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Q2 2016 Earnings Release

Aug 10th, 2016









2Q16 Financials

Q2 2016 Key Financial Metrics

(KRW in Billions)	Q2 2016	YoY		QoQ	
		Q2 2015	B/(W)	Q1 2016	B/(W)
Sales	1,491	1,393	+7.0%	1,428	+4.4%
Cost of Sales <i>% of Sales</i>	(1,281) (85.9%)	(1,189) (85.4%)	+7.7% +0.5%p	(1,195) (83.7%)	+7.2% +2.3%p
SG&A (Incl R&D Exp) <i>% of Sales</i>	(115) (7.7%)	(118) (8.5%)	-3.0% -0.8%p	(129) (9.0%)	-10.7% -1.3%p
EBITDA <i>Margin (%)</i>	141 9.5%	127 9.1%	+11.0% +0.4%p	152 10.6%	-7.2% -1.1%p
Operating Income <i>Margin (%)</i>	95 6.4%	85 6.1%	+11.6% +0.3%p	105 7.3%	-9.4% -1.0%p
Net Income <i>Margin (%)</i>	64 4.3%	65 4.7%	-1.8% -0.4%p	72 5.1%	-11.6% -0.8%p

Volume and currency contributed to favorable results, despite of one-off item in CoS

1st Half of 2016 Key Financial Metrics

(KRW in Billions)	1H16	YoY	
		1H15	B/(W)
Sales	2,919	2,768	 +5.4%
Cost of Sales <i>% of Sales</i>	(2,476) <i>(84.8%)</i>	(2,348) <i>(84.8%)</i>	 +5.4% <i>+0.0%p</i>
SG&A (Incl R&D Exp) <i>% of Sales</i>	(243) <i>(8.3%)</i>	(255) <i>(9.2%)</i>	 -4.5% <i>+0.9%p</i>
EBITDA <i>Margin (%)</i>	293 <i>10.0%</i>	250 <i>9.0%</i>	 +17.2% <i>+1.0%p</i>
Operating Income <i>Margin (%)</i>	200 <i>6.8%</i>	165 <i>6.0%</i>	 +20.9% <i>+0.9%p</i>
Net Income <i>Margin (%)</i>	136 <i>4.7%</i>	126 <i>4.5%</i>	 +8.5% <i>+0.1%p</i>

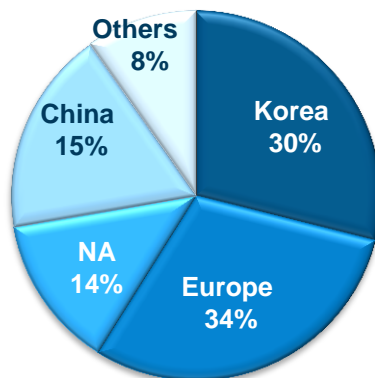
Volume, currency, and cost reduction contributed to favorable 1H16 results

Q2 Key Note

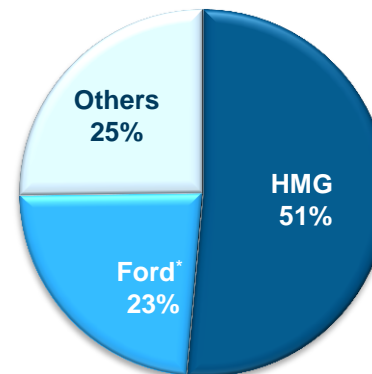
- Revenue Growth on Track
- Improved Earnings despite of One-off Item
- Achieved New Business Win Targets

1H16 Sales Breakdown

By Region



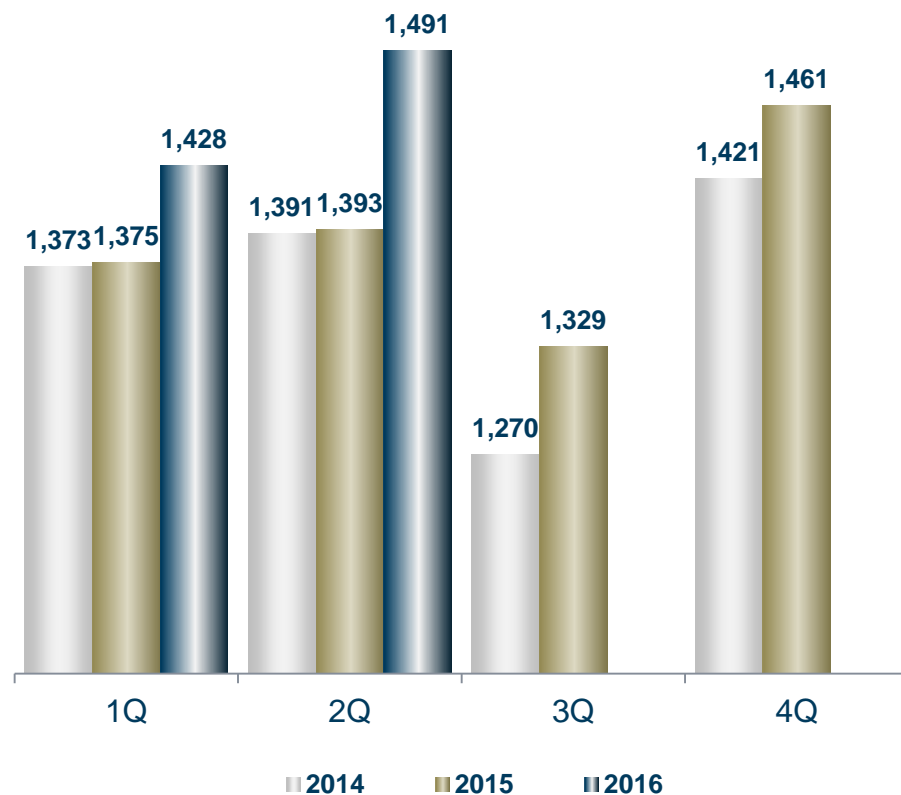
By Customer



* Ford: Incl. Changan Ford & Ford Otosan

Consolidated Sales

(KRW in Billions)



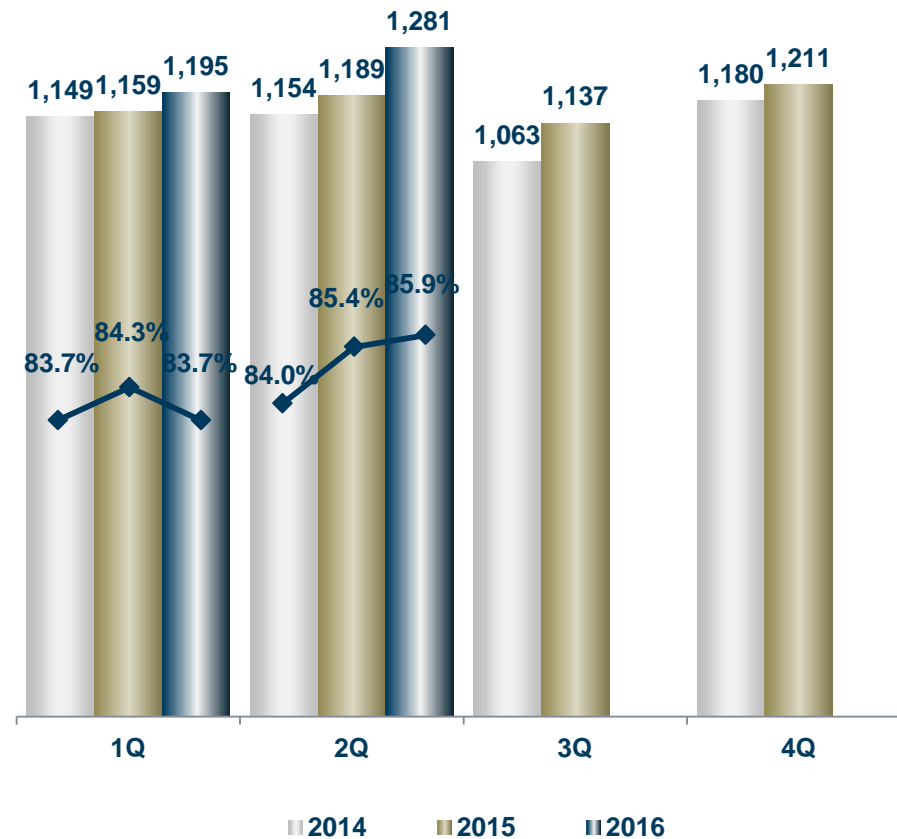
Comments

- 2Q16 revenue increased by 7.0% YoY(record high) due to volume, FX effects, and others
- With favorable FX and Mexico's new business, North America revenue rose by 13.8% YoY in 2Q16
- Turkey and Slovak outputs led revenue in EU to increase by 12.0% YoY in 2Q16
- 2Q16 Sales in China continued to be robust(7.0%YoY) after having rebounded in Feb 2016

Sales increased due to volume and currency effects

Quarterly COGS

(KRW in Billions)



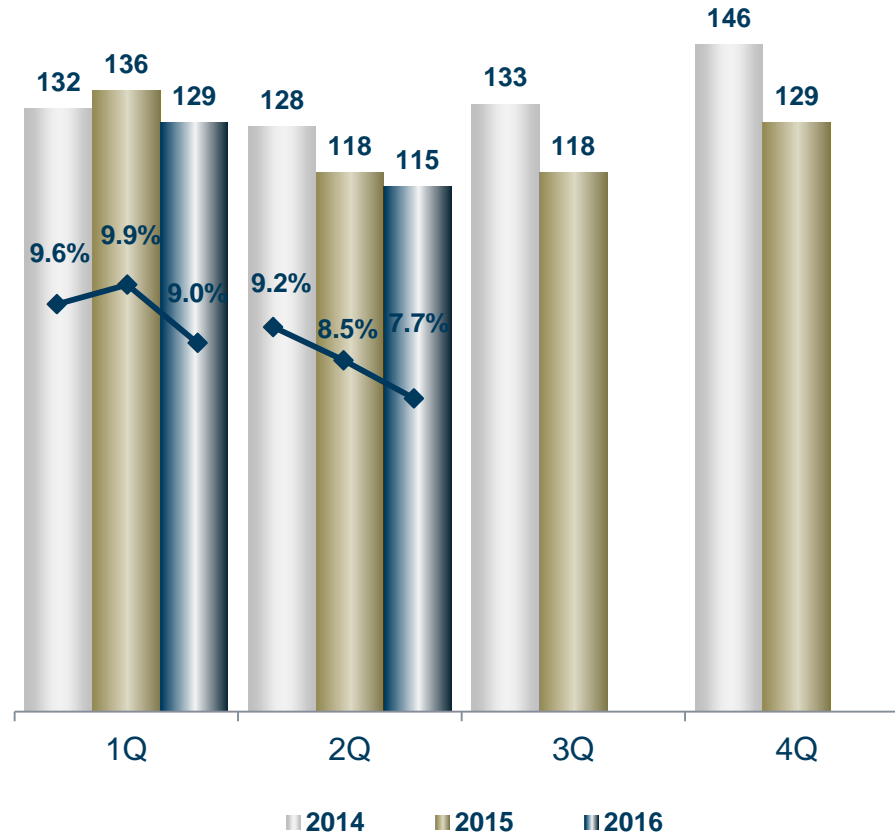
Comments

- 50bp lower YoY
 - Favorable factors;
 - . Material Costs
 - . Cost reduction activities
 - Unfavorable factors;
 - . Ordinary wage accruals (One-off item)

Better operational performance due to cost reduction management

Quarterly SG&A Status

(KRW in Billions)



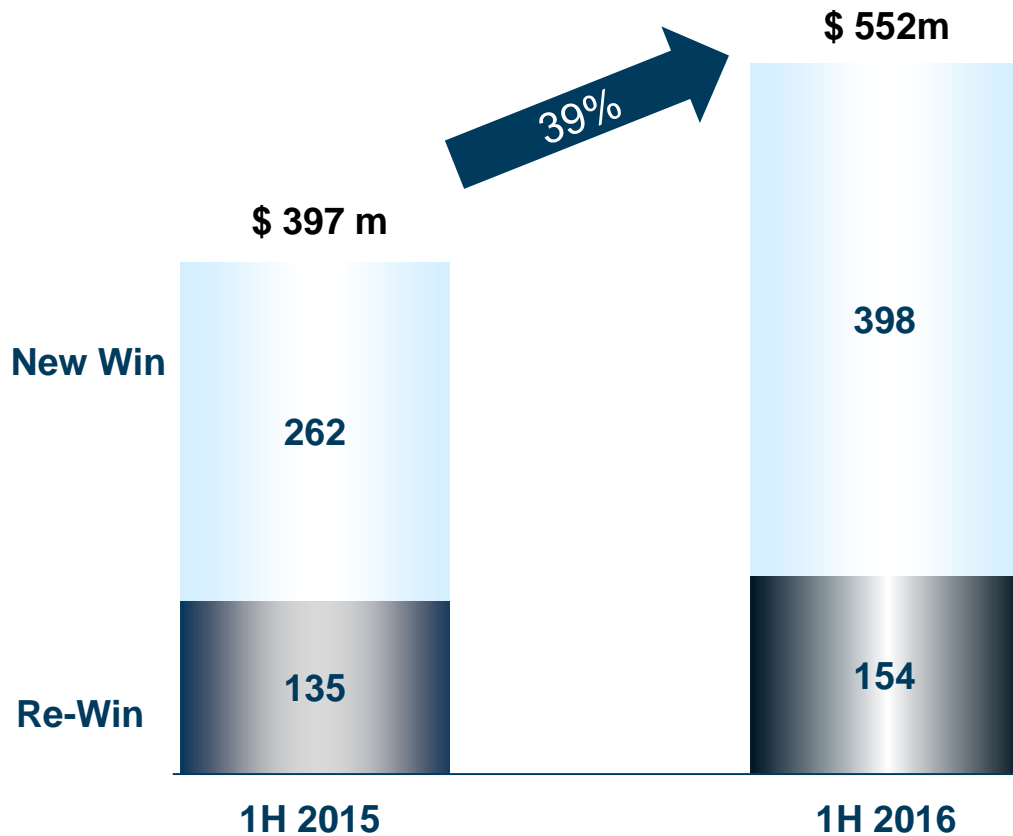
Comments

- 2Q16 spending was 3 bil KRW better than 2Q15 (improved 80bp of sales revenue)
- General costs stayed at 2Q16 level due to efficiency improvement and warranty reduction
- Total R&D spending remained at 2Q15 level

SG&A costs stayed at last year's level due to cost reduction activities

New Business Win Update

Year-Over-Year New Business Wins Status



- New Wins increased to \$398m (+51.9% YoY)
- Order from Growth and Tech Customers accounts for 60% of total NBW
- Orders for eco-friendly vehicles account for 37% of New Wins in 1H16.

- **2Q16 Sales 1.49T Won (+7.0% YoY) – Record High**
- **OP 95.0B Won (+11.6% YoY) - Robust earnings in spite of ordinary wage related costs**
- **Accelerating new business wins from Growth and Tech Customer Groups**

Ordinary Wage Litigation Issue

- **First Trial Ruling on July 1, 2016**
- **Accrued around 40 bW in COGS as ordinary wage litigation**
- **One-off issue; Having changed wage system in 2014, no more cost in relation to ordinary wage issues in the future**



Appendix.

Q2 2016 Balance Sheet

(K-IFRS / KRW in Billions)

Balance Sheet

	1H 2016	2015YE
Cash and cash equivalent	422	447
Account receivable	1,245	1,135
Inventories	414	382
Property and equipment	1,097	1,093
Intangible assets	222	207
Other assets	305	195
Total assets	3,705	3,459
Account payable	989	1,055
Debt	569	401
Other liabilities	330	204
Shareholders' equity	1,754	1,745
Non-controlling interests	63	55
Total liabilities & shareholders' equity	3,705	3,459

Cash and Debt

Cash Balance	1H16	YE2015	YE2014
Net Debt	146	(46)	20
Net Debt Ratio	8.0%	(2.6%)	1.2%
Net Debt to Equity	31.3%	22.3%	24.0%

Leverage

(as of Jun 30, 2016)

Last 12 Months EBITDA	765
Debt / EBITDA	0.74
Net Debt to EBITDA	0.19

Stable cash creation leading to a strong balance sheet



Thank You