

Driving Tomorrow

2015 1Q Result

29 April 2015

Business Management Team

 **NEXEN TIRE**



This presentation is consolidated financial result in compliance with K-IFRS with unaudited 1st quarter of 2015 for investors' convenience. Therefore, some parts may change upon the review of independent auditors.

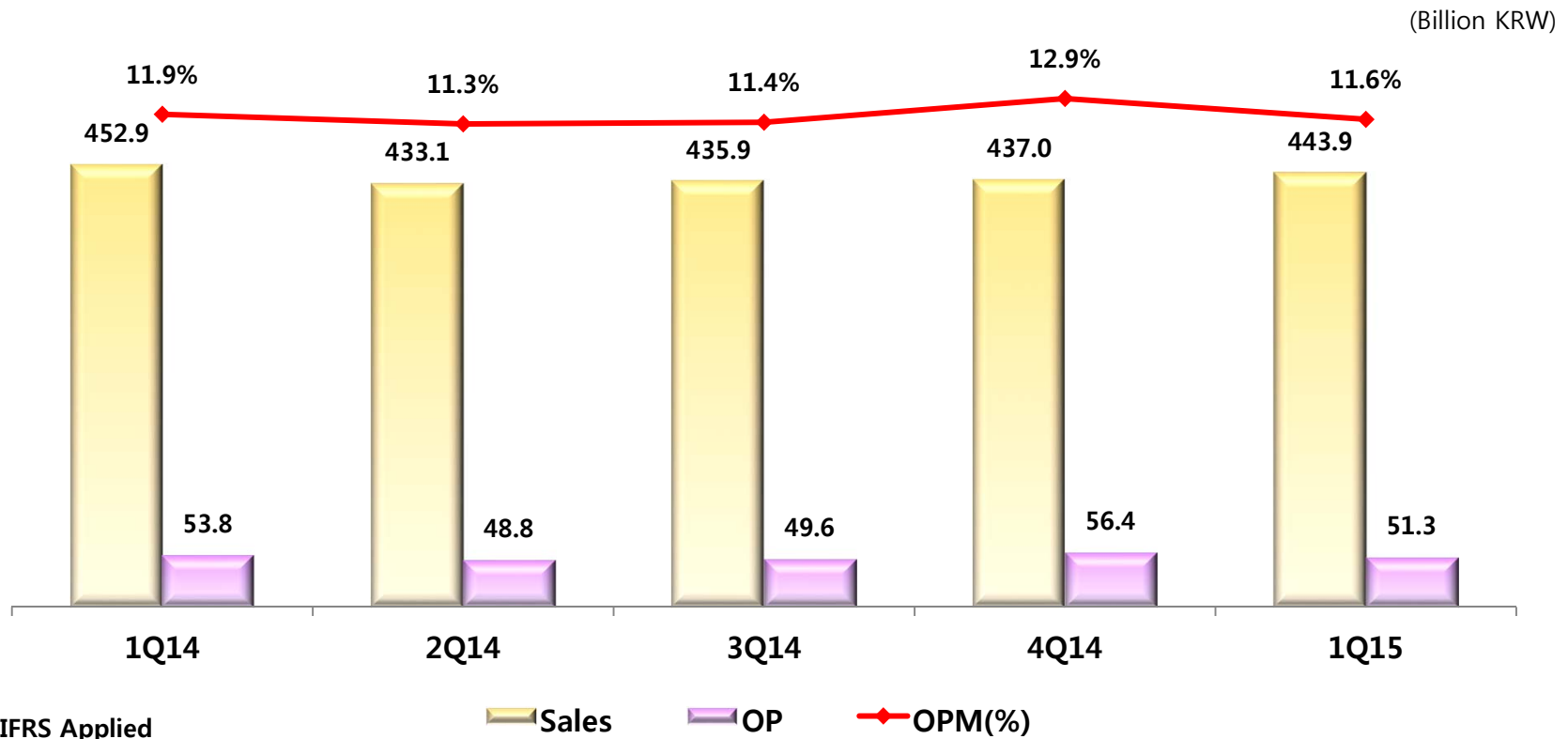
Contents

- I. Consolidated Result
- II. Result by Plant

Consolidated Quarterly Result



- ◎ Sales increase due to volume growth / Limited sales growth from weak currency in Europe and emerging markets.
- ◎ OPM declined due to SG&A cost increase, such as transportation and export expense.
- ◎ Global OE sales increasing.



Consolidated Income Statement



(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Net Sales	443.9	437.0	452.9	1.6%	-2.0%
Gross Profit	149.0	148.7	140.6	0.2%	5.9%
<i>Margin(%)</i>	<i>33.6%</i>	<i>34.0%</i>	<i>31.1%</i>	<i>-0.5%P</i>	<i>2.5%P</i>
Operating Profit	51.3	56.4	53.8	-9.0%	-4.7%
<i>Margin(%)</i>	<i>11.6%</i>	<i>12.9%</i>	<i>11.9%</i>	<i>-1.3%P</i>	<i>-0.3%P</i>
Ordinary Profit	33.1	38.7	43.5	-14.5%	-23.8%
<i>Margin(%)</i>	<i>7.5%</i>	<i>8.9%</i>	<i>9.6%</i>	<i>-1.4%P</i>	<i>-2.1%P</i>
Depreciation	35.0	23.7	27.0	47.7%	29.8%
EBITDA	86.3	80.1	80.8	7.8%	6.8%
<i>Margin(%)</i>	<i>19.4%</i>	<i>18.3%</i>	<i>17.8%</i>	<i>1.1%P</i>	<i>1.6%P</i>

Consolidated Balance Sheet

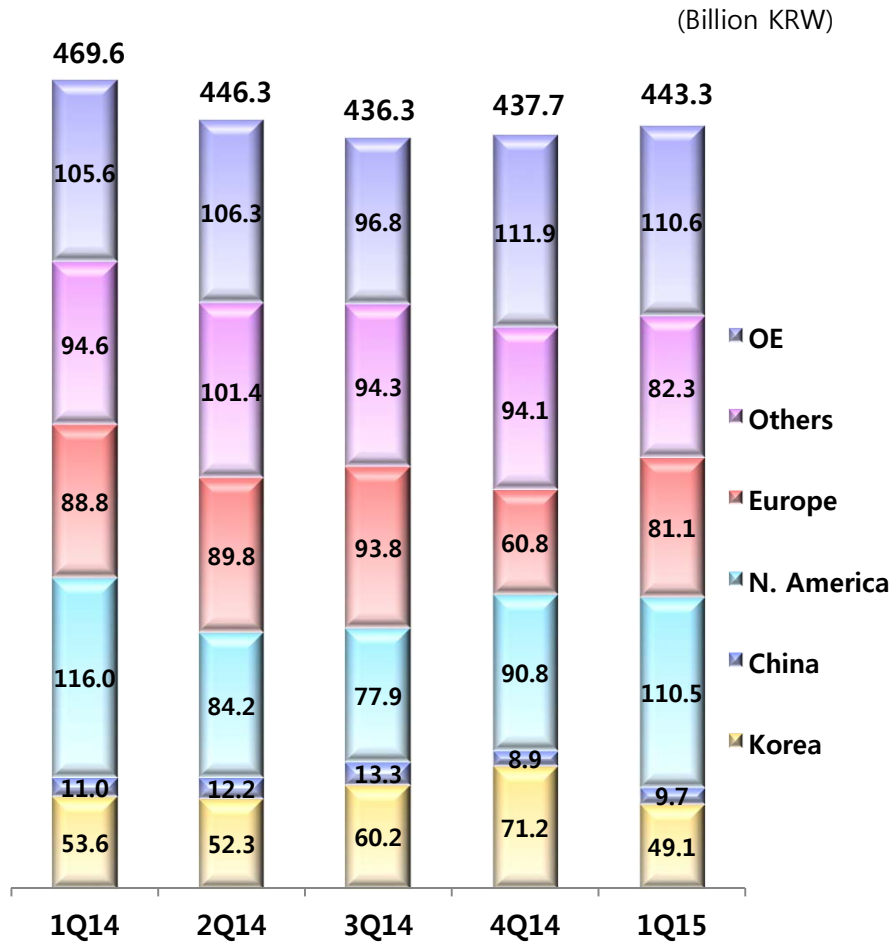


(Billion KRW)

	2015 1Q (A)	2014 (B)	(A)-(B)
Assets	2,599.0	2,527.3	71.7
Current Assets	806.9	730.0	76.9
Quick Assets	556.0	478.5	77.5
Inventories	250.9	251.5	-0.6
<i>(Cash and Cash Equivalents)</i>	<i>202.2</i>	<i>193.4</i>	<i>8.8</i>
Non-Current Assets	1,792.1	1,797.3	-5.2
Liabilities	1,651.4	1,594.0	57.4
Current Liabilities	647.8	579.6	68.1
Non-Current Liabilities	1,003.6	1,014.3	-10.7
<i>(Debt)</i>	<i>1,116.6</i>	<i>1,064.3</i>	<i>52.3</i>
Shareholders' Equity	947.6	933.4	14.3

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2015 1Q	914.4	96.5%	174.3%	124.6%	36.5%
2014	870.9	93.3%	170.8%	125.9%	36.9%

Consolidated Sales by Region



OE - Korea OE sales decreased / Strong global OE sales.
 - Maintaining a steady growth in total sales ratio of 25%.

Others - Sales decline from weak economy of the CIS and emerging markets.
 - The real economic recession caused by the Middle East conflict and low oil price.

Europe - Sales recovered in accordance with the QE policy.
 - Limited sales growth due to the weak euro.

N. America -Sales expected to increase in accordance with the Chinese anti dumping duty.

China - Increased sales by improved UHP product mix.

Korea - 1Q sales were slow due to sluggish domestic demand, 2Q sales expected to increase up to 2Q14 sales.

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

Consolidated UHPT Sales

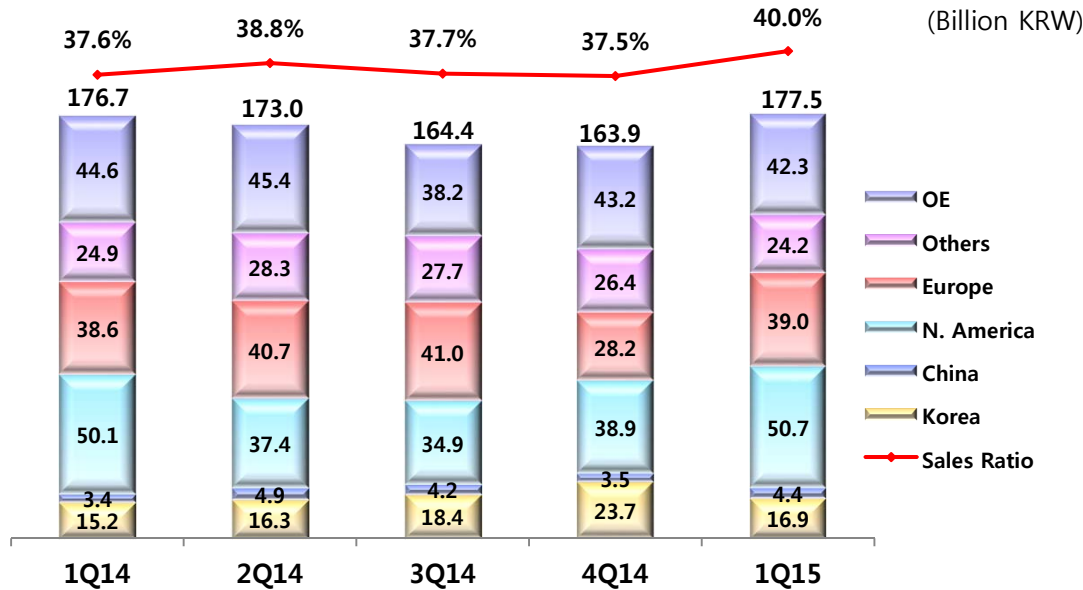


- ◎ N. America & European sales volumes increased.
- ◎ Limited sales growth as the euro weakened, but volume growth is expected.

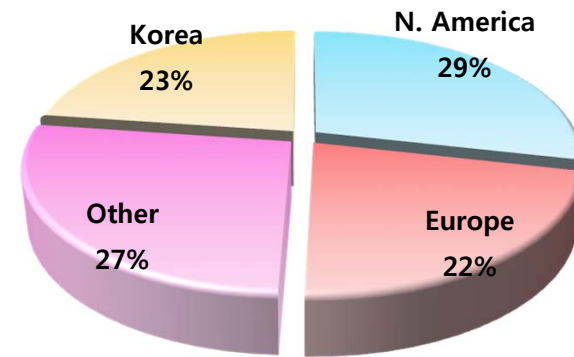
(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
UHPT Sales	177.5	163.9	176.7	8.3%	0.4%
% / Net Sales	40.0%	37.5%	37.6%	2.6%P	2.4%P
% / Total Volume	35.0%	33.4%	32.9%	1.6%P	2.1%P

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



<UHPT Sales by Region>



2015 1Q KRW-based

Consolidated Operating Expenses



(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Freight & Logistic Expense	24.2	23.1	21.5	4.4%	12.2%
SG&A Expenses	73.5	69.2	65.3	6.3%	12.6%
- Salaries	18.8	17.4	17.6	7.7%	7.0%
- R&D	16.0	16.0	14.6	-0.5%	9.6%
- Advertising	10.3	11.6	5.7	-11.8%	79.7%
- Others	28.5	24.1	27.4	18.4%	3.9%
Other Income & Expenses	0.7	-0.7	-0.8	192.6%	183.7%

Consolidated Financial Income & Expenses



(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Financial Income & Expenses	-18.9	-17.0	-9.6	-11.2%	-97.2%
- Interest	-6.3	-6.9	-6.9	8.1%	8.1%
- Foreign Currency Transaction	-0.7	-4.1	0.5	81.9%	-265.5%
- Foreign Currency Translation	-10.1	-4.5	-3.1	-123.4%	-229.8%
- Others	-1.7	-1.4	-0.1	-17.9%	-2,193.7%

Raw Material Input Price

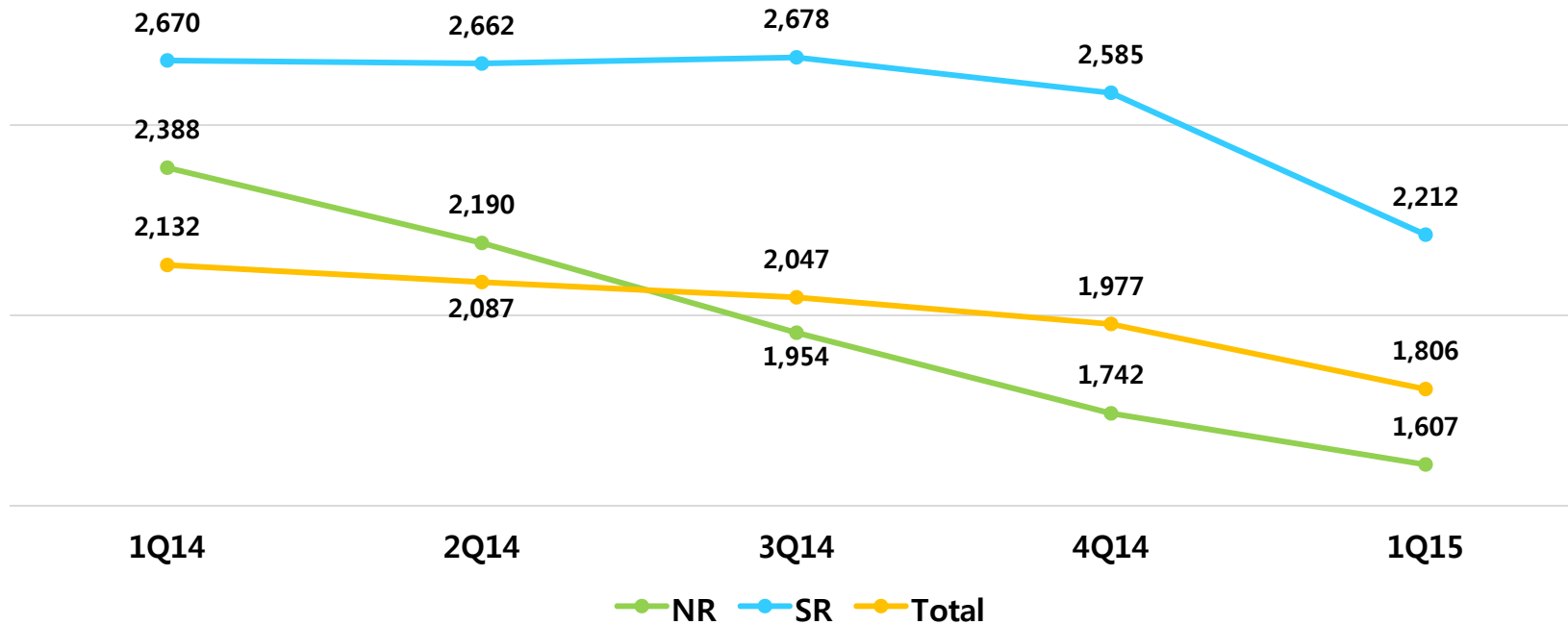


NR : -Price declining from eased supply concerns due to winter season ending and sluggish demand in China. / Weak price will continue for the time being due to economic slowdown in China.

SR : -Price drop due to plummeted oil price and economic slowdown.
 -Tight supply expected for BD due to recent demand increase and supplier facility maintenance.

QoQ: -8.6%
 YoY: -15.3%

(USD/ton)



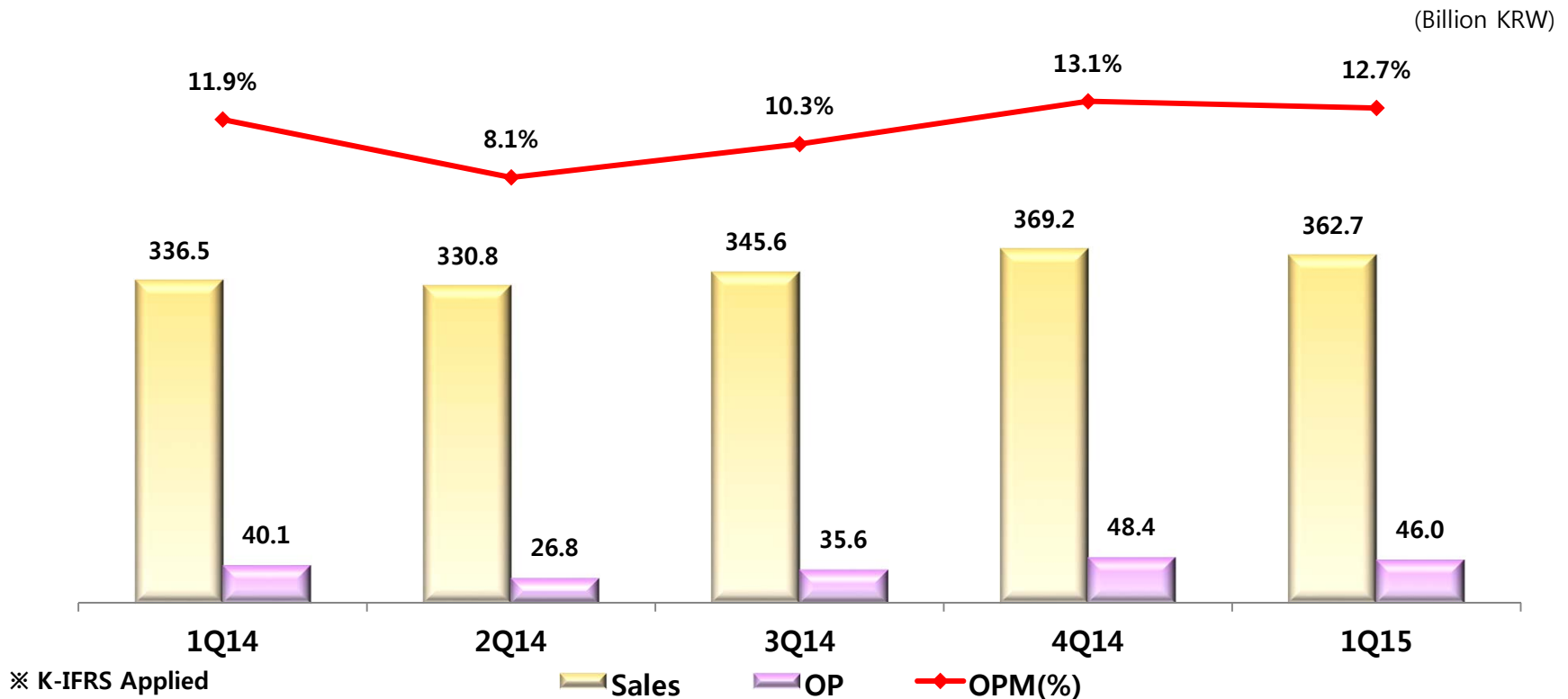
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Korea Quarterly Profit



- ◎ Sales decreased by Korea RE market competition and domestic economic recession.
- ◎ Profitability decreased with the SUV tire sales drop in major RE markets.
- ◎ Revenue and profit decreased from slow demand in emerging markets.



Korea Income Statement



(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Net Sales	362.7	369.2	336.5	-1.8%	7.8%
Gross Profit	123.4	123.2	105.4	0.1%	17.1%
<i>Margin(%)</i>	<i>34.0%</i>	<i>33.4%</i>	<i>31.3%</i>	<i>0.6%P</i>	<i>2.7%P</i>
Operating Profit	46.0	48.4	40.1	-5.1%	14.7%
<i>Margin(%)</i>	<i>12.7%</i>	<i>13.1%</i>	<i>11.9%</i>	<i>-0.4%P</i>	<i>0.8%P</i>
Ordinary Profit	38.1	37.4	39.0	1.9%	-2.3%
<i>Margin(%)</i>	<i>10.5%</i>	<i>10.1%</i>	<i>11.6%</i>	<i>0.4%P</i>	<i>-1.1%P</i>
Depreciation	25.4	21.5	18.8	17.9%	35.4%
EBITDA	71.4	70.0	58.8	2.0%	21.3%
<i>Margin(%)</i>	<i>19.7%</i>	<i>19.0%</i>	<i>17.5%</i>	<i>0.7%P</i>	<i>2.2%P</i>

Korea Balance Sheet



(Billion KRW)

	2015 1Q (A)	2014 (B)	(A)-(B)
Assets	2,202.4	2,136.3	66.1
Current Assets	656.7	593.8	62.8
Quick Assets	526.1	461.5	64.6
Inventories	130.6	132.3	-1.7
<i>(Cash and Cash Equivalents)</i>	<i>161.0</i>	<i>161.6</i>	<i>-0.6</i>
Non-Current Assets	1,545.7	1,542.4	3.2
Liabilities	1,283.9	1,240.0	43.9
Current Liabilities	445.9	397.2	48.7
Non-Current Liabilities	838.0	842.8	-4.8
<i>(Debt)</i>	<i>831.3</i>	<i>776.4</i>	<i>54.9</i>
Shareholders' Equity	918.4	896.3	22.2

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2015 1Q	670.3	73.0%	139.8%	147.3%	41.7%
2014	614.8	68.6%	138.4%	149.5%	42.0%

Korea Operating Expense



(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Freight & Logistic Expense	19.8	18.9	17.3	4.6%	14.1%
SG&A Expenses	57.6	55.9	48.0	3.1%	20.2%
- Salaries	14.1	13.1	13.6	7.4%	3.4%
- R&D	15.1	15.2	13.9	-0.8%	8.6%
- Advertising	9.0	8.8	4.7	1.5%	89.8%
- Others	19.5	18.7	15.7	4.1%	23.9%
Other Income & Expenses	4.2	3.4	3.3	24.8%	25.8%

Korea Financial Income & Expenses



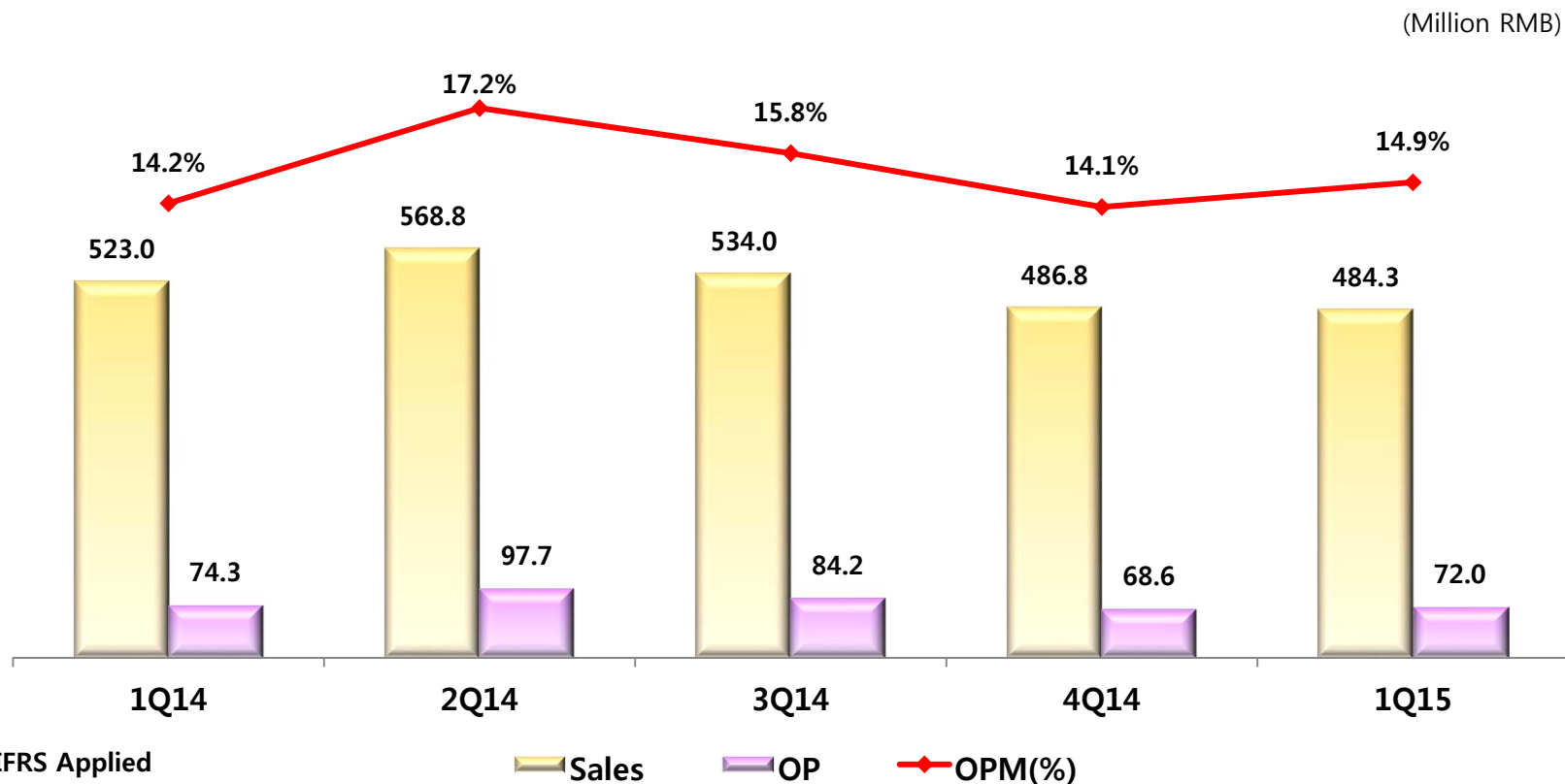
(Billion KRW)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Financial Income & Expenses	-12.0	-14.4	-4.4	16.3%	-173.7%
- Interest	-4.5	-4.7	-4.5	4.5%	-0.5%
- Foreign Currency Transaction	-1.3	-2.5	-0.6	49.4%	-127.2%
- Foreign Currency Translation	-4.7	-5.7	0.5	17.7%	-1,027.5%
- Others	-1.5	-1.4	0.2	-9.5%	-1,114.5%

China Quarterly Profit



- ◎ Production and working days reduced from Chinese New Year holiday.
- ◎ Sales volume increased in accordance with the European market recovery.
- Operating profit recovered by product mix improvement and raw material price decline.



China Income Statement



(Million RMB)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Net Sales	484	487	523	-0.5%	-7.4%
Gross Profit	141	136	147	3.9%	-4.0%
<i>Margin(%)</i>	<i>29.1%</i>	<i>27.9%</i>	<i>28.1%</i>	<i>1.2%P</i>	<i>1.0%P</i>
Operating Profit	72	69	74	4.9%	-3.1%
<i>Margin(%)</i>	<i>14.9%</i>	<i>14.1%</i>	<i>14.2%</i>	<i>0.8%P</i>	<i>0.7%P</i>
Ordinary Profit	33	55	45	-39.7%	-26.6%
<i>Margin(%)</i>	<i>6.9%</i>	<i>11.3%</i>	<i>8.7%</i>	<i>-4.5%P</i>	<i>-1.8%P</i>
Depreciation	33	33	30	0.6%	9.5%
EBITDA	105	101	104	3.5%	0.5%
<i>Margin(%)</i>	<i>21.7%</i>	<i>20.8%</i>	<i>20.0%</i>	<i>0.8%P</i>	<i>1.7%P</i>

※ IFRS standard format

China Income Statement



(Million RMB)

	2015 1Q	2014 4Q	2014 1Q	QoQ	YoY
Net Sales	484	487	523	-0.5%	-7.4%
Gross Profit	141	136	147	3.9%	-4.0%
<i>Margin(%)</i>	<i>29.1%</i>	<i>27.9%</i>	<i>28.1%</i>	<i>1.2%P</i>	<i>1.0%P</i>
Operating Profit	33	54	46	-38.5%	-27.2%
<i>Margin(%)</i>	<i>6.9%</i>	<i>11.1%</i>	<i>8.7%</i>	<i>-4.2%P</i>	<i>-1.9%P</i>
Ordinary Profit	33	55	45	-39.7%	-26.6%
<i>Margin(%)</i>	<i>6.9%</i>	<i>11.3%</i>	<i>8.7%</i>	<i>-4.5%P</i>	<i>-1.8%P</i>
Depreciation	33	33	30	0.6%	9.5%
EBITDA	66	87	76	-23.7%	-12.6%
<i>Margin(%)</i>	<i>13.7%</i>	<i>17.9%</i>	<i>14.5%</i>	<i>-4.2%P</i>	<i>-0.8%P</i>

※ China-GAAP

China Balance Sheet



(Million RMB)

	2015 1Q (A)	2014 (B)	(A)-(B)
Assets	3,030	3,049	-19
Current Assets	934	938	-4
Quick Assets	787	781	6
Inventories	148	157	-11
<i>(Cash and Cash Equivalents)</i>	<i>229</i>	<i>177</i>	<i>52</i>
Non-Current Assets	2,096	2,111	-14
Liabilities	1,881	1,925	-44
Current Liabilities	1,019	1,029	-10
Non-Current Liabilities	862	896	-33
<i>(Debt)</i>	<i>1,603</i>	<i>1,628</i>	<i>-25</i>
Shareholders' Equity	1,149	1,124	25

	Net Debt	Net Debt %	Liabilities %	Current Ratio	Equity Ratio
2015 1Q	1,374	119.6%	163.7%	91.7%	37.9%
2014	1,450	129.0%	171.2%	91.1%	36.9%

Consolidated Income Statement



(Billion KRW)

	2009	(%)	2010	(%)	2011	(%)	2012	(%)	2013	(%)	2014	(%)
Net Sales	1,009.9	100.0	1,148.6	100.0	1,430.0	100.0	1,706.2	100.0	1,728.2	100	1,758.8	100.0%
Cost of Goods Sold	669.0	66.2	801.2	69.8	1,085.7	75.9	1,249.4	73.2	1,239.2	71.7	1,197.8	68.1%
Gross Profit	340.9	33.8	347.4	30.2	344.3	24.1	456.8	26.8	489.0	28.3	561.0	31.9%
SG&A	175.8	17.4	210.8	18.3	232.3	16.2	276.6	16.2	312.2	18.1	352.5	20.0%
Operation Profit	165.1	16.4	136.6	11.9	120.0	7.8	180.2	10.6	176.8	10.2	208.6	11.9%
Non-Operating Income	45.2	4.5	36.4	3.2	67.8	4.7	62.6	3.7	60.7	3.5	61.0	3.5%
Non-Operating Expenses	70.0	6.9	46.4	4.0	69.0	4.8	84.0	4.9	82.4	4.8	101.7	5.8%
Ordinary Profit	140.3	13.9	130.9	11.4	113.1	7.9	158.1	9.3	161.4	9.3	164.1	9.3%
Income Taxes	26.9	2.7	23.7	2.1	25.4	1.8	23.8	1.4	37.5	2.2	34.2	1.9%
Net Income	113.3	11.2	107.2	9.3	87.8	6.1	134.3	7.9	124.0	7.2	129.8	7.4%

※ K-IFRS applied from 2010

Consolidated Balance Sheet



(Billion KRW)

	2009	2010	2011	2012	2013	2014
Asset	1,020.2	1,258.9	1,902.2	2,052.1	2,299.8	2,527.3
Current Assets	380.3	491.3	731.4	686.0	735.0	730.0
Quick Assets	244.9	306.5	455.4	420.7	471.6	478.5
Inventories	135.4	184.8	276.0	265.2	263.4	251.5
Non-Current Assets	639.9	767.6	1,170.8	1,366.1	1,564.8	1,797.3
Investment Assets	39.0	82.4	81.0	68.6	48.9	46.6
Property & Equipment	595.8	678.8	1,083.7	1,278.9	1,482.2	1,702.4
Intangible Assets	5.0	6.4	6.1	5.5	7.9	13.1
Liabilities	633.2	775.5	1,337.2	1,371.5	1,502.7	1,594.0
Current Liabilities	323.8	472.8	754.3	641.8	695.0	579.6
Non-Current Liabilities	309.4	302.7	582.9	729.8	807.7	1,014.3
Capital	386.9	483.3	565.0	680.6	797.0	933.4

※ K-IFRS applied from 2010

Thank You