

2014 Hankook Tire

4th Quarter Result

Jan. 30, 2015

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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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Financial Highlights

'14 Global Performance (Consolidated)

[unit : 100 Million KRW, %]

	<u>2013</u>	<u>2014</u>	<u>YoY</u>
Sales	70,692	66,795	-5.5%
COGS	47,109 <i>(66.6%)</i>	42,800 <i>(64.1%)</i>	-9.1%
Operating Profit	10,310 <i>(14.6%)</i>	10,311 <i>(15.4%)</i>	0.0%
Ordinary Profit	9,897 <i>(14.0%)</i>	9,343 <i>(14.0%)</i>	-5.6%
EBITDA	14,440 <i>(20.4%)</i>	14,689 <i>(22.0%)</i>	1.7%

Financial Highlights

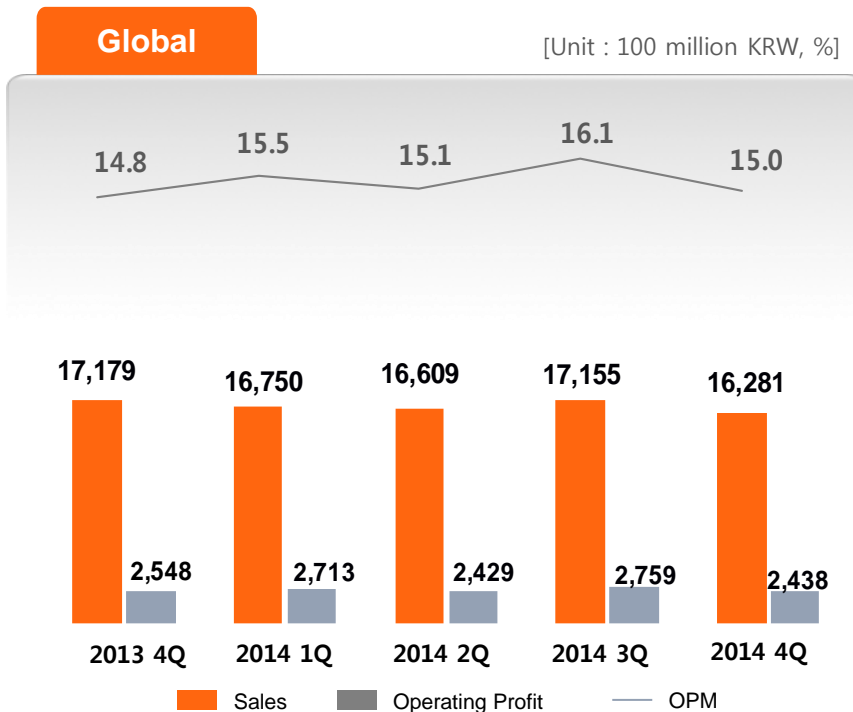
4Q '14 Global Performance (Consolidated)

[unit : 100 Million KRW, %]

	2013 4Q	2014 3Q	2014 4Q	QoQ	YoY
Sales	17,179	17,155	16,281	-5.1%	-5.2%
COGS	11,065 <i>(64.4%)</i>	11,019 <i>(64.2%)</i>	10,119 <i>(62.2%)</i>	-8.1%	-8.5%
Operating Profit	2,548 <i>(14.8%)</i>	2,759 <i>(16.1%)</i>	2,438 <i>(15.0%)</i>	-11.6%	-4.3%
Ordinary Profit	2,297 <i>(13.4%)</i>	2,515 <i>(14.7%)</i>	2,041 <i>(12.5%)</i>	-18.8%	-11.1%
EBITDA	3,467 <i>(20.2%)</i>	3,713 <i>(21.6%)</i>	3,544 <i>(21.8%)</i>	-4.6%	2.2%

1) Performance – Global

- **MKT** : Price competition intensified due to continuous raw material cost drop & over supply
- **HKT** : Despite of revenue decrease, sales volume increased by 2% YoY & OPM was secured through improvement of product mix



4Q Review

1. 4Q '14

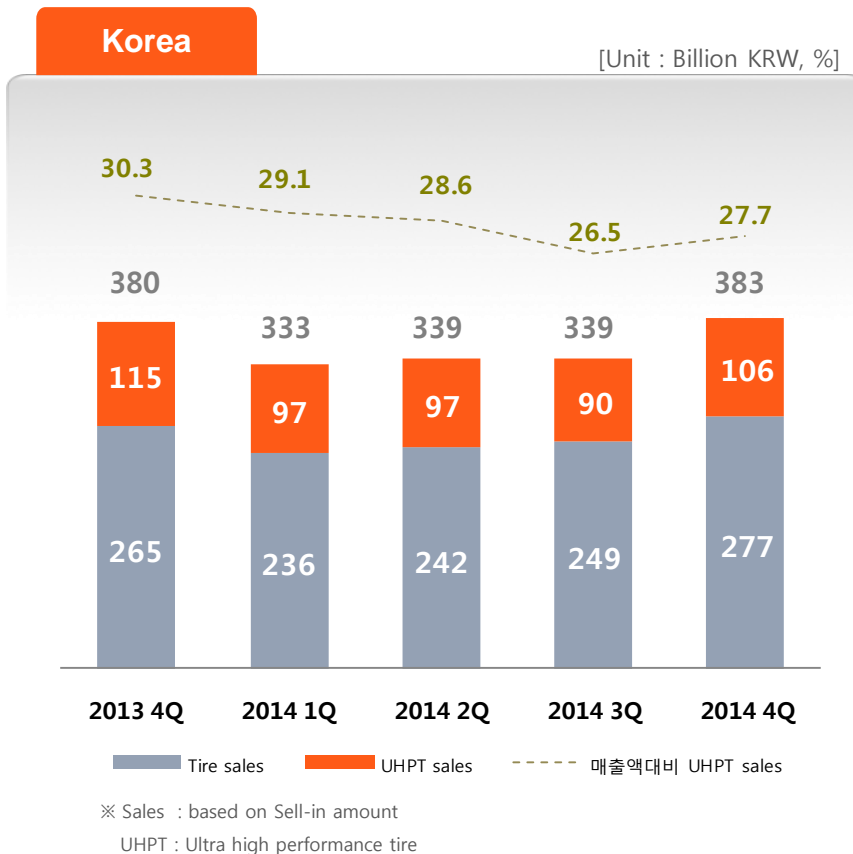
- ✓ **RE** : Sales decreased QoQ and slightly increased YoY despite of deepened market competition
- ✓ **OE** : Sales increased QoQ and YoY due to business expansion to premium OE

2. '15 Outlook

- ✓ **MKT** : 3% YoY market growth expected
- ✓ **HKT** : Plan to achieve business target by fully utilizing favorable business environment in US, second brand of Laufenn and diversifying global sales network

1) Performance – Korea

- MKT : Slow market growth continued and imported tires increased due to F/X effect
- HKT : Focused on premium market further differentiating HKT from competitors



4Q Review

1. 4Q '14

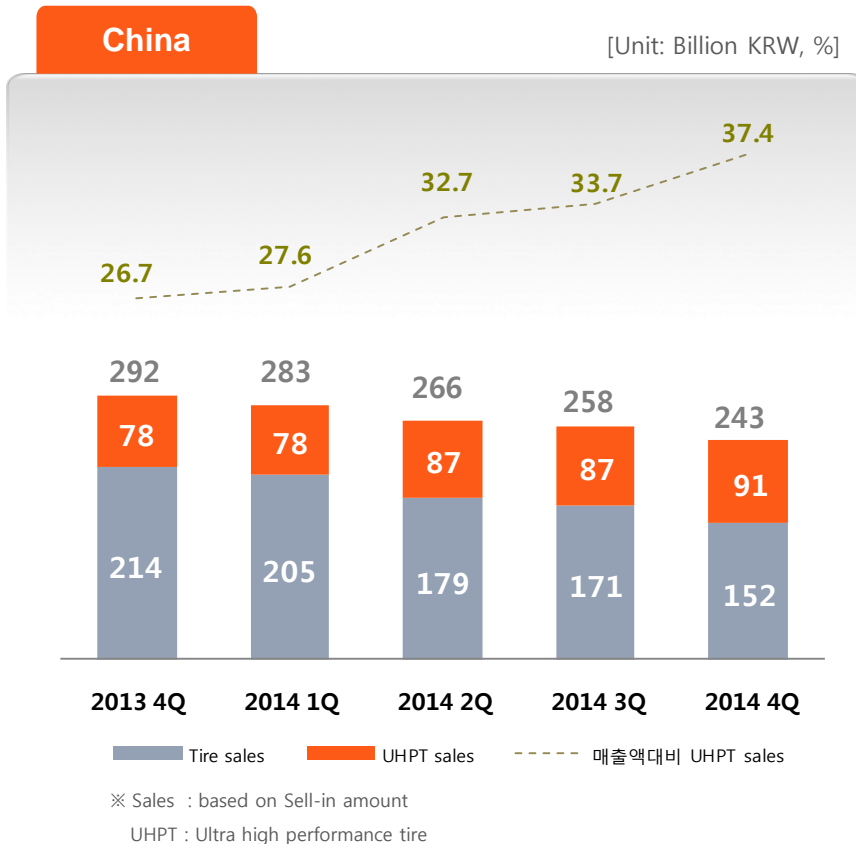
- ✓ RE : Sales increased QoQ and YoY due to the focus on premium market and product mix improvement in LTR and TBR segment
- ✓ OE : Sales increased QoQ, however, decreased YoY due to intensified price competition

2. '15 Outlook

- ✓ MKT : Expect increase of Japanese brand tires due to continued weak JPY
- ✓ HKT : Will strengthen dominant market position by expansion to premium OE sales

1) Performance – China

- **MKT** : Price competition intensified due to falling ASP and over supply in RE market
- **HKT** : Achieved qualitative growth by expanding UHP sales despite of severe market competition



4Q Review

1. 4Q '14

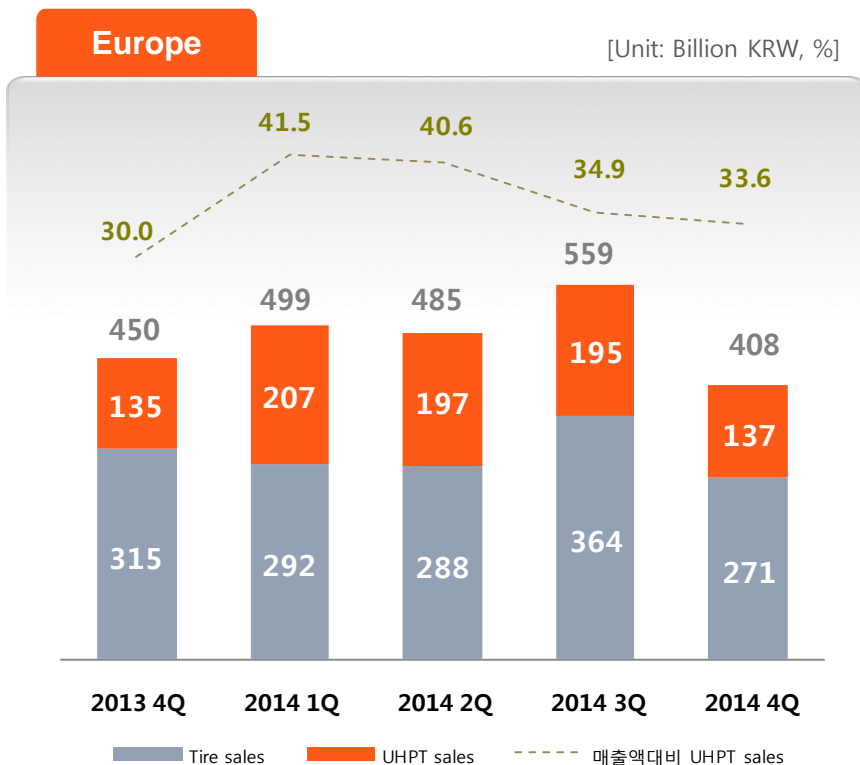
- ✓ **RE** : Sales stagnated in PCR and decreased in TBR due to growth slowdown in TBR
- ✓ **OE** : Sales increased QoQ and YoY thanks to steady demand and expansion to premium OE

2 '15 Outlook

- ✓ **MKT** : Expect intensified market competition due to tariff impose by US gov't towards tires made in China
- ✓ **HKT** : Plan to focus on high inch and strategic product sales along with strengthening of TBR competitiveness

1) Performance – Europe

- MKT : Price competition continued due to the slow demand growth
- HKT : Enhanced brand awareness by expanding premium OE business in the region



※ Sales : based on Sell-in amount
UHPT : Ultra high performance tire

4Q Review

1. 4Q '14

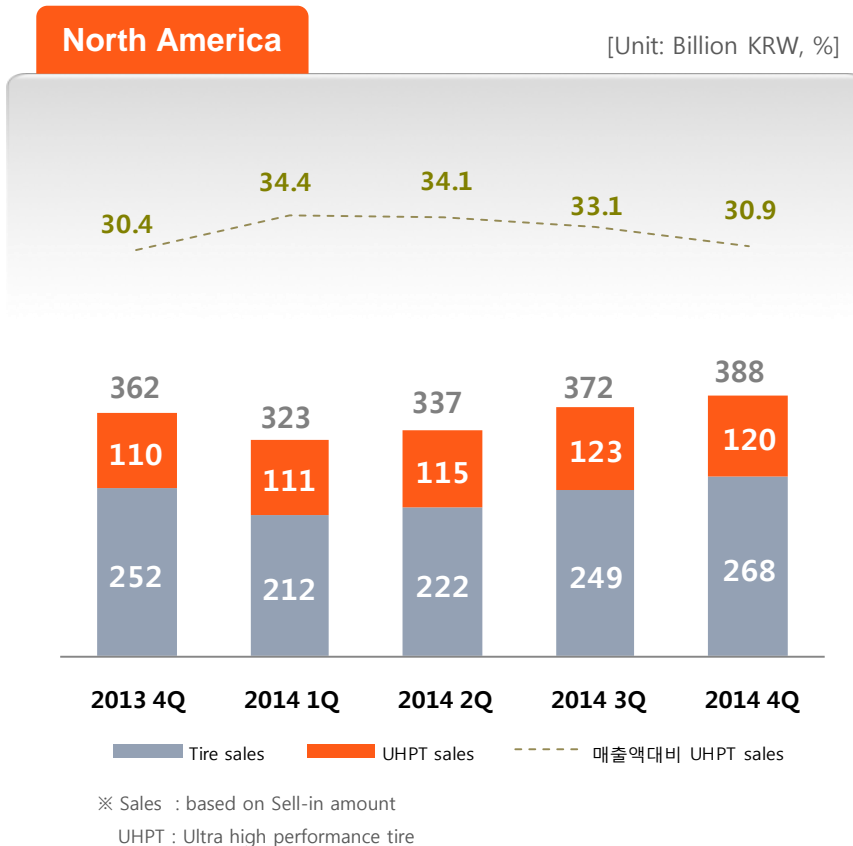
- ✓ RE : Sales dropped QoQ due to slow demand and price competition, however, volume slightly increased YoY
- ✓ OE : Sales increased in quantity QoQ and YoY thanks to business expansion around TBR segment

2 '15 Outlook

- ✓ MKT : Price competition will be intensified due to M/S expansion strategy among manufacturers
- ✓ HKT : Plan to restructure price positioning through enhanced retail networks

1) Performance – North America

- **MKT** : Demand gradually recovering due to steady economy recovery and demand expansion towards high efficient cars
- **HKT** : Recovered M/S by enhancing sales competency in the region



4Q Review

1. 4Q '14

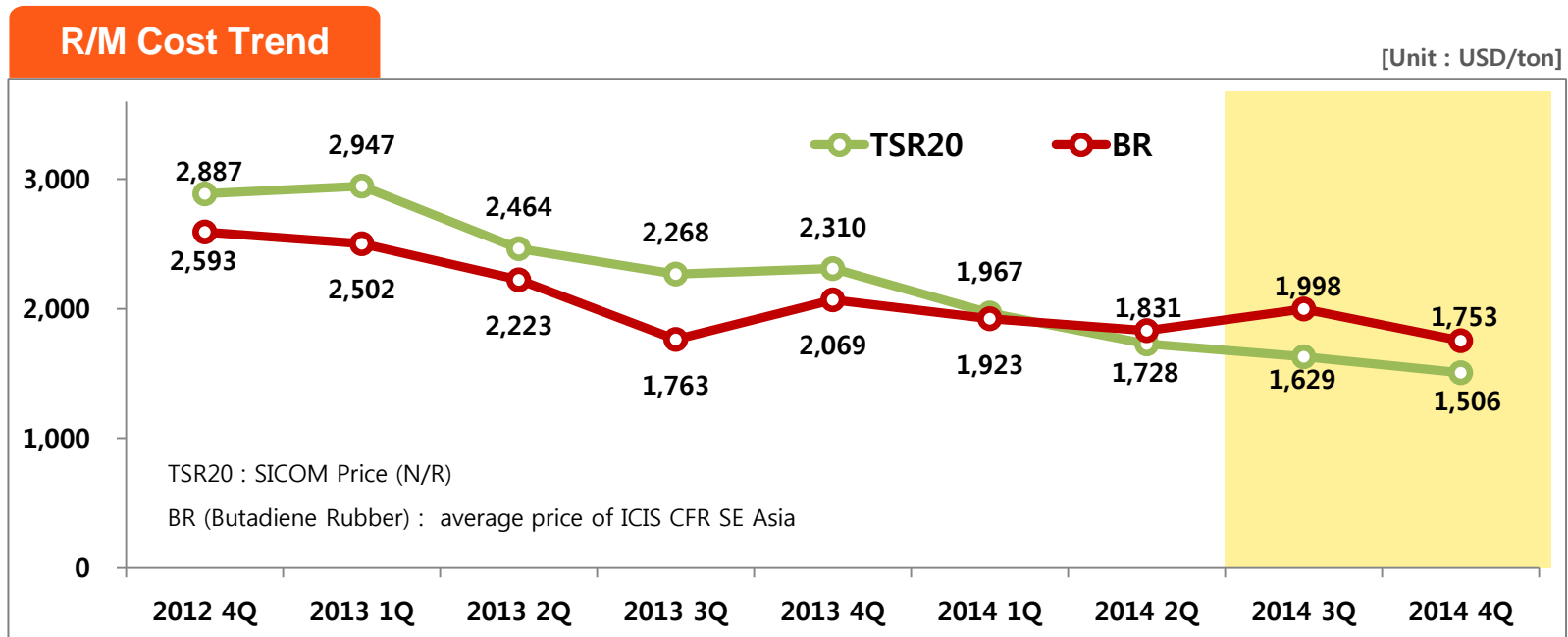
- ✓ **RE** : Sales increased QoQ and YoY due to economy recovery and growth in LTR and TBR segment
- ✓ **OE** : Revenue increased YoY thanks to sales expansion to major OE makers

2. '15 Outlook

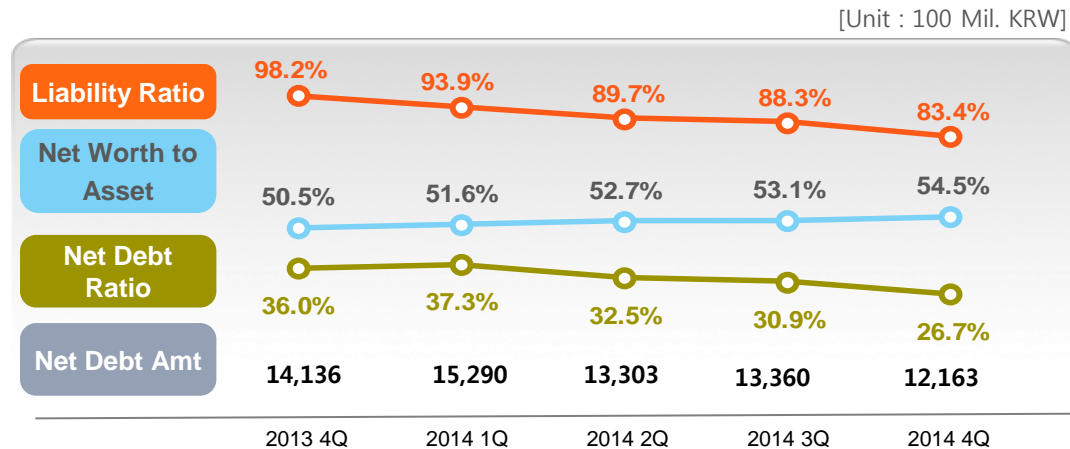
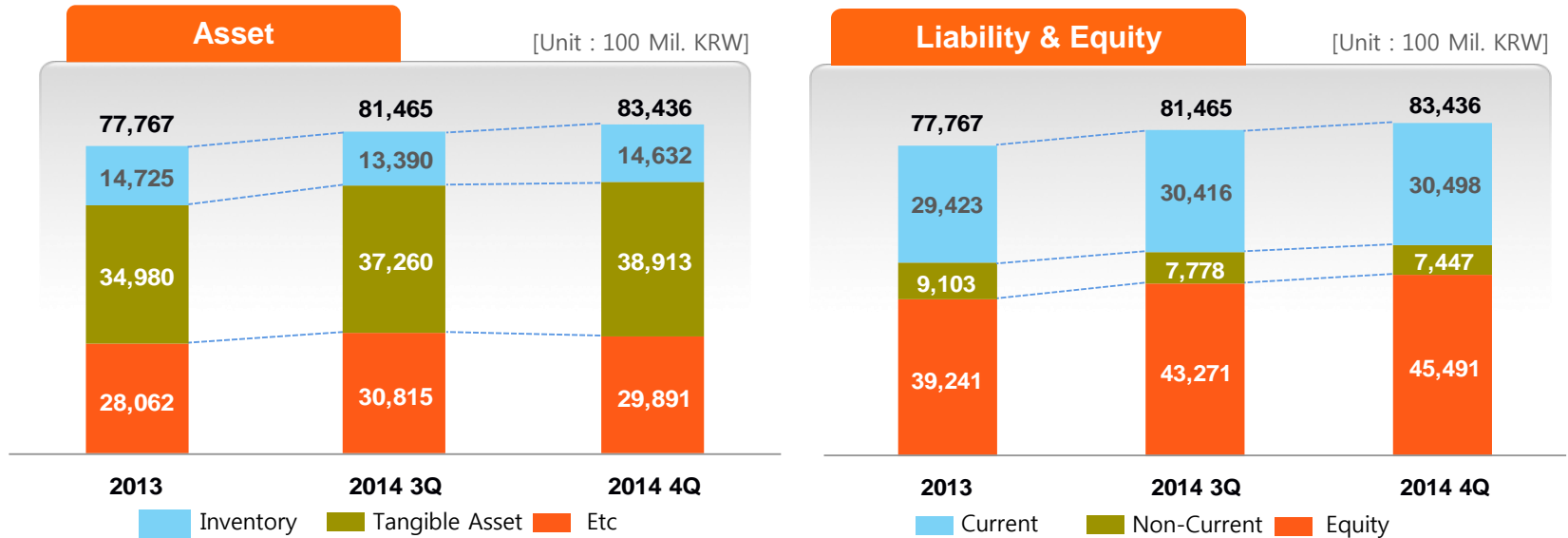
- ✓ **MKT** : Expect high market volatility according to tariffs & AD decision by US gov't towards Chinese tires
- ✓ **HKT** : Plan to expand M/S fully utilizing favorable market condition and introducing second brand, Laufenn

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 in '15 thanks to economy recovery in US and demand increase in China
- S/R
 - S/R price in Asia dropped in large scale during 4Q due to lack of demand resulting in over supply
 - Price expected to remain same or slight lower level due to delay of global economy recovery



2) Stability : Balance Sheet (Consolidated)



2015 Business Plan

2015 Business Plan

- ▶ **Plan to digest ramp up volumes in '15 by enhancing sales competency & brand competitiveness**

Develop new market & distribution downstream

Introduce second brand & enhance brand competitiveness

Secure product leadership

1) 2015 Guidance

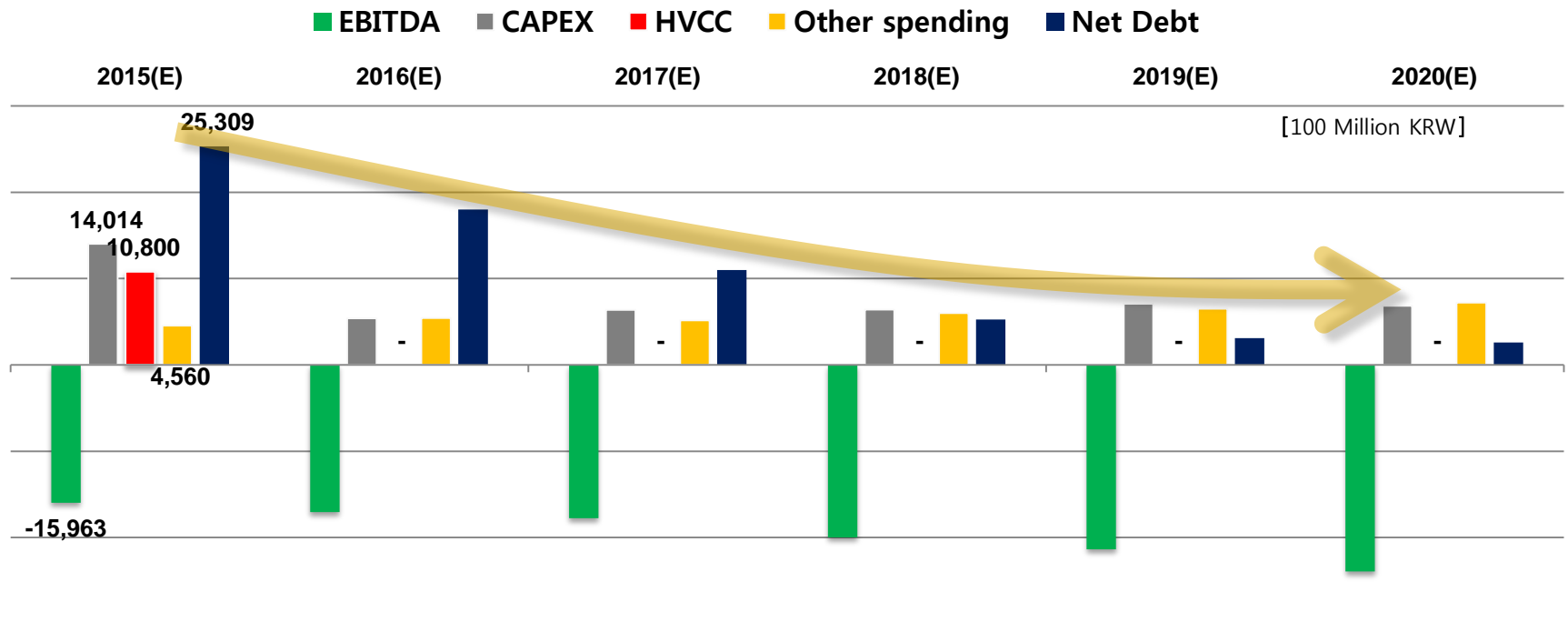
[100 Million KRW, %]

Global	2014 Result	2015 Plan	(%)
Sales	66,795	72,500	8.5%
COGS	42,800	47,450	10.9%
% of COGS	64.1%	65.4%	
Gross Profit	23,995	25,050	4.4%
SG&A	13,684	14,700	7.4%
Operating Profit	10,311	10,350	0.4%
OPM	15.4%	14.3%	

※ Consolidated basis

2) Mid/Long-Term Growth Strategy

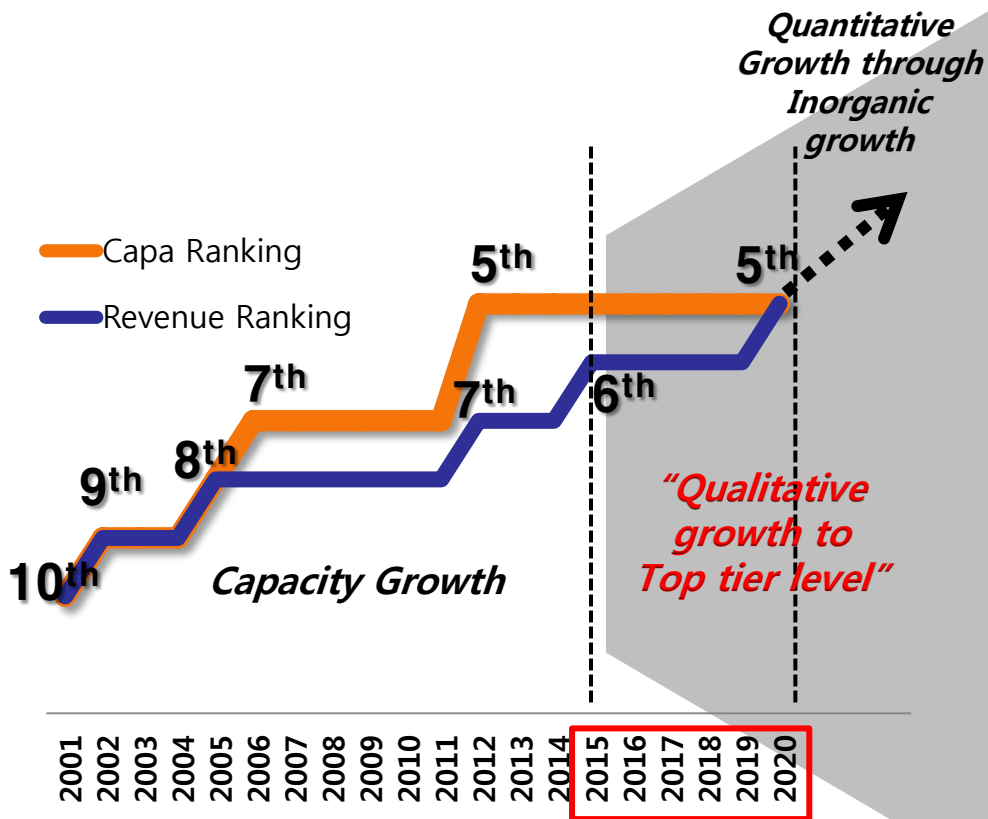
- Hold a solid financial structure to grow as a global tire and auto parts company by 2020 through stable EBITDA generation



- Expect continuing net debt amount decrease by secured EBITDA generation
- Expect to hold enough cash for Inorganic growth thanks to CAPEX decrease from '16

2) Mid/Long-Term Growth Strategy

- Plan to transform organic investment strategy towards qualitative growth
- Reach out to global top tier level in area of product, brand and profitability by 2020
- Growth strategy to be applied for biz diversification in auto related industry & market control in tire industry



Enhancement of Tire Market Control (Organic)

- Transformation to premium brand
- Productivity enhancement
- Investment expansion in R&D

Revenue Growth & Biz. Diversification (Inorganic)

- Making investment based on ROI & business environment
- Candidate areas for Inorganic growth :
Global auto parts biz, Global tire biz, or Region based biz

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Appendix. F/S – Consolidated B/S

[100 Million KRW]

	2013		2014		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	77,767	100.0%	83,436	100.0%	5,669	7.3%
Current Assets	39,522	50.8%	38,913	46.6%	-609	-1.5%
cashable assets	11,649	15.0%	11,735	14.1%	86	0.7%
Accounts receivable	11,910	15.3%	11,803	14.1%	-107	-0.9%
Inventories	14,725	18.9%	14,632	17.5%	-93	-0.6%
Non-current Assets	38,245	49.2%	44,523	53.4%	6,278	16.4%
Tangible assets	34,980	45.0%	40,216	48.2%	5,236	15.0%
Liabilities	38,526	49.5%	37,945	45.5%	-581	-1.5%
Current Liabilities	29,423	37.8%	30,498	36.6%	1,075	3.7%
Non-Current Liabilities	9,103	11.7%	7,447	8.9%	-1,656	-18.2%
Shareholders' Equity	39,241	50.5%	45,492	54.5%	6,251	15.9%
Debt	25,785		23,898			
Net debt	14,136		12,163			
Liability Ratio		98.2%		83.4%		
Net Worth to Assets		50.5%		54.5%		
Net Debt Ratio		36.0%		26.7%		

Appendix. F/S – Korea B/S

[100 Million KRW]

	2013		2014		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	46,560	100.0%	50,744	100.0%	4,184	9.0%
Current Assets	22,881	49.1%	24,287	47.9%	1,406	6.1%
cashable assets	8,321	17.9%	5,562	11.0%	-2,759	-33.2%
Account receivable	9,892	21.2%	9,939	19.6%	47	0.5%
Inventories	4,552	9.8%	3,970	7.8%	-582	-12.8%
Non-current Assets	23,679	50.9%	26,457	52.1%	2,778	11.7%
Tangible assets	13,775	29.6%	13,921	27.4%	146	1.1%
Liabilities	15,908	34.2%	16,679	32.9%	771	4.8%
Current Liabilities	12,938	27.8%	14,300	28.2%	1,362	10.5%
Non-Current Liabilities	2,970	6.4%	2,379	4.7%	-591	-19.9%
Shareholders' Equity	30,652	65.8%	34,065	67.1%	3,413	11.1%

Appendix. F/S – China B/S

[Mil RMB]

	2013		2014		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	17,737	100.0%	18,484	100.0%	747	4.2%
Current Assets	7,849	44.3%	7,926	42.9%	76	1.0%
Account receivable	5,229	29.5%	4,299	23.3%	-931	-17.8%
Inventories	1,539	8.7%	1,520	8.2%	-19	-1.2%
Non-current Assets	9,888	55.7%	10,558	57.1%	671	6.8%
Tangible assets	7,654	43.2%	8,081	43.7%	426	5.6%
Liabilities	10,321	58.2%	9,614	52.0%	-708	-6.9%
Current Liabilities	9,288	52.4%	8,304	44.9%	-984	-10.6%
Non-Current Liabilities	1,034	5.8%	1,310	7.1%	276	26.7%
Shareholders' Equity	7,416	41.8%	8,870	48.0%	1,455	19.6%

Appendix. F/S – Hungary B/S

[Mil HUF]

	2013		2014		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	262,384	100.0%	360,153	100.0%	97,769	37.3%
Current Assets	164,526	62.7%	204,874	56.9%	40,347	24.5%
Account receivable	58,792	22.4%	68,825	19.1%	10,033	17.1%
Inventories	25,580	9.7%	30,578	8.5%	4,997	19.5%
Non-current Assets	97,858	37.3%	155,279	43.1%	57,421	58.7%
Tangible assets	97,814	37.3%	155,238	43.1%	57,424	58.7%
Liabilities	163,935	62.5%	227,002	63.0%	63,067	38.5%
Current Liabilities	131,579	50.1%	204,959	56.9%	73,380	55.8%
Non-Current Liabilities	32,356	12.3%	22,042	6.1%	-10,313	-31.9%
Shareholders' Equity	98,449	37.5%	133,151	37.0%	34,702	35.2%

Appendix. F/S – Indonesia B/S

[K USD]

	2013		2014		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	398,419	100.0%	623,482	100.0%	225,063	56.5%
Current Assets	83,300	20.9%	199,794	32.0%	116,494	139.8%
Cashable assets	2,540	0.6%	70,418	11.3%	67,878	2672.3%
Account receivable	13,840	3.5%	22,437	3.6%	8,597	62.1%
Inventories	39,813	10.0%	35,013	5.6%	-4,800	-12.1%
Non-current Assets	315,119	79.1%	423,688	68.0%	108,569	34.5%
Tangible assets	281,610	70.7%	391,778	62.8%	110,168	39.1%
Liabilities	283,452	71.1%	341,415	54.8%	57,963	20.4%
Current Liabilities	61,310	15.4%	88,641	14.2%	27,331	44.6%
Non-Current Liabilities	222,142	55.8%	252,774	40.5%	30,632	13.8%
Shareholders' Equity	114,967	28.9%	282,068	45.2%	167,100	145.3%

Appendix. F/S – Consolidated I/S

[100 Million KRW]

]	2013 4Q		2014 3Q		2014 4Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	17,179	100.0%	17,155	100.0%	16,281	100.0%	-5.2%	-5.1%
COGS	11,065	64.4%	11,019	64.2%	10,119	62.2%	-8.5%	-8.2%
Gross Profit	6,114	35.6%	6,136	35.8%	6,162	37.8%	0.8%	0.4%
SG&A	3,566	20.8%	3,377	19.7%	3,724	22.9%	4.4%	10.3%
Operating Profit	2,548	14.8%	2,759	16.1%	2,438	15.0%	-4.3%	-11.6%
Other Revenue	365	2.1%	495	2.9%	465	2.9%	27.2%	-6.1%
Other Expense	511	3.0%	693	4.0%	799	4.9%	56.3%	15.3%
Financial Revenue	110	0.6%	192	1.1%	233	1.4%	112.1%	21.4%
Financial Expense	215	1.3%	238	1.4%	296	1.8%	37.6%	24.4%
Income Before Income Tax	2,297	13.4%	2,515	14.7%	2,041	12.5%	-11.2%	-18.8%
EBITDA	3,467	20.2%	3,713	21.6%	3,544	21.8%	2.2%	-4.6%
Depreciation	919	5.3%	954	5.6%	1,106	6.8%	20.3%	15.9%

Appendix. F/S – Korea I/S (IFRS)

[100 Million KRW]

	2013 4Q		2014 3Q		2014 4Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	10,093	100.0%	8,900	100.0%	9,072	100.0%	-10.1%	1.9%
COGS	6,850	67.9%	5,971	67.1%	6,042	66.6%	-11.8%	1.2%
Gross Profit	3,243	32.1%	2,928	32.9%	3,030	33.4%	-6.6%	3.5%
SG&A	2,078	20.6%	1,882	21.1%	2,051	22.6%	-1.3%	9.0%
Operating Profit	1,165	11.5%	1,046	11.8%	979	10.8%	-16.0%	-6.4%
Other Revenue	776	7.7%	755	8.5%	650	7.2%	-16.3%	-13.9%
Other Expense	276	2.7%	530	6.0%	568	6.3%	105.6%	7.2%
Financial Revenue	33	0.3%	115	1.3%	215	2.4%	555.1%	87.0%
Financial Expense	101	1.0%	85	1.0%	118	1.3%	16.5%	38.8%
Income Before Income Tax	1,596	15.8%	1,301	14.6%	1,158	12.8%	-27.5%	-11.0%
EBITDA	1,689	16.7%	1,564	17.6%	1,531	16.9%	-9.4%	-2.1%
Depreciation	524	5.2%	516	5.8%	554	6.1%	5.7%	7.4%

Appendix. F/S – China B/S

[100 Million RMB]

	2013 4Q		2014 3Q		2014 4Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	27.59	100.0%	25.17	100.0%	23.49	100.0%	-14.9%	-6.7%
COGS	19.39	70.3%	18.37	73.0%	17.01	72.4%	-12.3%	-7.4%
Gross Profit	8.20	29.7%	6.80	27.0%	6.48	27.6%	-21.0%	-4.7%
SG&A	4.88	17.7%	4.72	18.8%	4.38	18.6%	-10.2%	-7.2%
Operating Profit	3.32	12.0%	2.08	8.3%	2.09	8.9%	-37.1%	0.7%
Other Revenue	0.69	2.5%	0.88	3.5%	2.19	9.3%	217.4%	148.1%
Other Expense	0.57	2.1%	1.22	4.8%	0.96	4.1%	68.4%	-21.3%
Financial Revenue	0.89	3.2%	0.13	0.5%	0.19	0.8%	-78.7%	48.2%
Financial Expense	1.06	3.8%	0.52	2.1%	0.38	1.6%	-64.2%	-26.7%
Income Before Income Tax	3.27	11.9%	1.35	5.4%	3.13	13.3%	-4.4%	131.9%
E B I T D A	5.18	18.8%	3.82	15.2%	3.85	16.4%	-25.6%	0.9%
Depreciation	1.85	6.7%	1.74	6.9%	1.76	7.5%	-5.0%	1.1%

Appendix. F/S – Hungary I/S (IFRS)

[100 Million HUF]

	2013 4Q		2014 3Q		2014 4Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	392.05	100.0%	435.53	100.0%	409.12	100.0%	4.4%	-6.1%
COGS	281.04	71.7%	291.25	66.9%	264.40	64.6%	-5.9%	-9.2%
Gross Profit	111.01	28.3%	144.29	33.1%	144.72	35.4%	30.4%	0.3%
SG&A	42.57	10.9%	50.74	11.7%	47.79	11.7%	12.3%	-5.8%
Operating Profit	68.44	17.5%	93.54	21.5%	96.93	23.7%	41.6%	3.6%
Other Revenue	4.30	1.1%	4.89	1.1%	15.19	3.7%	253.1%	210.7%
Other Expense	5.70	1.5%	6.15	1.4%	8.12	2.0%	42.4%	32.1%
Financial Revenue	4.33	1.1%	3.53	0.8%	6.51	1.6%	50.3%	84.6%
Financial Expense	5.70	1.5%	7.42	1.7%	28.22	6.9%	395.2%	280.1%
Income Before Income Tax	65.67	16.8%	88.38	20.3%	82.29	20.1%	25.3%	-6.9%
E B I T D A	115.19	29.4%	134.99	31.0%	133.69	32.7%	16.1%	-1.0%
Depreciation	46.74	11.9%	41.45	9.5%	36.76	9.0%	-21.4%	-11.3%

Appendix. F/S – Indonesia I/S (IFRS)

[Mil USD]

	2013 4Q		2014 3Q		2014 4Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	62.10	100.0%	57.21	100.0%	65.19	100.0%	5.0%	13.9%
COGS	41.76	67.2%	40.67	71.1%	45.42	69.7%	8.8%	11.7%
Gross Profit	20.34	32.8%	16.55	28.9%	19.77	30.3%	-2.8%	19.5%
SG&A	11.01	17.7%	10.02	17.5%	11.31	17.3%	2.7%	12.9%
Operating Profit	9.33	15.0%	6.53	11.4%	8.46	13.0%	-9.3%	29.5%
Other Revenue	0.45	0.7%	3.80	6.6%	0.34	0.5%	-23.8%	-91.0%
Other Expense	1.30	2.1%	3.88	6.8%	0.50	0.8%	-61.5%	-87.1%
Financial Revenue	0.11	0.2%	0.42	0.7%	0.27	0.4%	154.7%	-35.2%
Financial Expense	1.77	2.9%	1.75	3.1%	1.30	2.0%	-26.6%	-25.8%
Income Before Income Tax	6.81	11.0%	5.11	8.9%	7.26	11.1%	6.6%	42.0%
E B I T D A	14.49	23.3%	12.09	21.1%	14.48	22.2%	-0.1%	19.8%
Depreciation	5.17	8.3%	5.55	9.7%	6.02	9.2%	16.6%	8.5%