



1Q17 IR Report

Kumho Tire

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

- 1Q recorded Consolidated Sales of ₩669.3bn, Operating Profit of -₩28.2bn
- Despite of volume gains in RE market, 1Q Sales declined due to weak OE sales primarily in china

[Unit: 100Mil KRW, %]

	'16.1Q	'16.4Q	'17.1Q	QoQ	YoY
Sales	7,018	7,906	6,693	-15.3%	-4.6%
COGS	5,295 (75.5%)	5,824 (73.7%)	5,441 (81.3%)	-6.6%	2.7%
Operating Profit	151 (2.2%)	547 (6.9%)	-282 (-4.2%)	Turn to Loss	Turn to Loss
Ordinary Profit	-131 (-1.9%)	70 (0.9%)	-691 (-10.3%)	Turn to Loss	-428.1%
Depreciation	546	546	541	-0.9%	-0.9%
EBITDA	697 (9.9%)	1,093 (13.8%)	259 (3.9%)	-76.3%	-62.8%

Market Status

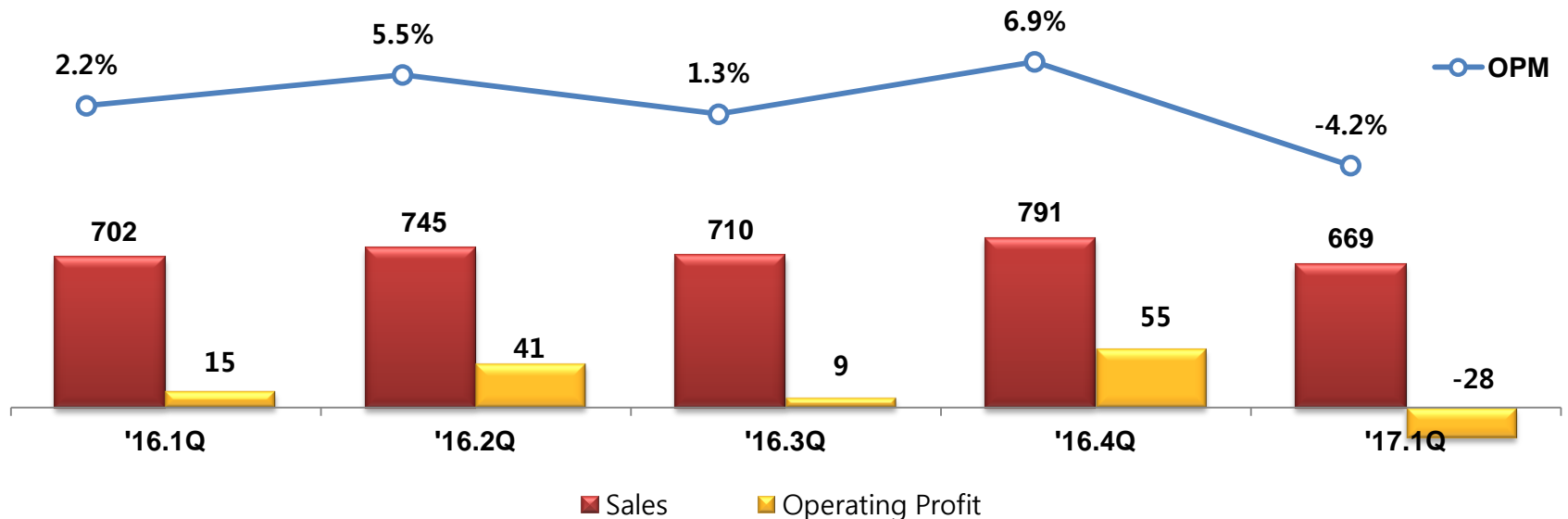
- Earnings of major customer was weak in China market
- Global tire makers continued to announce ASP increase
- Unfavorable FX primarily due to strong WON

Performance Result

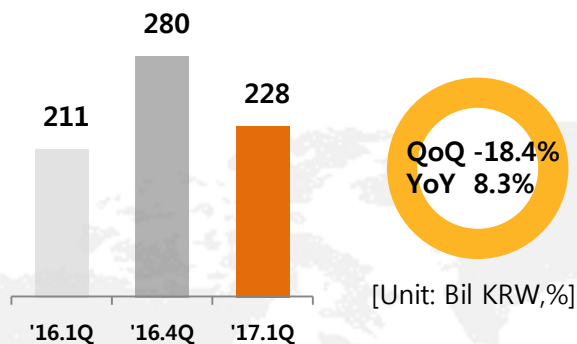
- Production from Georgia factory in US becomes stable
- Market demand in US/Europe lead to RE sales increase YoY while OE sales was down due to reduced car production in china
- Product mix improved by focusing larger than 17 inch tire sales : 35.6%('15) → 37.5%('16) → 39.8%('17)

Global

[Unit: Bil KRW, %]

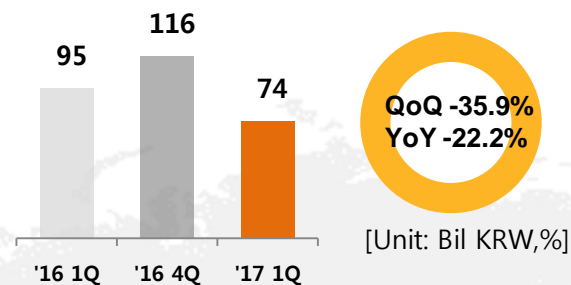


Korea



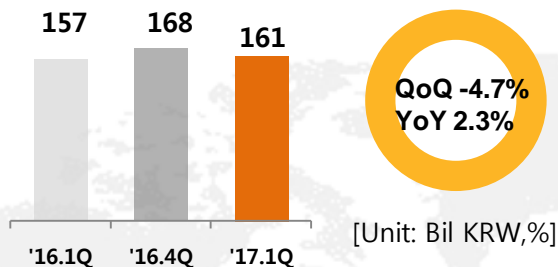
- **RE:** Domestic performance continued to enhance YoY due to reinforced distribution channels and expand B2B sales
 - **OE:** Sales volume decreased due discontinued models and decline in car production
- ☞ **focus on expanding M/S overseas factory of Hyundai/Kia and continuing premium OE strategy**

China



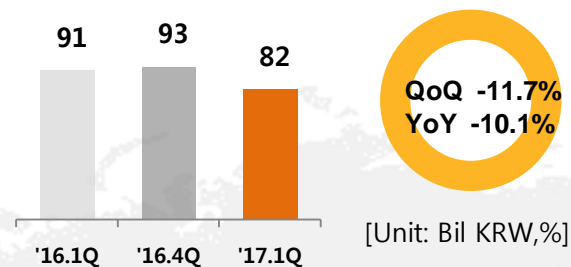
- **RE:** Sales volume increased by developing new sales channels such as e-commerce
 - **OE:** Sales volume declined due to weak performance of major customers
- ☞ **Expanding high inch tire production by stabilizing Nanjing plant after relocation**

North America



- **RE:** Sales increased YoY due to enhanced industry demand
 - **OE:** Sales has been negatively influenced 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 markets such as Germany, Russia, England
 - **OE:** OE sales decreased due to delayed supply schedule
- ☞ **Strengthen incentive and promotion for increasing high inch tire sales**

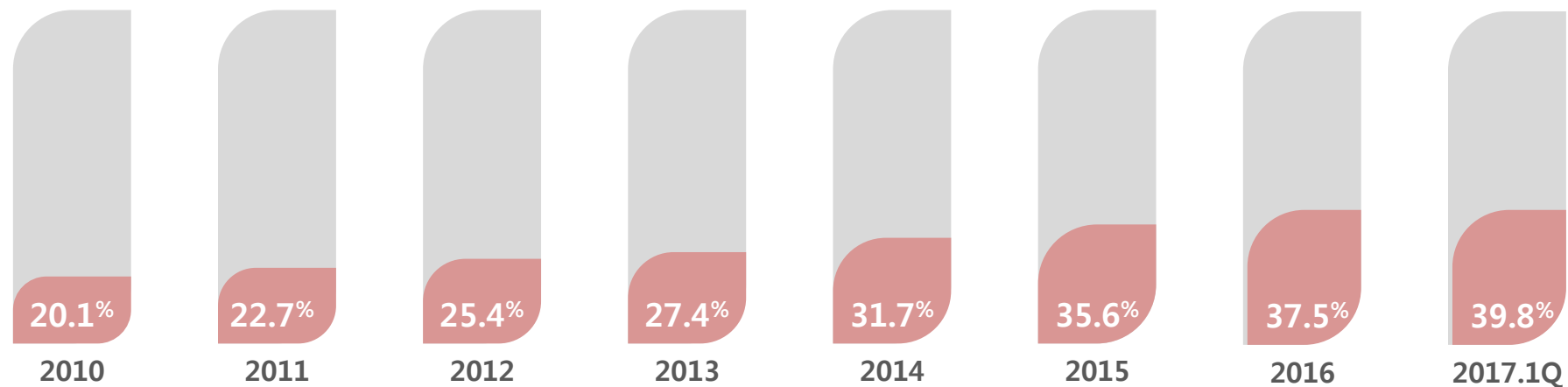
<Regional Sales Breakdown>

	Korea	North America	China	EU	Latin America	ETC	Global
2016	32.9%	22.0%	13.2%	13.7%	4.7%	13.4%	100.0%
2017.1Q	34.6%	24.4%	11.3%	12.5%	5.3%	11.9%	100.0%

Note : Figures based on tires sales only

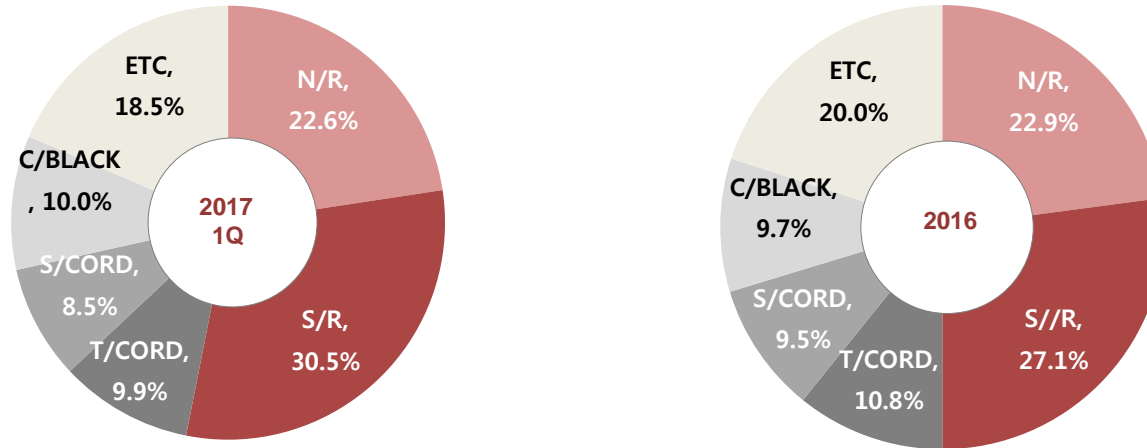
<Global Sales Trend of High-inch Tires>

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

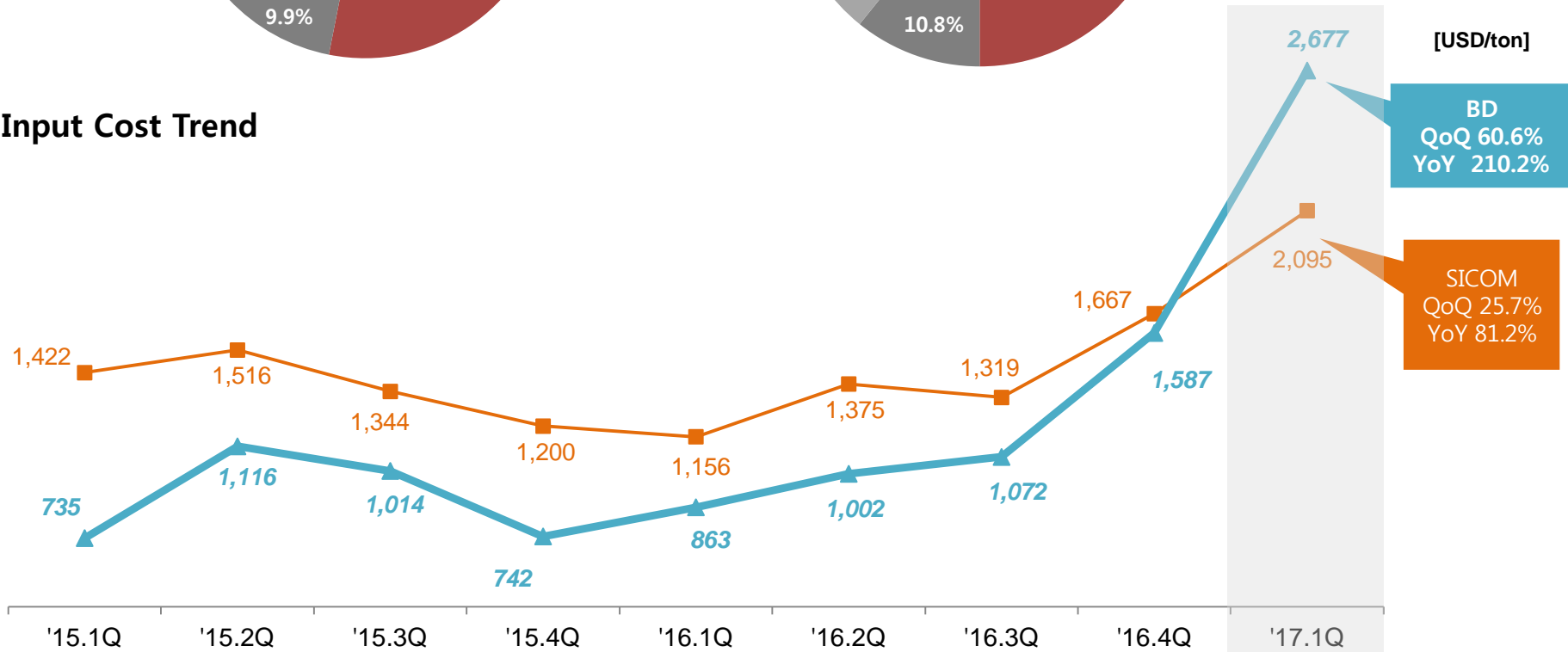


Note : Units of tires above 17 inches, based on PC/LT tires sales

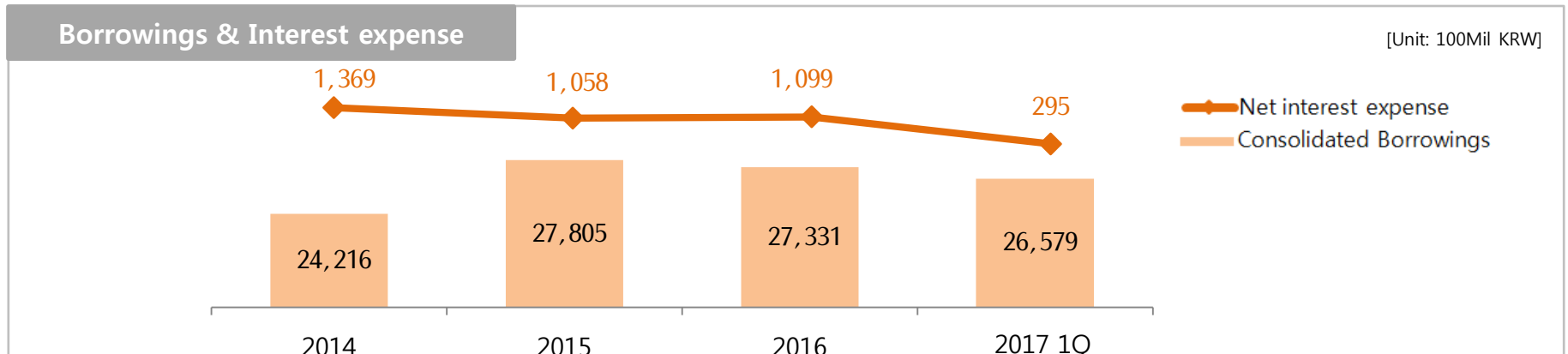
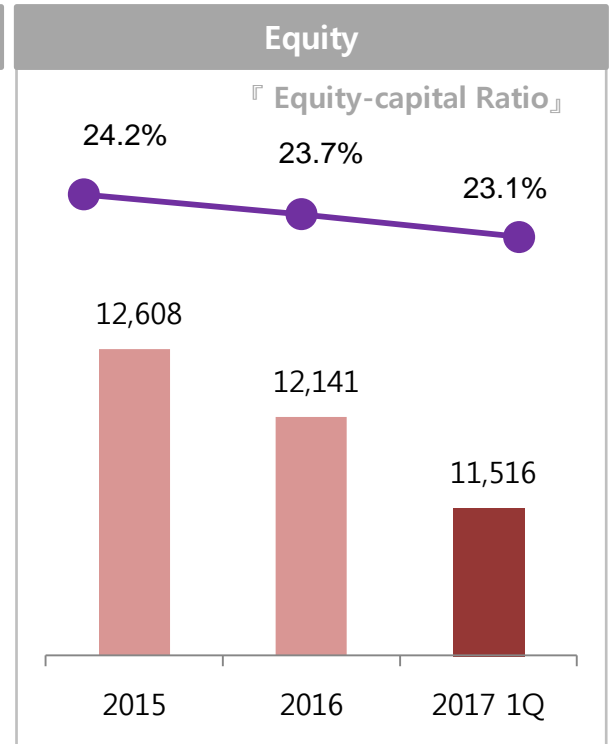
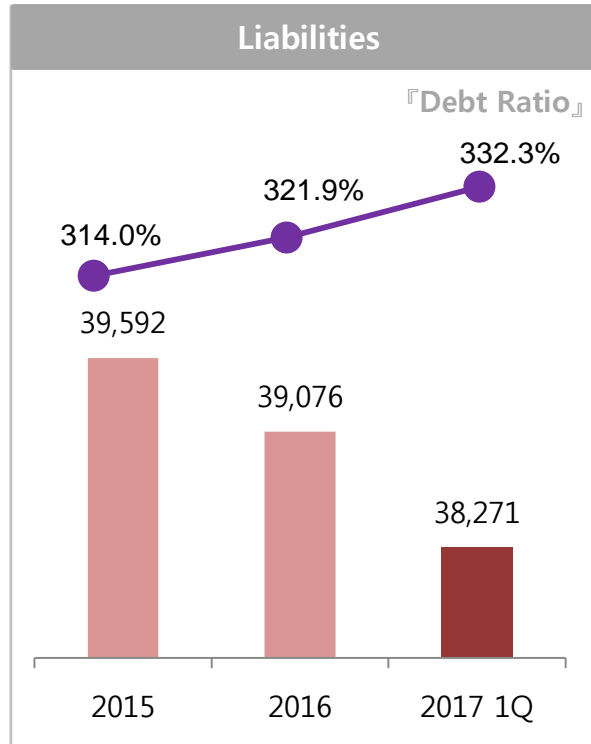
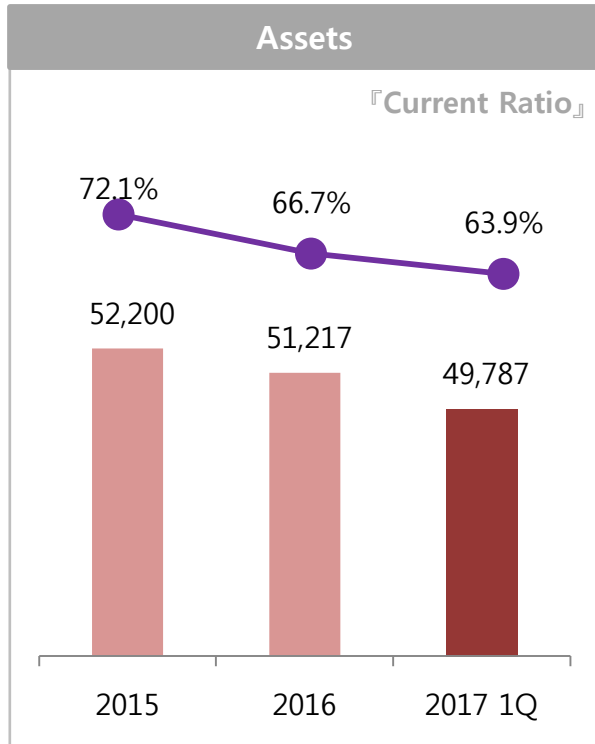
Input Raw Material Breakdown



Input Cost Trend



[Unit: 100Mil KRW]



1) Income Statement - Consolidated

(Unit: 100Mil KRW)

	2017 1Q	2016 4Q	QoQ		2016 1Q	YoY	
Sales	6,693	7,906	(1,213)	-15.3%	7,018	(325)	-4.6%
COGS	5,441	5,824	(383)	-6.6%	5,295	146	2.7%
Gross Profit	1,252	2,082	(829)	-39.8%	1,722	(470)	-27.3%
<i>Gross Ratio</i>	18.7%	26.3%		-7.6%p	24.5%		-5.8%p
SG&A	1,534	1,534	(0)	0.0%	1,571	(37)	-2.4%
Operating Profit	(282)	547	(829)	Turn to Loss	151	(433)	Turn to Loss
<i>OPM</i>	-4.2%	6.9%		-11.1%p	2.2%		-6.4%p
Net Profit	(606)	170	(777)	Turn to Loss	(154)	(452)	-293.2%
<i>NPM</i>	-9.1%	2.2%		-11.2%p	-2.2%		-6.9%p
Depreciation	541	546	(5)	-1.0%	546	(5)	-0.9%
EBITDA	259	1,093	(835)	-76.3%	697	(438)	-62.9%

2) Balance Sheet - Consolidated

(Unit: 100Mil KRW)

	2017 1Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
Assets	49,787	51,217	(1,429)	-2.8%	52,200	(2,412)	-4.6%
Current Assets	14,599	15,576	(978)	-6.3%	16,315	(1,716)	-10.5%
- Cash & Cash equivalents	1,712	3,012	(1,300)	-43.2%	4,176	(2,464)	-59.0%
- Trade Accounts & Notes Receivable	5,633	6,249	(616)	-9.9%	5,908	(275)	-4.7%
- Inventories	5,835	5,491	344	6.3%	5,432	403	7.4%
Non Current Assets	35,188	35,640	(452)	-1.3%	35,885	(697)	-1.9%
Liabilities	38,271	39,076	(805)	-2.1%	39,592	(1,321)	-3.3%
- Current Liabilities	22,832	23,346	(514)	-2.2%	22,623	209	0.9%
- Fixed Liabilities	15,439	15,730	(291)	-1.8%	16,969	(1,530)	-9.0%
Equity	11,516	12,141	(624)	-5.1%	12,608	(1,092)	-8.7%
Borrowings	26,579	27,331	(752)	-2.8%	27,805	(1,226)	-4.4%
- Short-term	15,469	15,864	(395)	-2.5%	14,932	537	3.6%
- Long-term	11,111	11,468	(357)	-3.1%	12,874	(1,763)	-13.7%
Net Debt	24,867	24,320	548	2.3%	23,629	1,238	5.2%
Debt-Equity Ratio	332.3%	321.9%		10.5%	314.0%		18.3%
Current Ratio	63.9%	66.7%		-2.8%	72.1%		-8.2%

* Net Debt : Borrowings - Cash&Cash equivalents

3) Income Statement - Korea

(Unit: 100Mil KRW)

	2017 1Q	2016 4Q	QoQ		2016 1Q	YoY	
Sales	5,136	5,999	(863)	-14.4%	5,737	(601)	-10.5%
COGS	4,370	4,889	(519)	-10.6%	4,668	(298)	-6.4%
Gross Profit	766	1,110	(343)	-30.9%	1,069	(303)	-28.3%
<i>Gross Ratio</i>	<i>14.9%</i>	<i>18.5%</i>		<i>-3.6%p</i>	<i>18.6%</i>		<i>-3.7%p</i>
SG&A	840	889	(49)	-5.5%	861	(21)	-2.4%
Operating Profit	(74)	221	(294)	Turn to Loss	208	(282)	Turn to Loss
<i>OPM</i>	<i>-1.4%</i>	<i>3.7%</i>		<i>-5.1%p</i>	<i>3.6%</i>		<i>-5.1%p</i>
Net Profit	(265)	(43)	(222)	-522.4%	30	(294)	Turn to Loss
<i>NPM</i>	<i>-5.2%</i>	<i>-0.7%</i>		<i>-4.4%p</i>	<i>0.5%</i>		<i>-5.7%p</i>
Depreciation	275	279	(3)	-1.2%	264	11	4.2%
EBITDA	202	499	(298)	-59.6%	473	(271)	-57%

4) Balance Sheet - Korea

(Unit: 100Mil KRW)

	2017 1Q(A)	2016(B)	(A-B)		2015(C)	(A-C)	
Assets	33,324	33,796	(472)	-1.4%	33,226	98	0.3%
Current Assets	9,773	10,565	(791)	-7.5%	10,511	(738)	-7.0%
- Cash & Cash equivalents	577	1,397	(820)	-58.7%	835	(258)	-30.9%
- Trade Accounts & Notes Receivable	6,345	6,687	(343)	-5.1%	6,526	(181)	-2.8%
- Inventories	2,020	1,703	317	18.6%	1,925	95	4.9%
Non Current Assets	23,551	23,232	319	1.4%	22,715	836	3.7%
Liabilities	19,455	19,959	(504)	-2.5%	19,571	(116)	-0.6%
- Current Liabilities	13,049	13,551	(502)	-3.7%	13,365	(315)	-2.4%
- Fixed Liabilities	6,406	6,408	(2)	0.0%	6,206	200	3.2%
Equity	13,869	13,837	32	0.2%	13,655	214	1.6%
Borrowings	12,623	12,810	(187)	-1.5%	12,911	(288)	-2.2%
- Short-term	9,436	9,538	(102)	-1.1%	9,679	(243)	-2.5%
- Long-term	3,187	3,272	(85)	-2.6%	3,232	(45)	-1.4%
Net Debt	12,046	11,413	633	5.5%	12,076	(30)	-0.2%
Debt-Equity Ratio	140.3%	144.2%		-4.0%	143.3%		-3.0%
Current Ratio	74.9%	78.0%		-3.1%	78.6%		-3.8%

* Net Debt : Borrowings - Cash&Cash equivalents

KUMHO TIRE 
Better, All-Ways

