

2015 Hankook Tire

4th Quarter Results

2016. 2. 4

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The information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects.

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2015 Annual Results

2015 Annual Results

2015 Global Performance (Consolidated)

[unit : Hundred Million KRW, %]

	2014	2015	YoY
Sales	66,808	64,460	-3.5%
COGS	42,808 <i>(64.1%)</i>	41,002 <i>(63.6%)</i>	-4.2%
Operating Profit	10,316 <i>(15.4%)</i>	8,840 <i>(13.7%)</i>	-14.3%
Ordinary Profit	9,356 <i>(14.0%)</i>	8,413 <i>(13.0%)</i>	-10.1%
EBITDA	14,606 <i>(21.9%)</i>	13,828 <i>(21.5%)</i>	-5.3%

2015 4Q Financial Highlights & Review

Financial Highlights

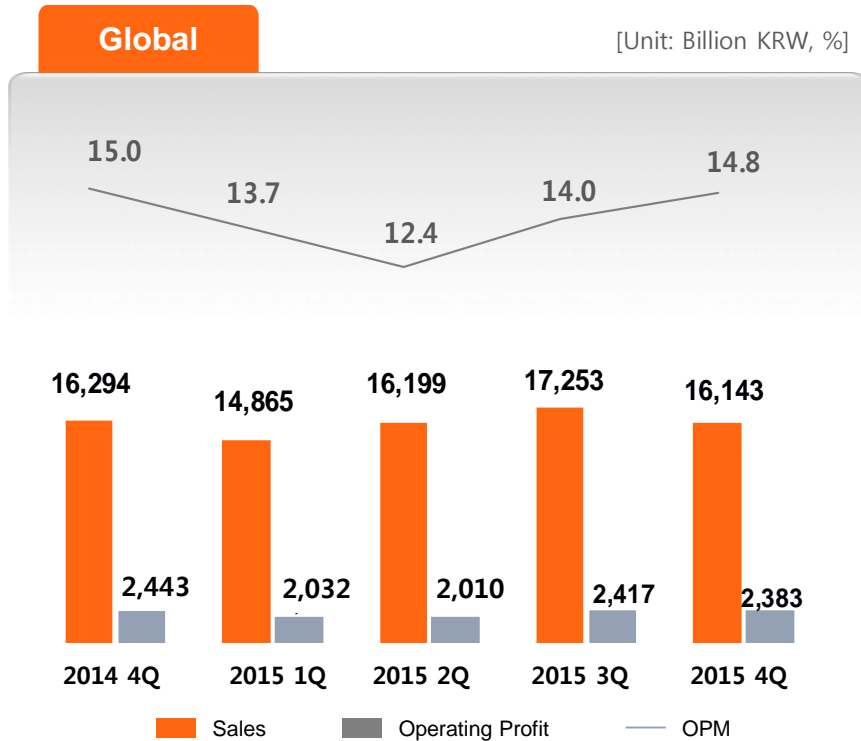
2015 4Q Global Performance (Consolidated)

[unit : Hundred Million KRW, %]

	<u>2014 4Q</u>	<u>2015 3Q</u>	<u>2015 4Q</u>	<u>QoQ</u>	<u>YoY</u>
Sales	16,294	17,253	16,143	-6.4%	-0.9%
COGS	10,127 <i>(62.2%)</i>	11,062 <i>(64.1%)</i>	9,914 <i>(61.4%)</i>	-10.4%	-2.1%
Operating Profit	2,443 <i>(15.0%)</i>	2,417 <i>(14.0%)</i>	2,383 <i>(14.8%)</i>	-1.4%	-2.5%
Ordinary Profit	2,054 <i>(12.6%)</i>	2,190 <i>(12.7%)</i>	2,328 <i>(14.4%)</i>	6.3%	13.3%
EBITDA	3,616 <i>(22.2%)</i>	3,637 <i>(21.1%)</i>	3,719 <i>(23.0%)</i>	2.3%	2.8%

1) Performance – Global

4Q Review



1. Market

- In spite of market recovery from North America and Europe, price competition remained intense

2. 4Q Results

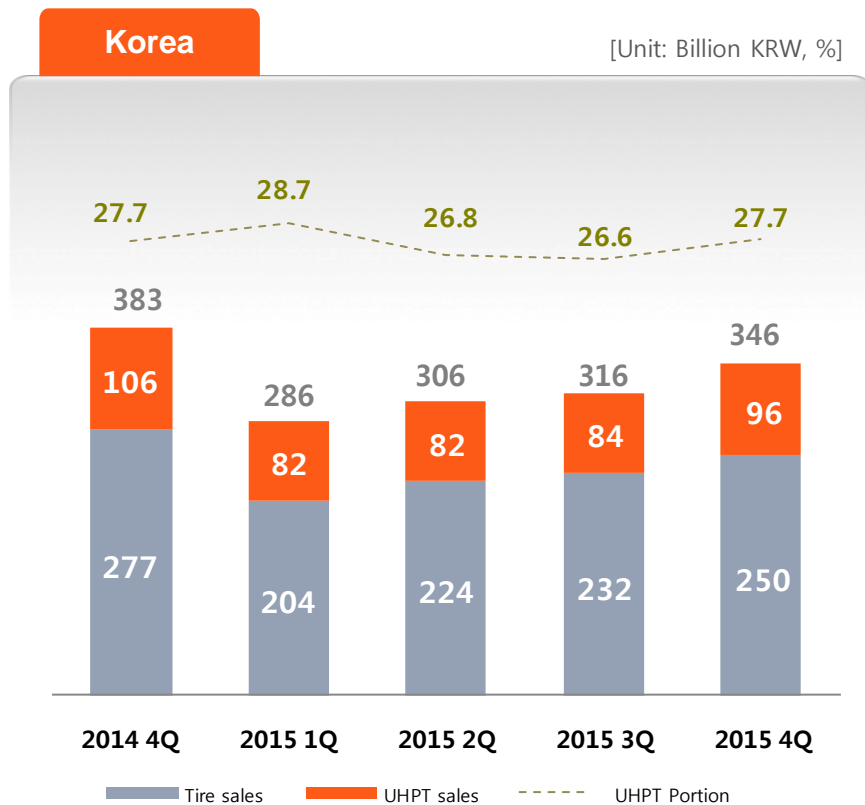
- Strong sales in North America was partially offset by weak sales in emerging markets and slow recovery of OE sales in China

3. 2016 Outlook

- Continued downtrend of raw material price triggering low market growth
- Targeting sales growth through product mix improvement, increased retail investment and new OE business

1) Performance – Korea

4Q Review



※ Based on Sell-in Sales,

UHPT : Ultra high performance tire

1. Market

- Sluggish economy situation triggered RE market reduction by 3% YoY

2. 4Q Results

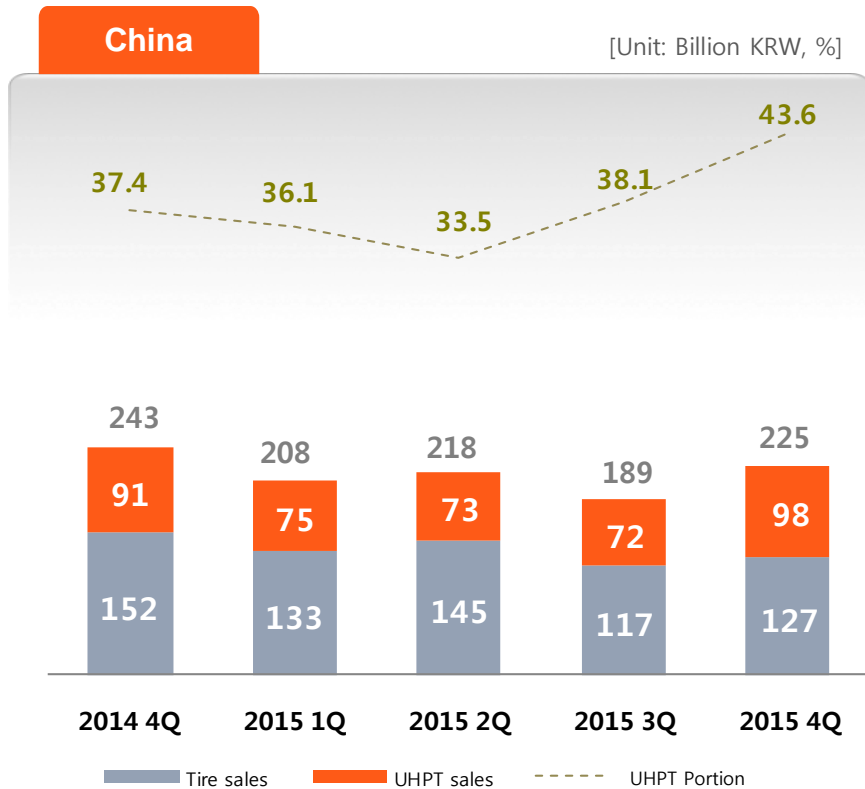
- Secured market share despite decreased sales
- Increased supply to new cars regardless of slow automotive market

3. 2016 Outlook

- Slow market growth and fierce competition expected to continue
- Expect to improve product-mix by focusing on higher inch & strategic products

1) Performance – China

4Q Review



※ Based on Sell-in Sales,
UHPT : Ultra high performance tire

1. Market

- Severe competition from both local and major brands seeking to secure volume
- Market growth mainly led by domestic car makers

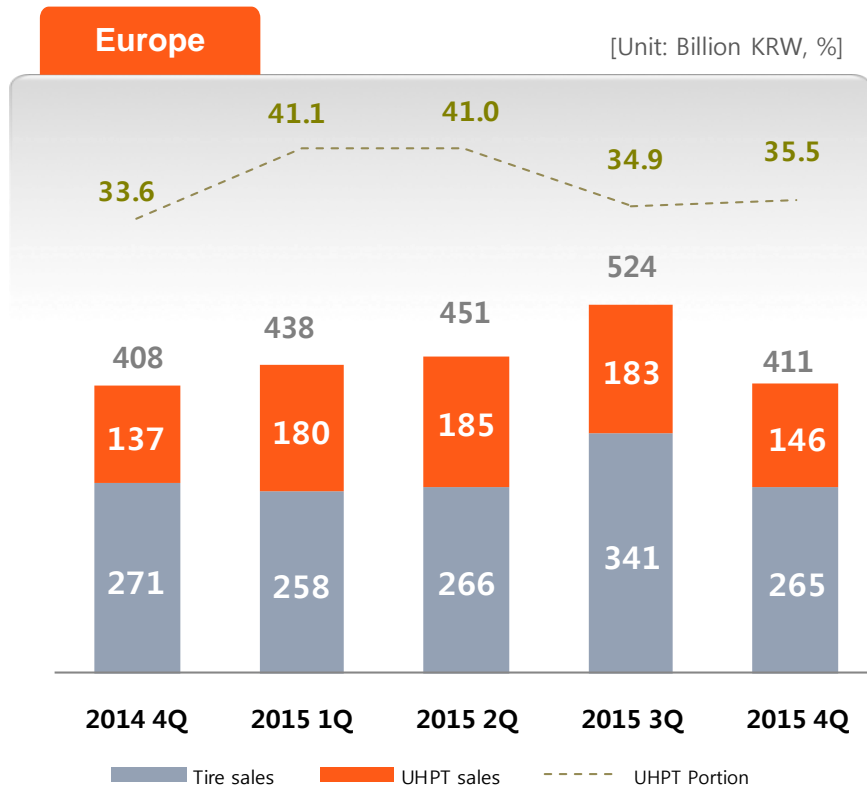
2. 4Q Results

- Improvement in sales volume and mix benefited RE sales, but due to slow OE sales, overall sales slightly dropped YoY

3. 2016 Outlook

- Plan to compensate Chinese economic uncertainties by stabilizing sales volume through retail channel development
- Increase supply to new SUV models and develop Local OE business

1) Performance – Europe



※ Based on Sell-in Sales,
UHPT : Ultra high performance tire

4Q Review

1. Market

- Slight increase of car production and sales
- Tire market showing slow growth, but price competition continues

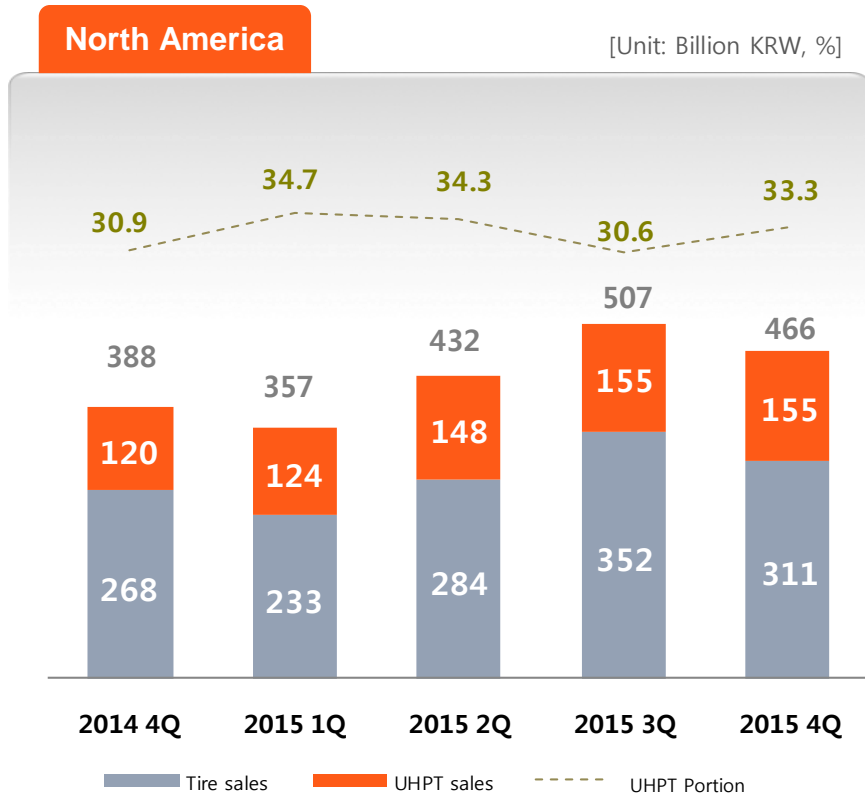
2. 4Q Results

- Both RE and OE sales volume increased YoY
- Warm winter slowed market
- Increase of supply to premium cars enhanced brand awareness

3. 2016 Outlook

- Will reinforce retail and marketing activities
- Launch of Laufenn brand

1) Performance – North America



※ Based on Sell-in Sales,
UHPT : Ultra high performance tire

4Q Review

1. Market

- Healthy economy driving RE market growth
- Low-end market shrinkage due to AD and FX

2. 4Q Results

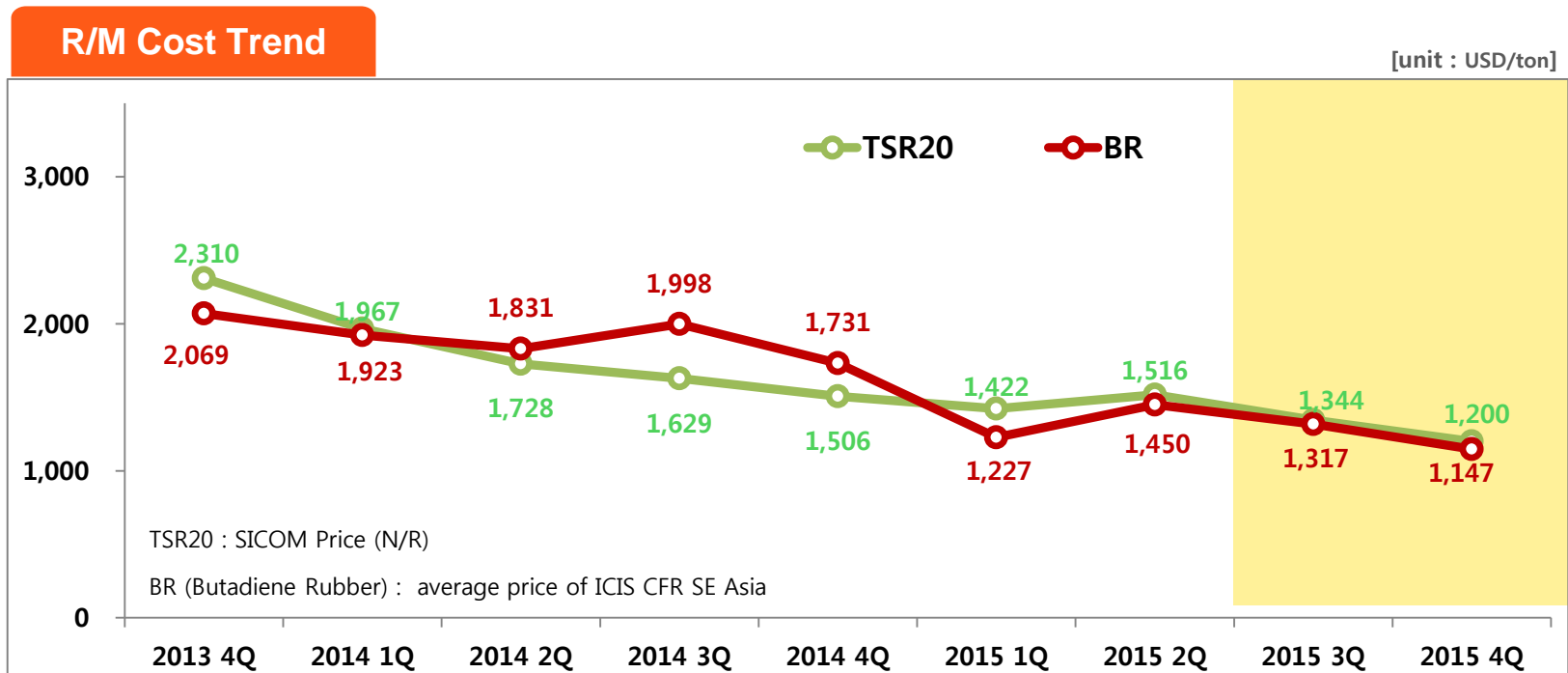
- Improved product mix, especially in the SUV/LTR segment, boosted volume growth YoY
- Aggressive investment in retail channel development

3. 2016 Outlook

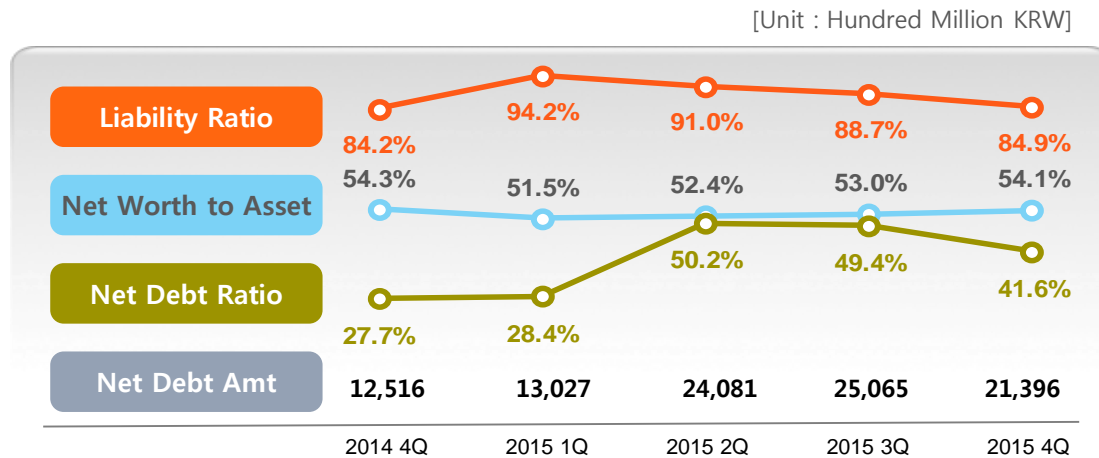
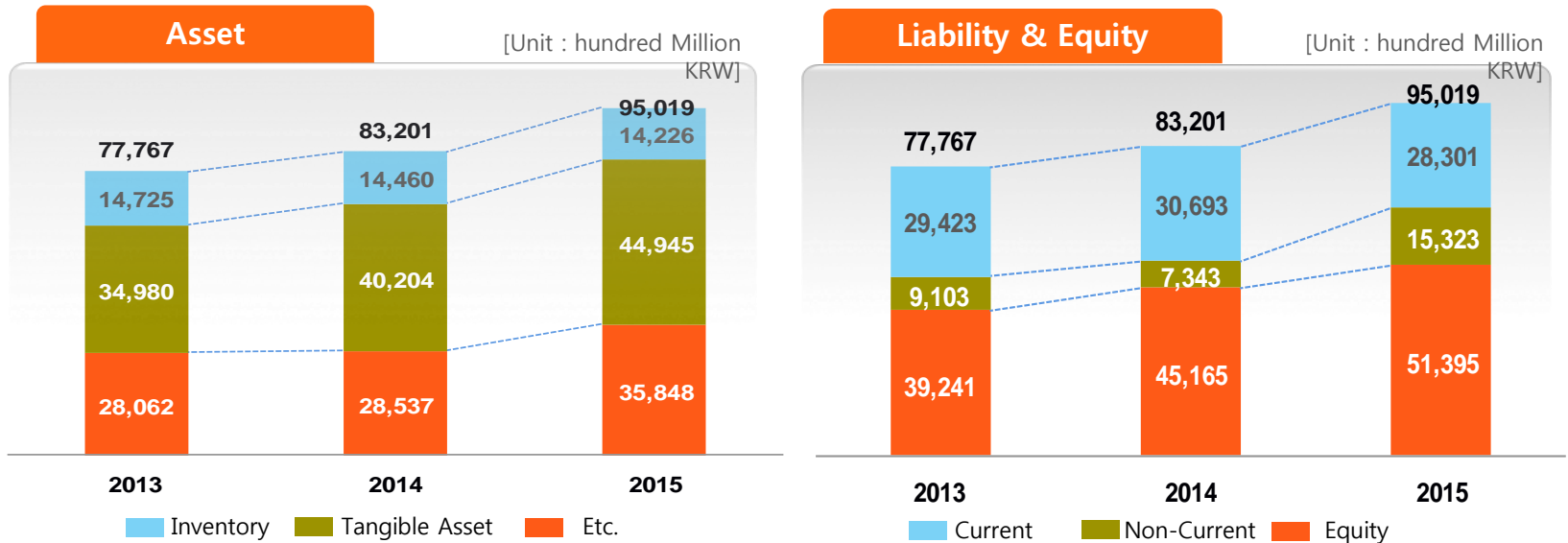
- Gradual growth expected as market will benefit from increased customer demand for vehicle replacement and for bigger vehicles
- Retail investment and diversification continues

3) Stability : Raw Material Price Trend

- N/R
 - Downtrend continued as supply from Southeast Asian increased and demand from China weakened
 - Oil price drop and uncertain Chinese stock market may maintain N/R prices low until 1H 2016
- S/R
 - Asia BD(Butadiene) price also continued to decline due to S/R market stagnation
 - BD price in 2016 will remain steady to weak, but there are possibilities of tight supply



3) Stability : Balance Sheet (Consolidated)



2016 Business Plans

Growth Strategy

Global Growth Acceleration

Enhancing Global Presence through Volume Growth

Premium Brand Escalation

Premium Brand Image & Improved Product Mix

Market Winning Products

Advanced Quality & Product Competitiveness

Innovation DNA

Increased Flexibility & Adapt to Change

2016 Guidance

[unit: Hundred Million KRW, %]

Global	2015 Results	2016 Plans	Difference (%)
Sales	64,460	70,714	9.7%
Operating Profit	8,840	9,544	8.0%
OPM	13.7%	13.5%	-

※ 2015년 Consolidated Results / 2016 Tire Business Plans

Emphasis on Quantitative Growth

Further growth from North America and emerging markets
Cost efficiency through consistent innovation

Increasing Sales Network

Global retail optimization with continuous downstream

Brand Value Maximization

Promoting high inch products
Expanding OE sales and increasing supply to premium vehicles

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Appendix. F/S – Consolidated B/S

[Hundred million KRW]

	2014		2015		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	83,201	100.0%	95,019	100.0%	11,818	14.2%
Current Assets	38,798	46.6%	33,718	35.5%	-5,080	-13.1%
Cashable assets	11,720	14.1%	7,534	7.9%	-4,186	-35.7%
Accounts receivable	12,069	14.5%	11,171	11.8%	-898	-7.4%
Inventories	14,460	17.4%	14,226	15.0%	-234	-1.6%
Non-current Assets	44,403	53.4%	61,301	64.5%	16,898	38.1%
Tangible assets	40,204	48.3%	44,945	47.3%	4,741	11.8%
Liabilities	38,036	45.7%	43,624	45.9%	5,588	14.7%
Current Liabilities	30,693	36.9%	28,301	29.8%	-2,392	-7.8%
Non-Current Liabilities	7,343	8.8%	15,323	16.1%	7,980	108.7%
Shareholders' Equity	45,165	54.3%	51,395	54.1%	6,230	13.8%
Debt	24,236		28,930			
Net debt	12,516		21,396			
Liability Ratio		84.2%		84.9%		
Net Worth to Assets		54.3%		54.1%		
Net Debt Ratio		27.7%		41.6%		

Appendix. F/S – Consolidated I/S

[Hundred million KRW]

	2014 4Q		2015 3Q		2015 4Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	16,294	100.0%	17,253	100.0%	16,143	100.0%	-0.9%	-6.4%
COGS	10,127	62.1%	11,062	64.1%	9,914	61.4%	-2.1%	-10.4%
Gross Profit	6,167	37.9%	6,191	35.9%	6,229	38.6%	1.0%	0.6%
SG&A	3,724	22.9%	3,774	21.9%	3,846	23.8%	3.3%	1.9%
Operating Profit	2,443	15.0%	2,417	14.0%	2,383	14.8%	-2.5%	-1.4%
Other Revenue	297	1.8%	759	4.4%	175	1.1%	-41.1%	-76.9%
Other Expense	769	4.7%	652	3.8%	4	0.0%	-99.5%	-99.4%
Financial Revenue	405	2.5%	344	2.0%	338	2.1%	-16.5%	-1.7%
Financial Expense	322	2.0%	762	4.4%	563	3.5%	74.8%	-26.1%
Income Before Income Tax			83	0.5%				
	2,054	12.6%	2,189	12.7%	2,329	14.4%	13.4%	6.4%
E B I T D A								
Depreciation	3,616	22.2%	3,637	21.1%	3,719	23.0%	2.8%	2.3%
Sales	1,173	7.2%	1,220	7.1%	1,336	8.3%	13.9%	9.5%