

# 2016 Hankook Tire

## 2nd Quarter Results

2016. 8. 16

**The information in this presentation is based upon management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, accuracy and completeness of all information available from public sources of which was provided by us or which was reviewed by us.**

**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.**

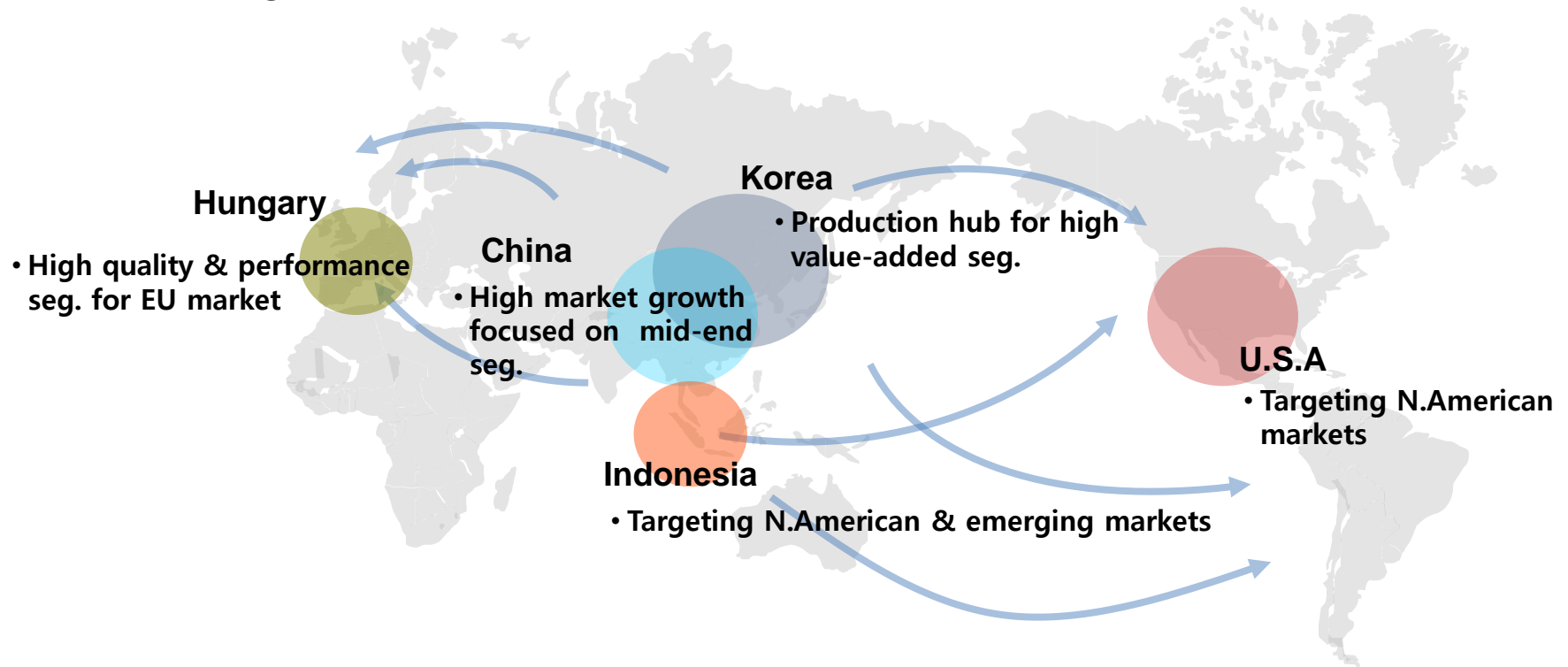
# 2nd Quarter & 1H Highlights

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- Recorded 1H Sales 3,353 billion, Operating Profit 561 Billion KRW (OPM 16.7%)
- Recorded 2<sup>nd</sup> Quarter Operating Profit of 310 Billion KRW with 17.9% OPM
- Strong growth in mature markets and RE sales volume increased in China
- 1H UHPT Revenue mix was 35.6%, UHPT performance has increased YoY 2.6%p
- Improved Stability with Debt level at 76%, Net debt level at 37%
- Tennessee plant investment in progress to start operation by year-end
- 2016 Guidance Confirmed

# HKT Plants In The World

- To become global top 5 tire company through qualitatively & quantitatively balanced growth
- Global production capacity for 2016 will reach to 103 Mil.(E) units, with well balanced global production footprint.



# HKT Plant In Tennessee

- Improve Hankook's brand recognition in the US market, with high quality products

## 1 Momentum for sustainable growth

### Entry to the core market

- Key factor to become a global top tier company

### Balanced Production base

- Manage NTB risks
- SCM optimization

## 2 Vital to our business strategy

### RE Brand Value-up

- Enhance brand value by providing USA made products

### Gain OE Market share in US

- Quick response to OE makers
- Expand OE sales and increasing supply to premium vehicles

## 3 Investment Details

Capacity 16,000/day

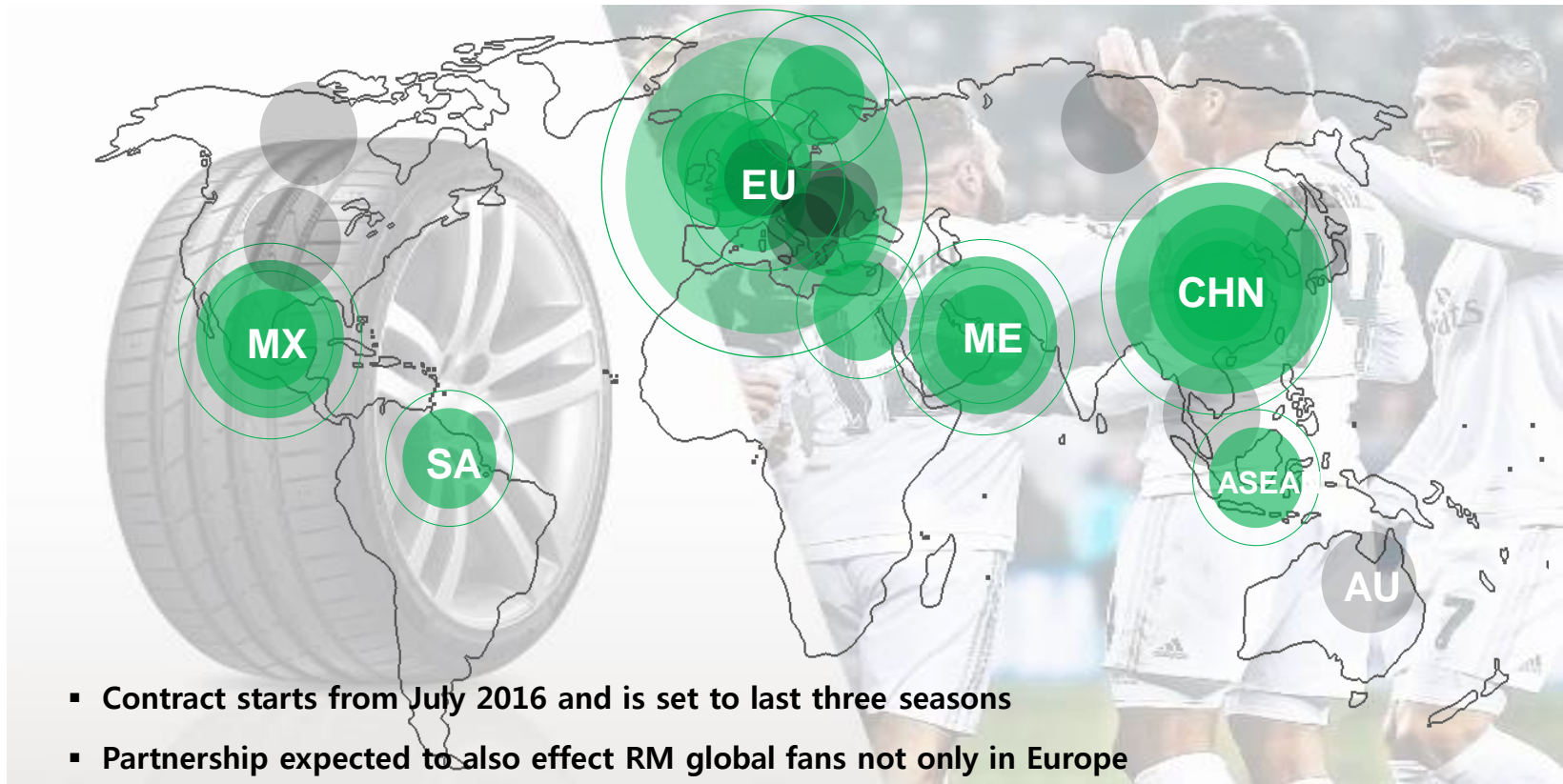
Investment \$580mil (PCR 1st step)

- \$500 mil sales revenue expected by 2018
- Turnaround by 2018 after initial production
- Higher UHP Mix than existing plants is planned



# Sponsorship with Real Madrid C.F.

- Global partnership signed with Real Madrid CF to strengthen premium brand image



- Contract starts from July 2016 and is set to last three seasons
- Partnership expected to also effect RM global fans not only in Europe but also in Asia(China) and Latin America



Global  
Partner



## 2016 2Q Results

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- **Financial Highlights**
  - 1) **Performance : Sales Results by Region**
  - 2) **Stability : B/S**
  - 3) **2016 Guidance Confirmed**
- **Hankooktire worldwide 2Q results**
- **Appendix**

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## 2016 2Q Financial Highlights



# Financial Highlights

## 2016 2Q Global Performance

[100 Million KRW, %]

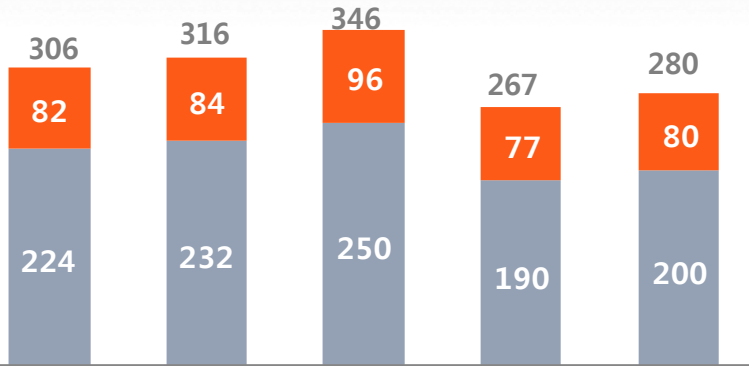
	2015 2Q	2016 1Q	2016 2Q	QoQ	YoY
Sales	16,199	16,260	17,274	6.2%	6.6%
COGS	10,374 <i>(64.0%)</i>	10,322 <i>(63.5%)</i>	10,379 <i>(60.1%)</i>	0.6%	0.0%
Operating Profit	2,010 <i>(12.4%)</i>	2,511 <i>(15.4%)</i>	3,102 <i>(17.9%)</i>	23.5%	54.3%
Ordinary Profit	1,932 <i>(11.9%)</i>	2,472 <i>(15.2%)</i>	3,107 <i>(17.9%)</i>	25.7%	60.8%
EBITDA	3,163 <i>(19.5%)</i>	3,885 <i>(23.9%)</i>	4,332 <i>(25.1%)</i>	11.5%	37.0%

# 1) Performance - Regional

## Korea

[Unit: Billion KRW, %]

26.8      26.6      27.7      28.8      28.6

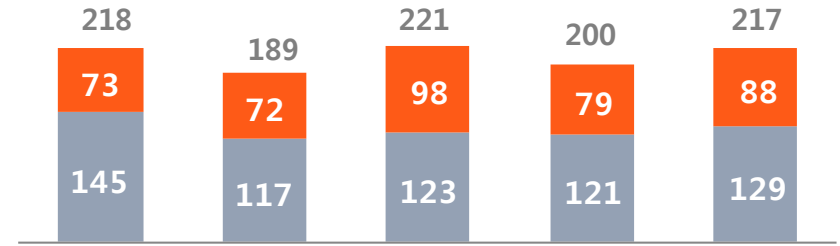


■ NUHP ■ UHP - - - (%)

## China

[Unit: Billion KRW, %]

33.5      38.1      44.3      39.5      40.6

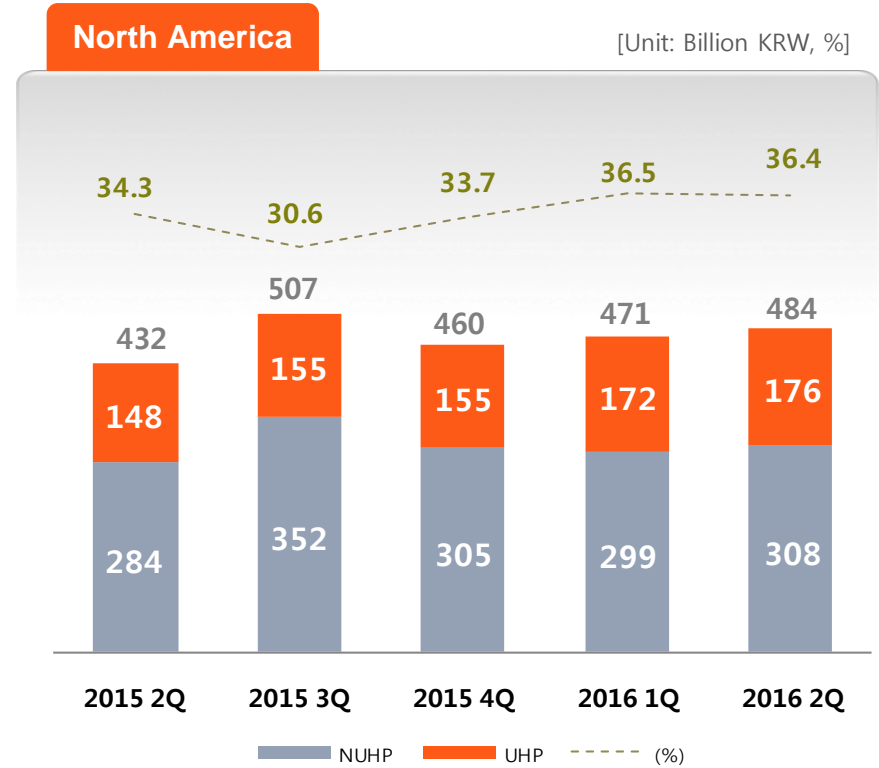
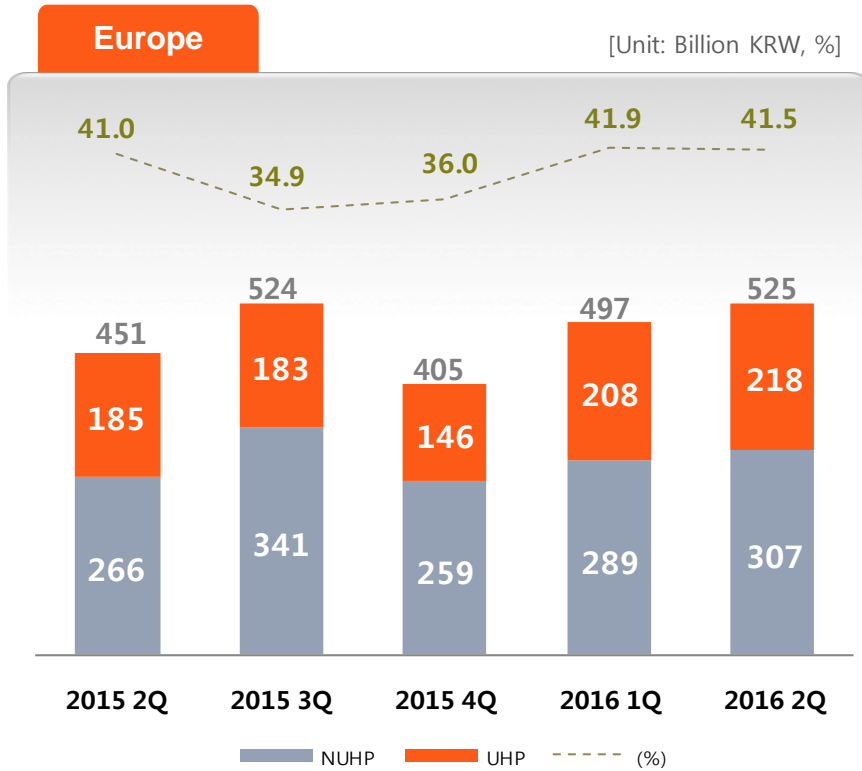


■ NUHP ■ UHP - - - (%)

- Improvement in RE sales volume due to seasonal effect, but OE sales volume decreased YoY

- Retail reinforcement and stabilization of Laufenn lead high volume growth in RE market
- OE sales volume increased YoY due to higher SUV supply

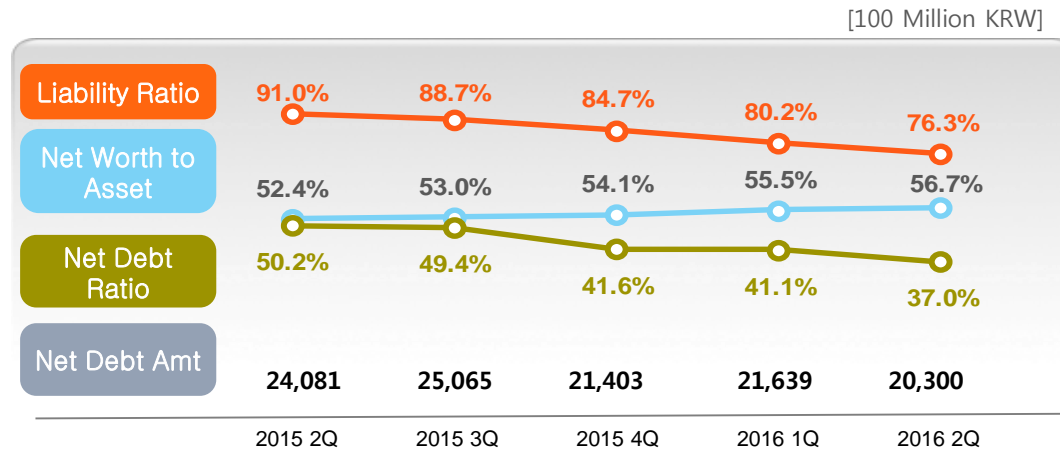
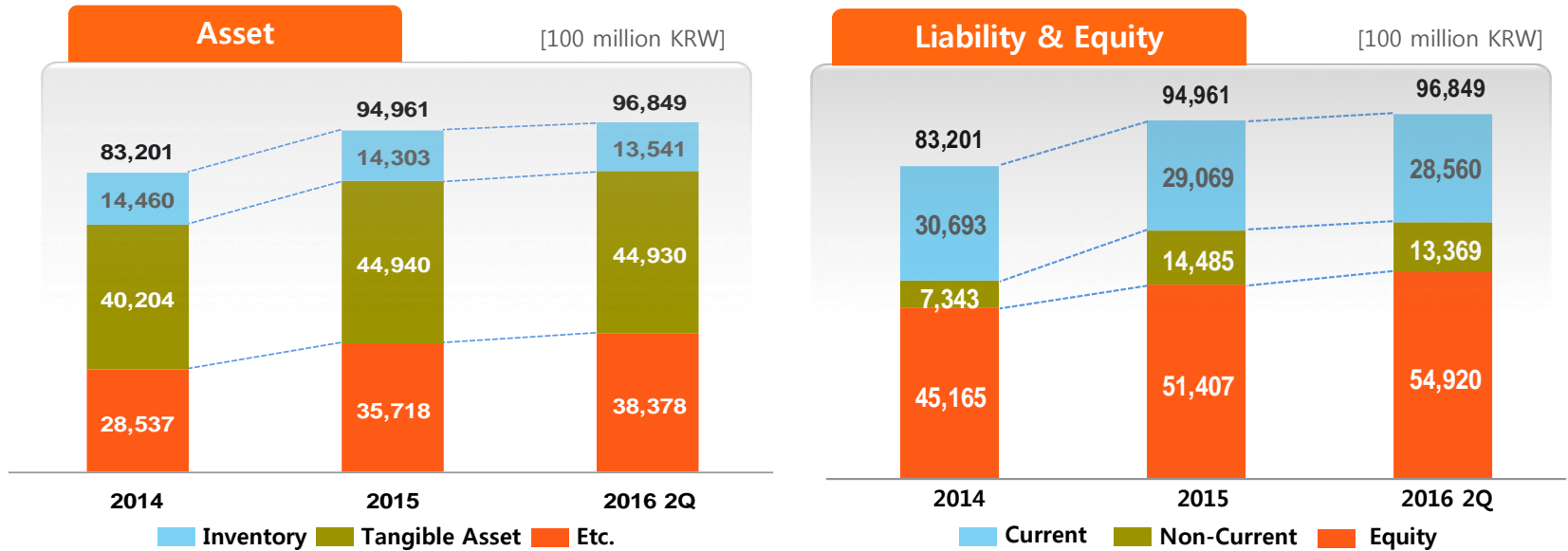
# 1) Performance - Regional



- Higher winter tire demand and strong growth in Eastern Europe boosted RE sales
- OE sales rose with the production increase of premium br.

- Both RE and OE sales volume increased YoY
- Expanded distribution channel and volume growth to Japanese OE makers

## 2) Stability – B/S



### 3) 2016 Guidance Confirmed

[100 Million KRW]

	2016
Sales	<70,714
Operating Profit	>9,544

※ 2016 Tire business Plan

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# HankookTire Worldwide 2Q Financial Results

# Hankooktire Worldwide 2Q Financial Results

Balance Sheet		KRW 100 Mil.	
	2015	2016 2Q	
<b>Current Assets</b>	4,628	7,107	
Cash equivalents	3,940	4,660	
Account Receivables	688	1,721	
Inventories	0	647	
<b>Non-current Assets</b>	22,041	21,967	
Tangible Assets	291	1,295	
AFS financial Assets	226	252	
Investments in Associates	20,588	19,933	
<b>Total Assets</b>	26,669	29,074	
<b>Current Liabilities</b>	128	1,183	
<b>Non-current Liabilities</b>	875	838	
<b>Total Liabilities</b>	1,003	2,021	
<b>Total Shareholders' equity</b>	25,666	27,053	
<b>Net debt</b>	-4,163	-4,661	

Income Statement		KRW 100 Mil.	
	2015 2Q	2016 2Q	
<b>Sales</b>	535	2,067	
Products Revenue	0	1,287	
Brand Royalty	117	124	
Equity Method Income	362	586	
Other Income	56	70	
<b>COGS</b>	0	1,023	
<b>Gross Profit</b>	535	1,044	
<b>SG&amp;A</b>	106	203	
<b>Operating Profit</b>	429	841	
<b>Ordinary Profit</b>	453	871	

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# Appendix. F/S – Consolidated B/S

[KRW 100 Mil]

	2015		2016 2Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>94,961</b>	<b>100.0%</b>	<b>96,849</b>	<b>100.0%</b>	<b>1,888</b>	<b>2.0%</b>
Current Assets	33,887	35.7%	35,176	36.3%	1,289	3.8%
Cashable assets	7,553	8.0%	8,101	8.4%	548	7.3%
Accounts receivable	11,307	11.9%	12,814	13.2%	1,507	13.3%
Inventories	14,303	15.1%	13,541	14.0%	-762	-5.3%
Non-current Assets	61,074	64.3%	61,673	63.7%	599	1.0%
Tangible assets	44,940	47.3%	44,930	46.4%	-10	0.0%
<b>Liabilities</b>	<b>43,554</b>	<b>45.9%</b>	<b>41,929</b>	<b>43.3%</b>	<b>-1,625</b>	<b>-3.7%</b>
Current Liabilities	29,069	30.6%	28,560	29.5%	-509	-1.8%
Non-Current Liabilities	14,485	15.3%	13,369	13.8%	-1,116	-7.7%
<b>Shareholders' Equity</b>	<b>51,407</b>	<b>54.1%</b>	<b>54,920</b>	<b>56.7%</b>	<b>3,513</b>	<b>6.8%</b>
Debt	28,957		28,401			
Net debt	21,403		20,300			
<b>Liability Ratio</b>		<b>84.7%</b>		<b>76.3%</b>		
<b>Net Worth to Assets</b>		<b>54.1%</b>		<b>56.7%</b>		
<b>Net Debt Ratio</b>		<b>41.6%</b>		<b>37.0%</b>		

# Appendix. F/S – Consolidated I/S

[KRW 100 Mil]

	2015 2Q		2016 1Q		2016 2Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
<b>Sales</b>	<b>16,199</b>	<b>100.0%</b>	<b>16,260</b>	<b>100.0%</b>	<b>17,274</b>	<b>100.0%</b>	<b>6.6%</b>	<b>6.2%</b>
COGS	10,374	64.0%	10,322	63.5%	10,379	60.1%	0.0%	0.6%
Gross Profit	5,825	36.0%	5,938	36.5%	6,895	39.9%	18.4%	16.1%
SG&A	3,815	23.6%	3,427	21.1%	3,793	22.0%	-0.6%	10.7%
<b>Operating Profit</b>	<b>2,010</b>	<b>12.4%</b>	<b>2,511</b>	<b>15.4%</b>	<b>3,102</b>	<b>18.0%</b>	<b>54.3%</b>	<b>23.5%</b>
Other Revenue	387	2.4%	552	3.4%	391	2.3%	1.0%	-29.2%
Other Expense	406	2.5%	500	3.1%	251	1.5%	-38.2%	-49.8%
Financial Revenue	398	2.5%	424	2.6%	207	1.2%	-48.0%	-51.2%
Financial Expense	457	2.8%	608	3.7%	419	2.4%	-8.3%	-31.1%
Equity-method gains (losses)			93	0.6%	77	0.4%		-17.2%
Income Before Income Tax	1,932	11.9%	2,472	15.2%	3,107	18.0%	60.8%	25.7%
E B I T D A	3,163	19.5%	3,885	23.9%	4,332	25.1%	37.0%	11.5%
Depreciation	1,153	7.1%	1,374	8.5%	1,230	7.1%	6.7%	-10.5%