



# 2Q17 IR Report

Kumho Tire

## Contents



1. 2Q17 Earnings Result
2. 2Q17 Financial Status

- 2Q recorded Consolidated Sales of ₩712.2bn, Operating Profit of -₩22.5bn
- Despite of volume gains in RE market, 2Q Sales declined due to weak OE sales

	[Unit: 100Mil KRW, %]				
	'16.2Q	'17.1Q	'17.2Q	QoQ	YoY
Sales	7,448	6,693	7,122	6.4%	-4.4%
COGS	5,424 (72.8%)	5,441 (81.3%)	5,784 (81.2%)	6.3%	6.6%
Operating Profit	407 (5.5%)	-282 (-4.2%)	-225 (-3.2%)	20.2%	Turn to Loss
Ordinary Profit	-2 (0.0%)	-691 (-10.3%)	-536 (-7.5%)	22.4%	-34,609.9%
Depreciation	575	541	539	-0.4%	-6.3%
EBITDA	982 (13.2%)	259 (3.9%)	314 (4.4%)	21.1%	-68.1%

**Market Status**

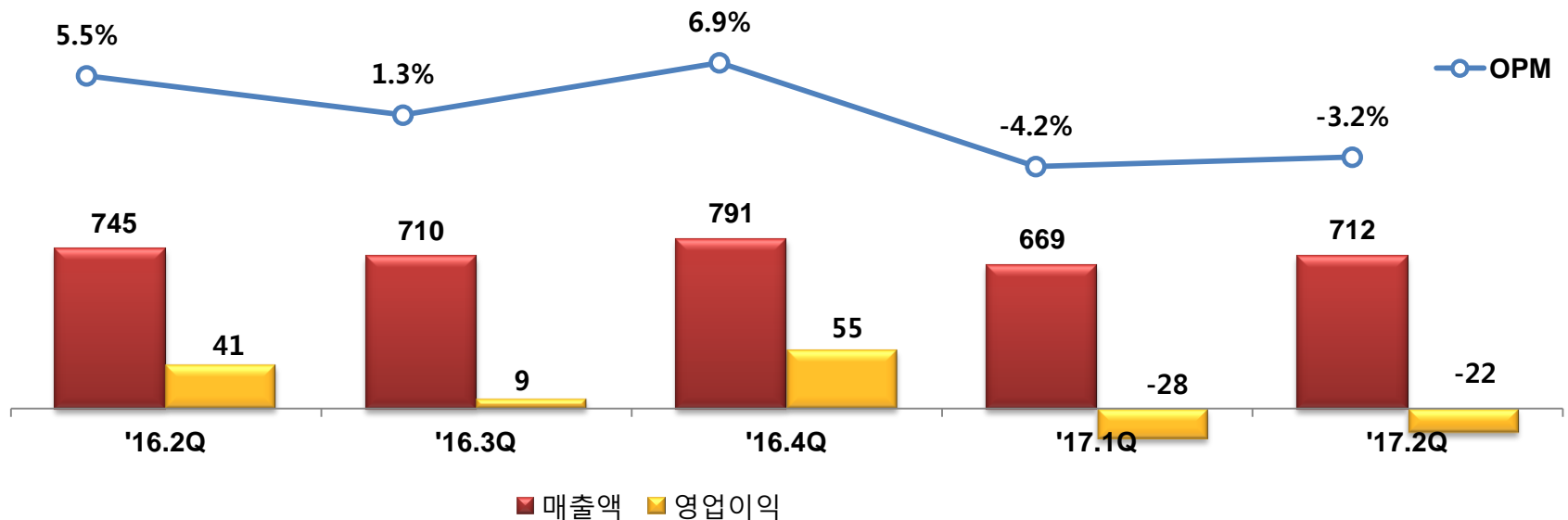
- Earnings of major customer was weak in US/China market
- Input cost such as N/R, S/R continued to increase
- Unfavorable FX primarily due to strong WON

**Performance Result**

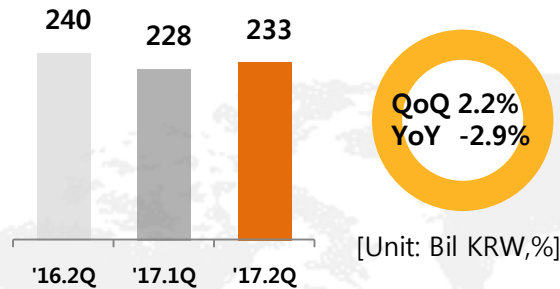
- Market demand in US/Europe lead to RE sales increase YoY while OE sales was down in US/China due to weak new car demand
- Production from Georgia factory in US becomes stable
- Product mix improved by focusing larger than 17 inch tire sales : 35.6%('15) → 37.8%('17.2Q)

**Global**

[Unit: Bil KRW, %]



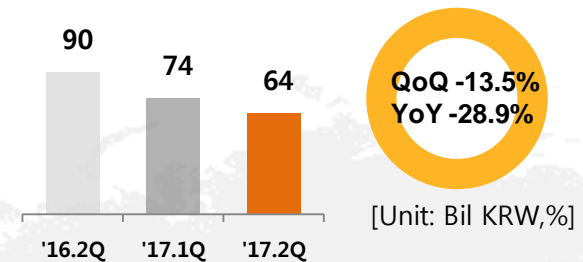
**Korea**



- **RE:** Sales volume decreased due to sluggish demand from reduced vehicle movement
- **OE:** Sales volume recovered from securing new orders

☞ **Focus on expanding M/S in overseas factory of Hyundai/Kia and continuing premium OE strategy**

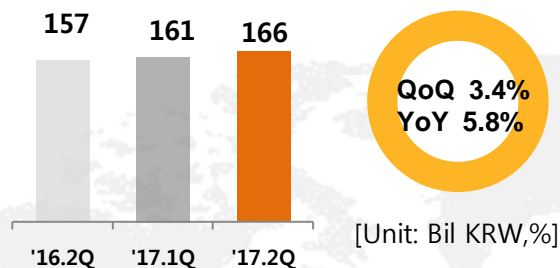
**China**



- **RE:** Intensified competition from lowered rubber price led to decline in sales volume
- **OE:** Sales volume declined due to weak performance of major customers

☞ **Expanding high inch tire production by stabilizing Nanjing plant after relocation**

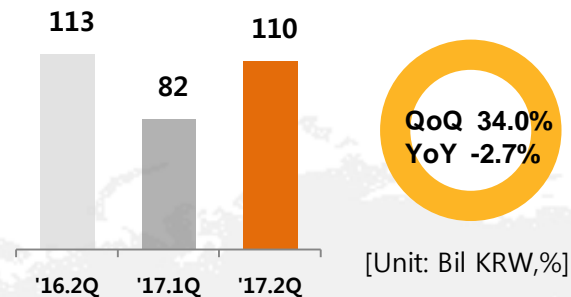
### North America



- **RE:** Sales showed solid growth by expanding local production and increased order in various distribution channels
- **OE:** Sales continued to decrease by discontinued models

☞ **Normalizing Georgia factory in the US and diversifying retail network and distribution channel**

### Europe



- **RE:** Improved industry demand led to volume increase in major european markets
- **OE:** OE sales decreased due to delayed supply schedule

☞ **Strengthen incentive and promotion for increasing high inch tire sales**

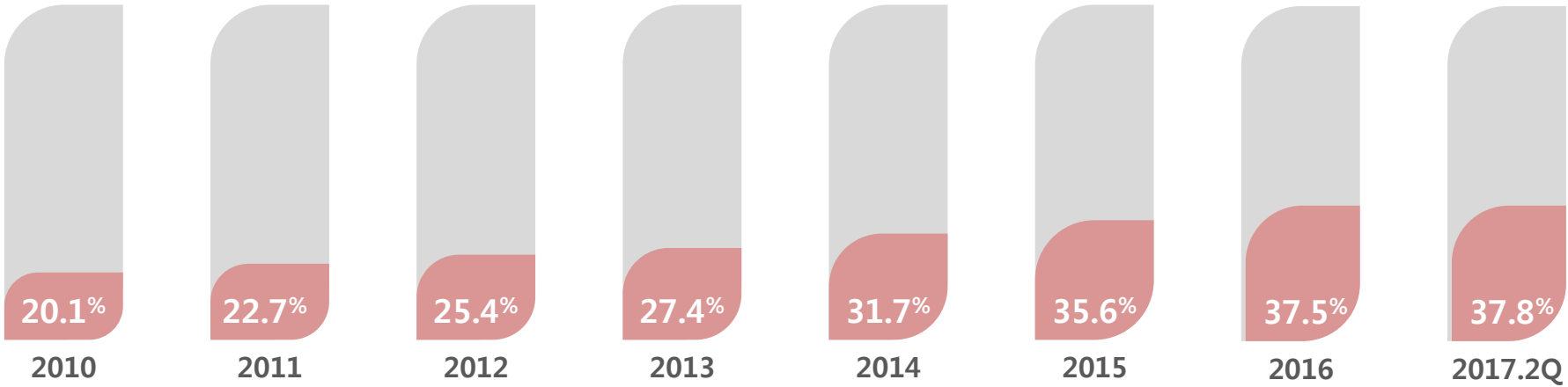
<Regional Sales Breakdown>

	Korea	North America	China	EU	Latin America	ETC	Global
2016	32.9%	22.0%	13.2%	13.7%	4.7%	13.4%	100.0%
2017.2Q	33.0%	23.5%	9.1%	15.5%	6.1%	12.8%	100.0%

Note : Figures based on tires sales only

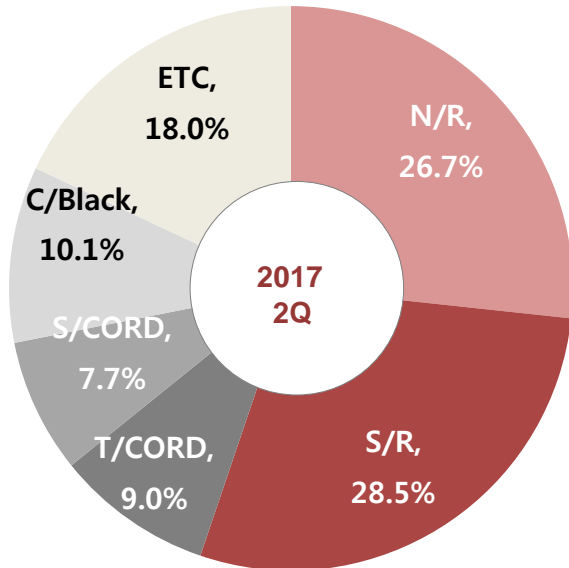
<Global Sales Trend of High-inch Tires>

Sales ratio of high-inch tires (above 17 inches) continuously increased

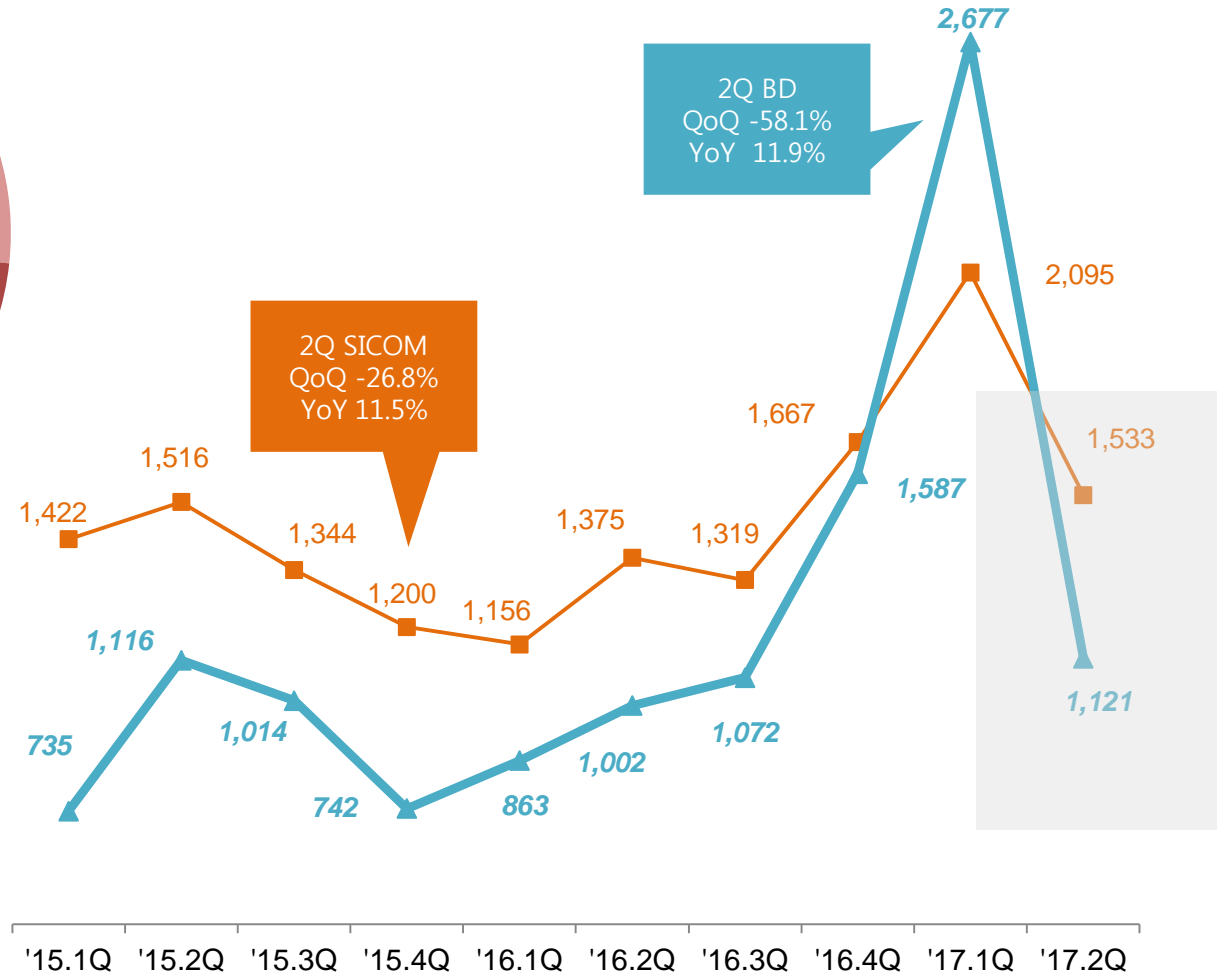


Note : Units of tires above 17 inches, based on PC/LT tires sales

## Input Raw Material Breakdown

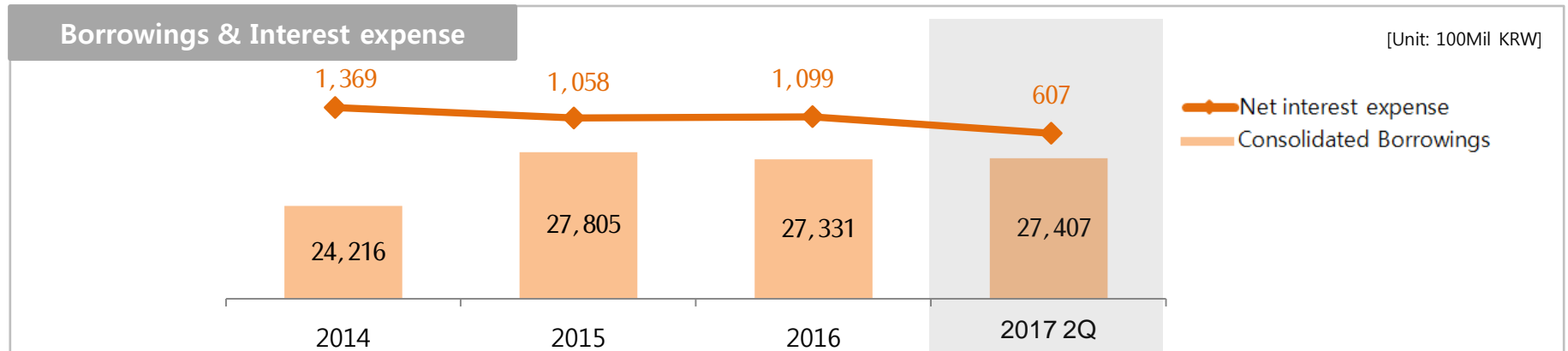
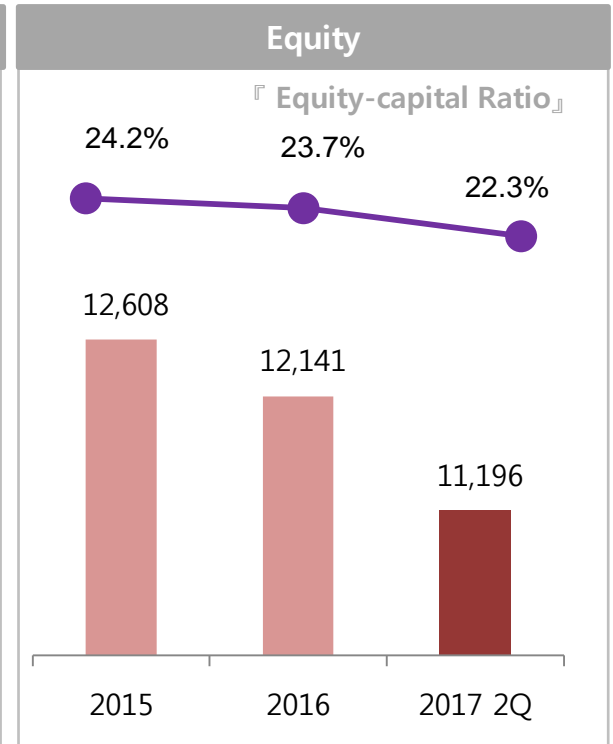
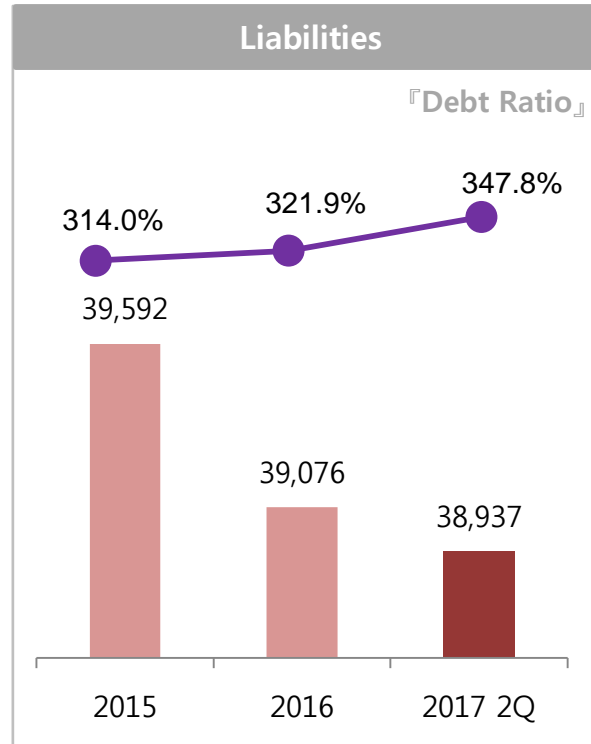
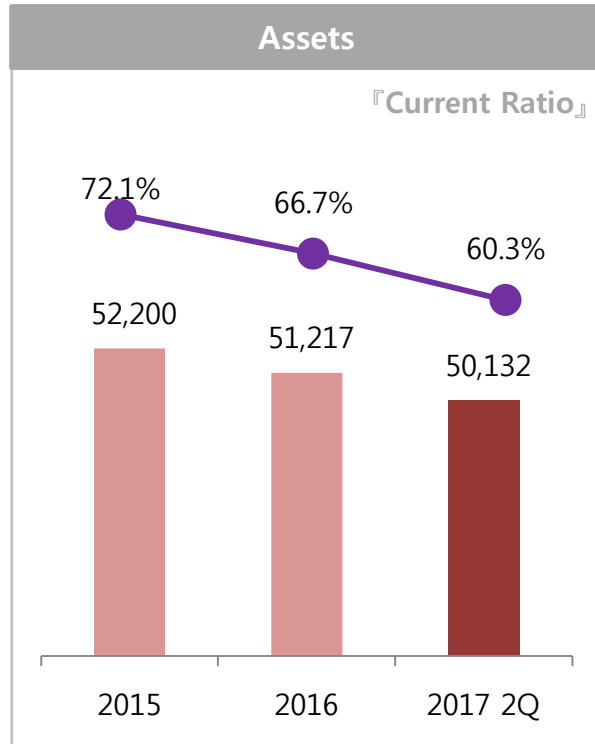


## Raw Material Trend





[Unit: 100Mil KRW]



## 1) Income Statement - Consolidated

(Unit: 100Mil KRW)

	2017 2Q	2017 1Q	QoQ		2016 2Q	YoY	
Sales	7,122	6,693	429	6.4%	7,448	(326)	-4.4%
COGS	5,784	5,441	343	6.3%	5,424	360	6.6%
Gross Profit	1,338	1,252	86	6.9%	2,024	(686)	-33.9%
Gross Ratio	18.8%	18.7%		0.1%p	27.2%		-8.4%p
SG&A	1,562	1,534	28	1.8%	1,617	(55)	-3.4%
Operating Profit	(225)	(282)	57	Turn to Loss	407	(632)	Turn to Loss
OPM	-3.2%	-4.2%		1.1%p	5.5%		-8.6%p
Net Profit	(475)	(606)	131	Turn to Loss	(75)	(400)	-536.0%
NPM	-6.7%	-9.1%		2.4%p	-1.0%		-5.7%p
Depreciation	539	541	(2)	-0.3%	575	(36)	-6.3%
EBITDA	314	259	55	21.3%	982	(668)	-68.0%

## 2) Balance Sheet - Consolidated

(Unit: 100Mil KRW)

	2017 2Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
<b>Assets</b>	50,132	51,217	(1,085)	-2.1%	52,200	(2,068)	-4.0%
<b>Current Assets</b>	14,337	15,576	(1,239)	-8.0%	16,315	(1,978)	-12.1%
- Cash & Cash equivalents	1,393	3,012	(1,619)	-53.8%	4,176	(2,783)	-66.6%
- Trade Accounts & Notes Receivable	5,715	6,249	(534)	-8.5%	5,908	(193)	-3.3%
- Inventories	6,207	5,491	716	13.0%	5,432	775	14.3%
<b>Non Current Assets</b>	35,795	35,640	155	0.4%	35,885	(90)	-0.3%
<b>Liabilities</b>	38,937	39,076	(139)	-0.4%	39,592	(655)	-1.7%
- Current Liabilities	23,771	23,346	425	1.8%	22,623	1,148	5.1%
- Fixed Liabilities	15,165	15,730	(565)	-3.6%	16,969	(1,804)	-10.6%
<b>Equity</b>	11,196	12,141	(945)	-7.8%	12,608	(1,412)	-11.2%
<b>Borrowings</b>	27,407	27,331	76	0.3%	27,805	(398)	-1.4%
- Short-term	16,601	15,864	737	4.6%	14,932	1,669	11.2%
- Long-term	10,805	11,468	(663)	-5.8%	12,874	(2,069)	-16.1%
<b>Net Debt</b>	26,014	24,320	1,694	7.0%	23,629	2,385	10.1%
<b>Debt-Equity Ratio</b>	347.8%	321.9%		25.9%	314.0%		33.8%
<b>Current Ratio</b>	60.3%	66.7%		-6.4%	72.1%		-11.8%

\* Net Debt : Borrowings - Cash&amp;Cash equivalents

### 3) Income Statement - Korea

(Unit: 100Mil KRW)

	2017 2Q	2017 1Q	QoQ		2016 2Q	YoY	
Sales	5,655	5,136	519	10.1%	6,360	(705)	-11.1%
COGS	5,034	4,370	664	15.2%	5,058	(24)	-0.5%
Gross Profit	621	766	(145)	-19.0%	1,302	(681)	-52.3%
Gross Ratio	11.0%	14.9%		-3.9%p	20.5%		-9.5%p
SG&A	867	840	27	3.2%	922	(55)	-6.0%
Operating Profit	(247)	-74	(173)	Turn to Loss	380	(627)	Turn to Loss
OPM	-4.4%	-1.4%		-2.9%p	6.0%		-10.3%p
Net Profit	(318)	(265)	(53)	-20.2%	178	(496)	Turn to Loss
NPM	-5.6%	-5.2%		-0.5%p	2.8%		-8.4%p
Depreciation	269	275	(6)	-2.3%	263	6	2.3%
EBITDA	22	202	(180)	-89.1%	643	(621)	-97%

#### 4) Balance Sheet - Korea

(Unit: 100Mil KRW)

	2017 2Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
<b>Assets</b>	<b>33,828</b>	<b>33,796</b>	<b>32</b>	<b>0.1%</b>	<b>33,226</b>	<b>602</b>	<b>1.8%</b>
<b>Current Assets</b>	<b>10,100</b>	<b>10,565</b>	<b>(465)</b>	<b>-4.4%</b>	<b>10,511</b>	<b>(411)</b>	<b>-3.9%</b>
- Cash & Cash equivalents	351	1,397	(1,046)	-74.9%	835	(484)	-58.0%
- Trade Accounts & Notes Receivable	6,739	6,687	52	0.8%	6,526	213	3.3%
- Inventories	2,041	1,703	338	19.9%	1,925	116	6.0%
<b>Non Current Assets</b>	<b>23,728</b>	<b>23,232</b>	<b>496</b>	<b>2.1%</b>	<b>22,715</b>	<b>1,013</b>	<b>4.5%</b>
<b>Liabilities</b>	<b>20,258</b>	<b>19,959</b>	<b>299</b>	<b>1.5%</b>	<b>19,571</b>	<b>687</b>	<b>3.5%</b>
- Current Liabilities	13,879	13,551	328	2.4%	13,365	514	3.8%
- Fixed Liabilities	6,378	6,408	(30)	-0.5%	6,206	172	2.8%
<b>Equity</b>	<b>13,571</b>	<b>13,837</b>	<b>(266)</b>	<b>-1.9%</b>	<b>13,655</b>	<b>(84)</b>	<b>-0.6%</b>
<b>Borrowings</b>	<b>13,243</b>	<b>12,810</b>	<b>433</b>	<b>3.4%</b>	<b>12,911</b>	<b>332</b>	<b>2.6%</b>
- Short-term	10,211	9,538	673	7.1%	9,679	532	5.5%
- Long-term	3,032	3,272	(240)	-7.3%	3,232	(200)	-6.2%
<b>Net Debt</b>	<b>12,892</b>	<b>11,413</b>	<b>1,479</b>	<b>13.0%</b>	<b>12,076</b>	<b>816</b>	<b>6.8%</b>
<b>Debt-Equity Ratio</b>	<b>149.3%</b>	<b>144.2%</b>		<b>5.0%</b>	<b>143.3%</b>		<b>5.9%</b>
<b>Current Ratio</b>	<b>72.8%</b>	<b>78.0%</b>		<b>-5.2%</b>	<b>78.6%</b>		<b>-5.9%</b>

\* Net Debt : Borrowings - Cash&amp;Cash equivalents

