

2015 Hankook Tire

2nd Quarter Result

2015. 7. 31

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Financial Highlights

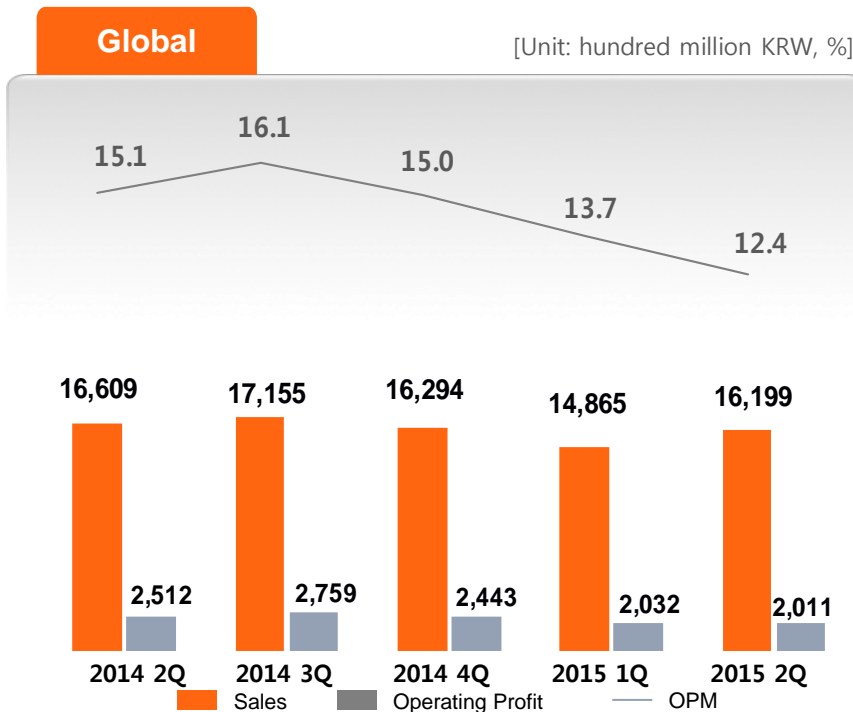
'15. 2Q Global Performance (Consolidated)

[unit : Hundred Million KRW, %]

	2014 2Q	2015 1Q	2015 2Q	QoQ	YoY
Sales	16,609	14,865	16,199	9.0%	-2.5%
COGS	10,659 <i>(64.2%)</i>	9,651 <i>(64.9%)</i>	10,374 <i>(64.0%)</i>	7.5%	-2.7%
Operating Profit	2,512 <i>(15.1%)</i>	2,032 <i>(13.7%)</i>	2,011 <i>(12.4%)</i>	-1.0%	-20.0%
Ordinary Profit	2,337 <i>(14.1%)</i>	1,964 <i>(13.2%)</i>	1,940 <i>(12.0%)</i>	-1.2%	-17.0%
EBITDA	3,661 <i>(22.0%)</i>	3,086 <i>(20.8%)</i>	3,218 <i>(19.9%)</i>	4.3%	-12.1%

1) Performance – Global

- **MKT** : ASP downtrend slowed down in the midst of strong M/S competition
- **HKT** : Revenue increased QoQ while decreased YoY due to unfavorable F/X & ASP drop



2Q Review

1. 2Q '15

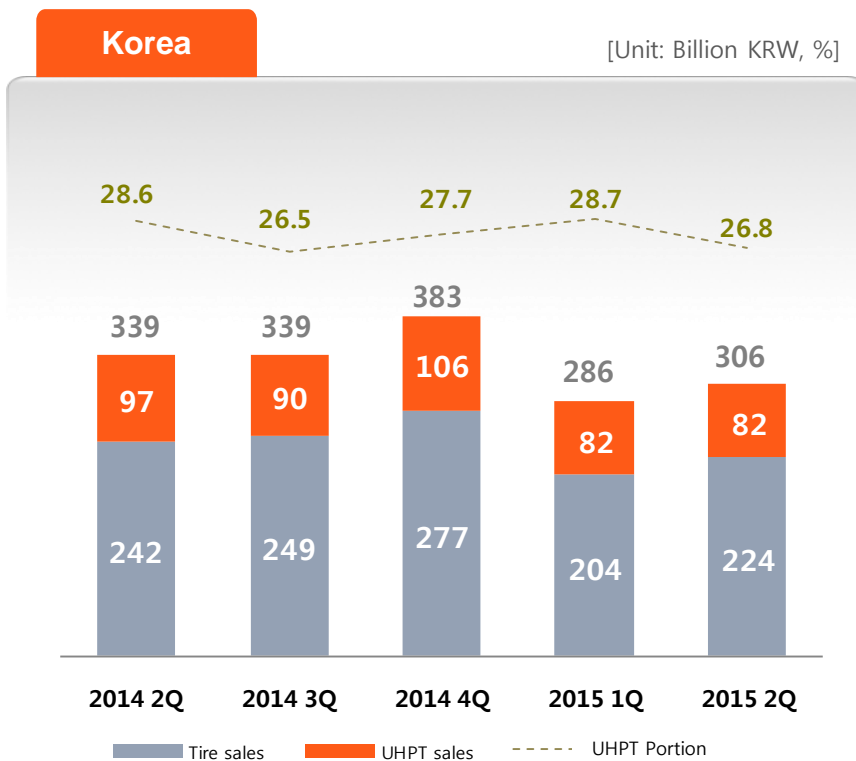
- ✓ **RE** : Revenue increased YoY & QoQ thanks to meaningful volume increase in US & Europe
- ✓ **OE** : Sales volume decreased YoY & QoQ due to negative growth in China and Korea despite of growth in Europe & US

2. 3Q Outlook

- ✓ **MKT** : Overall sales growth expected despite of continuous ASP competition
- HKT** : Expect sales growth boosted by sales momentum in US, OE LTR/TBR biz expansion and improved product mix

1) Performance – Korea

- **MKT** : Competition intensified caused by stagnated market growth
- **HKT** : Focused enhancing product competitiveness by launching new models



※ based on Sell-in revenue,
UHPT : Ultra high performance tire

2Q Review

1. 2Q '15

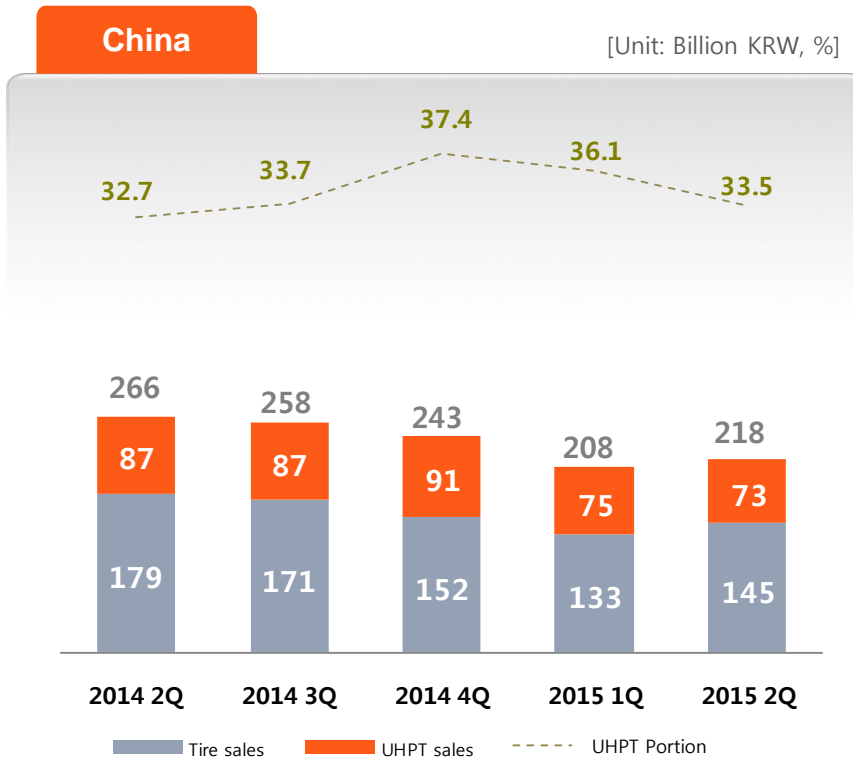
- ✓ **RE** : Sales increased QoQ by launching new products to secure M/S while decreased YoY due to contracted market
- ✓ **OE** : Sales increased OoQ thanks to supply increase to new OE models while decreased YoY due to reduced sales of OE makers

2. 3Q Outlook

- ✓ **MKT** : Continuous volume and ASP competition expected due to slow demand recovery
- ✓ **HKT** : Sales growth expected by supplying new OE models and having various product line ups through HKT dedicated retail networks

1) Performance – China

- **MKT** : Competition intensified due to increased presence of local brand with aggressive ASP & intensified price promotion among makers
- **HKT** : Enhanced market presence by launching second brand & expanding retail networks



※ based on Sell-in revenue,
UHPT : Ultra high performance tire

2Q Review

1. 2Q '15

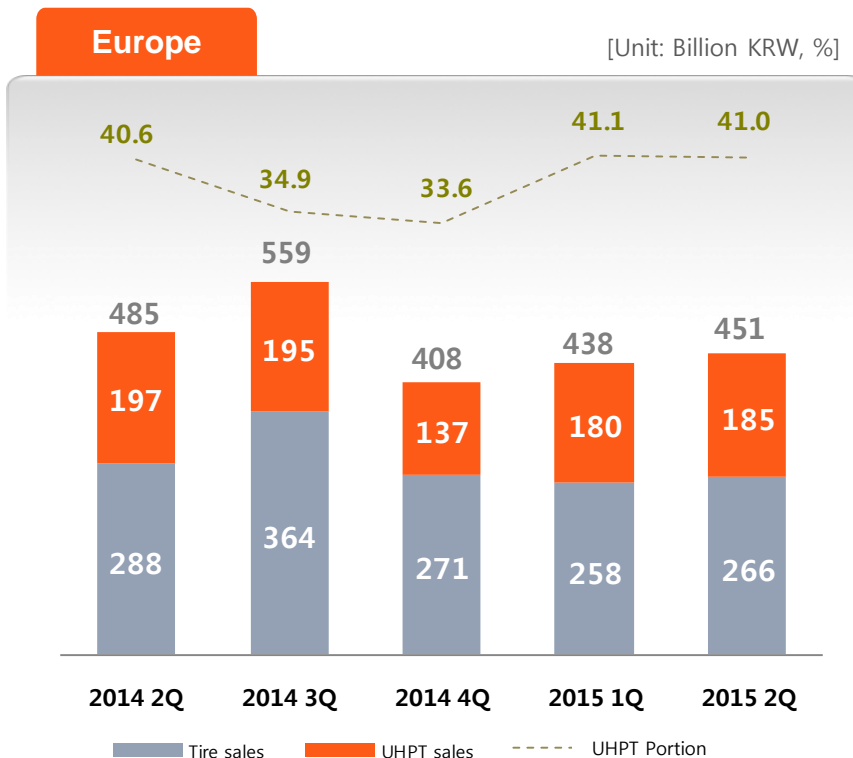
- ✓ **RE** : Sales volume increased YoY & QoQ through successful launch of second brand, Laufenn
- ✓ **OE** : Sales decreased YoY & QoQ impacted by reduced sales of local OE makers

2. 3Q Outlook

- ✓ **MKT** : Continuous ASP competition expected among local and foreign makers
- ✓ **HKT** : Developing new sales networks will continue while focusing on restructuring and stabilizing current retail networks

1) Performance – Europe

- **MKT : Low growth continued in the midst of demand recovery YoY**
- **HKT : Volume increased YoY through strategic price adaption & OE expansion**



※ based on Sell-in revenue,
UHPT : Ultra high performance tire

2Q Review

1. 2Q '15

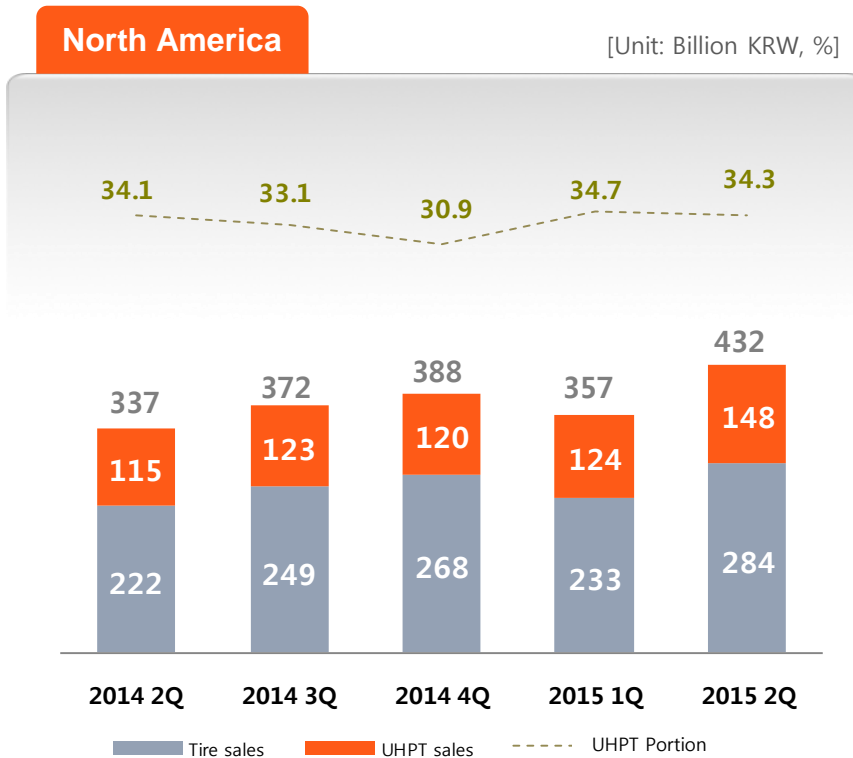
- ✓ RE : Volume increased YoY by help of flexible price policy
- ✓ OE : Volume increased YoY thanks to biz expansion with premium car makers

2. 3Q Outlook

- ✓ MKT : Expect continuous ASP competition due to M/S expansion plan among makers
- ✓ HKT : Plan to overcome ASP competition through continuous investment in brand enhancement

1) Performance – North America

- **MKT** : Imported tires from China reduced mainly due to A/D effect
- **HKT** : M/S increased QoQ thanks to sales increase around LTR seg. Helped by market recovery & low oil price



※ based on Sell-in revenue,
UHPT : Ultra high performance tire

2Q Review

1. 2Q '15

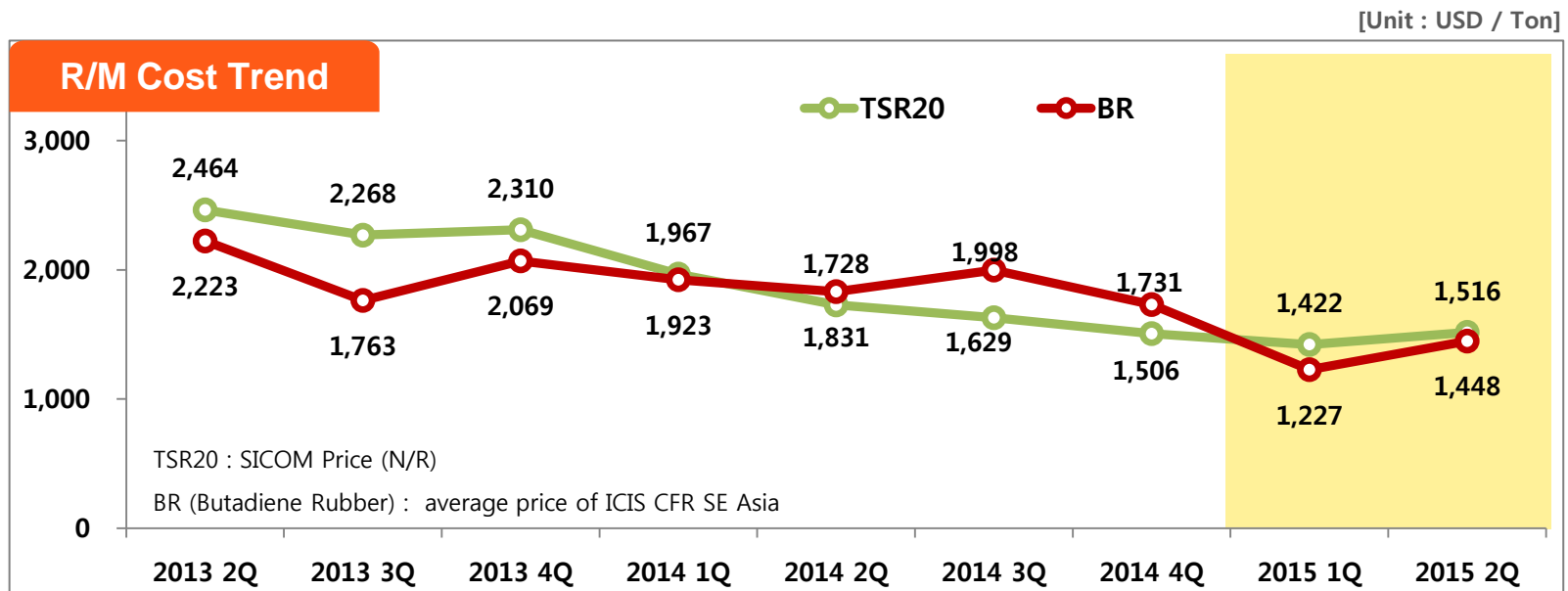
- ✓ **RE** : Sales increased YoY & QoQ thanks to high growth in premium & LTR segment
- ✓ **OE** : Sales increased YoY & QoQ by help of increased car sales in NA

2. 3Q Outlook

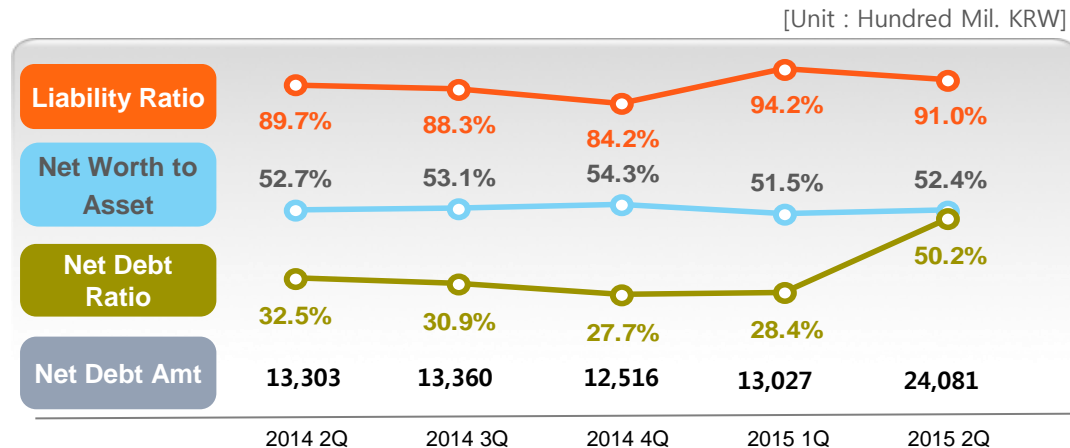
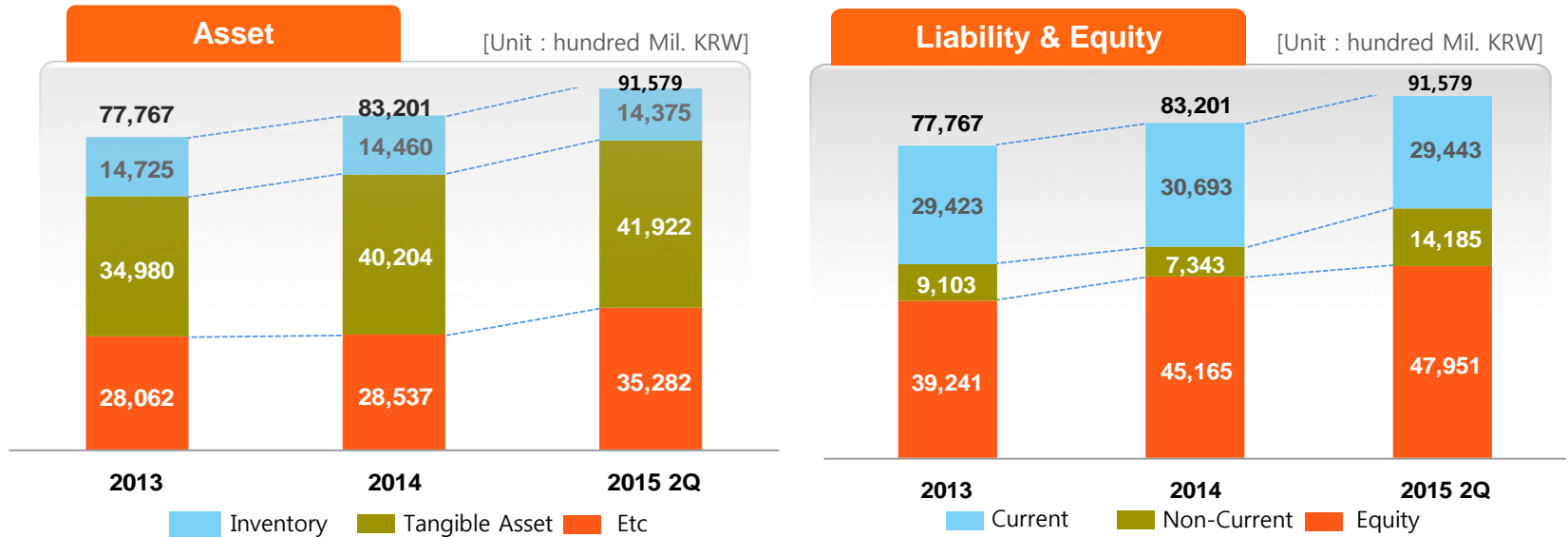
- ✓ **MKT** : Expect imports increase from SEA & Europe due to decreased imports from China
- ✓ **HKT** : - Plan to enroll on time countermeasure plan to fully take advantage of A/D & CVD action
- Expect increased M/S by expanding Laufenn sales & developing new retailers

2) Stability : Raw Material Cost

- N/R
 - NR price kept falling due to weak demand in China and over supply from South East Asia
 - Expect slight price recovery from 2H of '15 thanks to economy recovery in US and demand increase in China
- S/R
 - S/R price showed upward trend in the wake of BR price spike since '15. 2Q
 - Expect slowdown of S/R price due to stable BD supply & demand



2) Stability : Balance Sheet (Consolidated)



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Appendix. F/S – Consolidated B/S

[hundred million KRW]

	2014		2015 2Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	83,201	100.0%	91,579	100.0%	8,378	10.1%
Current Assets	38,798	46.6%	34,240	37.4%	-4,558	-11.7%
cashable assets	11,720	14.1%	6,378	7.0%	-5,342	-45.6%
Accounts receivable	12,069	14.5%	13,011	14.2%	942	7.8%
Inventories	14,460	17.4%	14,375	15.7%	-85	-0.6%
Non-current Assets	44,403	53.4%	57,339	62.6%	12,936	29.1%
Tangible assets	40,204	48.3%	41,922	45.8%	1,718	4.3%
Liabilities	38,036	45.7%	43,629	47.6%	5,593	14.7%
Current Liabilities	30,693	36.9%	29,443	32.2%	-1,250	-4.1%
Non-Current Liabilities	7,343	8.8%	14,186	15.5%	6,843	93.2%
Shareholders' Equity	45,165	54.3%	47,951	52.4%	2,786	6.2%
Debt	24,236		30,458			
Net debt	12,516		24,081			
Liability Ratio		84.2%		91.0%		
Net Worth to Assets		54.3%		52.4%		
Net Debt Ratio		27.7%		50.2%		

Appendix. F/S – Consolidated I/S

[Hundred million KRW]

	2014 2Q		2015 1Q		2015 2Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	16,609	100.0%	14,865	100.0%	16,199	100.0%	-2.5%	9.0%
COGS	10,659	64.2%	9,651	64.9%	10,374	64.0%	-2.7%	7.5%
Gross Profit	5,950	35.8%	5,214	35.1%	5,825	36.0%	-2.1%	11.7%
SG&A	3,438	20.7%	3,182	21.4%	3,814	23.5%	10.9%	19.9%
Operating Profit	2,512	15.1%	2,032	13.7%	2,011	12.4%	-19.9%	-1.0%
Other Revenue	633	3.8%	816	5.5%	356	2.2%	-43.8%	-56.4%
Other Expense	495	3.0%	824	5.5%	298	1.8%	-39.8%	-63.8%
Financial Revenue	142	0.9%	273	1.8%	315	1.9%	121.8%	15.4%
Financial Expense	455	2.7%	333	2.2%	444	2.7%	-2.4%	33.3%
Income Before Income Tax	2,337	14.1%	1,964	13.2%	1,940	12.0%	-17.0%	-1.2%
E B I T D A	3,625	21.8%	3,086	20.8%	3,218	19.9%	-11.2%	4.3%
Depreciation	1,113	6.7%	1,054	7.1%	1,207	7.5%	8.4%	14.5%