

# 3Q17 IR Report

Kumho Tire

## Contents



1. 3Q17 Earnings Result
2. 3Q17 Financial Status

- 3Q recorded Consolidated Sales of ₩755.1bn, Operating Profit of -₩0.2bn

[100Mil KRW]

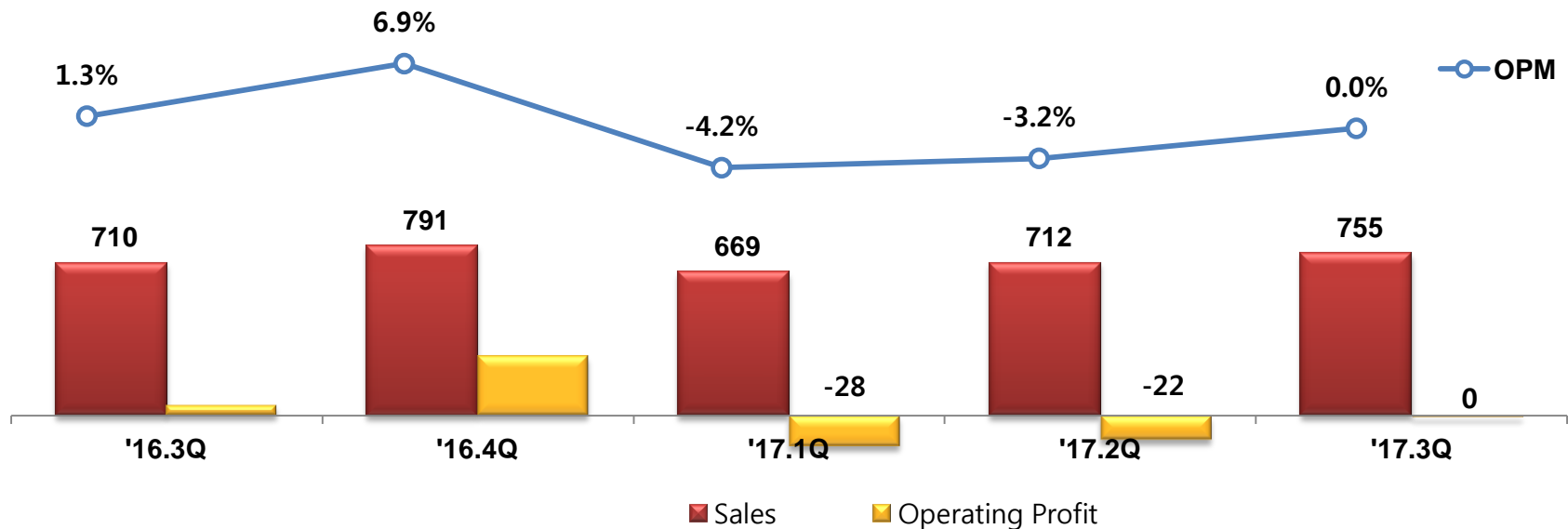
	'16.3Q	'17.2Q	'17.3Q	QoQ	YoY
<b>Sales</b>	7,101	7,122	7,551	6.0%	6.3%
<b>COGS</b>	5,474 (77.1%)	5,784 (81.2%)	6,035 (79.9%)	4.3%	10.2%
<b>Operating Profit</b>	95 (1.3%)	-225 (-3.2%)	-2 (0.0%)	99.1%	Turn to Loss
<b>Ordinary Profit</b>	-316 (-4.5%)	-536 (-7.5%)	590 (7.8%)	Turn to Gain	Turn to Gain
<b>Depreciation</b>	575	539	569	5.6%	-1.0%
<b>EBITDA</b>	670 (9.4%)	314 (4.4%)	567 (7.5%)	80.6%	-15.4%

**Performance Result**

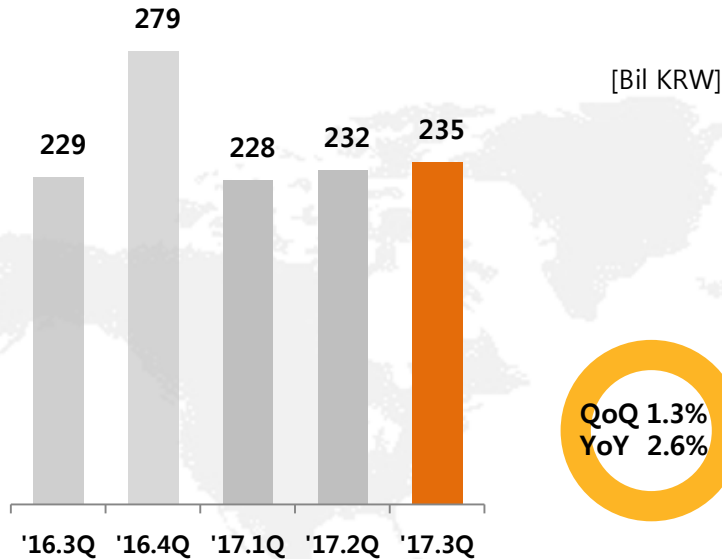
- Favorable FX and stable demand in major markets lead to top-line growth
- China operation enhances largely driven by increased supply to OE partners in china
- Production from Georgia factory in US becomes stable
- Decent net profit margin stems from reversal of provisions according to court ruling in ordinary wage lawsuit
- Total ₩96.6bn : ₩11.0bn (Operating Profit), ₩85.6bn (Ordinary Profit)

**Global**

[Bil KRW]

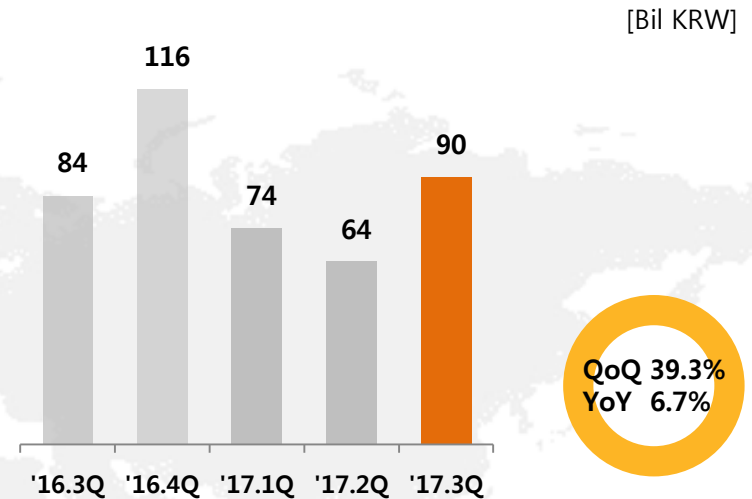


**Korea**



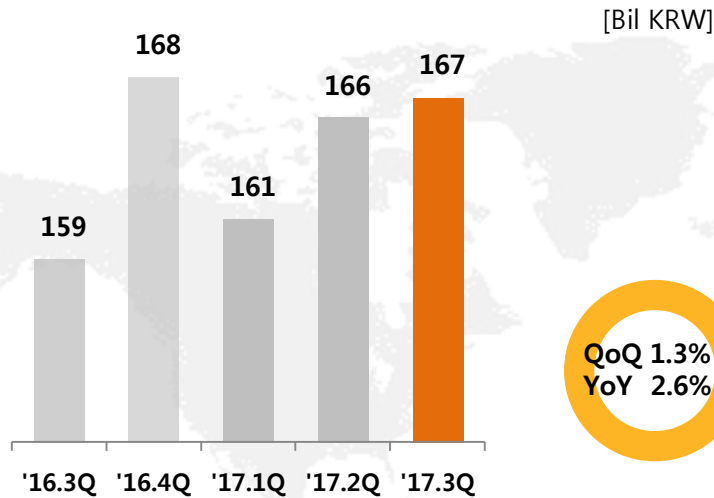
- RE sales decreased due to sluggish tire demand, but OE business continued to secure M/S from major OE partners

**China**



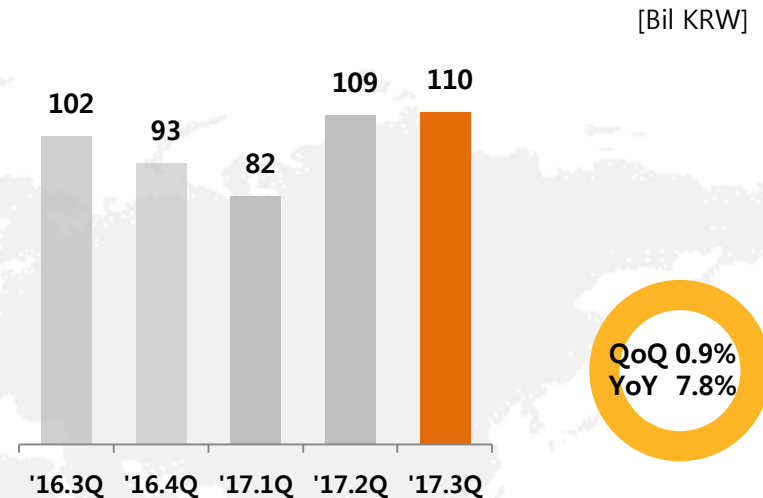
- RE sales was slow on account of severe competition coming from lowered raw material costs, but OE sales recovered with robust growth of major OE partners

**North America**



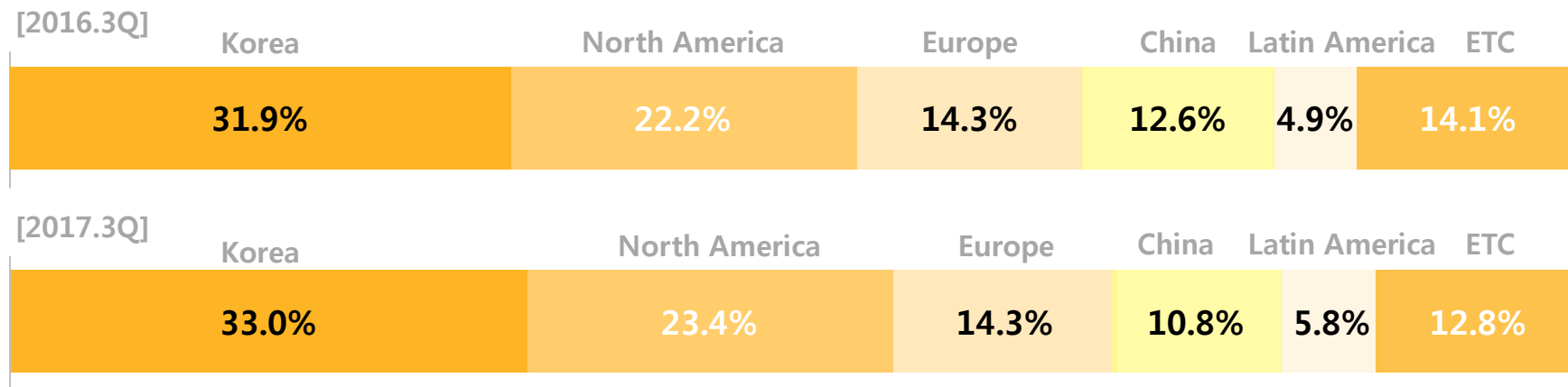
- Despite competitive environment, RE sales rose owing to increased sales to national dealers with stabilization in US factory. However OE sales remained weak due to discontinued models

**Europe**



- Improved industry demand brought RE sales recovery in major european markets, but OE sales decreased from delayed supply schedule

### <Regional Sales Breakdown>



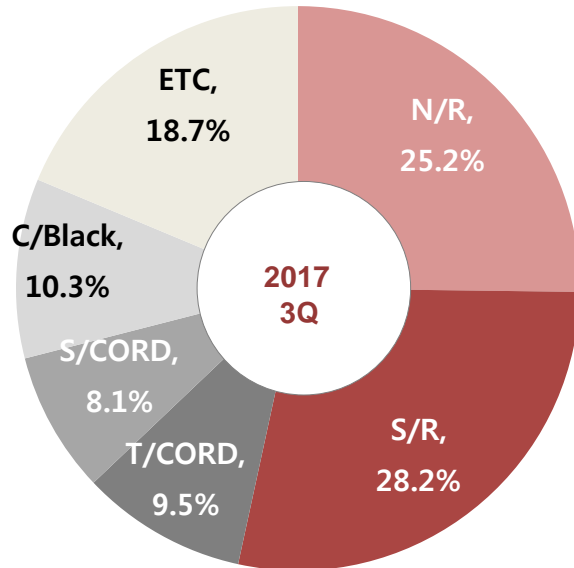
(Note : Figures based on tires sales only)

### <Global Sales Trend of High-inch Tires>



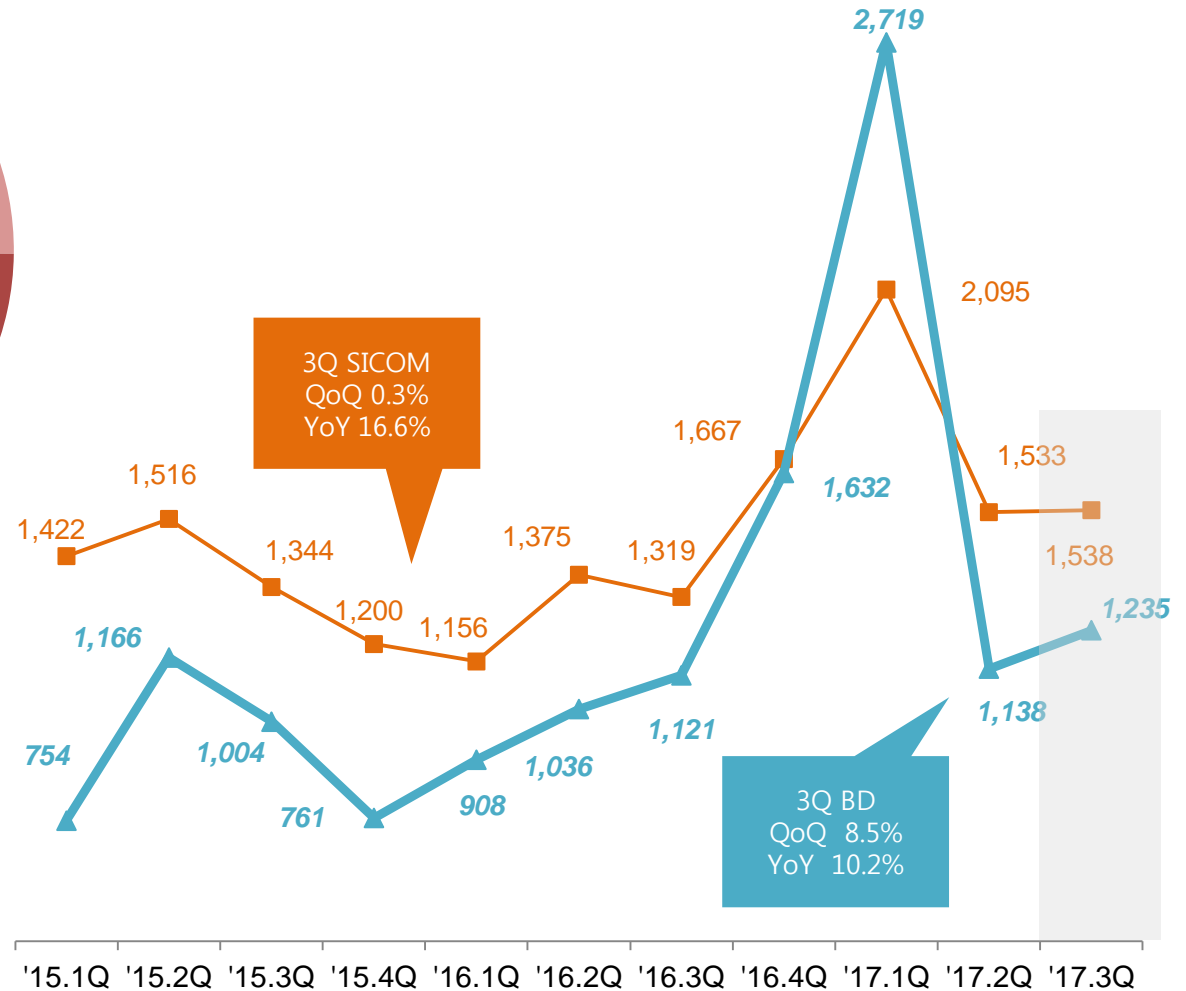
(Note : Units of tires above 17 inches, based on PC/LT tires sales)

<Input Raw Material Breakdown>



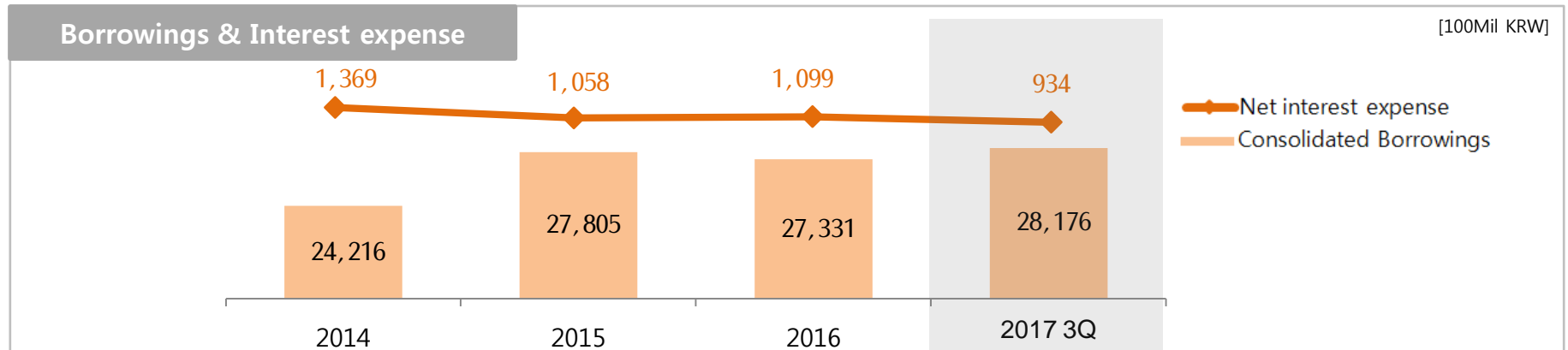
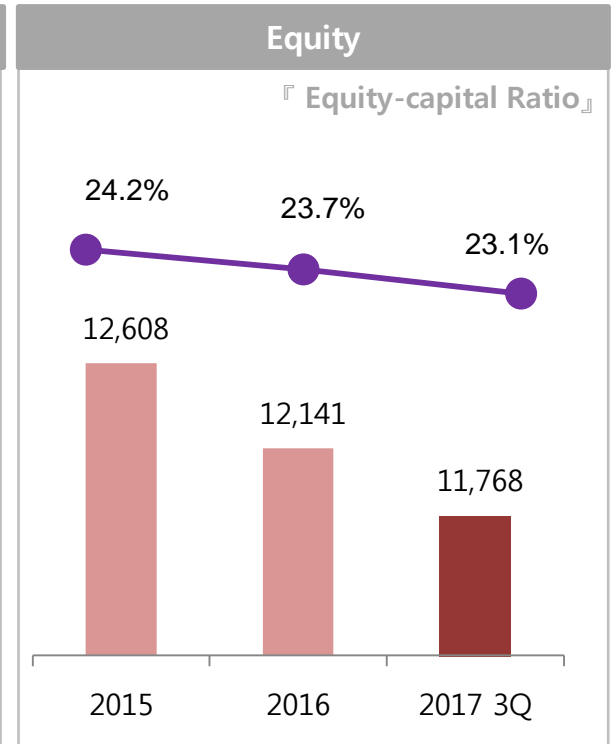
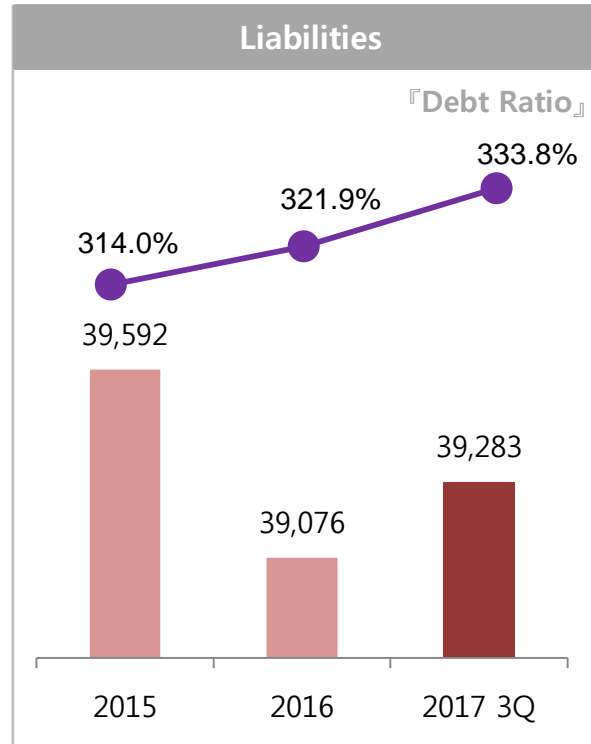
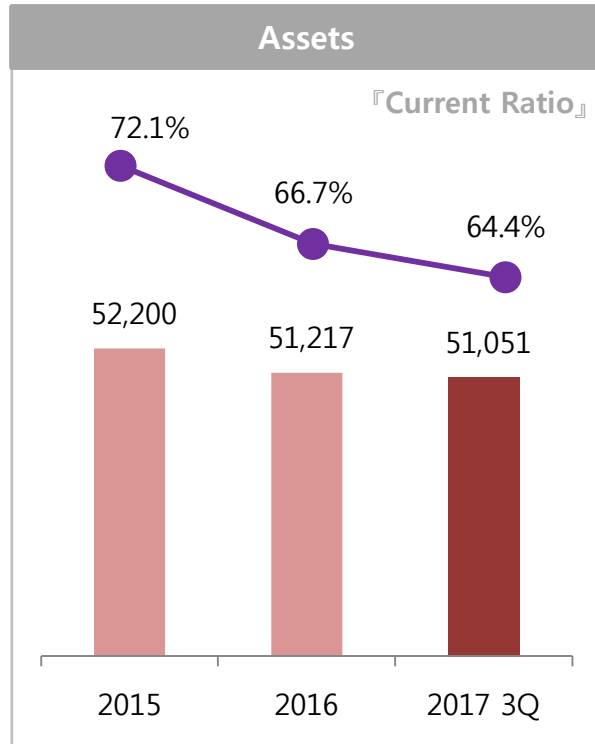
<Raw Material Trend>

[USD/ton]





[100Mil KRW]



## 1) Income Statement - Consolidated

(100Mil KRW)

	2017 3Q	2017 2Q	QoQ		2016 3Q	YoY	
Sales	7,551	7,122	429	6.0%	7,101	450	6.3%
COGS	6,035	5,784	251	4.3%	5,474	561	10.2%
Gross Profit	1,516	1,337	179	13.4%	1,626	(110)	-6.8%
<i>Gross Ratio</i>	<i>20.1%</i>	<i>18.8%</i>		<i>1.3%p</i>	<i>22.9%</i>		<i>-2.8%p</i>
SG&A	1,518	1,562	(44)	-2.8%	1,532	(14)	-0.9%
Operating Profit	(2)	(225)	223	99.1%	95	(97)	Turn to Loss
<i>OPM</i>	<i>0.0%</i>	<i>-3.2%</i>		<i>3.1%p</i>	<i>1.3%</i>		<i>-1.4%p</i>
Net Profit	482	61	421	-690.2%	(320)	802	Turn to gain
<i>NPM</i>	<i>6.4%</i>	<i>0.9%</i>		<i>5.5%p</i>	<i>-4.5%</i>		<i>10.9%p</i>
Depreciation	569	539	30	5.6%	575	(6)	-1.0%
EBITDA	567	314	253	80.6%	670	(103)	-15.4%

## 2) Balance Sheet - Consolidated

(100Mil KRW)

	2017 3Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
<b>Assets</b>	<b>51,051</b>	<b>51,217</b>	<b>(166)</b>	<b>-0.3%</b>	<b>52,200</b>	<b>(1,149)</b>	<b>-2.2%</b>
<b>Current Assets</b>	<b>15,004</b>	<b>15,576</b>	<b>(572)</b>	<b>-3.7%</b>	<b>16,315</b>	<b>(1,311)</b>	<b>-8.0%</b>
- Cash & Cash equivalents	1,735	3,012	(1,277)	-42.4%	4,176	(2,441)	-58.5%
- Trade Accounts & Notes Receivable	6,180	6,249	(69)	-1.1%	5,908	272	4.6%
- Inventories	5,908	5,491	417	7.6%	5,432	476	8.8%
<b>Non Current Assets</b>	<b>36,047</b>	<b>35,640</b>	<b>407</b>	<b>1.1%</b>	<b>35,885</b>	<b>162</b>	<b>0.5%</b>
<b>Liabilities</b>	<b>39,283</b>	<b>39,076</b>	<b>207</b>	<b>0.5%</b>	<b>39,592</b>	<b>(309)</b>	<b>-0.8%</b>
- Current Liabilities	23,301	23,346	(45)	-0.2%	22,623	678	3.0%
- Fixed Liabilities	15,982	15,730	252	1.6%	16,969	(987)	-5.8%
<b>Equity</b>	<b>11,768</b>	<b>12,141</b>	<b>(373)</b>	<b>-3.1%</b>	<b>12,608</b>	<b>(840)</b>	<b>-6.7%</b>
<b>Borrowings</b>	<b>28,176</b>	<b>27,331</b>	<b>845</b>	<b>3.1%</b>	<b>27,805</b>	<b>371</b>	<b>1.3%</b>
- Short-term	15,660	15,864	(204)	-1.3%	14,932	728	4.9%
- Long-term	12,516	11,468	1,048	9.1%	12,874	(358)	-2.8%
<b>Net Debt</b>	<b>26,441</b>	<b>24,320</b>	<b>2,121</b>	<b>8.7%</b>	<b>23,629</b>	<b>2,812</b>	<b>11.9%</b>
<b>Debt-Equity Ratio</b>	<b>333.8%</b>	<b>321.9%</b>		<b>12.0%</b>	<b>314.0%</b>		<b>19.8%</b>
<b>Current Ratio</b>	<b>64.4%</b>	<b>66.7%</b>		<b>-2.3%</b>	<b>72.1%</b>		<b>-7.7%</b>

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

### 3) Income Statement - Korea

(100Mil KRW)

	2017 3Q	2017 2Q	QoQ		2016 3Q	YoY	
Sales	5,644	5,655	(11)	-0.2%	5,442	202	3.7%
COGS	4,858	5,034	(176)	-3.5%	4,437	421	9.5%
Gross Profit	787	621	166	26.7%	1,005	(218)	-21.7%
Gross Ratio	13.9%	11.0%		3.0%p	18.5%		-4.5%p
SG&A	847	867	(20)	-2.3%	874	(27)	-3.1%
Operating Profit	60	-247	307	Turn to Gain	131	(71)	-54.2%
OPM	1.1%	-1.4%		2.5%p	2.4%		-1.3%p
Net Profit	590	(318)	908	Turn to Gain	(35)	625	Turn to gain
NPM	10.5%	-5.6%		16.1%p	-0.6%		11.1%p
Depreciation	269	269	0	0.0%	265	4	1.5%
EBITDA	329	22	307	1395.5%	396	(67)	-17%

#### 4) Balance Sheet - Korea

(100Mil KRW)

	2017 3Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
<b>Assets</b>	<b>34,262</b>	<b>33,796</b>	<b>466</b>	<b>1.4%</b>	<b>33,226</b>	<b>1,036</b>	<b>3.1%</b>
<b>Current Assets</b>	<b>10,601</b>	<b>10,565</b>	<b>36</b>	<b>0.3%</b>	<b>10,511</b>	<b>90</b>	<b>0.9%</b>
- Cash & Cash equivalents	328	1,397	(1,069)	-76.5%	835	(507)	-60.7%
- Trade Accounts & Notes Receivable	7,108	6,687	421	6.3%	6,526	582	8.9%
- Inventories	1,858	1,703	155	9.1%	1,925	(67)	-3.5%
<b>Non Current Assets</b>	<b>23,661</b>	<b>23,232</b>	<b>429</b>	<b>1.8%</b>	<b>22,715</b>	<b>946</b>	<b>4.2%</b>
<b>Liabilities</b>	<b>20,118</b>	<b>19,959</b>	<b>159</b>	<b>0.8%</b>	<b>19,571</b>	<b>547</b>	<b>2.8%</b>
- Current Liabilities	14,727	13,551	1,176	8.7%	13,365	1,362	10.2%
- Fixed Liabilities	5,391	6,408	(1,017)	-15.9%	6,206	(815)	-13.1%
<b>Equity</b>	<b>14,144</b>	<b>13,837</b>	<b>307</b>	<b>2.2%</b>	<b>13,655</b>	<b>489</b>	<b>3.6%</b>
<b>Borrowings</b>	<b>14,073</b>	<b>12,810</b>	<b>1,263</b>	<b>9.9%</b>	<b>12,911</b>	<b>1,162</b>	<b>9.0%</b>
- Short-term	11,094	9,538	1,556	16.3%	9,679	1,415	14.6%
- Long-term	2,979	3,272	(293)	-9.0%	3,232	(253)	-7.8%
<b>Net Debt</b>	<b>13,745</b>	<b>11,413</b>	<b>2,332</b>	<b>20.4%</b>	<b>12,076</b>	<b>1,669</b>	<b>13.8%</b>
<b>Debt-Equity Ratio</b>	<b>142.2%</b>	<b>144.2%</b>		<b>-2.0%</b>	<b>143.3%</b>		<b>-1.1%</b>
<b>Current Ratio</b>	<b>72.0%</b>	<b>78.0%</b>		<b>-6.0%</b>	<b>78.6%</b>		<b>-6.7%</b>

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

