



# 2Q17 Earnings Release







Aug 2017

# Q2 2017 Key Financial Metrics

(KRW in Billions)	Q2 2017	YoY		QoQ	
		Q2 2016	B/(W)	Q1 2017	B/(W)
<b>Sales</b>	<b>1,373</b>	<b>1,491</b>	<b>-7.9%</b>	<b>1,449</b>	<b>-5.2%</b>
<b>Cost of Sales</b> <i>% of Sales</i>	<b>1,157</b> 84.2%	<b>1,281</b> 85.9%	<b>-9.7%</b> -1.7%p	<b>1,210</b> 83.5%	<b>-4.4%</b> +0.7%p
<b>SG&amp;A (Incl R&amp;D Exp)</b> <i>% of Sales</i>	<b>114</b> 8.3%	<b>115</b> 7.7%	<b>-1.0%</b> +0.6%p	<b>112</b> 7.7%	<b>+1.9%</b> +0.6%p
<b>EBITDA</b> <i>Margin (%)</i>	<b>152</b> 11.1%	<b>141</b> 9.5%	<b>+7.8%</b> +1.6%p	<b>176</b> 12.1%	<b>-13.6%</b> -1.0%p
<b>Operating Profit</b> <i>Margin (%)</i>	<b>103</b> 7.5%	<b>95</b> 6.4%	<b>+8.1%</b> +1.1%p	<b>127</b> 8.8%	<b>-19.2%</b> -1.3%p
<b>Net Income</b> <i>Margin (%)</i>	<b>69</b> 5.0%	<b>64</b> 4.3%	<b>+7.8%</b> +0.7%p	<b>74</b> 5.1%	<b>-6.8%</b> -0.1%p

**Sales down due to China volume and currency headwinds; OP up on one-off in 2Q16**

# First Half 2017 - Key Financial Metrics

(KRW in Billions)	1H17	YoY	
		1H16	B/(W)
<b>Sales</b>	<b>2,822</b>	<b>2,919</b>	 <b>-3.3%</b>
<b>Cost of Sales</b> <i>% of Sales</i>	<b>2,367</b> 83.9%	<b>2,476</b> 84.8%	 <b>-4.4%</b> -1.0%p
<b>SG&amp;A (Incl R&amp;D Exp)</b> <i>% of Sales</i>	<b>226</b> 8.0%	<b>243</b> 8.3%	 <b>-7.1%</b> -0.3%p
<b>EBITDA</b> <i>Margin (%)</i>	<b>328</b> 11.6%	<b>293</b> 10.0%	 <b>+11.9%</b> +1.6%p
<b>Operating Income</b> <i>Margin (%)</i>	<b>230</b> 8.1%	<b>200</b> 6.8%	 <b>+14.9%</b> +1.3%p
<b>Net Income</b> <i>Margin (%)</i>	<b>144</b> 5.1%	<b>136</b> 4.7%	 <b>+5.1%</b> +0.4%p

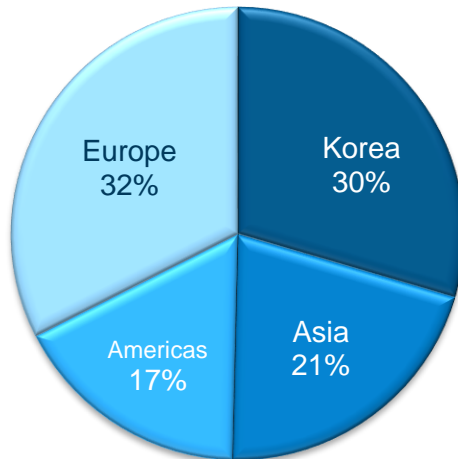
**Cost reduction efforts contributed to favorable 1H17 results**

## Q2 Highlights

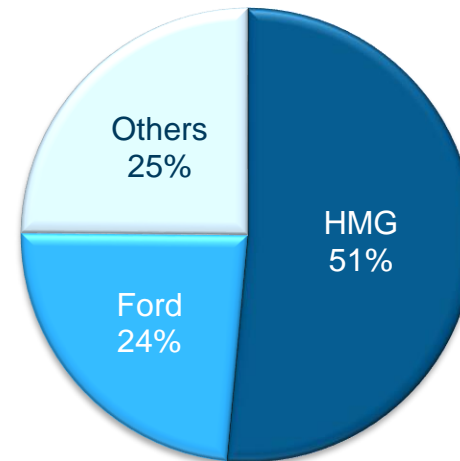
- ✓ OP increased by 8% YoY due to cost saving activities and low base in 2Q16 (one-off)
- ✓ Record High NBW: diverse customers 58%, xEV portion 46% in 1H New Wins
- ✓ Quality recognition awards from core customers (HMG and Ford)

## 1H17 Sales Breakdown

By Region



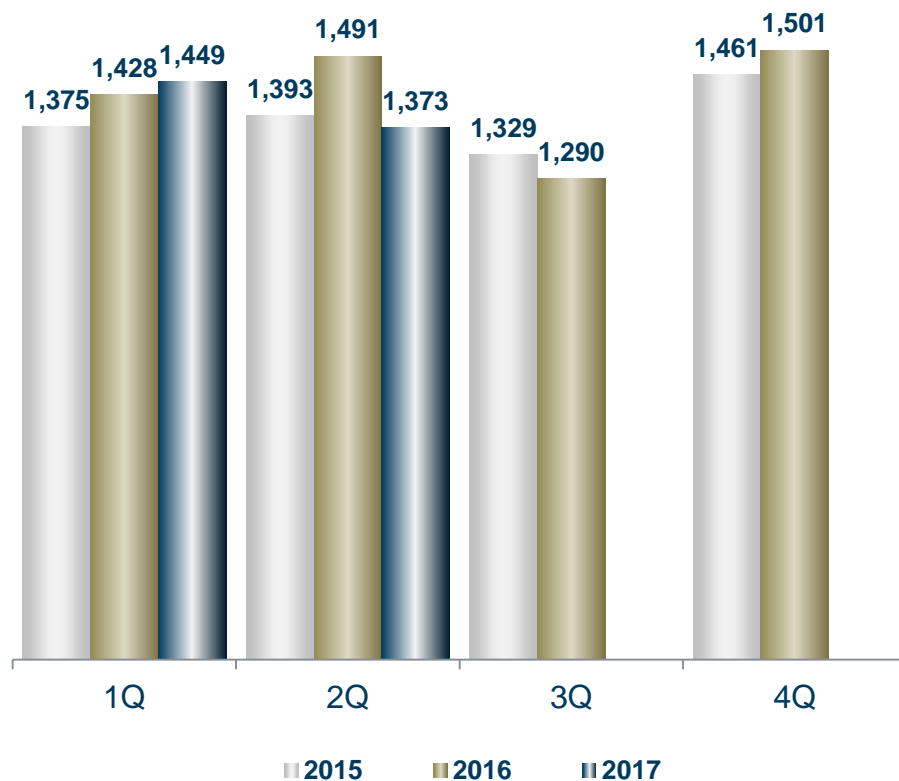
By Customer



- Ford: Incl. Changan Ford & Ford Otosan

## Consolidated Sales

(KRW in Billions)



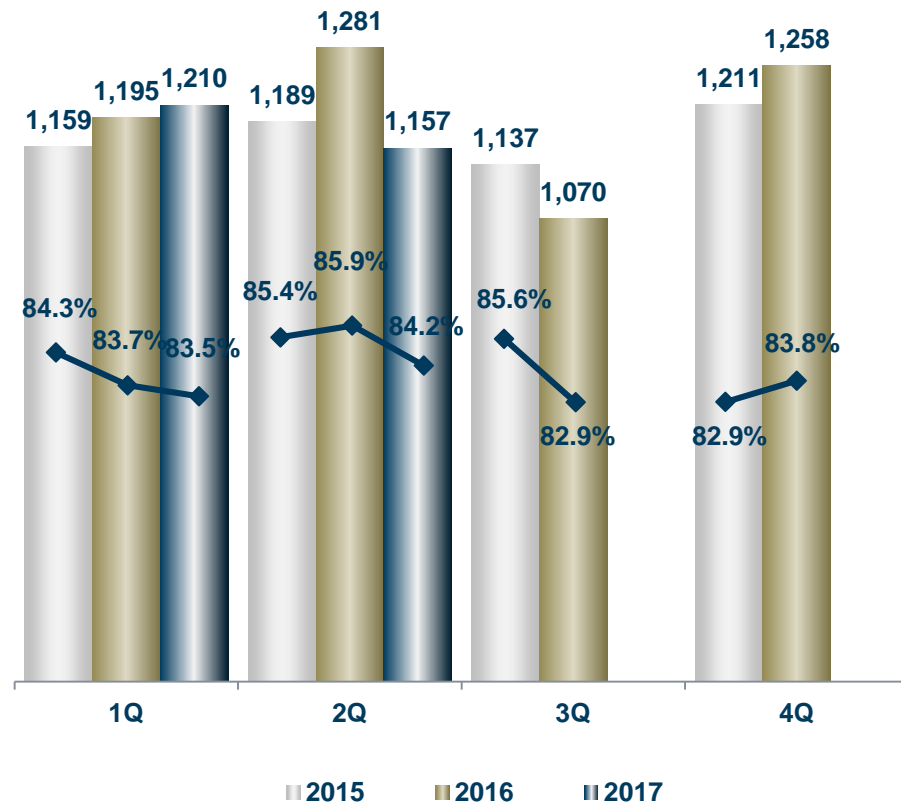
## Comments

- 2Q17 consolidated revenue decreased by 7.9% YoY due to;
  - 1) China revenue: -51% YoY
  - 2) Blended currency effect: -2.7% YoY
- Adjusted consolidated sales growth in 2Q17 is +4% YoY
- 2Q17 Americas and Korea showed steady growth by 6% and 2% YoY, respectively
- After currency adjustment, 2Q17 EU sales is down by 2% YoY
- 2Q17 SE Asia sales revenue is up by 10% YoY (like-for-like)

**2Q17 revenue decreased due to China volume and currency headwinds**

## Quarterly COGS

(KRW in bills, % of sales)



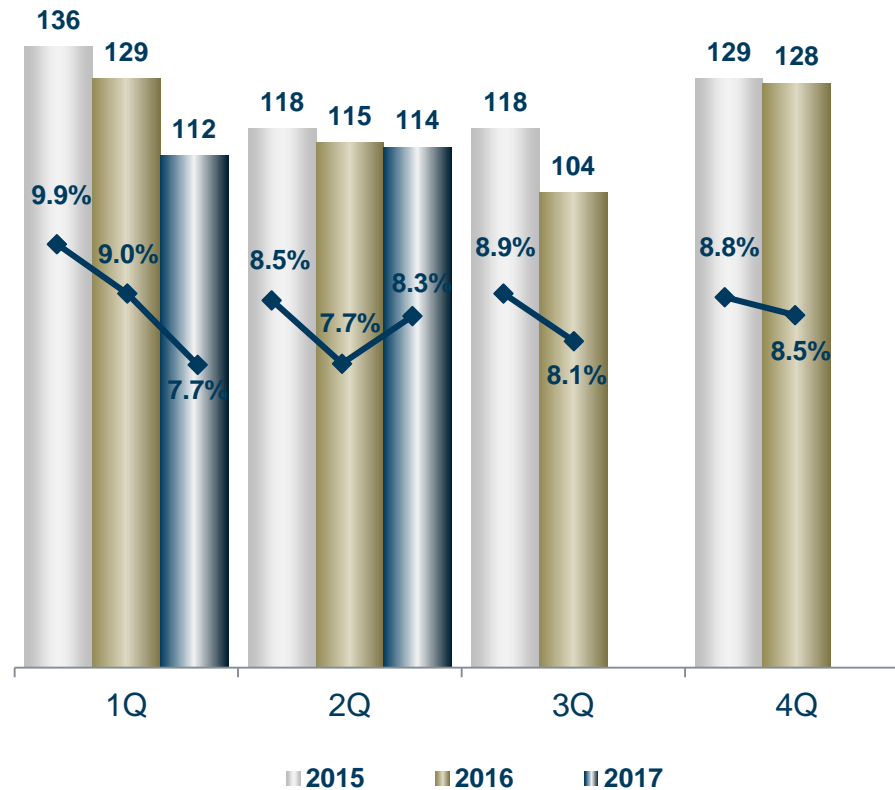
## Comments

- 2Q17 COGS ratio improved by 170 bp
- Positive factor:
  - . Low base in 2Q16 due to one-off ordinary wage cost
- Negative factors:
  - . Low volume in China
  - . One time restructuring cost in Europe

**2Q17 COGS ratio improved on one-time cost in 2016 despite China slowdown**

## Quarterly SG&A Status

(KRW in bills, % of sales)



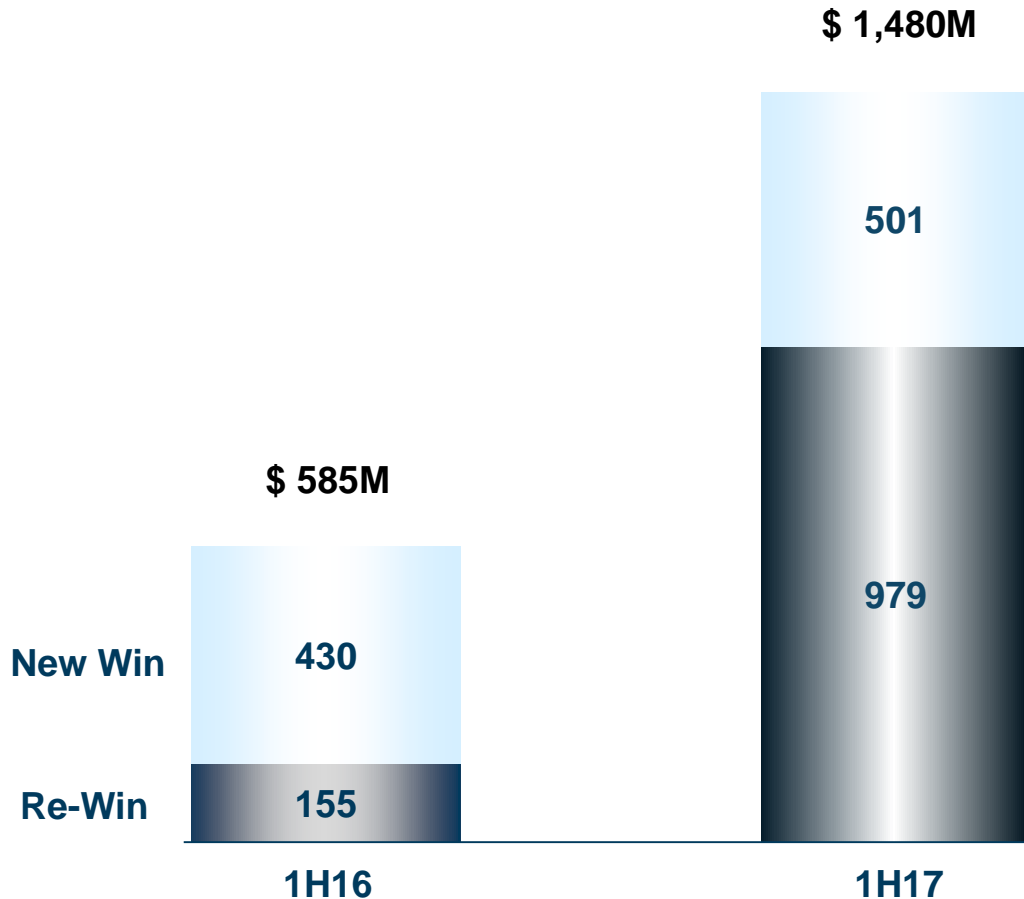
## Comments

- 2Q17 SG&A costs consistent to prior year
- 1H17 R&D spending: 4.2% of sales

**2Q17 SG&A cost remained at last year's level despite increasing R&D spending**

# New Business Wins Update (Slide #1)

## 1H17 New Business Wins Status

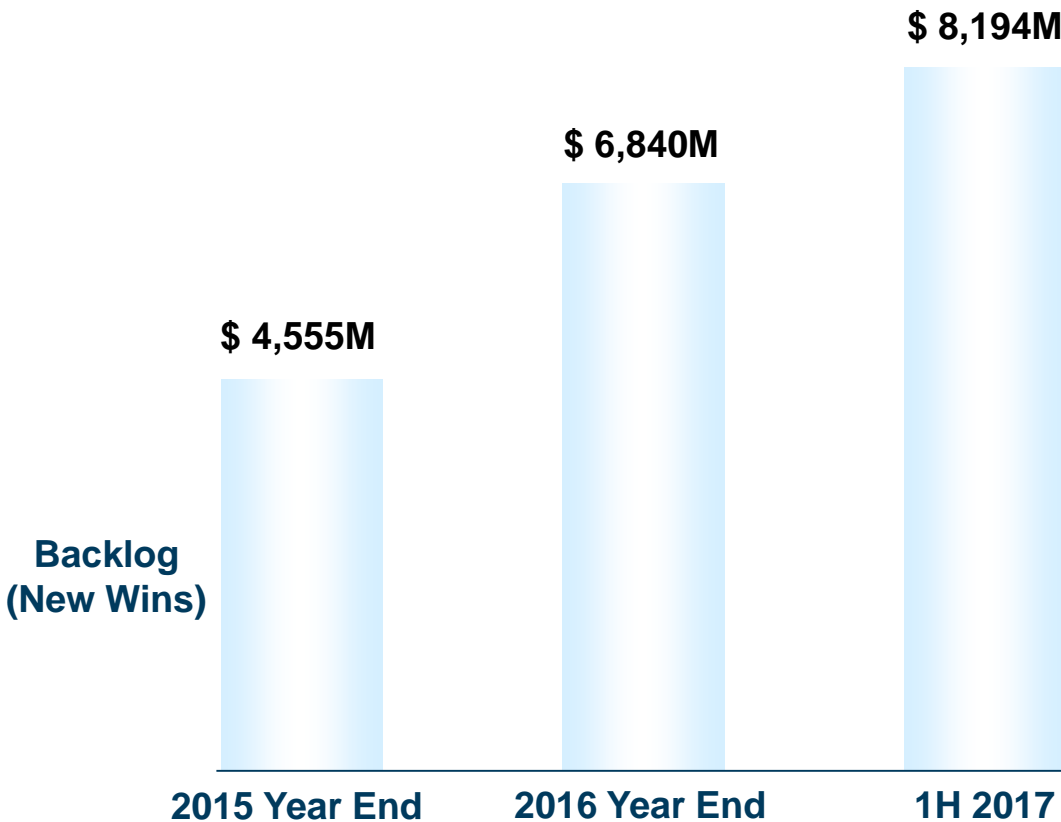


- NBW represents annual average revenue (in Mils. USD)
- Orders from Growth and Tech customers account for 58% of New Wins
- Orders for eco-friendly vehicles account for 46% of New Wins in first half 2017



# Backlog Status Update (Slide #2)

## 1H17 Backlog Status (New Wins Only)



- Backlog: defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from Growth and Tech Customers account for 59% of backlog
- Orders for eco-friendly vehicles account for 27% of backlog

- **2Q17 Quarterly Dividends: 75 KRW per share**
- **Dividend Trend**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>1H 2017</b>
Yearly Dividends per Share (KRW)	194	225	150
Payout Ratio	44.9%	41.1%	55.8%*

\* Based on quarterly net income per share of 1H17

## Ford World Excellence Gold Award (May 2017)



## HMG Best Technology Partner (June 2017)



# 2Q17 Earnings Release Summary

- **Earnings growth despite China volume decrease**
- **On track to 2017 guidance of EBITDA 680bW**
- **Record high NBW will drive a strong industry position**
- **Quality and technology leadership is recognized by core customers**
- **Capabilities in eco-friendly technology are delivering customer diversification and business growth**

# Q2 2017 Balance Sheet

(K-IFRS / KRW in Billions)

## Balance Sheet

	Q2E 2017	YE 2016
Cash and cash equivalent	561	425
Account receivable	994	1,054
Inventories	456	430
Property and equipment	1,200	1,178
Intangible assets	382	350
Other assets	358	422
<b>Total assets</b>	<b>3,952</b>	<b>3,860</b>
Account payable	935	1,017
Debt	762	646
Other liabilities	276	312
Shareholders' equity	1,927	1,828
Non-controlling interests	53	57
<b>Total liabilities &amp; shareholders' equity</b>	<b>3,952</b>	<b>3,860</b>

## Cash and Debt

	Q2E 2017	YE 2016
<b>Cash Balance</b>		
Net Debt	201	221
Net Debt Ratio	10.1%	11.7%
Debt to Equity	38.5%	34.3%

	Q2E 2017	YE 2016
<b>Leverage</b>		
Last 12 months EBITDA	644	609
Debt / EBITDA	1.18	1.06
Net Debt / EBITDA	0.31	0.36

Maintains a strong balance sheet in 1H17



**Thank You**