

# 2015 Hankook Tire

## 2nd Quarter Result

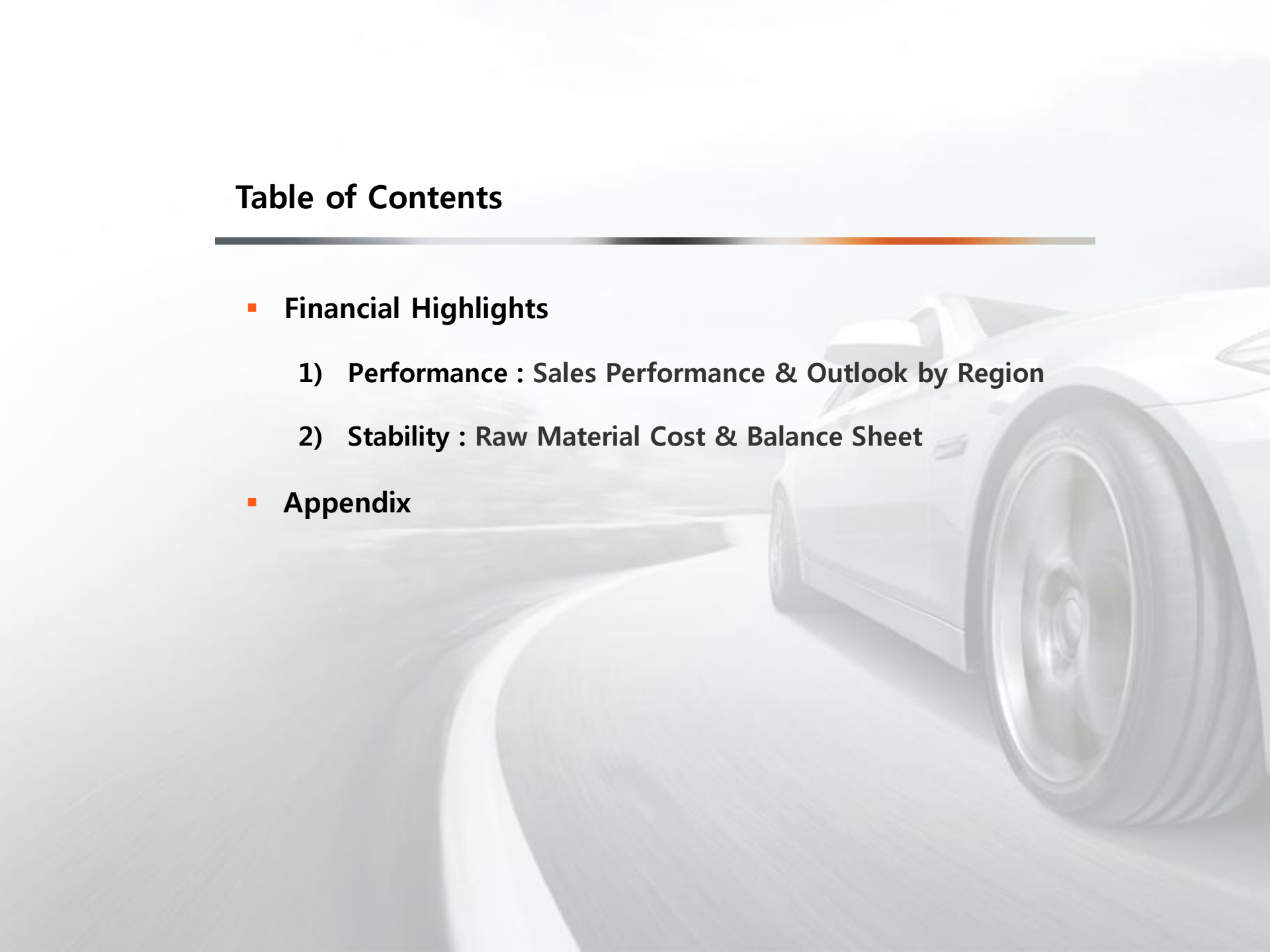
2015. 7. 31

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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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- A white sports car is shown from a rear three-quarter view, driving on a road. The background is heavily blurred, suggesting high speed. The car's wheels are also blurred, emphasizing motion. The overall scene is bright and clean, with a focus on the car's sleek design.

## 2015. 2Q Review & Financial Highlights



# Financial Highlights

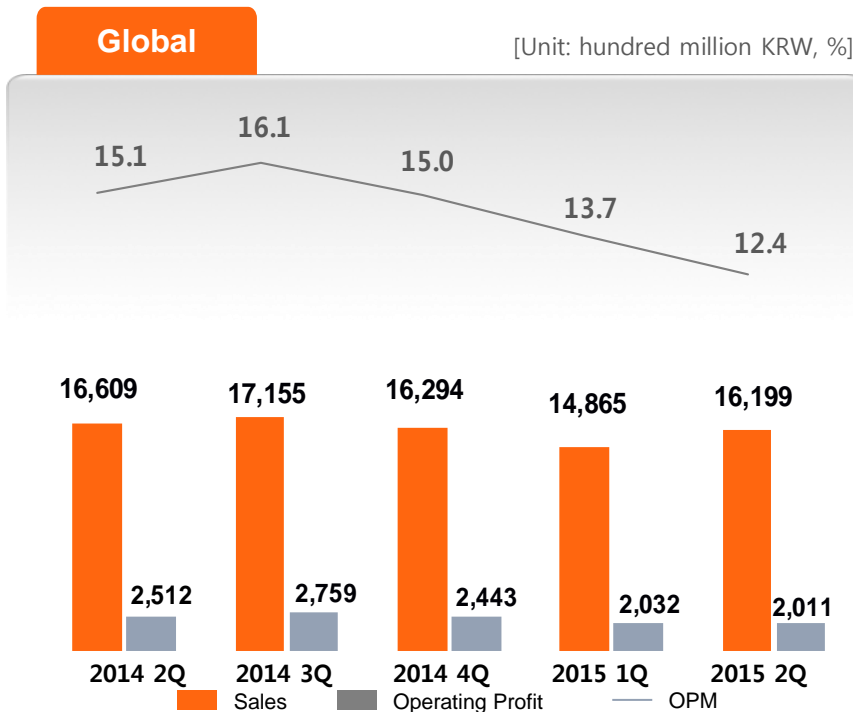
## '15. 2Q Global Performance (Consolidated)

[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 (64.2%)	9,651 (64.9%)	10,374 (64.0%)	7.5%	-2.7%
Operating Profit	2,512 (15.1%)	2,032 (13.7%)	2,011 (12.4%)	-1.0%	-20.0%
Ordinary Profit	2,337 (14.1%)	1,964 (13.2%)	1,940 (12.0%)	-1.2%	-17.0%
EBITDA	3,661 (22.0%)	3,086 (20.8%)	3,218 (19.9%)	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

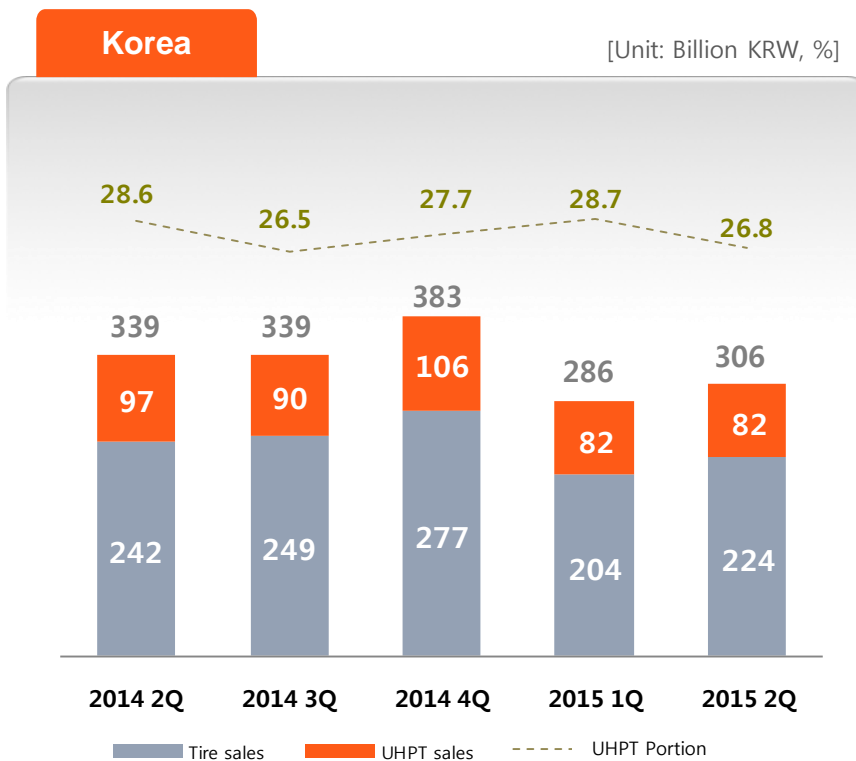
- ✓ **RE** : Revenue increased YoY & QoQ thanks to meaningful volume increase in US & Europe
- ✓ **OE** : Sales volume decreased YoY & QoQ due to negative growth in China and Korea despite of growth in Europe & US

### 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

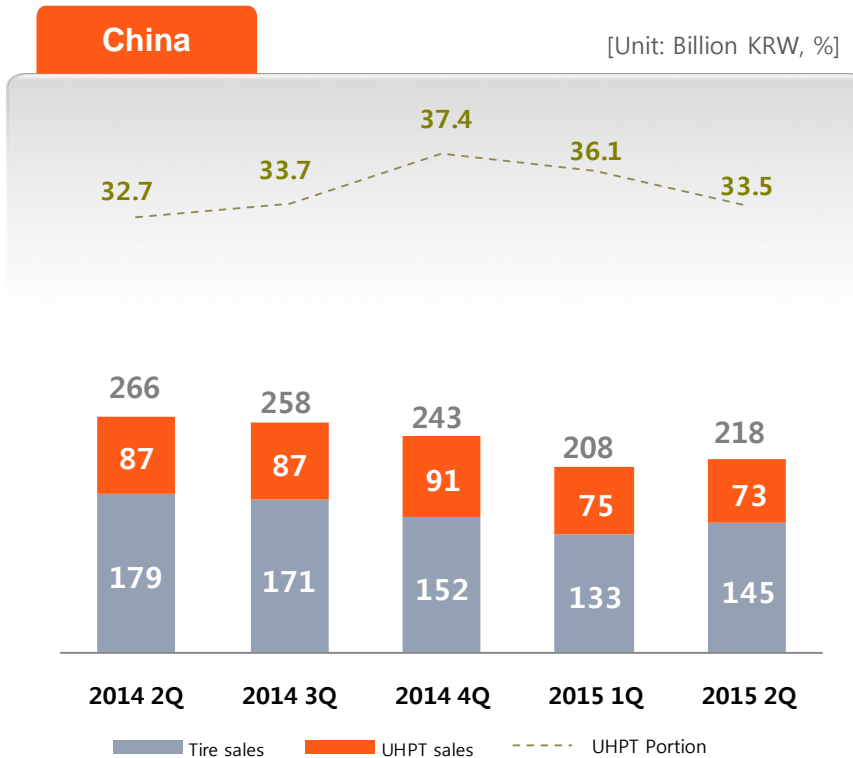
- ✓ **RE** : Sales increased QoQ by launching new products to secure M/S while decreased YoY due to contracted market
- ✓ **OE** : Sales increased OoQ thanks to supply increase to new OE models while decreased YoY due to reduced sales of OE makers

### 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

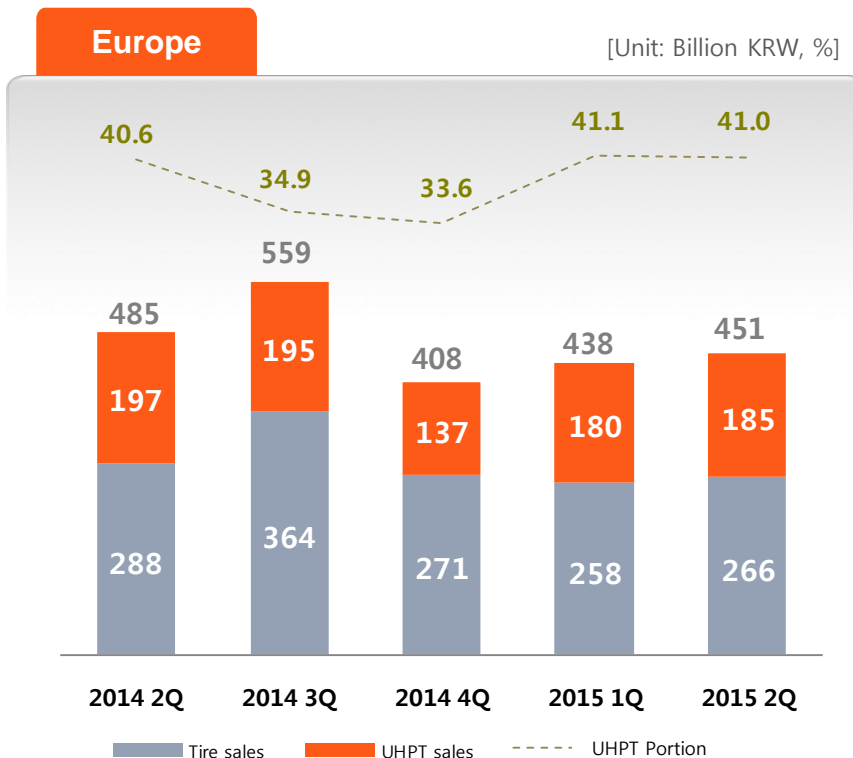
### 2. 3Q Outlook

- ✓ **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

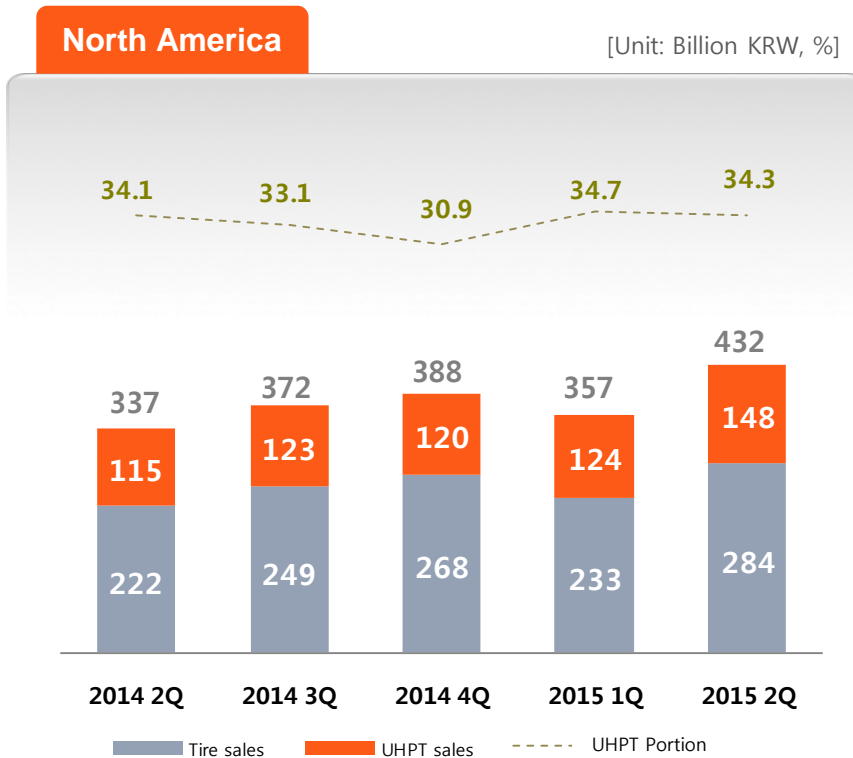
- ✓ RE : Volume increased YoY by help of flexible price policy
- ✓ OE : Volume increased YoY thanks to biz expansion with premium car makers

### 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

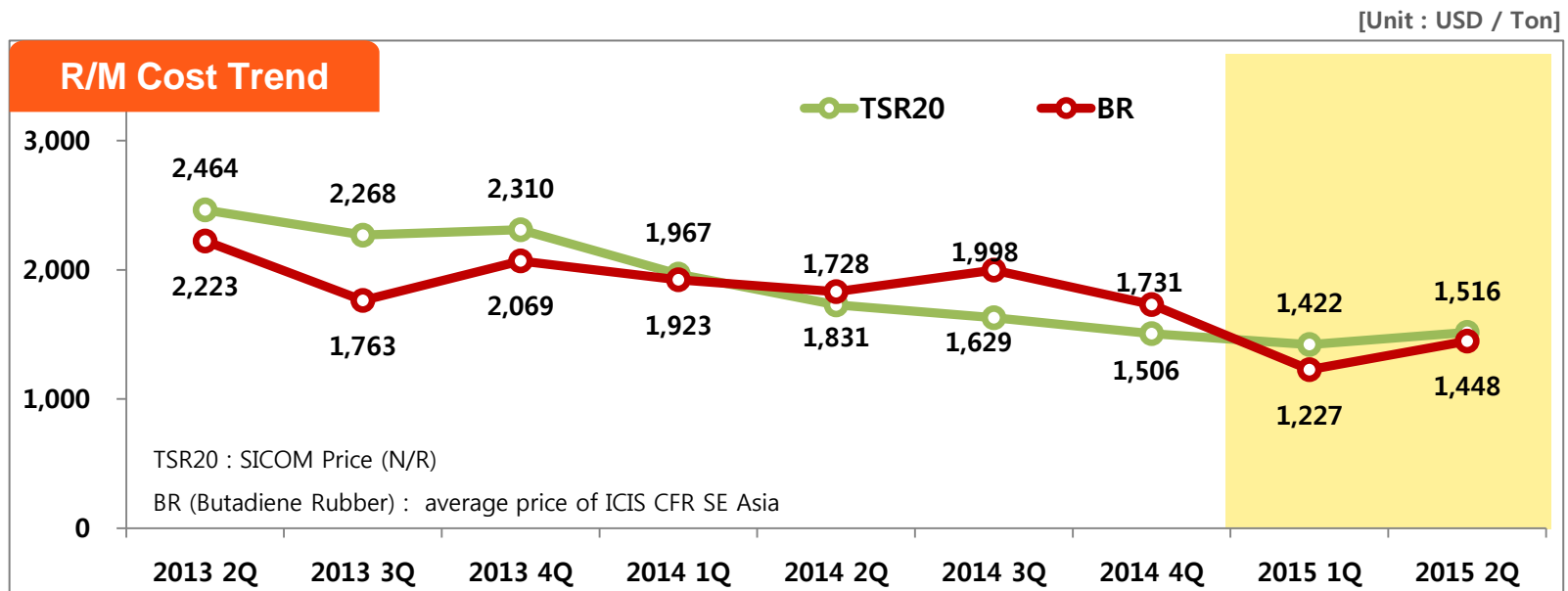
- ✓ **RE** : Sales increased YoY & QoQ thanks to high growth in premium & LTR segment
- ✓ **OE** : Sales increased YoY & QoQ by help of increased car sales in NA

### 2. 3Q Outlook

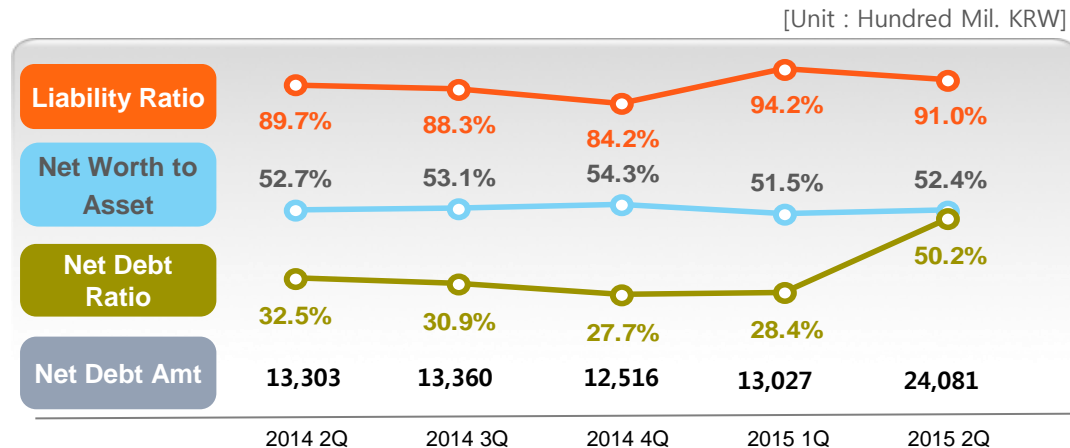
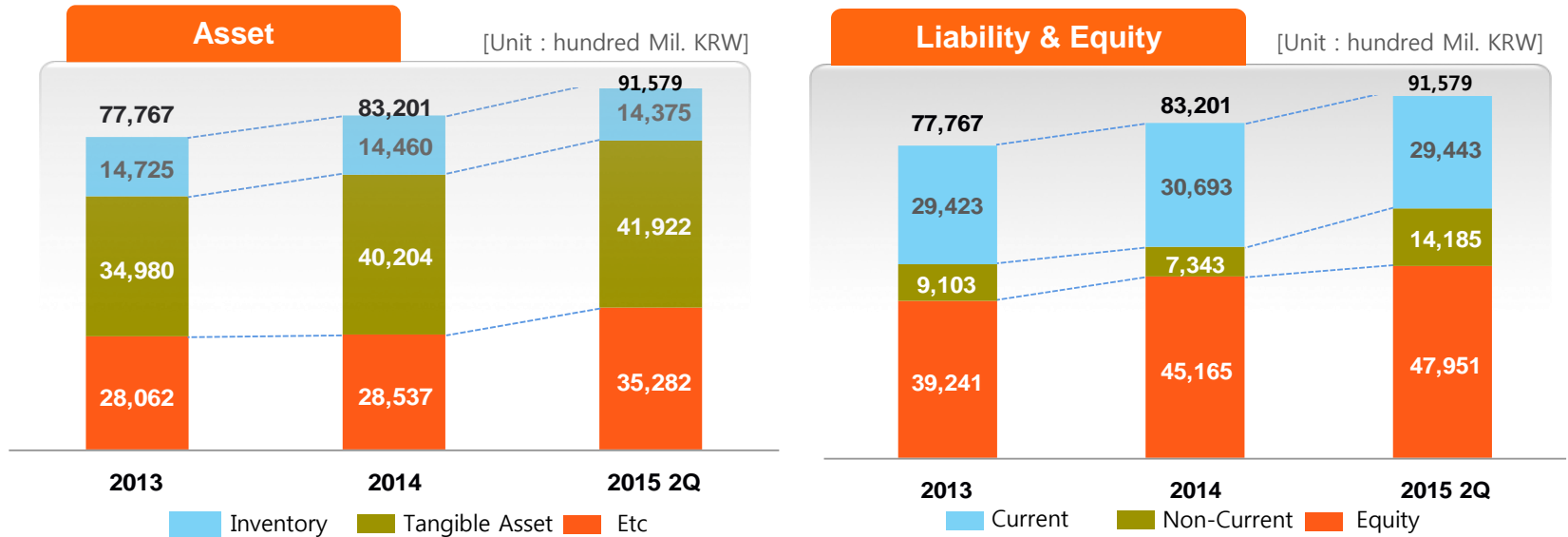
- ✓ **MKT** : Expect imports increase from SEA & Europe due to decreased imports from China
- ✓ **HKT** : - Plan to enroll on time countermeasure plan to fully take advantage of A/D & CVD action  
- Expect increased M/S by expanding Laufenn sales & developing new retailers

## 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.	%
<b>Assets</b>	<b>83,201</b>	<b>100.0%</b>	<b>91,579</b>	<b>100.0%</b>	<b>8,378</b>	<b>10.1%</b>
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%
<b>Liabilities</b>	<b>38,036</b>	<b>45.7%</b>	<b>43,629</b>	<b>47.6%</b>	<b>5,593</b>	<b>14.7%</b>
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%
<b>Shareholders' Equity</b>	<b>45,165</b>	<b>54.3%</b>	<b>47,951</b>	<b>52.4%</b>	<b>2,786</b>	<b>6.2%</b>
Debt	24,236		30,458			
Net debt	12,516		24,081			
<b>Liability Ratio</b>		<b>84.2%</b>		<b>91.0%</b>		
<b>Net Worth to Assets</b>		<b>54.3%</b>		<b>52.4%</b>		
<b>Net Debt Ratio</b>		<b>27.7%</b>		<b>50.2%</b>		

# Appendix. F/S – Consolidated I/S

[Hundred million KRW]

	2014 2Q		2015 1Q		2015 2Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
<b>Sales</b>	<b>16,609</b>	<b>100.0%</b>	<b>14,865</b>	<b>100.0%</b>	<b>16,199</b>	<b>100.0%</b>	<b>-2.5%</b>	<b>9.0%</b>
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%
<b>Operating Profit</b>	<b>2,512</b>	<b>15.1%</b>	<b>2,032</b>	<b>13.7%</b>	<b>2,011</b>	<b>12.4%</b>	<b>-19.9%</b>	<b>-1.0%</b>
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%
<b>E B I T D A</b>	<b>3,625</b>	<b>21.8%</b>	<b>3,086</b>	<b>20.8%</b>	<b>3,218</b>	<b>19.9%</b>	<b>-11.2%</b>	<b>4.3%</b>
<b>Depreciation</b>	<b>1,113</b>	<b>6.7%</b>	<b>1,054</b>	<b>7.1%</b>	<b>1,207</b>	<b>7.5%</b>	<b>8.4%</b>	<b>14.5%</b>