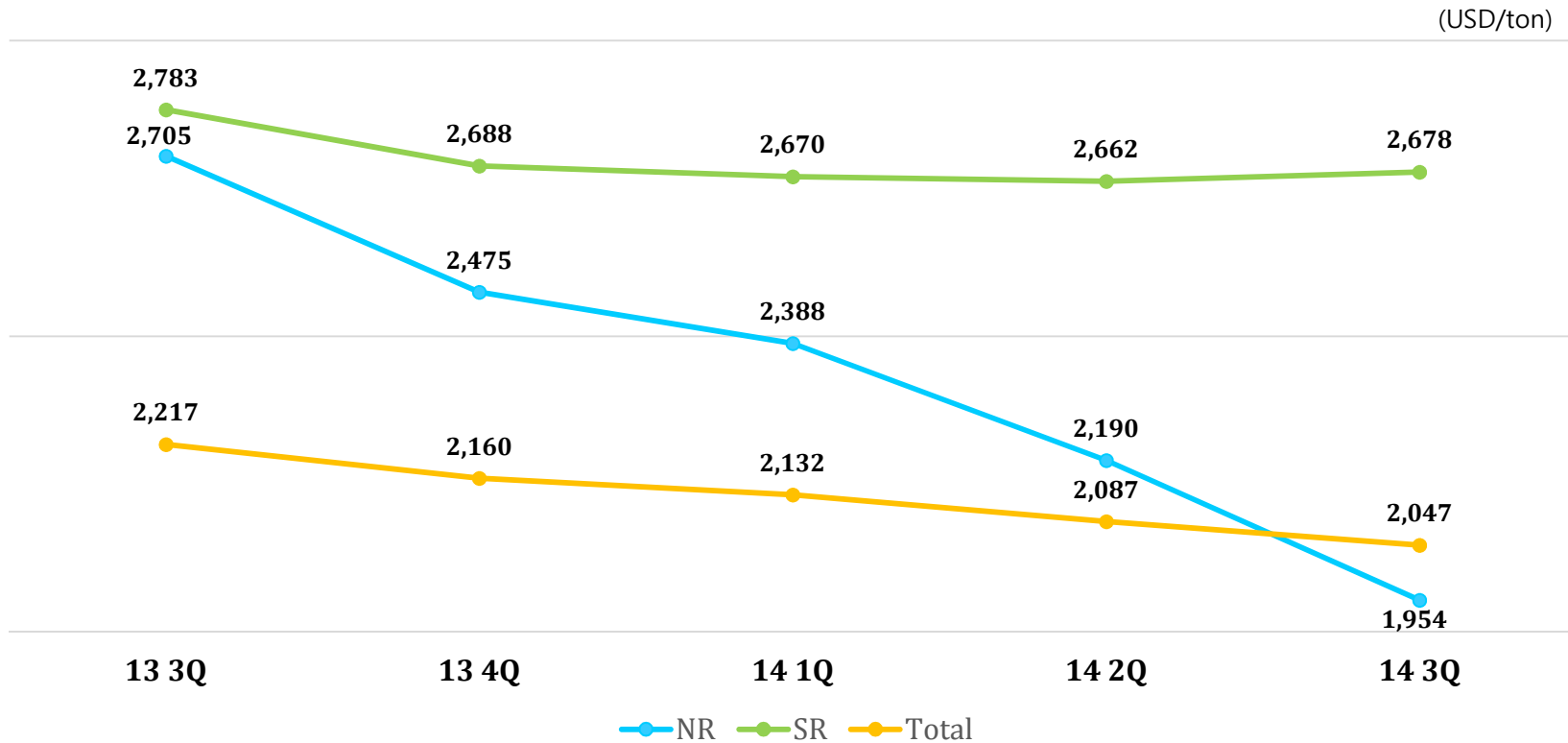


NR: Downtrend of NR price due to oversupply and global inventory surplus

SR: Temporary uptick led by demand increase in China, however stable price due to oversupply

QoQ: -1.9%

YoY: -7.6%



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Korea Income Statement



Sales and operating profit recovery due to increased sales volume for RE market
Loss of foreign currency translation from weak Korean Won resulting reduced ordinary profit

(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Net Sales	345.6	330.8	334.8	4.4%	3.2%
Gross Profit	105.2	96.1	90.9	9.5%	15.8%
<i>Margin(%)</i>	<i>30.5%</i>	<i>29.0%</i>	<i>27.1%</i>	<i>1.4%P</i>	<i>3.3%P</i>
Operating Profit	35.6	26.8	29.6	32.8%	20.1%
<i>Margin(%)</i>	<i>10.3%</i>	<i>8.1%</i>	<i>8.8%</i>	<i>2.2%P</i>	<i>1.4%P</i>
Ordinary Profit	28.1	32.8	37.9	-14.3%	-25.8%
<i>Margin(%)</i>	<i>8.1%</i>	<i>9.9%</i>	<i>11.3%</i>	<i>-1.8%P</i>	<i>-3.2%P</i>
Depreciation	20.2	19.5	17.8	3.8%	13.3%
EBITDA	55.8	46.3	47.4	20.6%	17.6%
<i>Margin(%)</i>	<i>16.1%</i>	<i>14.0%</i>	<i>14.2%</i>	<i>2.2%P</i>	<i>2.0%P</i>

Korea Balance Sheet



(in KRW billion)

	2014 3Q (A)	2013 (B)	(A)-(B)
Assets	2,127.1	1,905.3	221.7
Current Assets	619.3	598.1	21.1
Quick Assets	489.1	443.4	45.7
Inventories	130.1	154.7	-24.6
<i>(Cash and Cash Equivalents)</i>	<i>178.1</i>	<i>171.5</i>	<i>6.6</i>
Non-Current Assets	1,507.8	1,307.2	200.6
Liabilities	1,254.9	1,127.2	127.6
Current Liabilities	442.4	484.9	-42.5
Non-Current Liabilities	812.5	642.4	170.1
<i>(Debt)</i>	<i>764.6</i>	<i>677.3</i>	<i>87.3</i>
Shareholders' Equity	872.2	778.1	94.1

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2014 3Q	586.5	67.2%	143.9%	140.0%	41.0%
2013	505.7	65.0%	144.9%	123.4%	40.8%

Korea Operating Expense



(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Freight & Logistic Expense	17.9	16.3	17.5	9.8%	2.1%
SG&A Expenses	51.8	53.0	43.8	-2.3%	18.3%
- Salaries	13.9	14.0	12.4	-0.4%	12.1%
- R&D	14.8	15.3	13.5	-2.9%	10.1%
- Advertising	6.1	6.1	3.3	0.7%	83.9%
- Others	16.9	17.7	14.5	-4.3%	16.3%
Other Income & Expenses	1.5	3.9	10.6	-60.9%	-85.7%

Korea Financial Income & Expenses



(in KRW billion)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Financial Income & Expenses	-9.0	2.1	-2.4	-519.3%	-277.3%
- Interest	-3.3	-4.6	-5.1	28.6%	35.8%
- Foreign Currency Transaction	4.3	1.9	1.2	120.6%	271.9%
- Foreign Currency Translation	-9.3	4.5	2.0	-304.7%	-554.2%
- Others	-0.7	0.2	-0.5	-418.4%	-42.6%

China Income Statement



(in RMB million)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Net Sales	534	569	512	-6.1%	4.3%
Gross Profit	156	168	132	-6.8%	18.1%
<i>Margin(%)</i>	<i>29.3%</i>	<i>29.5%</i>	<i>25.9%</i>	<i>-0.2%P</i>	<i>3.4%P</i>
Operating Profit	84	98	61	-13.8%	37.6%
<i>Margin(%)</i>	<i>15.8%</i>	<i>17.2%</i>	<i>12.0%</i>	<i>-1.4%P</i>	<i>3.8%P</i>
Ordinary Profit	87	87	64	0.0%	34.3%
<i>Margin(%)</i>	<i>16.2%</i>	<i>15.2%</i>	<i>12.6%</i>	<i>1.0%P</i>	<i>3.6%P</i>
Depreciation	32	31	28	2.8%	16.0%
EBITDA	116	129	89	-9.8%	30.9%
<i>Margin(%)</i>	<i>21.8%</i>	<i>22.6%</i>	<i>17.3%</i>	<i>-0.9%P</i>	<i>4.4%P</i>

※ K-IFRS standard format

China Income Statement



(in RMB million)

	2014 3Q	2014 2Q	2013 3Q	QoQ	YoY
Net Sales	534	569	512	-6.1%	4.3%
Gross Profit	156	168	132	-6.8%	18.1%
<i>Margin(%)</i>	<i>29.3%</i>	<i>29.5%</i>	<i>25.9%</i>	<i>-0.2%P</i>	<i>3.4%P</i>
Operating Profit	51	87	65	-40.8%	-21.2%
<i>Margin(%)</i>	<i>9.6%</i>	<i>15.2%</i>	<i>12.7%</i>	<i>-5.6%P</i>	<i>-3.1%P</i>
Ordinary Profit	87	87	64	0.0%	34.3%
<i>Margin(%)</i>	<i>16.2%</i>	<i>15.2%</i>	<i>12.6%</i>	<i>1.0%P</i>	<i>3.6%P</i>
Depreciation	32	31	28	2.8%	16.0%
EBITDA	83	118	93	-29.3%	-10.2%
<i>Margin(%)</i>	<i>15.6%</i>	<i>20.7%</i>	<i>18.1%</i>	<i>-5.1%P</i>	<i>-2.5%P</i>

※ China-GAAP

China Balance Sheet



(in RMB million)

	2014 3Q (A)	2013 (B)	(A)-(B)
Assets	3,021	2,976	44.9
Current Assets	909	882	26.9
Quick Assets	765	730	35.1
Inventories	144	152	-8.2
<i>(Cash and Cash Equivalents)</i>	<i>160</i>	<i>112</i>	<i>47.9</i>
Non-Current Assets	2,112	2,094	18.0
Liabilities	1,938	2,010	-72.7
Current Liabilities	1,037	1,145	-108.1
Non-Current Liabilities	901	865	35.4
<i>(Debt)</i>	<i>1,659</i>	<i>1,680</i>	<i>-21.1</i>
Shareholders' Equity	1,083	965	117.6

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2014 3Q	1,498	138.4%	179.0%	87.6%	35.8%
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