


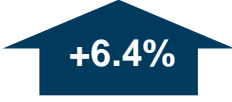


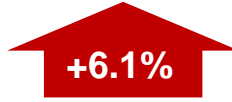






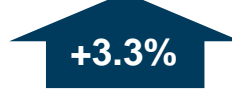
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# 4Q17 Analyst Briefing

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# 4Q17 Financials

# Q4 2017 Key Financial Metrics

(KRW in Billions)	Q4 2017	YoY		QoQ	
		Q4 2016	B/(W)	Q3 2017	B/(W)
<b>Sales</b>	<b>1,424</b>	<b>1,502</b>	 <b>-5.1%</b>	<b>1,339</b>	 <b>+6.4%</b>
<b>Cost of Sales</b> <i>% of Sales</i>	<b>1,151</b> 80.8%	<b>1,258</b> 83.8%	 <b>-8.5%</b> -3.0%p	<b>1,122</b> 83.8%	 <b>+2.6%</b> -3.0%p
<b>SG&amp;A (Incl R&amp;D Exp)</b> <i>% of Sales</i>	<b>136</b> 9.5%	<b>128</b> 8.5%	 <b>+6.1%</b> +1.0%p	<b>116</b> 8.7%	 <b>+16.6%</b> +0.8%p
<b>EBITDA</b> <i>Margin (%)</i>	<b>190</b> 13.4%	<b>164</b> 10.9%	 <b>+16.4%</b> +2.5%p	<b>152</b> 11.3%	 <b>+25.2</b> +2.0%p
<b>Operating Profit</b> <i>Margin (%)</i>	<b>138</b> 9.7%	<b>116</b> 7.7%	 <b>+18.8%</b> +2.0%p	<b>101</b> 7.5%	 <b>+36.9%</b> +2.2%p
<b>Net Income</b> <i>Margin (%)</i>	<b>79</b> 5.5%	<b>94</b> 6.3%	 <b>-16.2%</b> -0.7%p	<b>76</b> 5.7%	 <b>+3.3%</b> -0.2%p

**Sales down due to Korea and China volume decrease; OP up on low base**

# FY 2017 - Key Financial Metrics

(KRW in Billions)	FY17	YoY	
		FY16	B/(W)
<b>Sales</b>	<b>5,586</b>	<b>5,704</b>	<b>-2.1%</b>
<b>Cost of Sales</b> <i>% of Sales</i>	<b>4,639</b> 83.1%	<b>4,805</b> 84.2%	<b>-3.4%</b> -1.2%p
<b>SG&amp;A (Incl R&amp;D Exp)</b> <i>% of Sales</i>	<b>478</b> 8.6%	<b>476</b> 8.4%	<b>+0.3%</b> +0.2%p
<b>EBITDA</b> <i>Margin (%)</i>	<b>670</b> 12.0%	<b>609</b> 10.7%	<b>+10.1%</b> +1.3%p
<b>Operating Income</b> <i>Margin (%)</i>	<b>468</b> 8.4%	<b>423</b> 7.4%	<b>+10.9%</b> +1.0%p
<b>Net Income</b> <i>Margin (%)</i>	<b>298</b> 5.3%	<b>304</b> 5.3%	<b>-1.8%</b> +0.0%p

**Sales is down due to China slowdown; EBITDA and OP in-line with guidance**

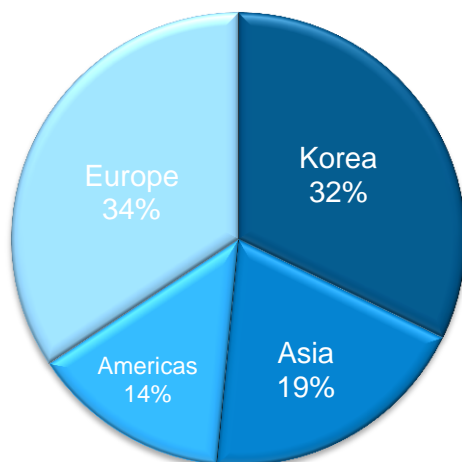
# Q4 2017 Highlights

## Q4 Highlights

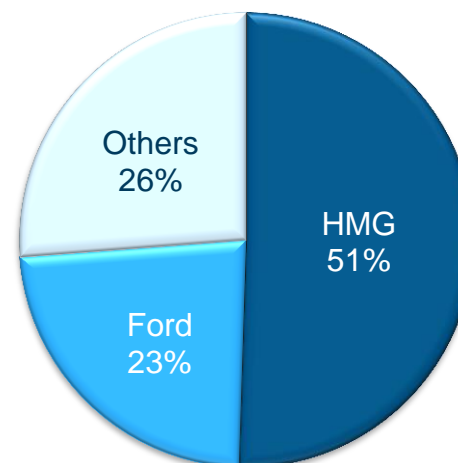
- ✓ OP up by 18.8% YoY due to 1) low base, 2) cost management, 3) one-time gain (+11.3b)
- ✓ NBW: Diverse customers 58%, Eco-friendly order portion 44% in 2017 New Wins
- ✓ Company adds one more China JV for FAW VW following ChangAn

## FY 2017 Sales Breakdown

By Region



By Customer

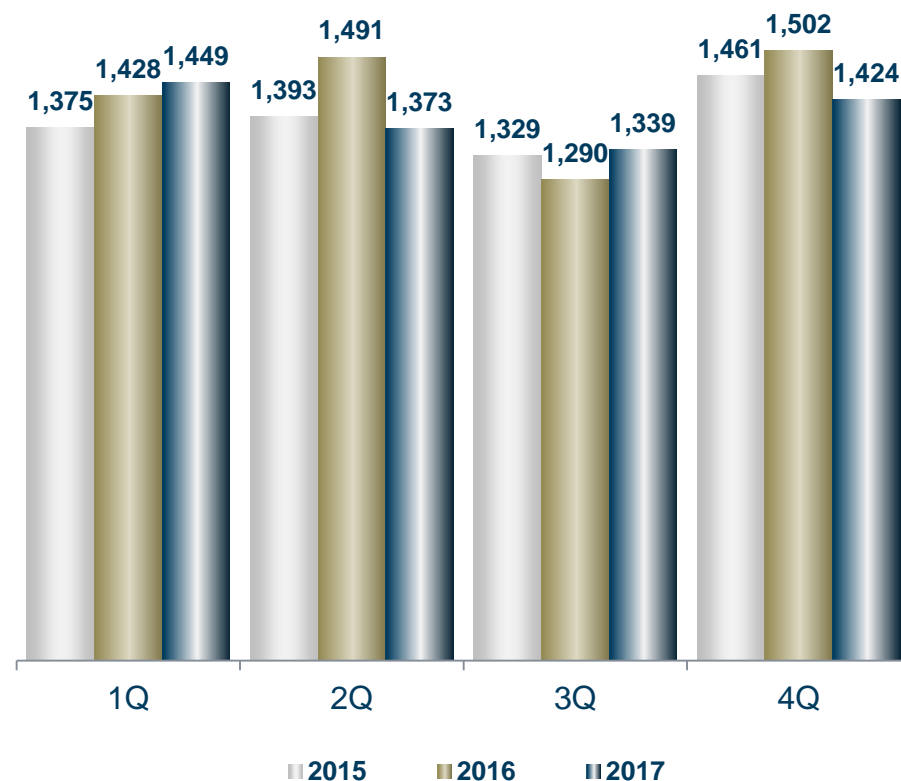


- Ford: Incl. Changan Ford & Ford Otosan

# Global Sales

## Consolidated Sales

(KRW in Billions)



## Comments

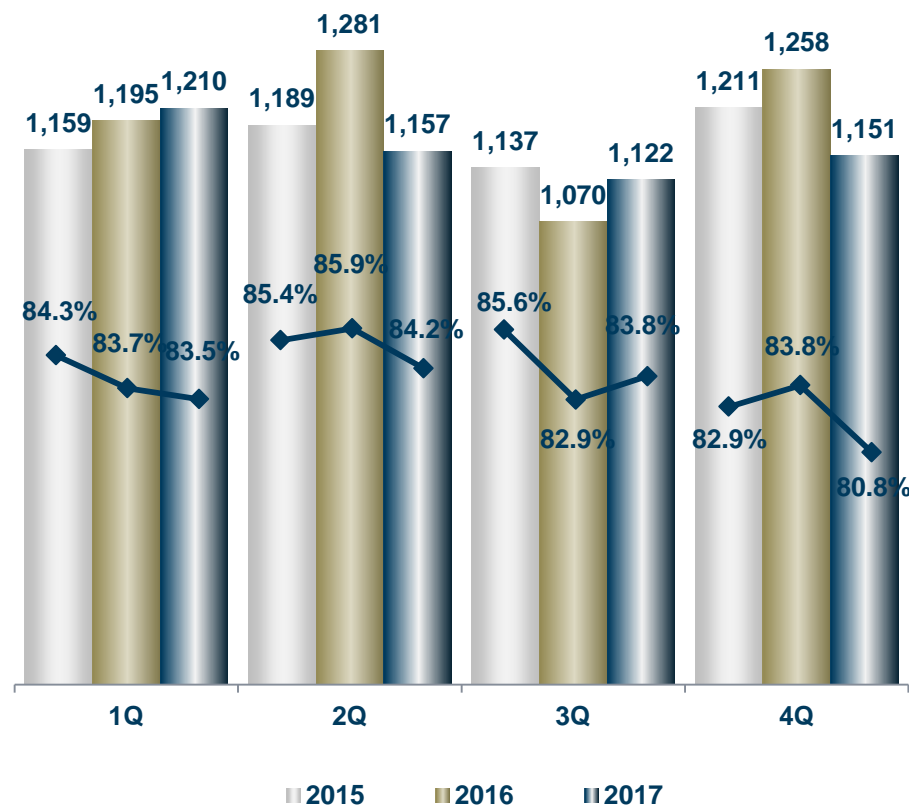
- 4Q17 consolidated revenue decreased by 5% YoY due to;
  - 1) Korea revenue: -14% YoY
  - 2) China revenue: -14% YoY
  - 3) NA revenue: -5% YoY
- Weak HMG volume in Korea, China and the US
- 4Q17 EU sales revenue is up by 13% YoY base on Ford and VW (net volume effect +8% YoY)
- Revenue to Ford and VW increased by double digits YoY in 4Q17

**4Q17 revenue decreased due to Korea and China volume slowdown**

# Global COGS

## Quarterly COGS

(KRW in bills, % of sales)



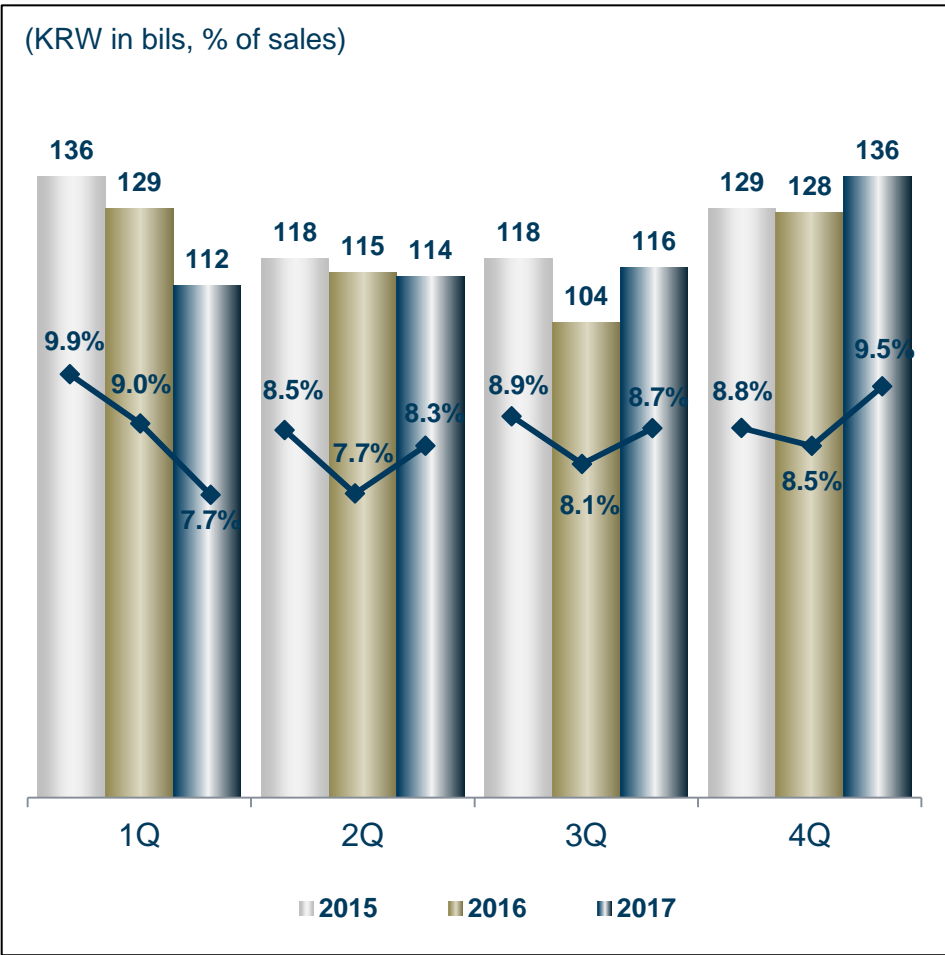
## Comments

- 4Q17 COGS ratio is down by 3.0%p
- Positive factors:
  - ✓ Cost saving activities
  - ✓ EUR currency tailwinds and effective hedging against USD
  - ✓ One time gain: +11.3bW (Delayed capitalization of R&D expenses for 1~3Q)
- Negative factor:
  - ✓ Low volume in Korea and China

**4Q17 COGS ratio improved due to one-time gains**

# Global SG&A

## Quarterly SG&A Status



## Comments

- 2017 SG&A costs consistent to 2016
- 2017 R&D: 4.6% of total revenue (+0.5%p YoY)

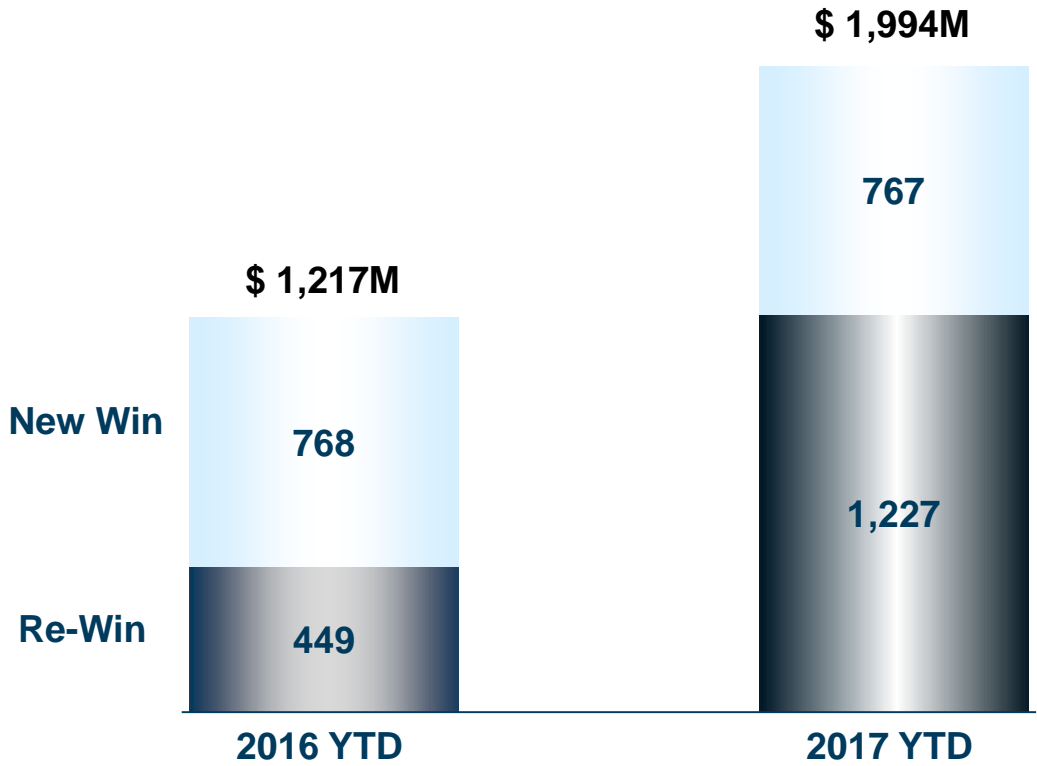
**2017 SG&A cost remained at last year's level**



# New Business Wins Update



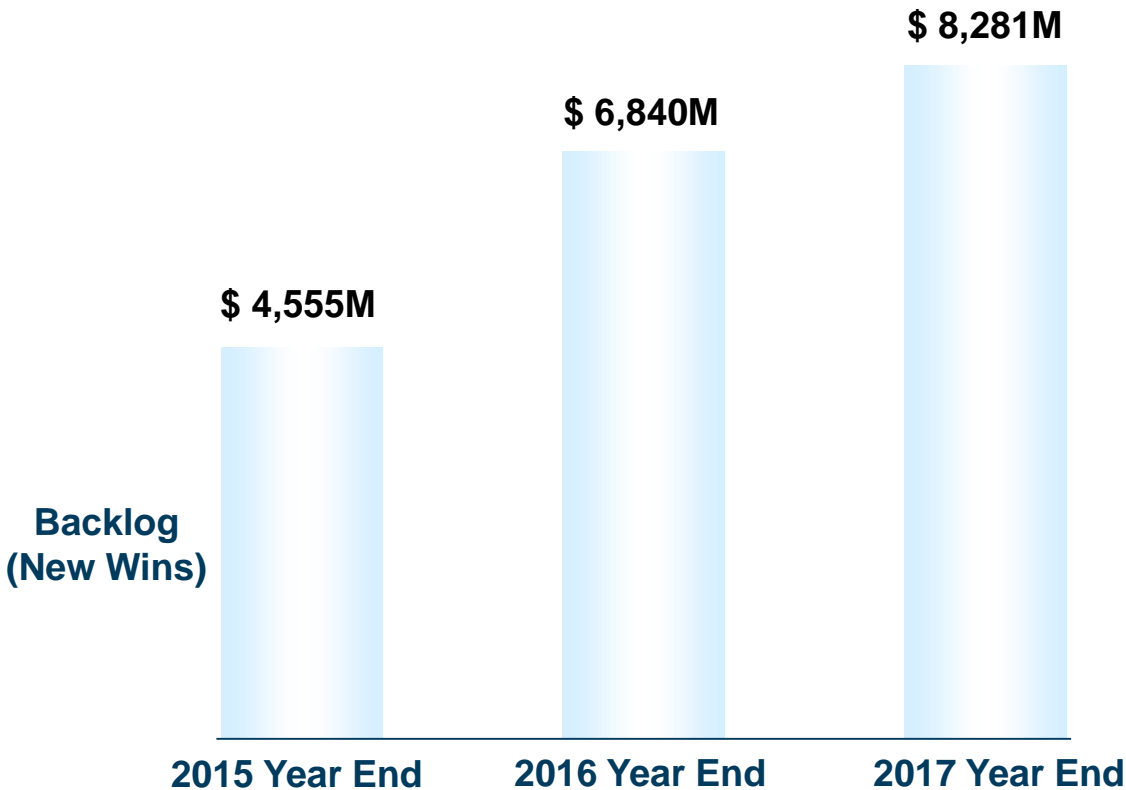
## 2017 YTD New Business Wins Status



- NBW represents annual average revenue (in Mills. USD)
- Orders from Growth and Tech customers account for 58% of New Wins
- Orders for eco-friendly vehicles account for 44% of New Wins in 2017 YTD

# Backlog Status Update

## 2017E 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 61% of backlog
- Orders for eco-friendly vehicles account for 28% of backlog

# Dividends

- **4Q17 Quarterly Dividends: 80 KRW per share**
- **Dividends Trend**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Yearly Dividends per Share (KRW)	194	225	305
Payout Ratio	44.9%	41.1%	56.4%*

\* Based on yearly net income per share of 2017

# 2018 Guidance



(KRW in Billions)

<b>2018 Guidance</b>	
<b>Revenue</b>	<b>6,000</b>
<b>EBITDA</b>	<b>720</b>
<b>Operating Profits</b>	<b>500</b>
<b>Capital Spending</b>	<b>450</b>

# Q4 2017 Earnings Release Summary



- **Ended 2017 mostly In-line with guidance**
- **4Q17 operating income growth despite Korea and China slowdown**
- **E-Mobility related sales is 7.1% in 2017**
- **JVs are established for ChangAn and FAW VW, respectively**
- **2018 revenue and earnings growth range: 4~7%**
- **New orders leads to increased capex 2018**

# YE 2017 Balance Sheet

(K-IFRS / KRW in Billions)

## Balance Sheet

	YE 2017	YE 2016
Cash and cash equivalent	567	425
Account receivable	972	1,054
Inventories	469	430
Property and equipment	1,262	1,178
Intangible assets	438	350
Other assets	412	422
<b>Total assets</b>	<b>4,120</b>	<b>3,860</b>
Account payable	1,045	1,017
Debt	757	646
Other liabilities	286	312
Shareholders' equity	1,979	1,828
Non-controlling interests	53	57
<b>Total liabilities &amp; shareholders' equity</b>	<b>4,120</b>	<b>3,860</b>

## Cash and Debt

	YE 2017	YE 2016
<b>Cash Balance</b>		
Net Debt	190	221
Net Debt Ratio	9.3%	11.7%
Debt to Equity	37.3%	34.3%
<b>Leverage</b>		
Last 12 months EBITDA	670	609
Debt / EBITDA	113%	106%
Net Debt / EBITDA	28%	36%

**Strong balance sheet is maintained to afford organic and inorganic growth in coming years**

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**Thank You**