

Driving Tomorrow

2018 1Q Result

May 15, 2018

Business Management Team

 **NEXEN TIRE**

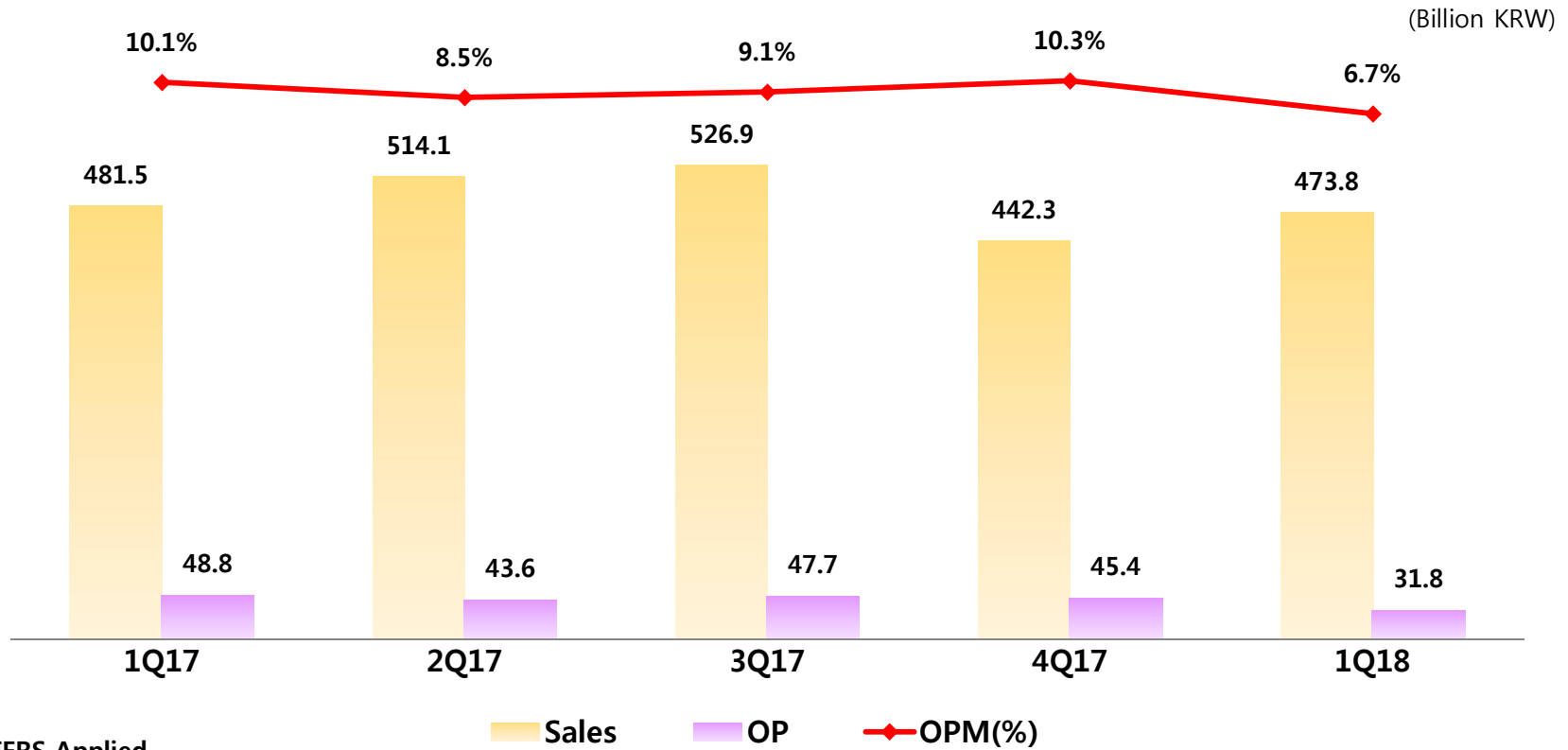


This presentation is consolidated financial result in compliance with K-IFRS with unaudited 1st quarter of 2018 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

Consolidated Quarterly Result



- ◎ Competition has intensified due to slow recovery of the industry from oversupply and weak demand.
- ◎ Decrease in sales and operating profit as a result of weak sell-out in North America and strong won.



※ K-IFRS Applied

Consolidated Income Statement



(Billion KRW)

	2018 1Q	2017 4Q	2017 1Q	QoQ	YoY
Net Sales	473.8	442.3	481.5	7.1%	-1.6%
Gross Profit	126.6	158.0	157.0	-19.9%	-19.4%
<i>Margin(%)</i>	<i>26.7%</i>	<i>35.7%</i>	<i>32.6%</i>	<i>-9.0%P</i>	<i>-5.9%P</i>
Operating Profit	31.8	45.4	48.8	-29.9%	-34.7%
<i>Margin(%)</i>	<i>6.7%</i>	<i>10.3%</i>	<i>10.1%</i>	<i>-3.5%P</i>	<i>-3.4%P</i>
Ordinary Profit	34.8	35.0	40.4	-0.8%	-14.0%
<i>Margin(%)</i>	<i>7.3%</i>	<i>7.9%</i>	<i>8.4%</i>	<i>-0.6%P</i>	<i>-1.1%P</i>
Depreciation	38.2	42.9	36.8	-11.0%	3.8%
EBITDA	70.0	88.3	85.6	-20.7%	-18.2%
<i>Margin(%)</i>	<i>14.8%</i>	<i>20.0%</i>	<i>17.8%</i>	<i>-5.2%P</i>	<i>-3.0%P</i>

Consolidated Balance Sheet



(Billion KRW)

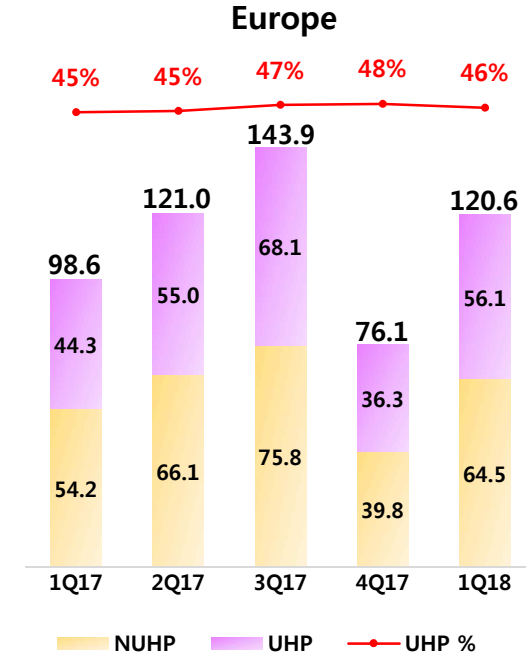
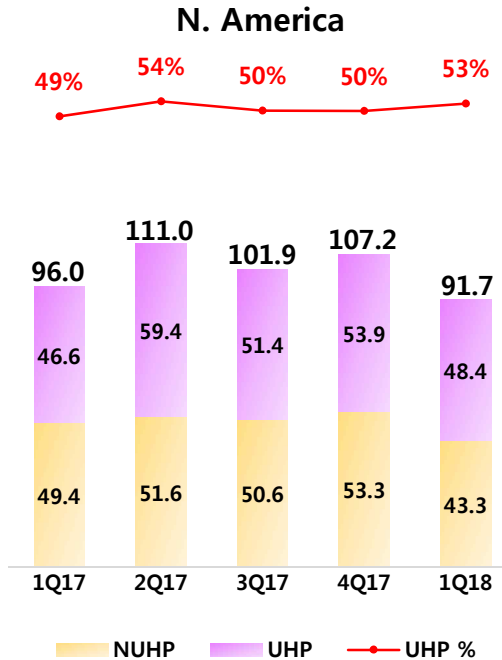
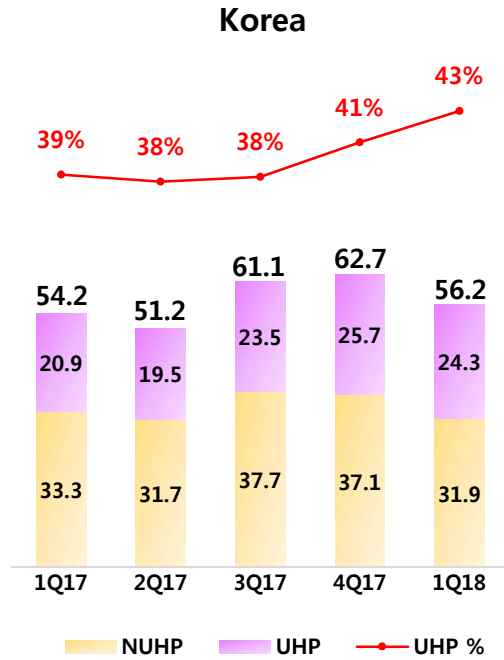
	2018 1Q (A)	2017 (B)	(A)-(B)
Assets	2,904.6	2,794.0	110.6
Current Assets	955.4	913.5	41.9
Quick Assets	693.7	642.7	51.0
Inventories	261.7	270.8	-9.1
<i>(Cash and Cash Equivalents)</i>	<i>264.7</i>	<i>253.6</i>	<i>11.1</i>
Non-Current Assets	1,949.2	1,880.5	68.6
Liabilities	1,536.0	1,455.1	81.0
Current Liabilities	655.2	648.2	7.0
Non-Current Liabilities	880.8	806.9	73.9
<i>(Debt)</i>	<i>940.9</i>	<i>863.3</i>	<i>77.7</i>
Shareholders' Equity	1,368.5	1,338.9	29.6

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2018 1Q	676.3	49.4%	112.2%	145.8%	47.1%
2017	609.7	45.5%	108.7%	140.9%	47.9%

Consolidated Sales by Region



(Billion KRW)



◎ Sales growth stagnated due to increased import tires from China and Europe and intensified competition in domestic market.

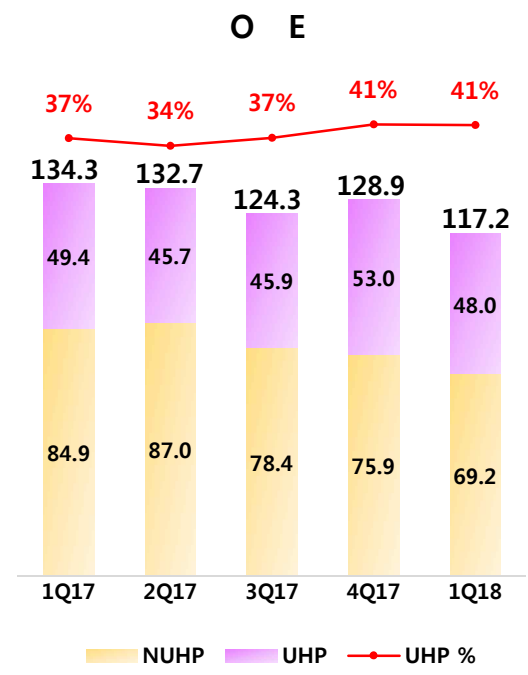
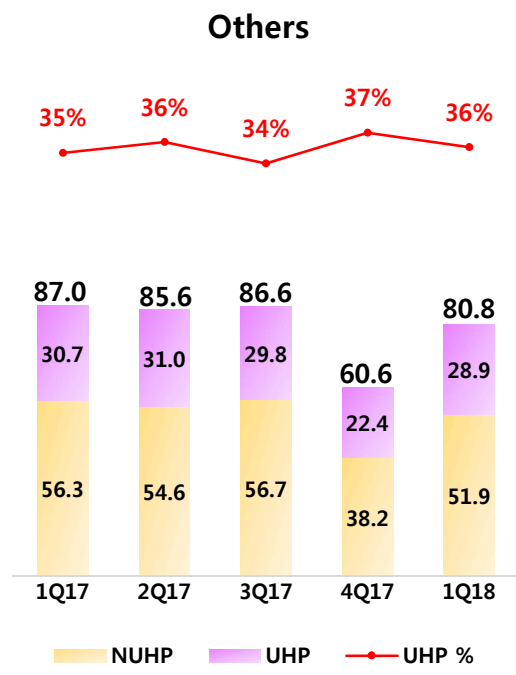
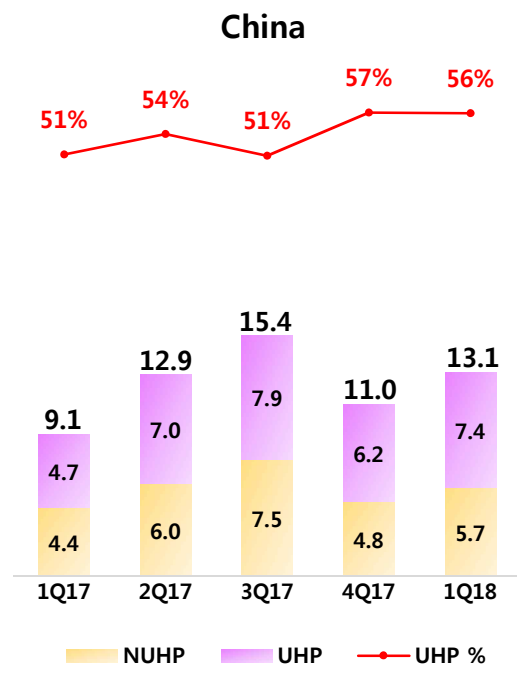
◎ Limited growth due to won appreciation and US interest rate hikes.
 ◎ Sales declined from sluggish demand and intensified competition.

◎ Demand recovery from sustained economic upturn and improved consumer sentiment.

Consolidated Sales by Region



(Billion KRW)



◎ Earnings improvement due to easing of competition and declining market production from government regulations.

◎ While major emerging markets such as India and Brazil are recovering, other regions are experiencing slow recovery due to unstable local conditions.

◎ Sales decline due to sluggish recovery in Chinese market and union strike impact of auto makers.

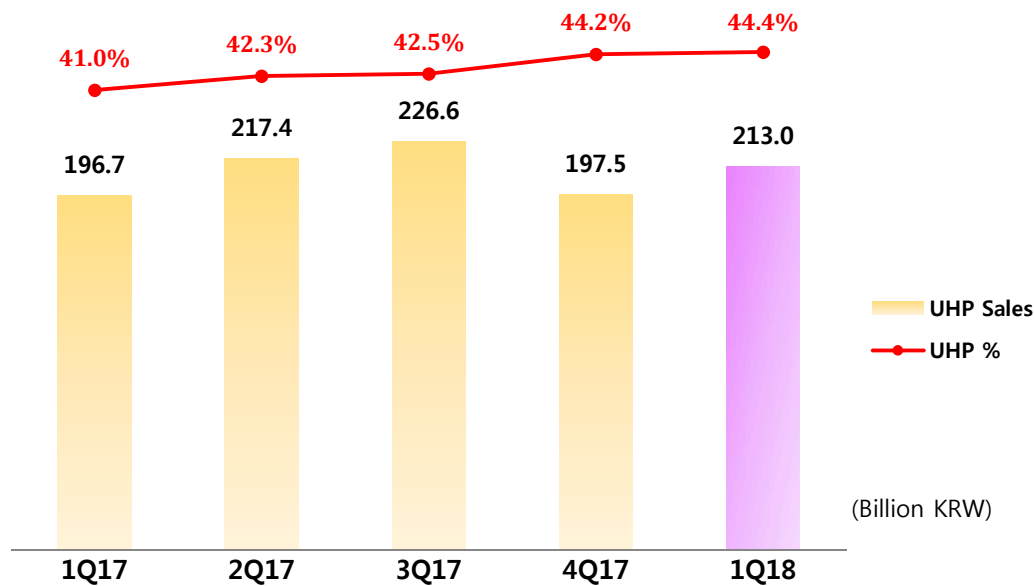
Consolidated UHPT Sales



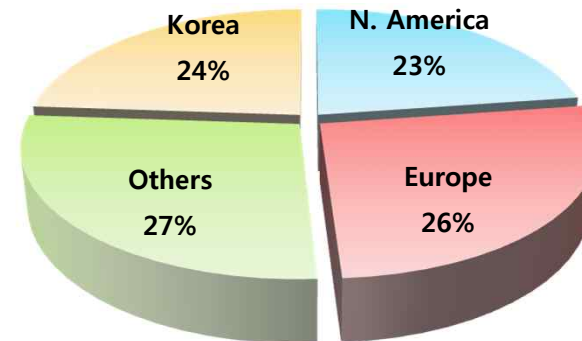
(Billion KRW)

	2018 1Q	2017 4Q	2017 1Q	QoQ	YoY
UHPT Sales	213.0	197.5	196.7	7.8%	8.3%
% / Net Sales	44.4%	44.2%	41.0%	0.2%P	3.4%P
% / Total Volume	39.0%	40.1%	36.8%	-1.1%P	2.2%P

※ Sum of each corporations' shipment



<UHPT Sales by Region>



2018 1Q KRW-based

Consolidated Operating Expenses



(Billion KRW)

	2018 1Q	2017 4Q	2017 1Q	QoQ	YoY
Freight & Logistic Expense	25.9	27.3	25.6	-5.2%	1.5%
SG&A Expenses	86.4	85.3	82.6	1.3%	4.5%
- Salaries	25.4	21.0	22.2	21.1%	14.4%
- R&D	16.6	16.8	15.4	-1.2%	7.7%
- Advertising	10.1	13.5	12.6	-25.3%	-20.0%
- Others	34.3	34.0	32.4	0.8%	5.8%
Other Income & Expenses	0.1	1.8	1.0	-94.3%	-90.2%

Consolidated Financial Income & Expenses



(Billion KRW)

	2018 1Q	2017 4Q	2017 1Q	QoQ	YoY
Financial Income & Expenses	2.8	-12.1	-9.4	123.3%	130.1%
- Interest	-2.8	-3.2	-3.3	12.7%	16.1%
- Foreign Currency Transaction	-0.1	0.2	-5.4	-152.8%	98.4%
- Foreign Currency Translation	6.3	-8.4	-2.0	174.7%	407.8%
- Others	-0.6	-0.7	1.3	21.8%	-141.1%

Consolidated Income Statement



(Billion KRW)

	2012	(%)	2013	(%)	2014	(%)	2015	(%)	2016	(%)	2017	(%)
Net Sales	1,706.2	100.0	1,728.2	100	1,758.8	100.0	1,837.5	100.0	1,894.7	100.0	1,964.8	100.0
Cost of Goods Sold	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	1,327.6	67.6
Gross Profit	456.8	26.8	489.0	28.3	561.0	31.9	619.0	33.7	686.8	36.2	637.2	32.4
SG&A	276.6	16.2	312.2	18.1	352.5	20.0	394.1	21.4	438.8	23.2	451.8	23.0
Operation Profit	180.2	10.6	176.8	10.2	208.6	11.9	224.9	12.2	248.0	13.1	185.4	9.4
Non-Operating Income	62.6	3.7	60.7	3.5	61.0	3.5	57.5	3.1	64.9	3.4	64.5	3.3
Non-Operating Expenses	84.0	4.9	82.4	4.8	101.7	5.8	115.1	6.3	94.5	5.0	85.7	4.4
Ordinary Profit	158.1	9.3	161.4	9.3	164.1	9.3	164.8	9.0	216.5	11.4	166.7	8.5
Income Taxes	23.8	1.4	37.5	2.2	34.2	1.9	37.7	2.1	40.6	2.1	38.6	2.0
Net Income	134.3	7.9	124.0	7.2	129.8	7.4	127.1	6.9	176.0	9.3	128.1	6.5

※ K-IFRS Applied

Consolidated Balance Sheet



(Billion KRW)

	2012	2013	2014	2015	2016	2017
Asset	2,052.1	2,299.8	2,527.3	2,580.9	2,617.9	2,794.0
Current Assets	686.0	735.0	730.0	800.7	833.7	913.5
Quick Assets	420.7	471.6	478.5	549.1	582.3	642.7
Inventories	265.2	263.4	251.5	251.6	251.4	270.8
Non-Current Assets	1,366.1	1,564.8	1,797.3	1,781.3	1,784.2	1,880.5
Investment Assets	68.6	48.9	46.6	28.3	53.3	37.3
Property & Equipment	1,278.9	1,482.2	1,702.4	1,692.0	1,647.2	1,765.7
Intangible Assets	5.5	7.9	13.1	14.0	15.2	19.1
Liabilities	1,371.5	1,502.7	1,594.0	1,546.8	1,415.1	1,455.1
Current Liabilities	641.8	695.0	579.6	580.5	559.9	648.2
Non-Current Liabilities	729.8	807.7	1,014.3	966.3	855.2	806.9
Capital	565.0	680.6	797.0	1,034.0	1,202.7	1,338.9

Thank You