

2Q18 IR Report

Kumho Tire

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1. 2Q18 Earnings Result
2. 2Q18 Financial Status

• 2Q recorded Consolidated Sales of ₩664.7bn, Operating Profit of -₩12.7bn

[100Mil KRW]

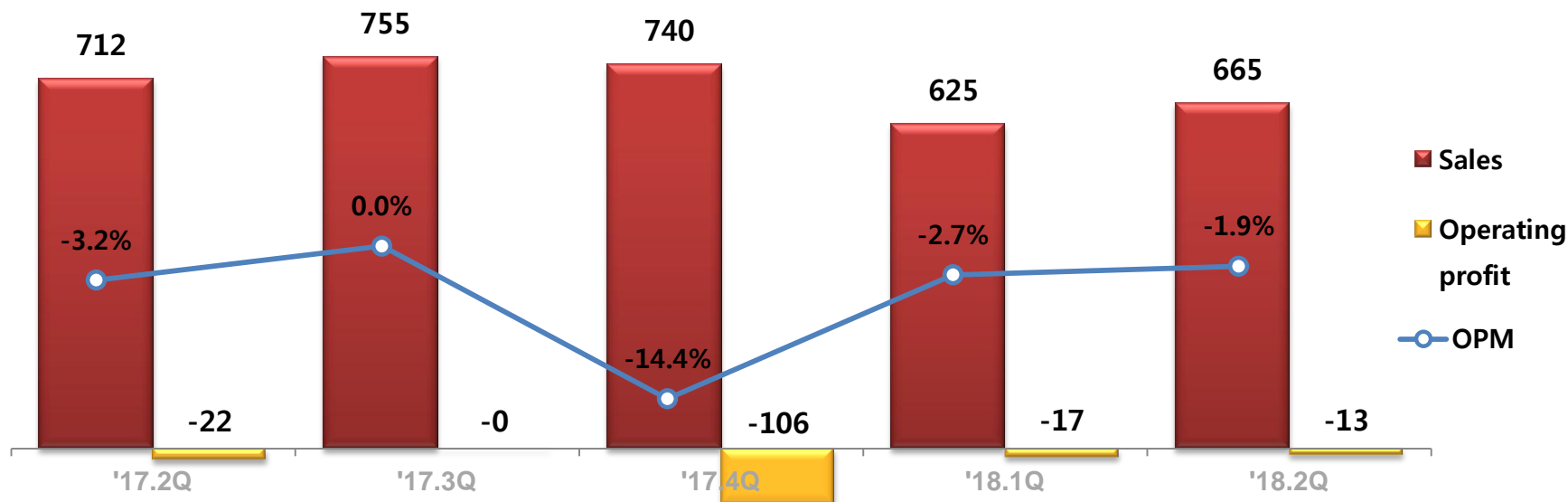
	'17.2Q	'18.1Q	'18.2Q	QoQ	YoY
Sales	7,122	6,250	6,647	6.4%	-6.7%
COGS	5,784 (81.2%)	5,295 (84.7%)	5,568 (83.8%)	5.1%	-3.7%
Operating Profit	-225 (-3.2%)	-171 (-2.7%)	-127 (-1.9%)	25.9%	43.6%
Ordinary Profit	-536 (-7.5%)	-161 (-2.6%)	-754 (-11.3%)	-369.2%	-40.8%
Depreciation	539	559	573	2.5%	6.5%
EBITDA	314 (4.4%)	388 (6.2%)	447 (6.7%)	15.0%	42.3%

Performance Result

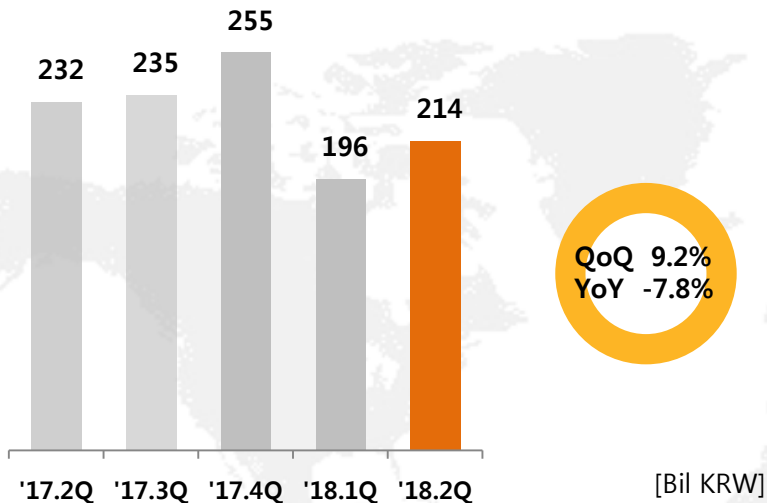
- Negative headwinds from sales of creditor's stake and global OE slowdown affected global operating profit
- Weak demand in Korea and North-America market led to sluggish sales
- China OE operation continued to enhance largely driven by increased supply to OE partners
- Despite higher raw materials costs burden, decline in labor cost and marketing expenses increased operating profit

Global

[Bil KRW]

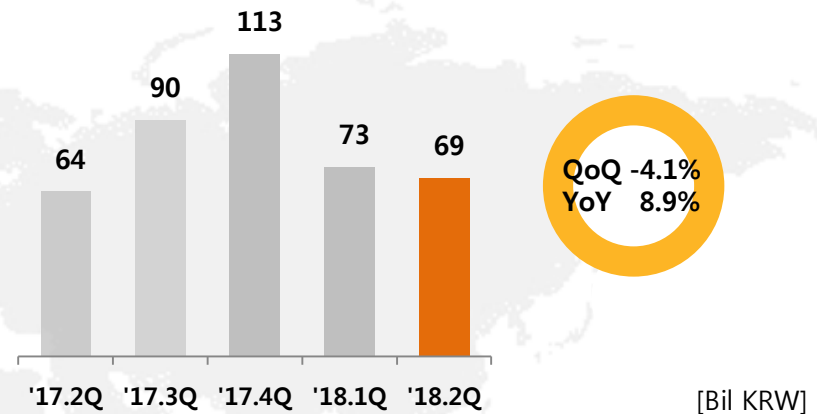


Korea



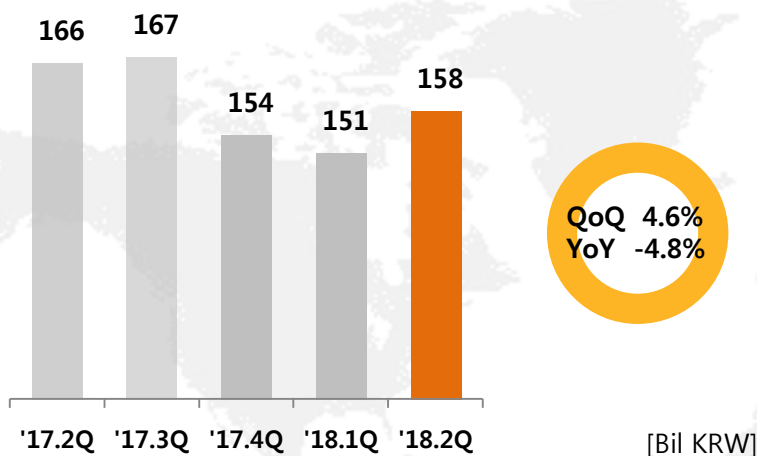
- RE sales improved performance due to expansion of high-inch and SUV product, despite reduced market demand and increased price competition among domestic suppliers, and OE sales showed weak performance owing to increased handling of imported tires by the car maker.

China



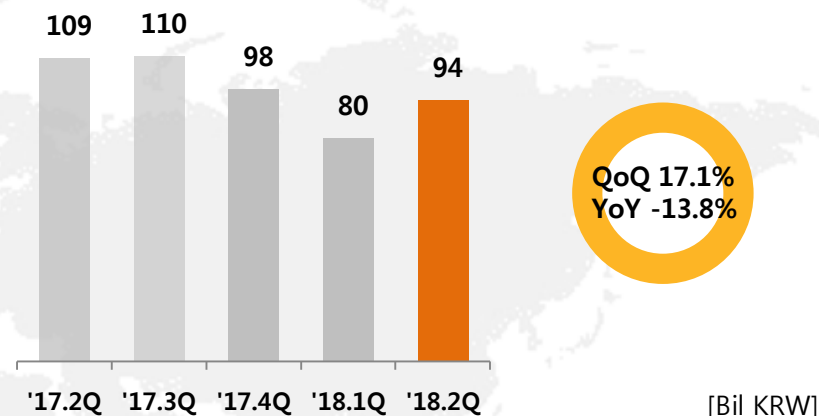
- RE sales showed decrease in distribution network demand due to price increase, but OE sales improved as major automobile manufacturers increased supply.

North America



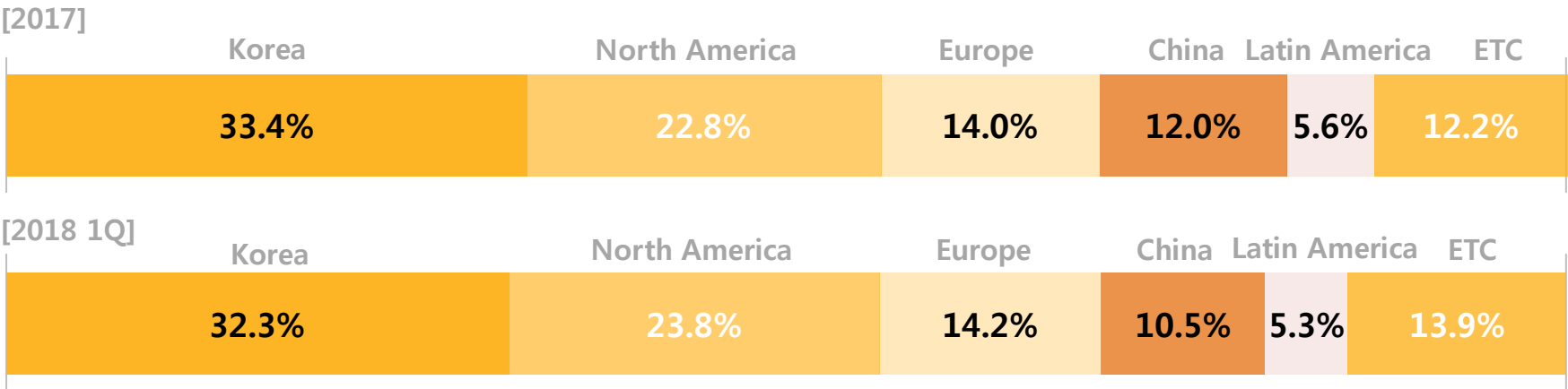
· RE sales dropped year on year due to diminished market demand and intensified price competition among suppliers, while OE sales continued to show poor performance owing to reduced supply from domestic car makers.

Europe

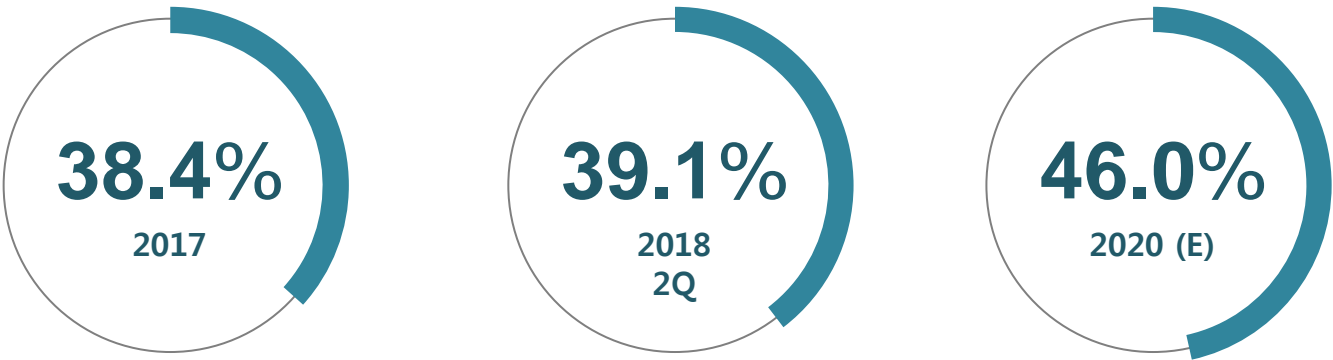


· RE sales improved thanks to increased demand from major markets and increased orders for Winter products, but OE sales showed sluggish performance during major financial events in the first half.

<Regional Sales Breakdown>

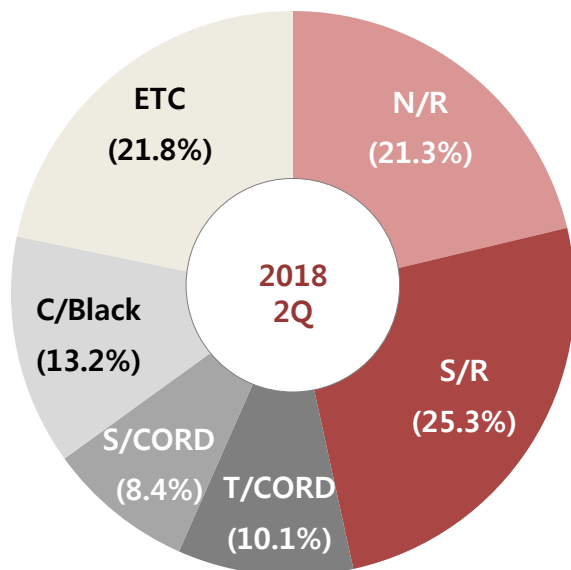


<Global Sales Trend of High-inch Tires>



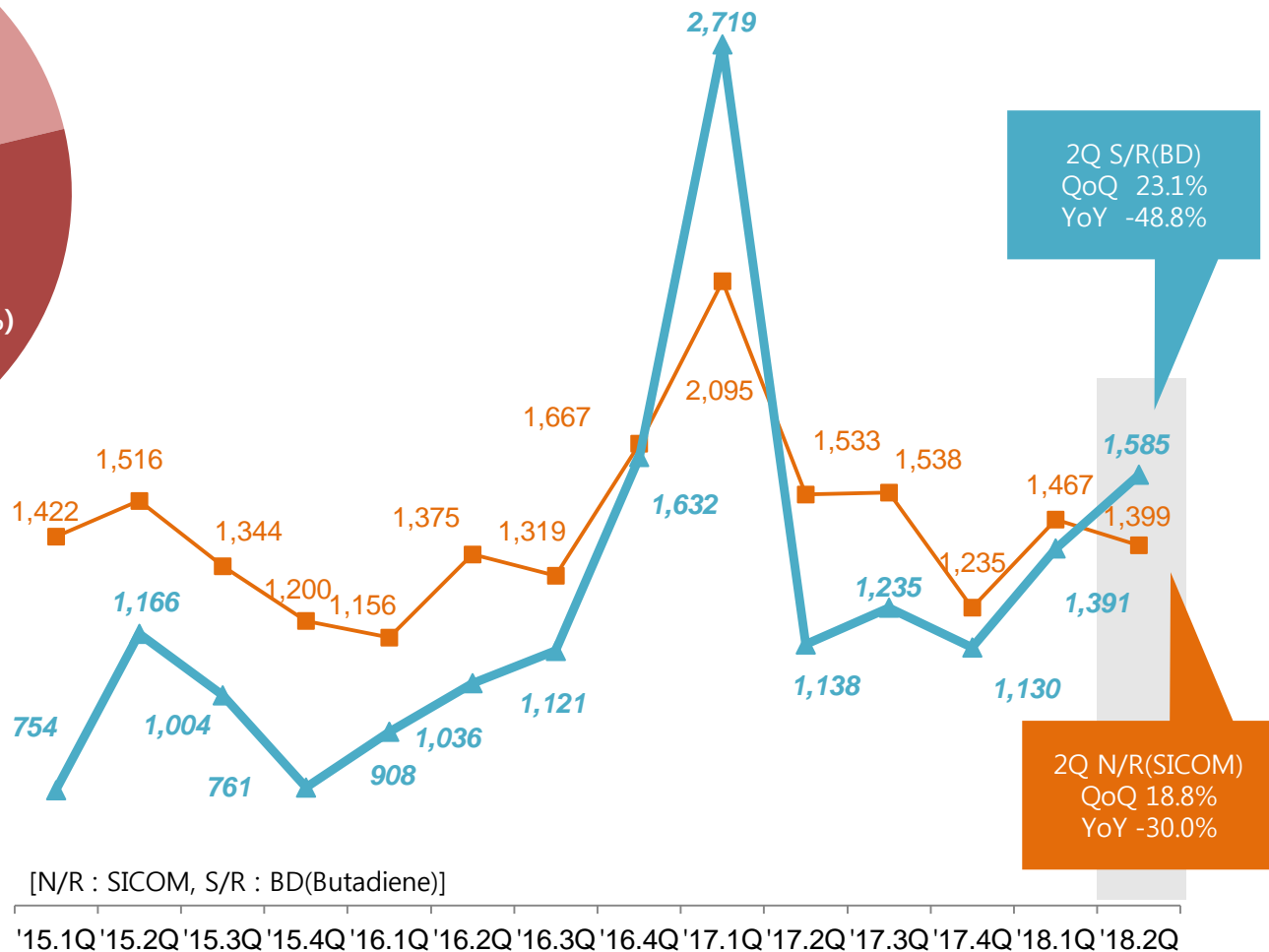
(Note : Units of tires above 17 inches, based on PC/LT tires sales)

<Input Raw Material Breakdown>

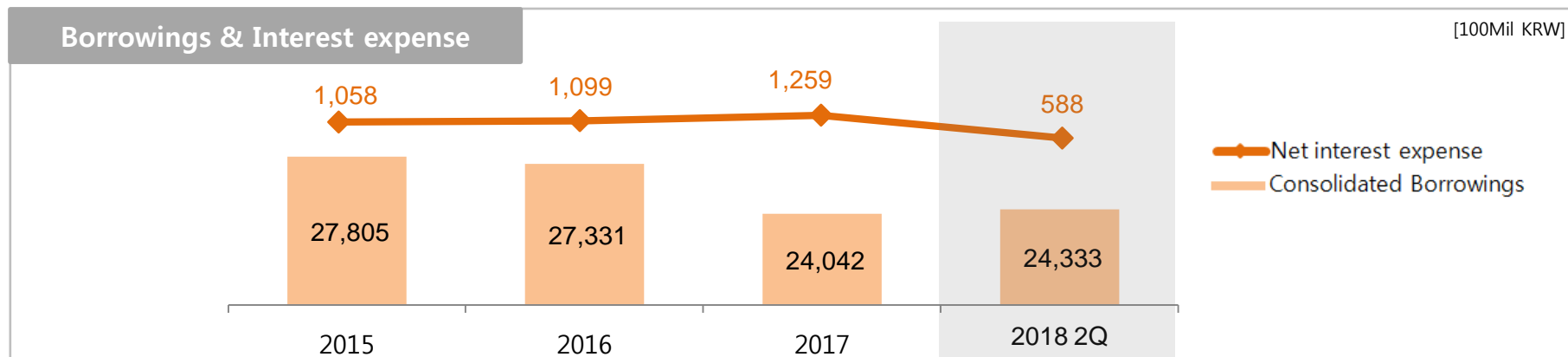
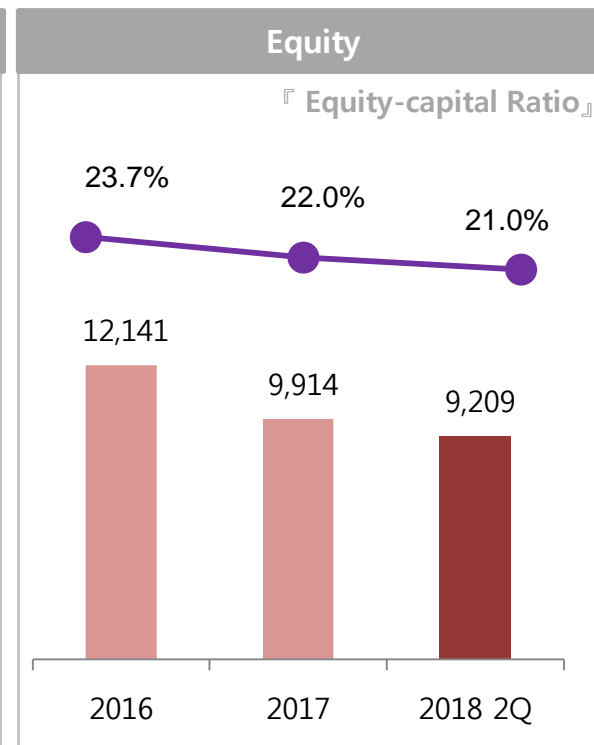
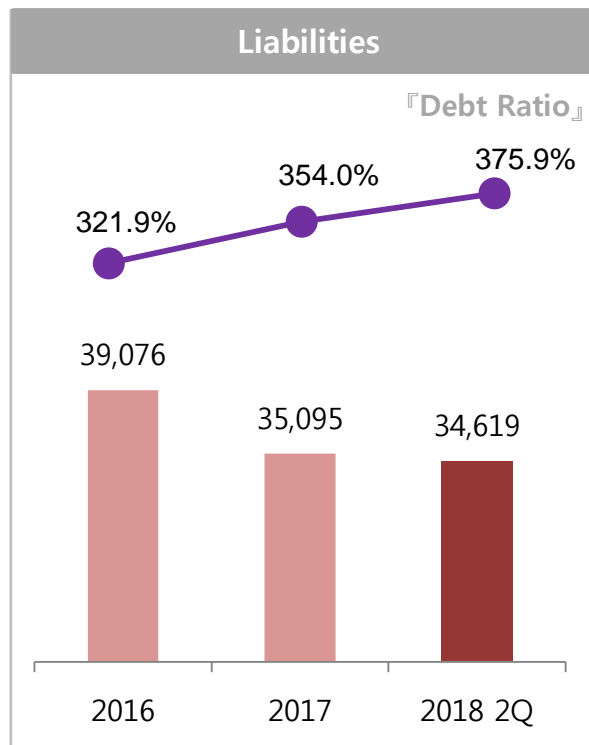
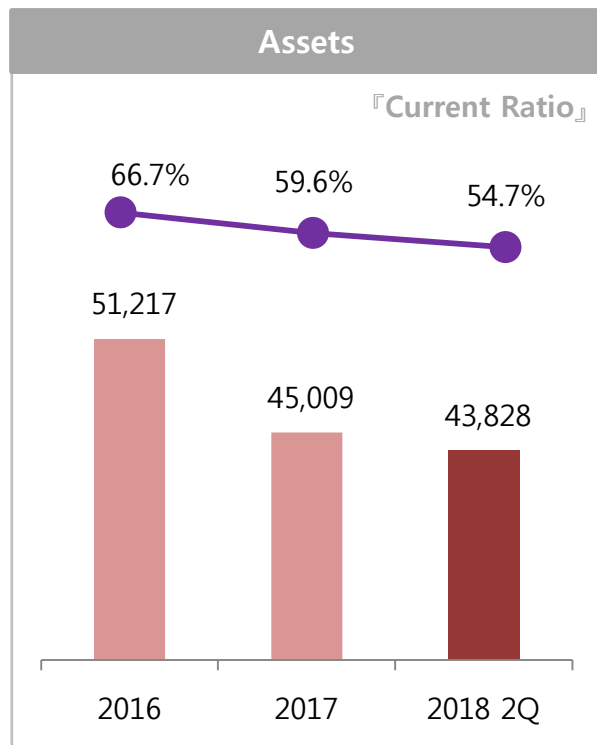


<Raw Material Trend>

[USD/ton]



[100Mil KRW]



1) Income Statement - Consolidated

(100Mil KRW)

	2018 2Q	2018 1Q	QoQ		2017 2Q	YoY	
Sales	6,647	6,250	397	6.4%	7,122	(475)	-6.7%
COGS	5,568	5,295	273	5.1%	5,784	(216)	-3.7%
Gross Profit	1,080	955	125	13.1%	1,338	(258)	-19.3%
<i>Gross Ratio</i>	<i>16.2%</i>	<i>15.3%</i>		<i>1.0%p</i>	<i>18.8%</i>		<i>-2.5%p</i>
SG&A	1,206	1,126	80	7.1%	1,562	(356)	-22.8%
Operating Profit	(127)	(171)	44	25.9%	(225)	98	43.6%
<i>OPM</i>	<i>-1.9%</i>	<i>-2.7%</i>		<i>0.8%p</i>	<i>-3.2%</i>		<i>1.3%p</i>
Net Profit	(783)	(114)	(668)	-585.2%	(475)	(308)	-64.8%
<i>NPM</i>	<i>-11.8%</i>	<i>-1.8%</i>		<i>-9.9%p</i>	<i>-6.7%</i>		<i>-5.1%p</i>
Depreciation	573	559	14	2.5%	539	35	6.5%
EBITDA	447	388	59	15.1%	314	133	42.4%

2) Balance Sheet - Consolidated

(100Mil KRW)

	2018 2Q(A)	2017(B)	(A-B)		2016(C)	(A-C)	
Assets	43,828	45,009	(1,181)	-2.6%	51,217	(7,389)	-14.4%
Current Assets	12,685	13,897	(1,212)	-8.7%	15,576	(2,891)	-18.6%
- Cash & Cash equivalents	2,153	1,896	257	13.5%	3,012	(859)	-28.5%
- Trade Accounts & Notes Receivable	4,886	5,412	(526)	-9.7%	6,249	(1,363)	-21.8%
- Inventories	5,646	5,470	176	3.2%	5,491	155	2.8%
Non Current Assets	31,143	31,112	31	0.1%	35,640	(4,497)	-12.6%
Liabilities	34,619	35,095	(476)	-1.4%	39,076	(4,457)	-11.4%
- Current Liabilities	23,186	23,299	(113)	-0.5%	23,346	(160)	-0.7%
- Fixed Liabilities	11,433	11,796	(363)	-3.1%	15,730	(4,297)	-27.3%
Equity	9,209	9,914	(705)	-7.1%	12,141	(2,932)	-24.1%
Borrowings	24,333	24,042	291	1.2%	27,331	(2,999)	-11.0%
- Short-term	16,199	15,518	681	4.4%	15,864	336	2.1%
- Long-term	8,133	8,524	(391)	-4.6%	11,468	(3,334)	-29.1%
Net Debt	22,180	22,146	34	0.2%	24,320	(2,139)	-8.8%
Debt-Equity Ratio	375.9%	354.0%		21.9%	321.9%		54.1%
Current Ratio	54.7%	59.6%		-4.9%	66.7%		-12.0%

* Net Debt : Borrowings - Cash&Cash equivalents

3) Income Statement - Korea

(100Mil KRW)

	2018 2Q	2018 1Q	QoQ		2017 2Q	YoY	
Sales	5,108	4,574	534	11.7%	5,655	(547)	-9.7%
COGS	4,484	4,064	420	10.3%	5,034	(550)	-10.9%
Gross Profit	624	510	114	22.3%	621	3	0.5%
<i>Gross Ratio</i>	<i>12.2%</i>	<i>11.1%</i>		<i>1.1%p</i>	<i>11.0%</i>		<i>1.2%p</i>
SG&A	597	537	60	11.1%	867	(270)	-31.2%
Operating Profit	27	(27)	54	Turn to Profit	(247)	274	Turn to Profit
<i>OPM</i>	<i>0.5%</i>	<i>-0.6%</i>		<i>1.1%p</i>	<i>-4.4%</i>		<i>4.9%p</i>
Net Profit	(58)	(11)	(48)	-438.2%	(318)	260	81.6%
<i>NPM</i>	<i>-1.1%</i>	<i>-0.2%</i>		<i>-0.9%p</i>	<i>-5.6%</i>		<i>4.5%p</i>
Depreciation	270	268	2	0.7%	269	1	0.3%
EBITDA	297	241	56	23.2%	22	275	1234.7%

4) Balance Sheet - Korea

(100Mil KRW)

	2018 2Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
Assets	31,990	32,167	(177)	-0.5%	33,796	(1,806)	-5.3%
Current Assets	10,841	10,900	(59)	-0.5%	10,565	276	2.6%
- Cash & Cash equivalents	2,782	1,035	1,747	168.8%	1,397	1,385	99.1%
- Trade Accounts & Notes Receivable	6,201	6,328	(127)	-2.0%	6,687	(486)	-7.3%
- Inventories	1,857	1,790	67	3.8%	1,703	155	9.1%
Non Current Assets	21,150	21,267	(117)	-0.6%	23,232	(2,082)	-9.0%
Liabilities	20,558	20,748	(190)	-0.9%	19,959	599	3.0%
- Current Liabilities	15,609	15,666	(57)	-0.4%	13,551	2,057	15.2%
- Fixed Liabilities	4,950	5,081	(131)	-2.6%	6,408	(1,458)	-22.8%
Equity	11,432	11,419	13	0.1%	13,837	(2,405)	-17.4%
Borrowings	13,249	12,911	338	2.6%	12,810	439	3.4%
- Short-term	11,642	11,157	485	4.3%	9,538	2,104	22.1%
- Long-term	1,607	1,754	(147)	-8.4%	3,272	(1,665)	-50.9%
Net Debt	10,467	11,876	(1,409)	-11.9%	11,413	(946)	-8.3%
Debt-Equity Ratio	179.8%	181.7%		-1.9%	144.2%		35.6%
Current Ratio	69.5%	69.6%		-0.1%	78.0%		-8.5%

* Net Debt : Borrowings - Cash&Cash equivalents

KUMHO TIRE
Better, All-Ways