



4Q17 Analyst Briefing









4Q17 Financials

Q4 2017 Key Financial Metrics

(KRW in Billions)	Q4 2017	YoY		QoQ	
		Q4 2016	B/(W)	Q3 2017	B/(W)
Sales	1,424	1,502	-5.1%	1,339	+6.4%
Cost of Sales <i>% of Sales</i>	1,151 80.8%	1,258 83.8%	-8.5% -3.0%p	1,122 83.8%	+2.6% -3.0%p
SG&A (Incl R&D Exp) <i>% of Sales</i>	136 9.5%	128 8.5%	+6.1% +1.0%p	116 8.7%	+16.6% +0.8%p
EBITDA <i>Margin (%)</i>	190 13.4%	164 10.9%	+16.4% +2.5%p	152 11.3%	+25.2 +2.0%p
Operating Profit <i>Margin (%)</i>	138 9.7%	116 7.7%	+18.8% +2.0%p	101 7.5%	+36.9% +2.2%p
Net Income <i>Margin (%)</i>	79 5.5%	94 6.3%	-16.2% -0.7%p	76 5.7%	+3.3% -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)
Sales	5,586	5,704	 -2.1%
Cost of Sales <i>% of Sales</i>	4,639 83.1%	4,805 84.2%	 -3.4% -1.2%p
SG&A (Incl R&D Exp) <i>% of Sales</i>	478 8.6%	476 8.4%	 +0.3% +0.2%p
EBITDA <i>Margin (%)</i>	670 12.0%	609 10.7%	 +10.1% +1.3%p
Operating Income <i>Margin (%)</i>	468 8.4%	423 7.4%	 +10.9% +1.0%p
Net Income <i>Margin (%)</i>	298 5.3%	304 5.3%	 -1.8% +0.0%p

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

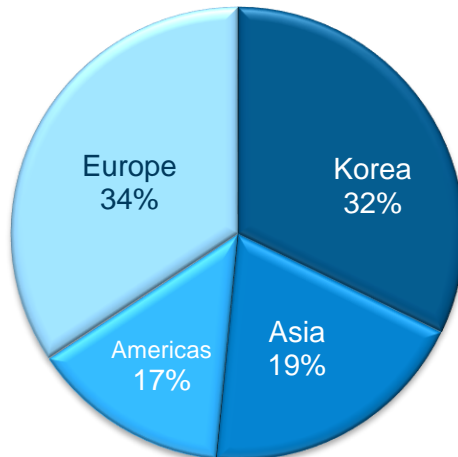
Q4 2017 Highlights

Q4 Highlights

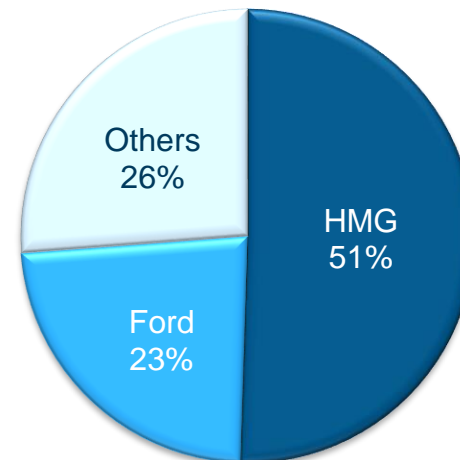
- ✓ OP up by 18.8% YoY due to 1) low base, 2) cost management, 3) one-time gain (+11.3b)
- ✓ NBW: Diverse customers 58%, Eco-friendly order portion 36% in 2017 New Wins
- ✓ Company adds one more China JV for FAW VW following ChangAn

FY 2017 Sales Breakdown

By Region



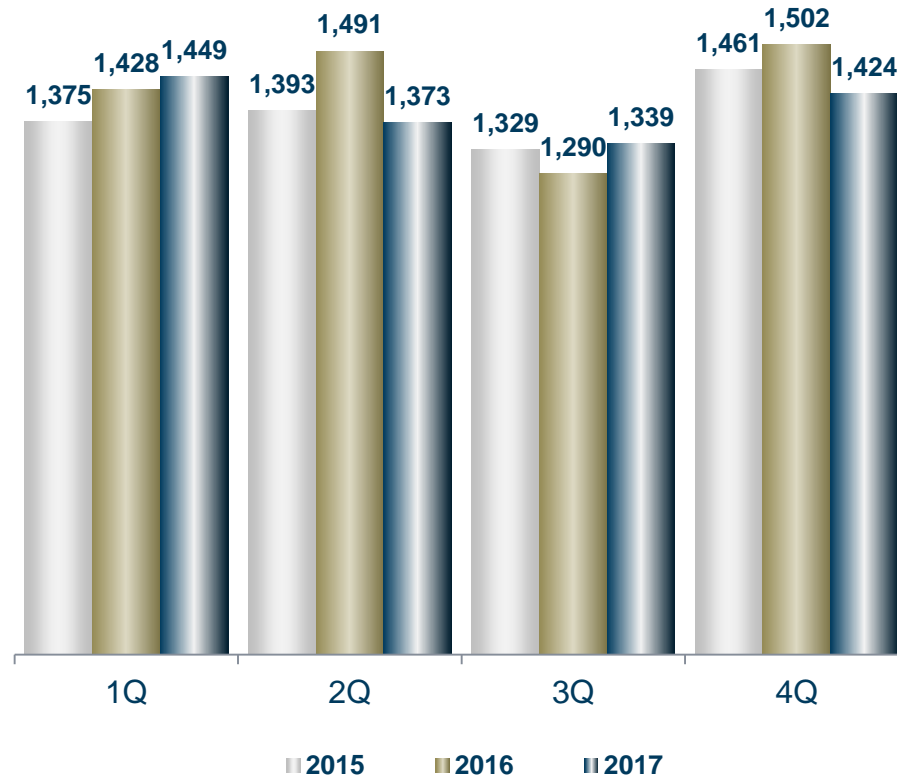
By Customer



- Ford: Incl. Changan Ford & Ford Otosan

Consolidated Sales

(KRW in Billions)



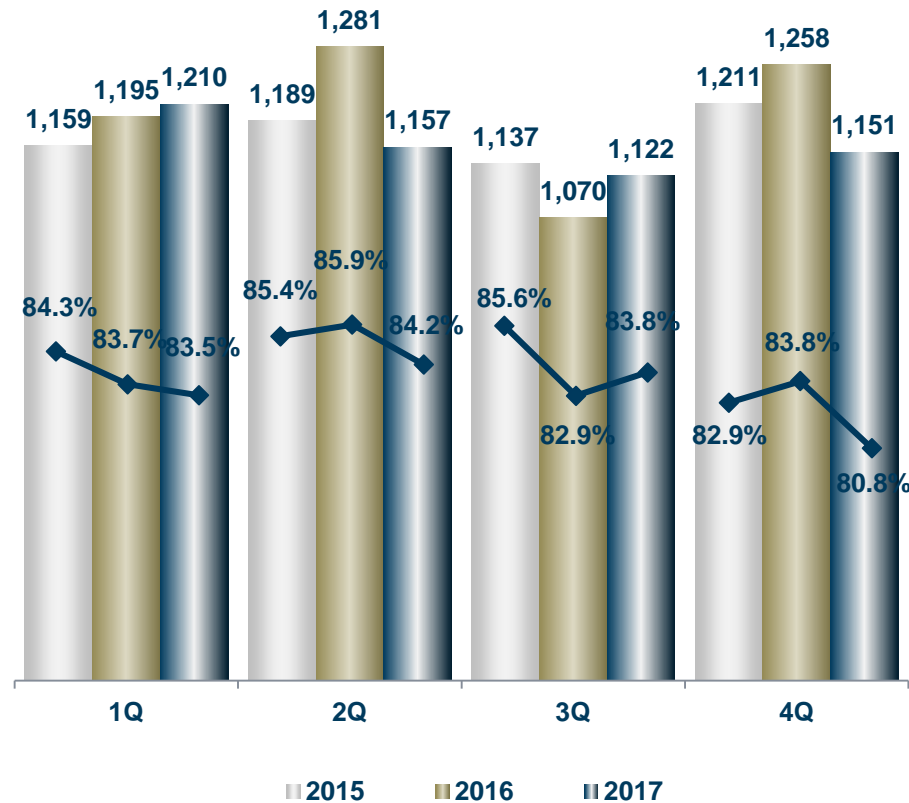
Comments

- 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

Quarterly COGS

(KRW in bills, % of sales)



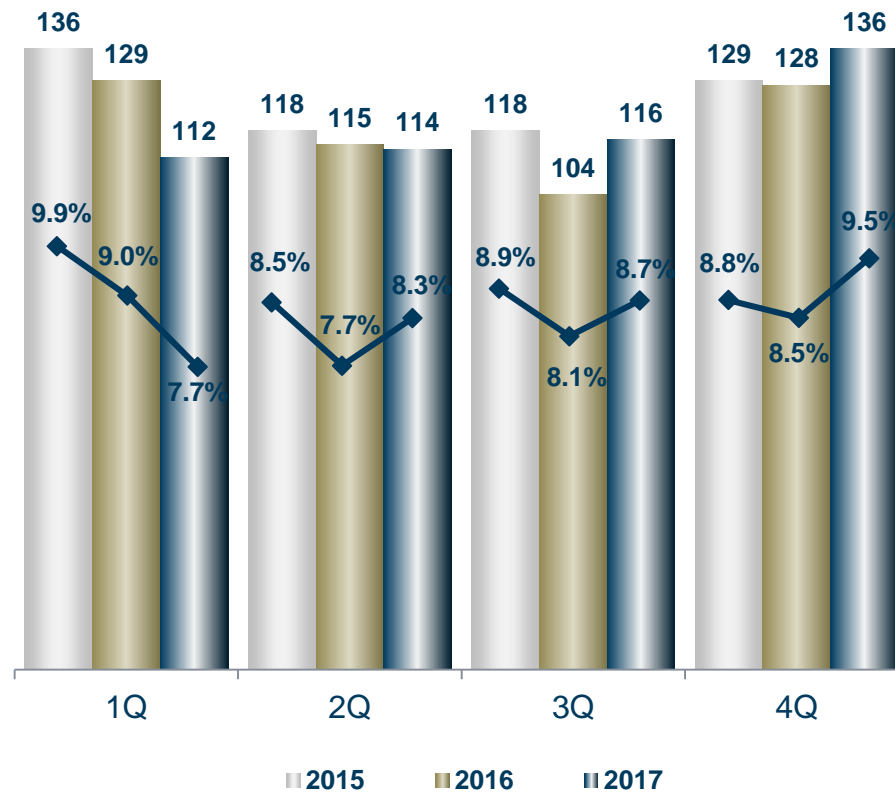
Comments

- 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

Quarterly SG&A Status

(KRW in bills, % of sales)



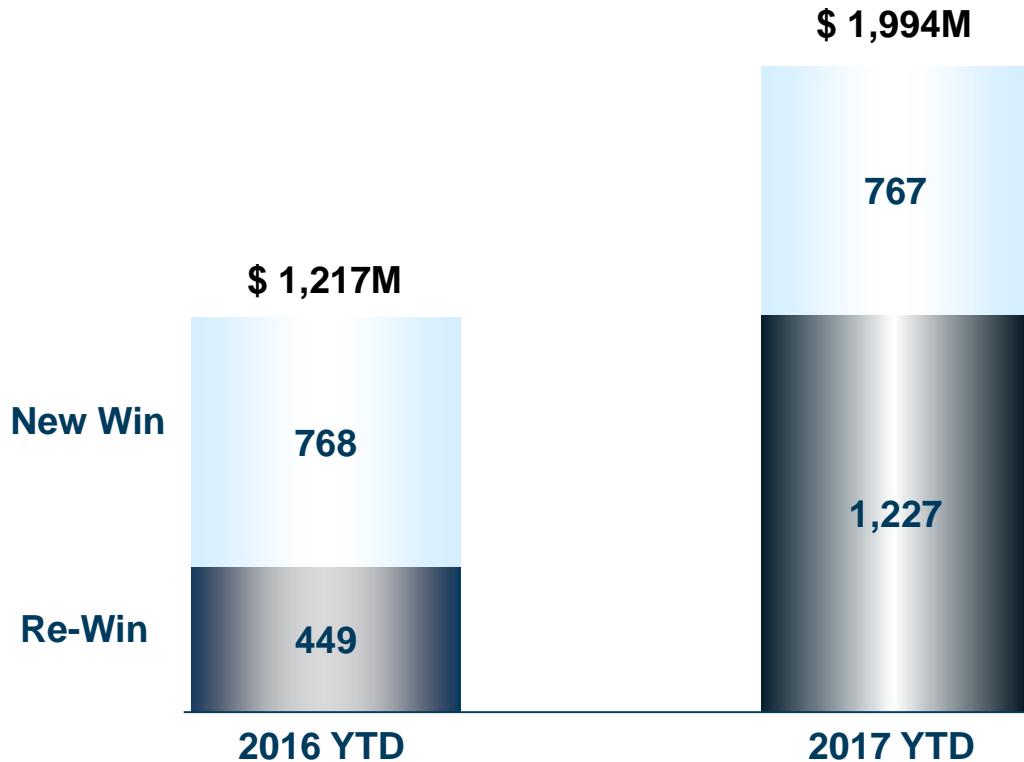
Comments

- 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

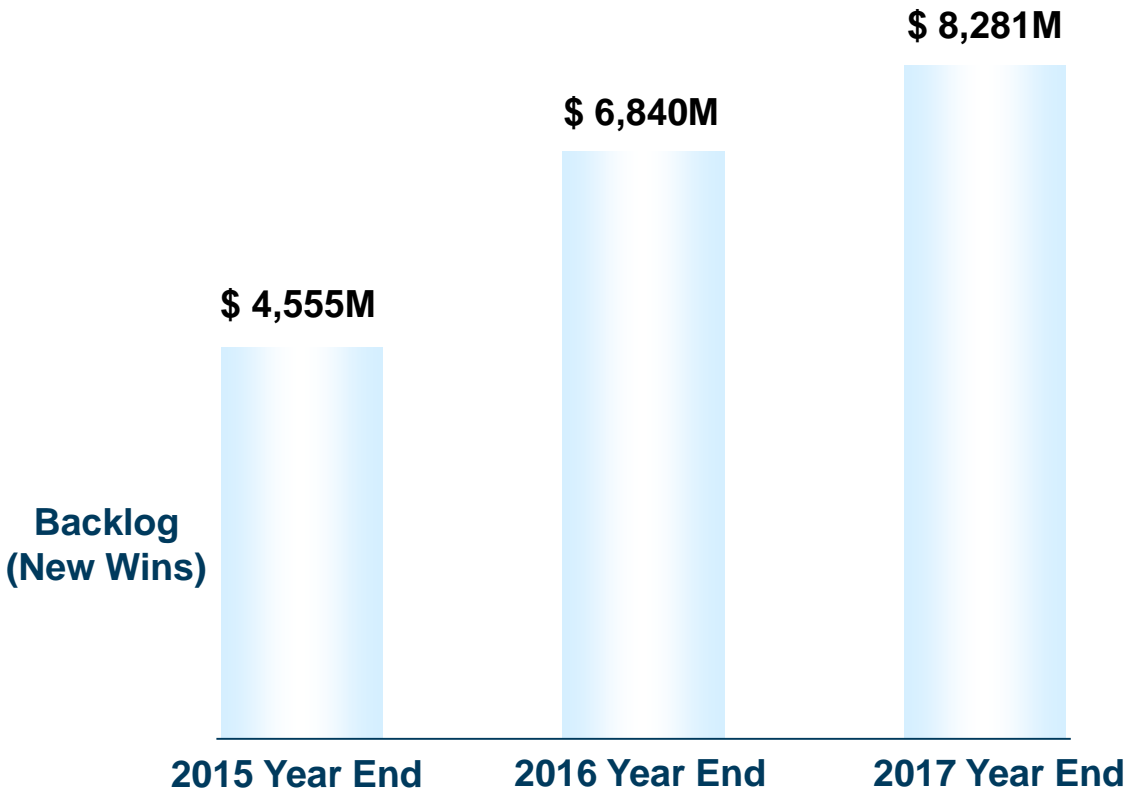
2017 YTD New Business Wins Status



- 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 36% 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

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

	FY 2015	FY 2016	FY 2017
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)

2018 Guidance	
Revenue	6,000
EBITDA	720
Operating Profits	500
Capital Spending	450

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
Total assets	4,120	3,860
Account payable	1,045	1,017
Debt	757	646
Other liabilities	286	312
Shareholders' equity	1,979	1,828
Non-controlling interests	53	57
Total liabilities & shareholders' equity	4,120	3,860

Cash and Debt

	YE 2017	YE 2016
Cash Balance		
Net Debt	190	221
Net Debt Ratio	9.3%	11.7%
Debt to Equity	37.3%	34.3%
Leverage		
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



Thank You