

# *2009 Hankook Tire 3rd Quarter Result*

IR  
2009.10.20

English Ver.



 **Hankook**  
driving emotion

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, the 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.

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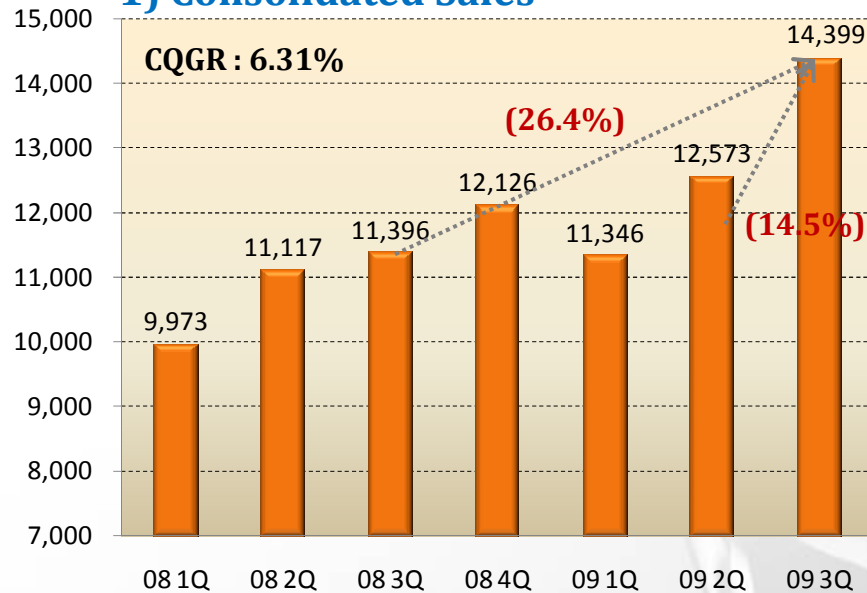
# I. Consolidated Result



## 1. Consolidated Sales & Operating Profit Trend

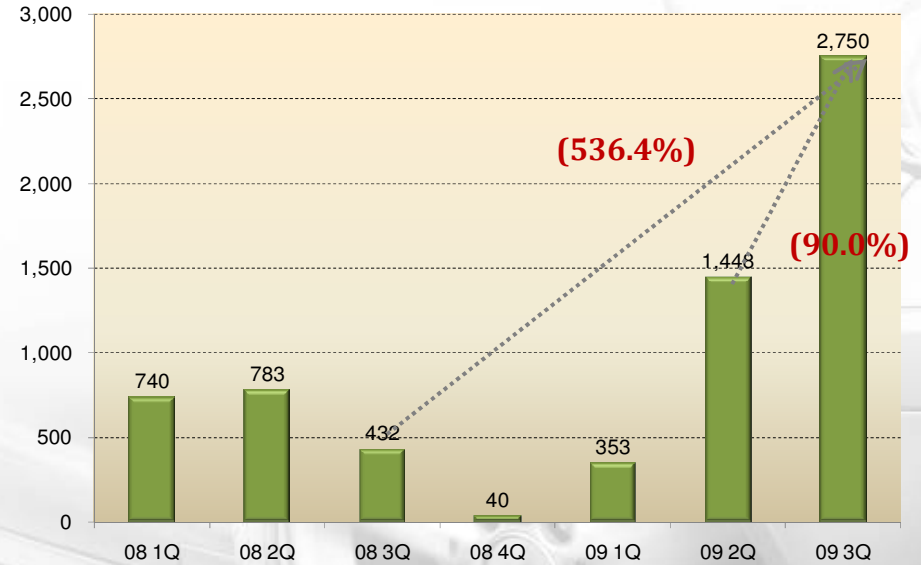
[Unit:100Mil,KRW]

### 1) Consolidated Sales



CQGR : Compound Quarterly Growth Rate

### 2) Consolidated Operating Profit



Gross Sales Improved 14.5% QoQ , 26.4% YoY, thanks to fully utilized production rate and strong demand from OE/RE market

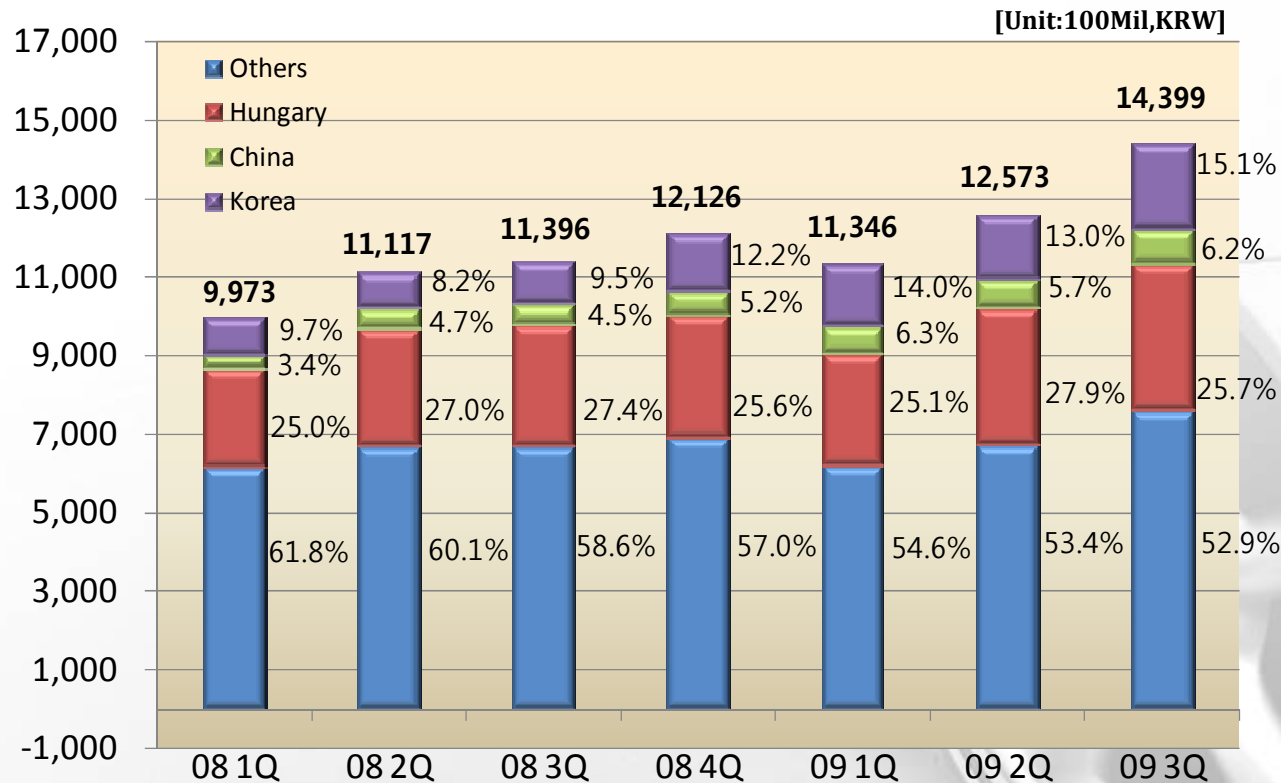
O.P Improved 90.0% QoQ, 536.4% yoy, due to eased fixed cost portion and lowest raw material input price level within 5years

# I. Consolidated Result



## 2. Consolidated Sales and O.P Contributions from each subs.

### 1) Consolidated Sales Contributions from each Subs.



Solid parent (Korea) sales and O.P continues to support Consolidated result due to Maximized scale and highest productivity in tire industry

※ Notice: In p.6~p.7 charts, company used quarterly average F/X rate to convert to KRW based figures from CNY and HUF . Those figures may not be technically matched to Korean GAAP based result.

# I. Consolidated Result



## 2. Consolidated Sales and O.P Contributions from each subs.

### 2) Consolidated O.P Contributions from each Subs.

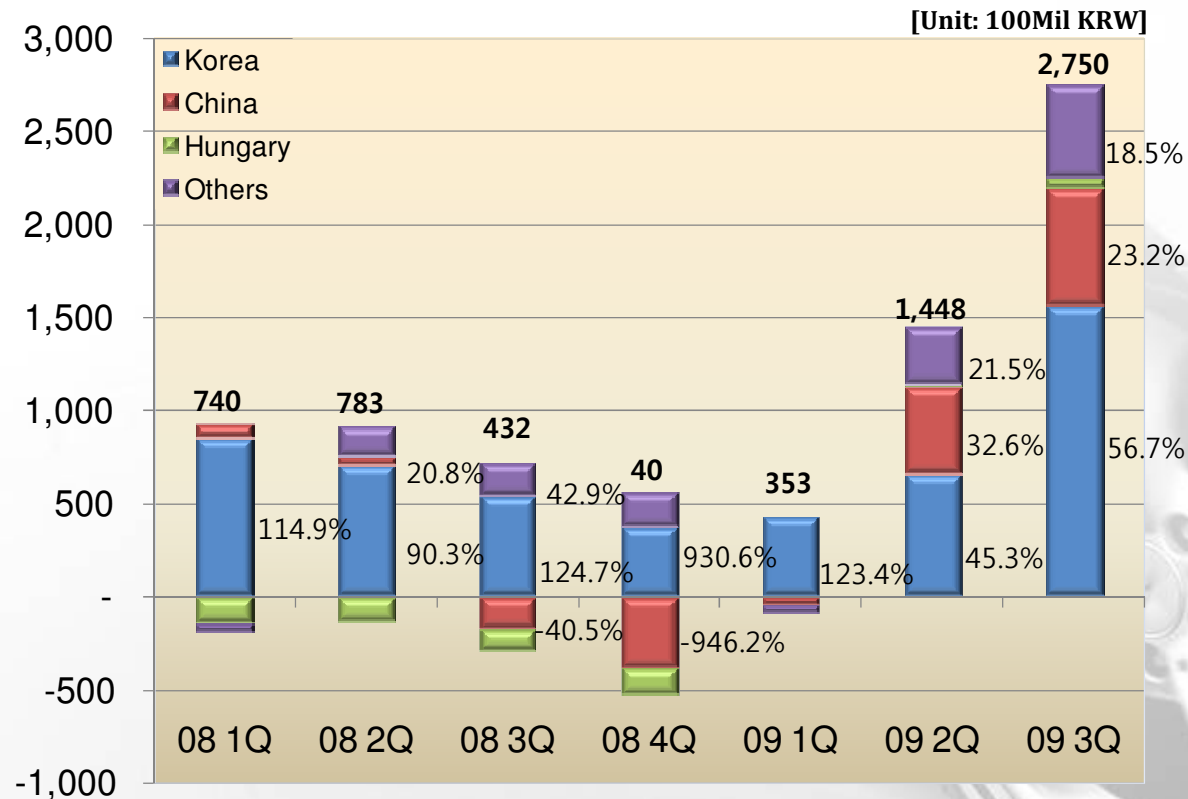


Figure % = Subs' O.P / Consolidated O.P \* 100  
 Figure # = Consolidated O.P

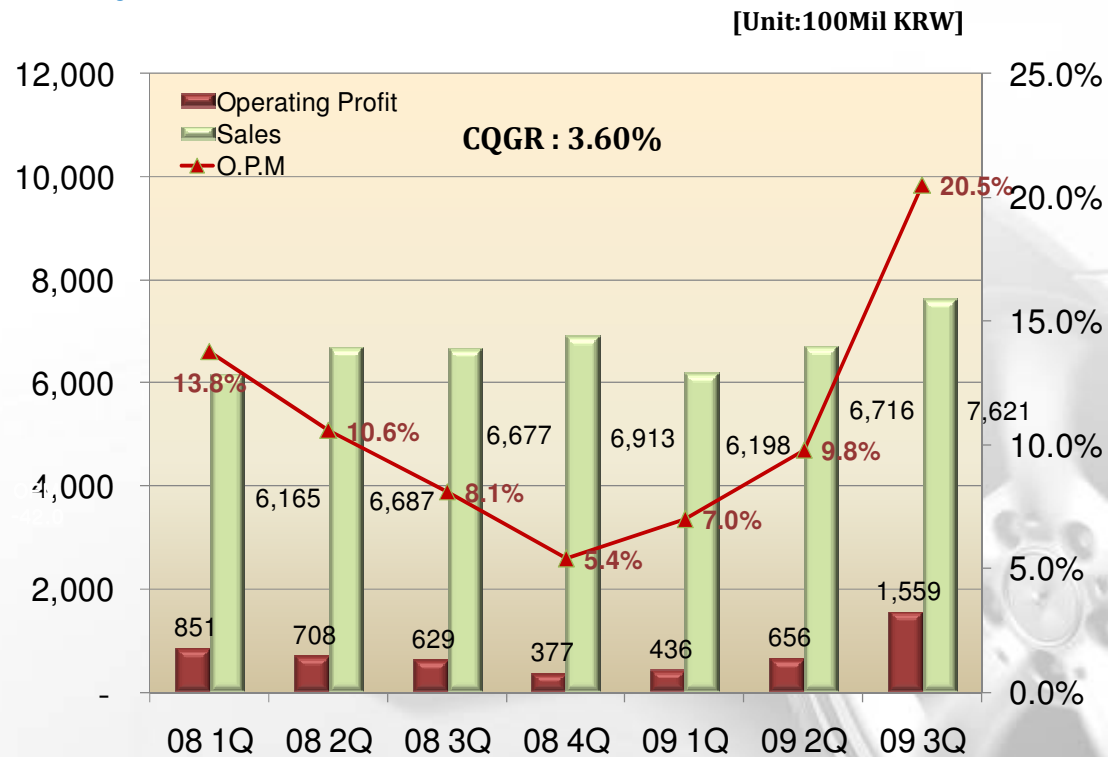


# I. Consolidated Result



## 3. Korea, China, Hungary "Sales" and O.P trend

### 1) Korea Quarterly Results



CQGR : Compound Quarterly Growth Rate

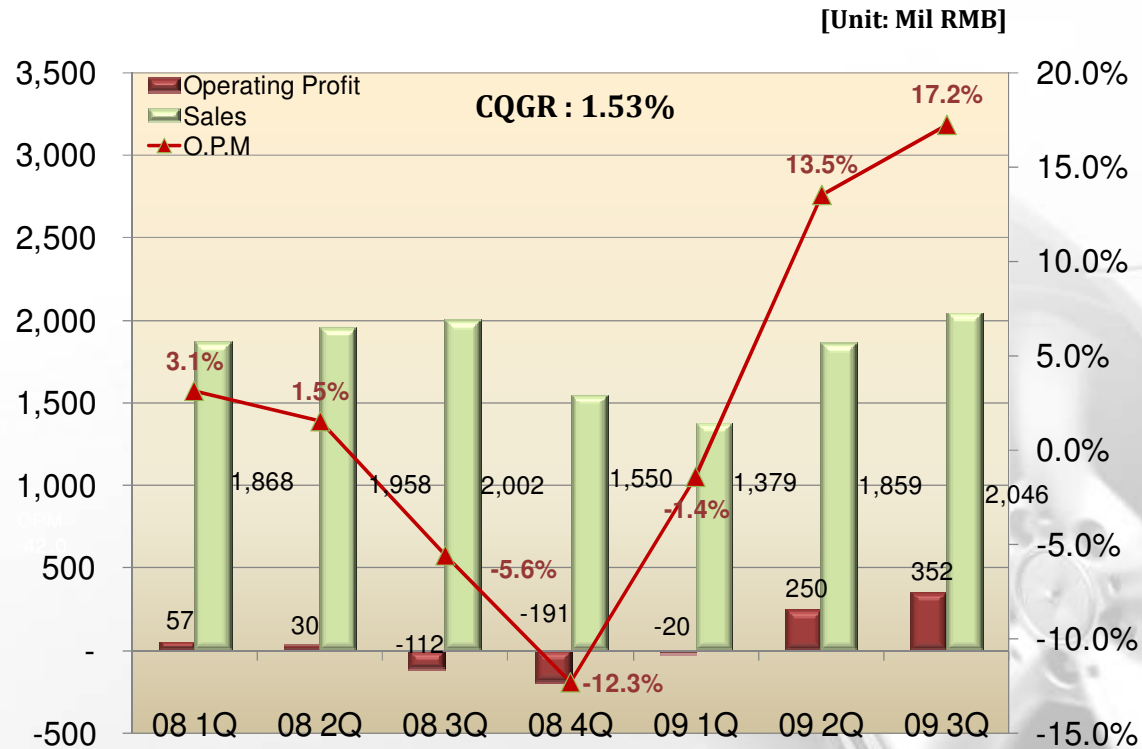


# I. Consolidated Result



## 3. Korea, China, Hungary "Sales" and O.P trend

### 2) China Quarterly Results

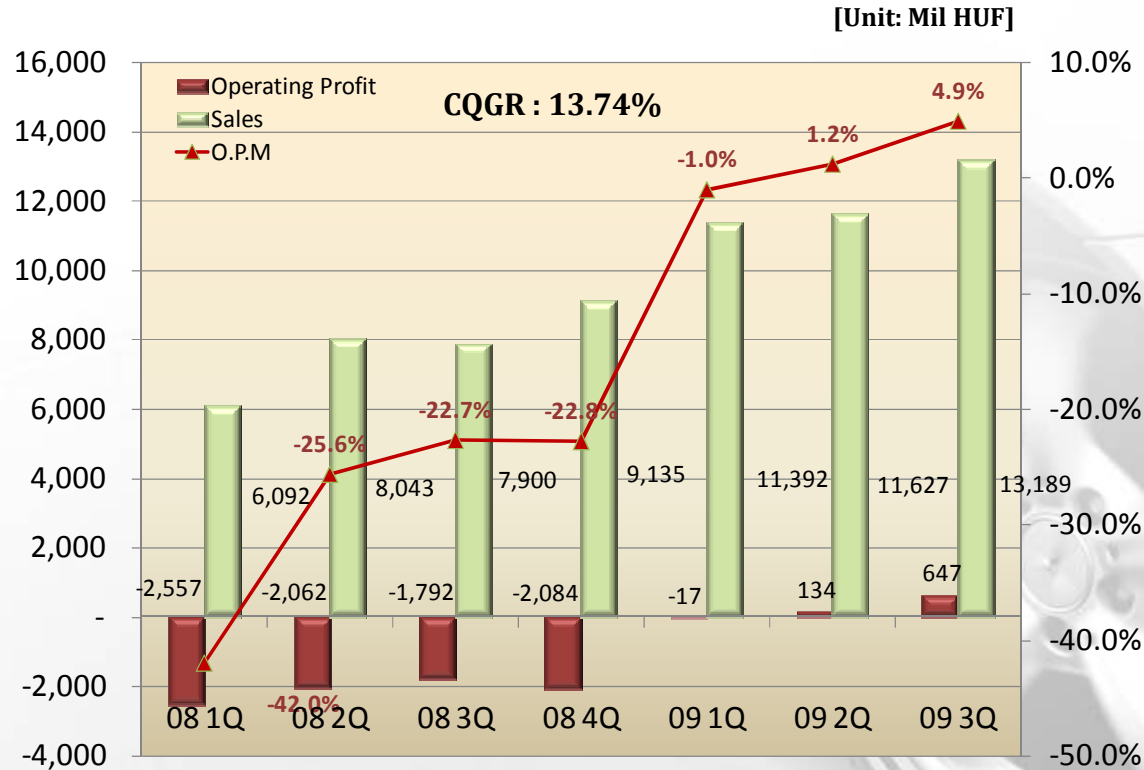


# I. Consolidated Result



## 3. Korea, China, Hungary "Sales" and O.P trend

### 3) Hungary Quarterly Results



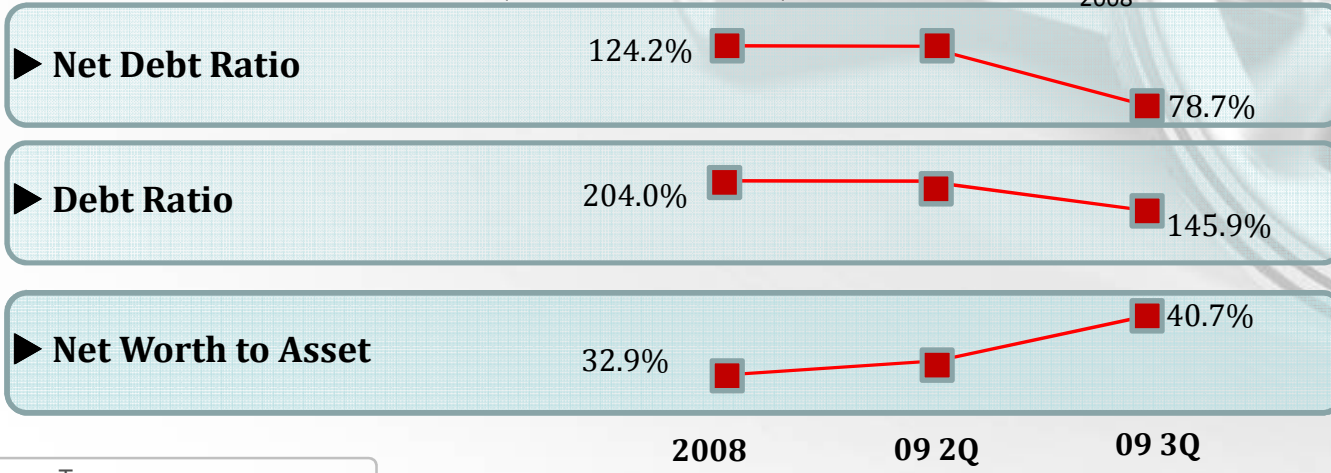
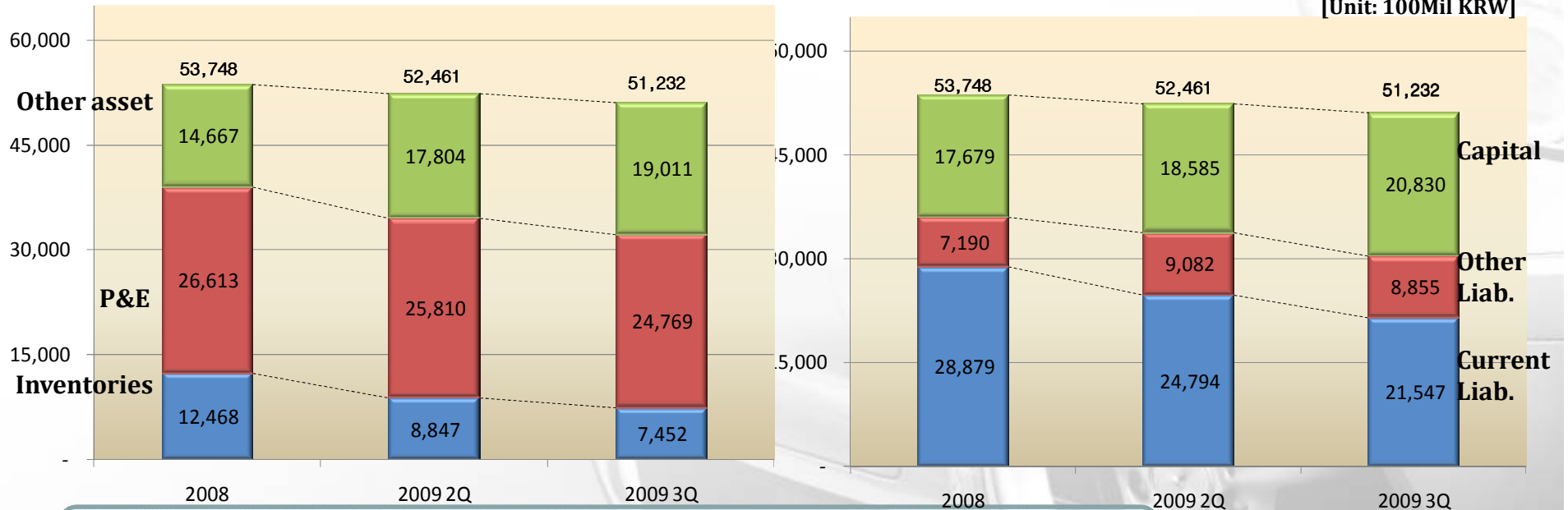
# I. Consolidated Result



## 4. Consolidated Asset, Liabilities and Capital

### 1) Asset

### 2) Liabilities and Capital

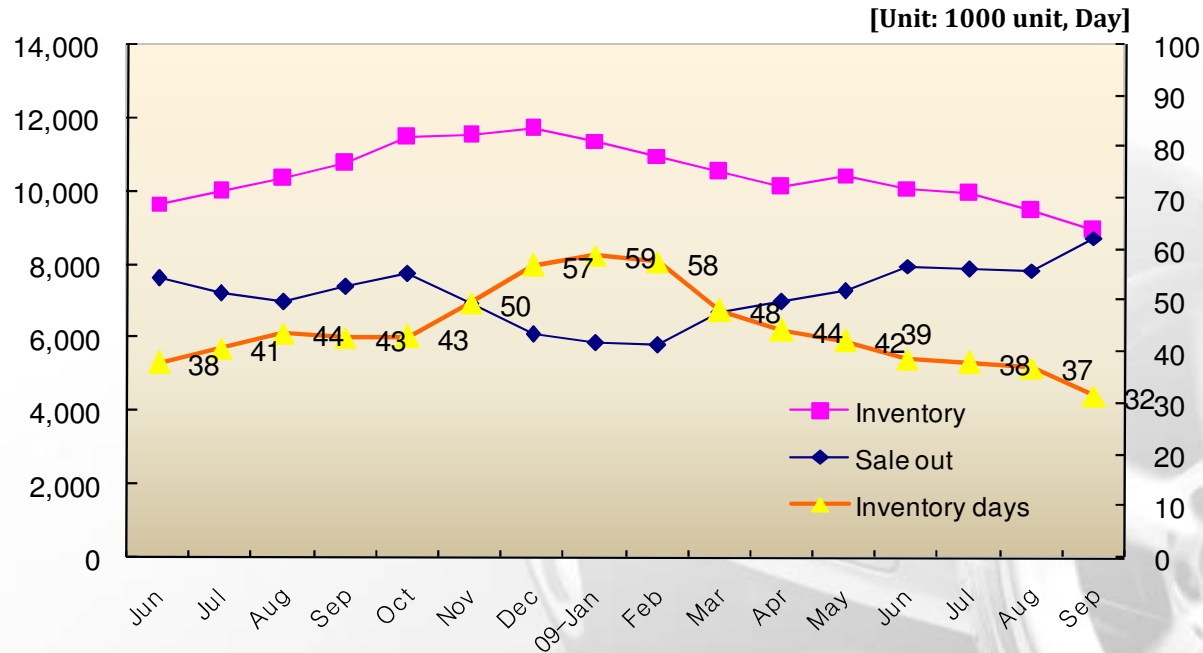


# I. Consolidated Result



## 5. Global Inventories and Capacity Utilization Rate

### 1) Global Inventory Index



As of end of Sep, monthly Sale-out unit almost hit 2 month average global inventory unit due to strong global demand.

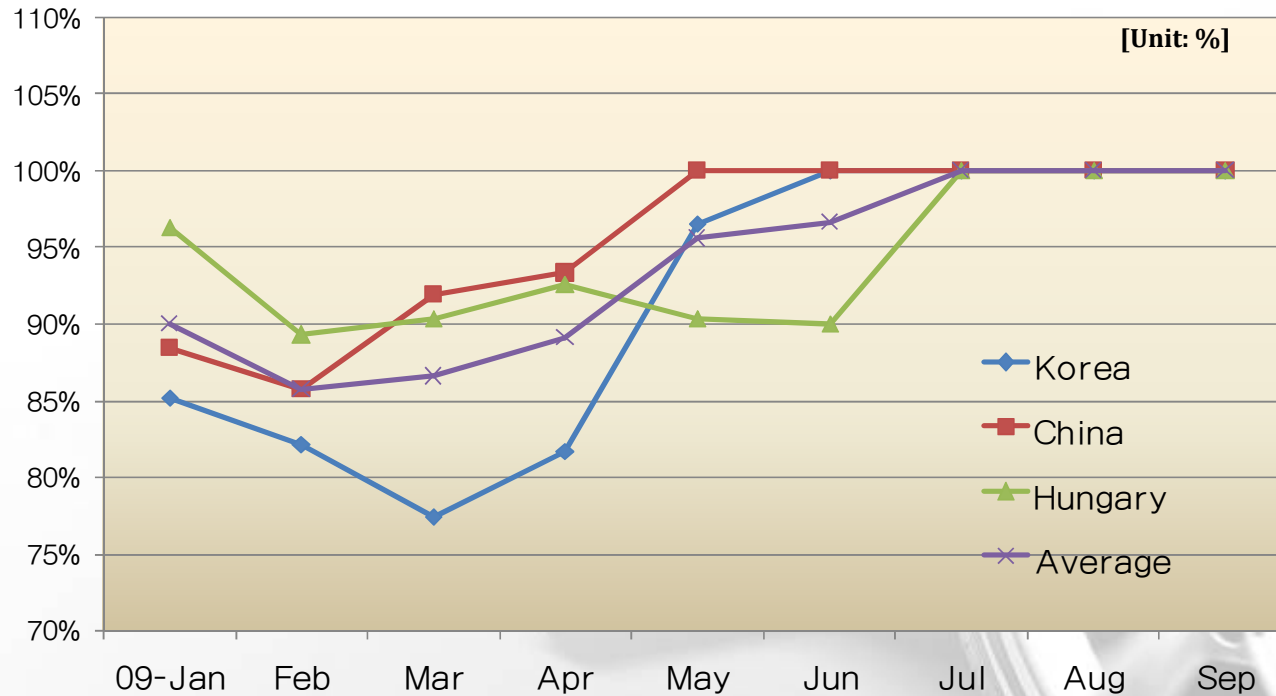
32 Inventory day is in lowest level in last 20 months

# I. Consolidated Result



## 5. Global Inventories and Capacity Utilization Rate

### 2) Global Capacity Utilization Rate



From 09 Jul., each global plants hit 100% capa-utilization rate

# I. Consolidated Result



## 6. F/X Position - Global tire Production Bases

[Unit : Mil USD]

Currency	Korea			China			Hungary	
	USD	EUR,GBP,CHF, SEK,NOK	AUD,NZD,JPY, RUB,CAD	USD	EUR,GBP,CHF, SEK,NOK	AUD,NZD,JPY, RUB,CAD	USD	EUR,GBP,CHF, SEK,NOK
In Cash Flow	-5.3	335.4	106.3	68.6	69.3	24.9	-7.3	-30.5
In B/S	-92.0	-99.1	17.0	-407.4	29.5	8.9	-4.4	-290.3
Total	-97.3	236.3	123.3	-338.8	98.8	33.7	-11.7	-320.8

	08 3Q	09 2Q	09 3Q
USD/RMB	6.83973	6.82987	6.83110
USD/KRW	1,068	1,289	1,236
EUR/KRW	1,539	1,766	1,769
EUR/HUF	236.11	285.25	271.15
HUF/KRW	6.518	6.191	6.524

※ Notice: This page doesn't show full y consolidated company result.  
The chart shows cash flows from Korea, China and Hungary production basis excluding non-tire segment and overseas sales subsidiaries

***I. Consolidated Result***

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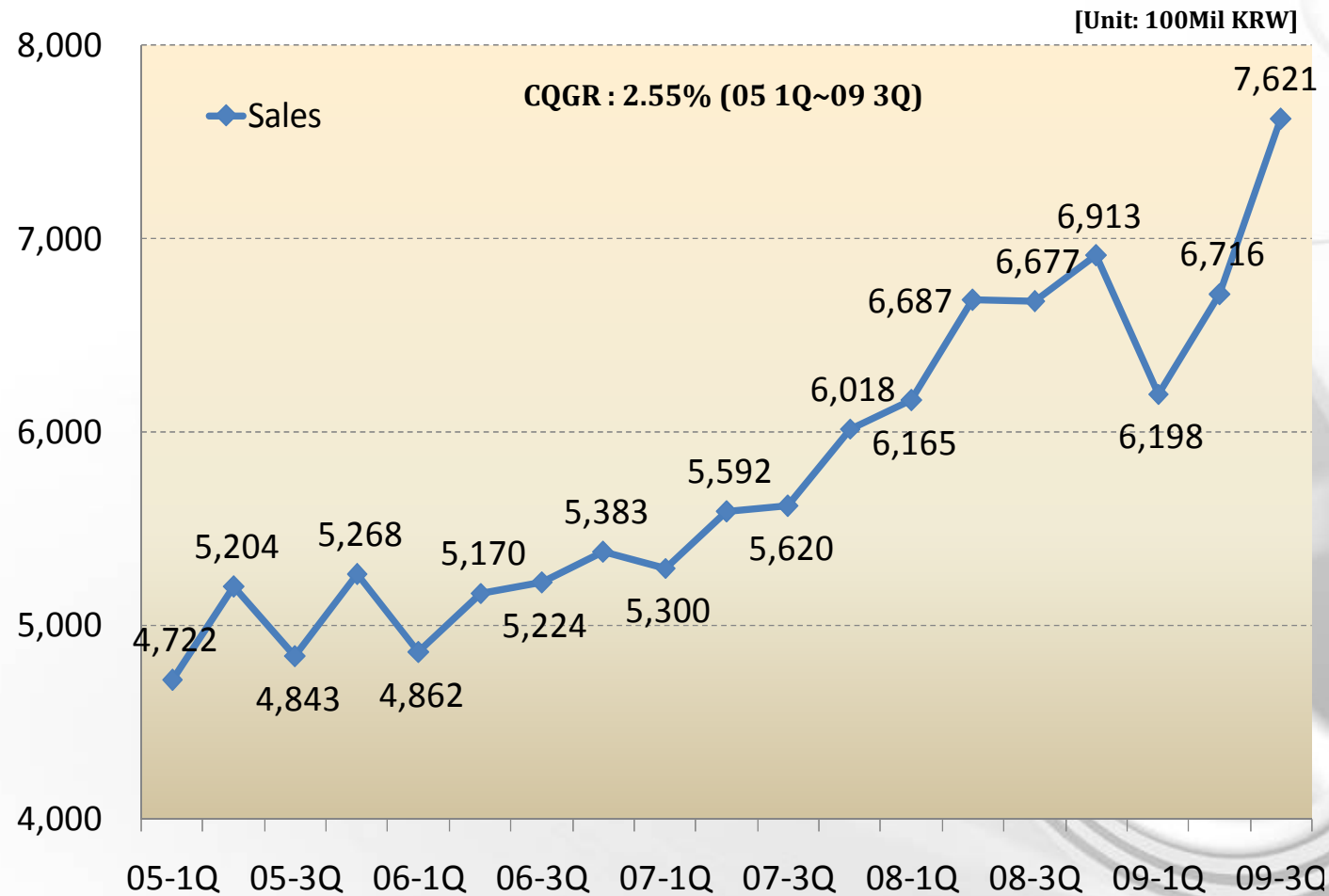


## II. Parent Result



### 1. Sales, Operating Profit and Ordinary Profit Trends\_5year

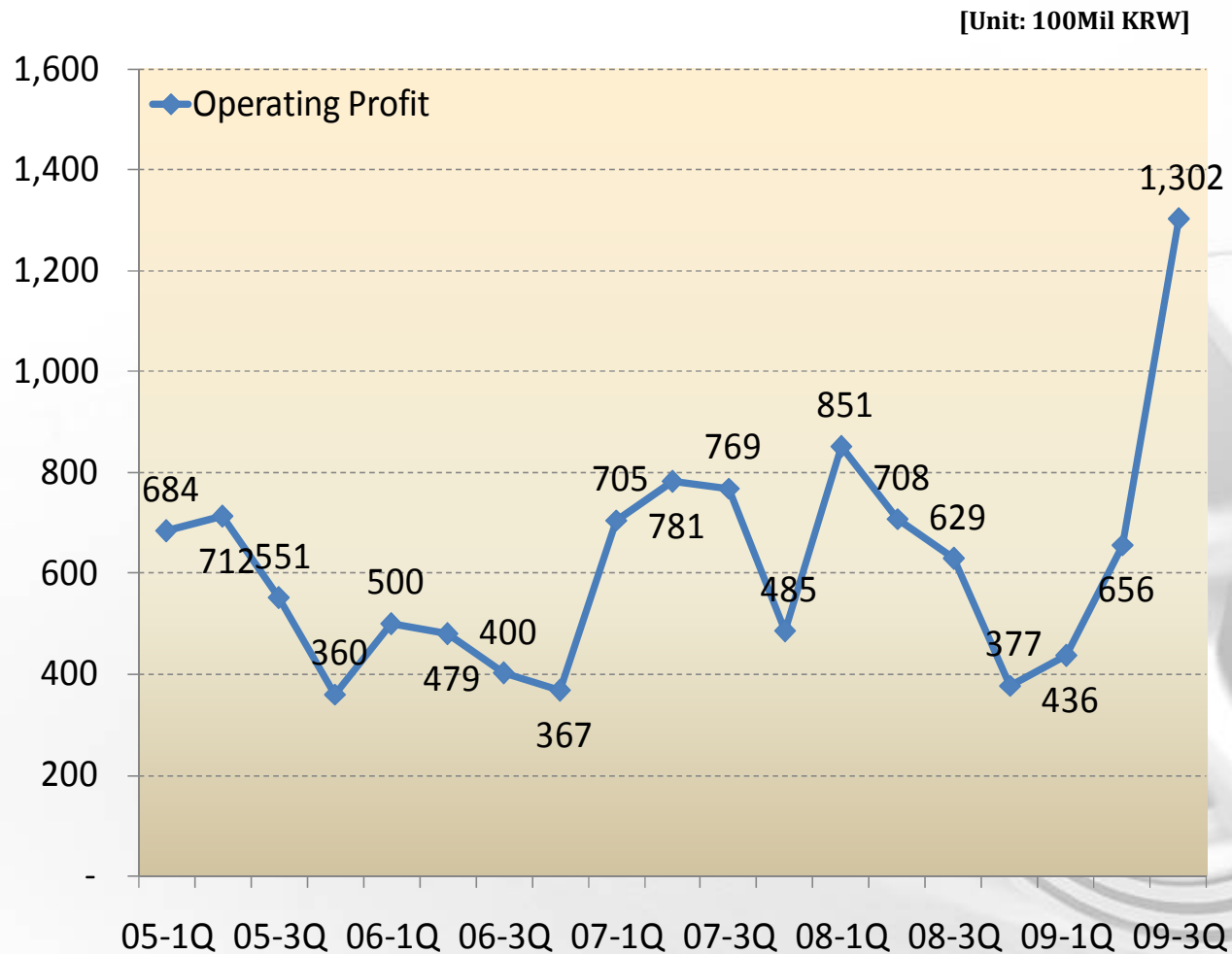
#### 1) Sales Trend\_5years



## II. Parent Result

### 1. Sales, Operating Profit and Ordinary Profit Trends\_5year

#### 2) Operating Profit Trend\_5years



## II. Parent Result



### 2. Sales Breakdown by region and UHPT Sales

#### 1) Sales Breakdown by Region

[Unit:100 Mil KRW]

	2008 3Q		2009 2Q		2009 3Q		YoY (%)	QoQ (%)
	AMT.	%	AMT.	%	AMT.	%		
<b>Export</b>	4,841	72.5	4,681	69.7	5,173	67.9	6.9	10.5
N.America	1,263	18.9	1,407	20.9	1,601	21.0	26.7	13.8
Europe	1,359	20.3	1,253	18.7	1,497	19.6	10.2	19.5
Others	1,710	25.6	1,609	24.0	1,624	21.3	-5.0	1.0
OE Local	509	7.6	413	6.2	452	5.9	-11.3	9.3
<b>Domestic</b>	1,836	27.5	2,035	30.3	2,448	32.1	33.3	20.3
<b>Total</b>	6,677	100	6,716	100	7,621	100	14.1	13.5

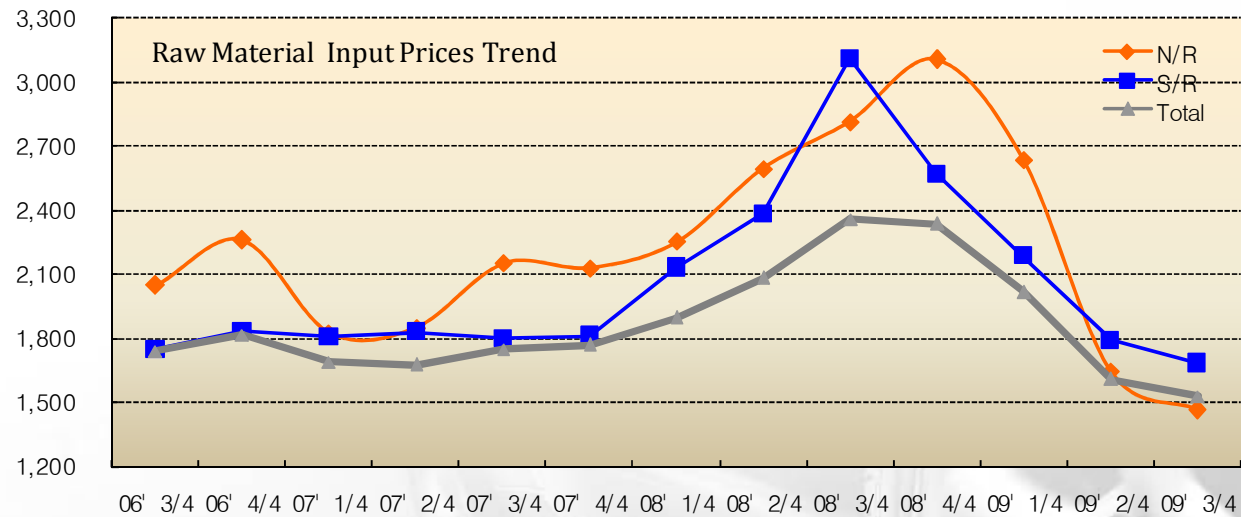
#### 2) UHPT Sales

[Unit:100 Mil KRW, '000unit]

	2008 3Q		2009 2Q		2009 3Q		YoY (%)	QoQ (%)
	AMT.	%	AMT.	%	AMT.	%		
Sales	6,687	100.0	6,716	100.0	7,621	100.0	14.0	13.5
<b>UHPT Sales</b>	1,048	15.7	1,131	16.8	1,238	16.3	18.2	9.5
Domestic	121	11.6	213	18.9	234	18.9	92.8	9.8
N.America	408	38.9	384	33.9	386	31.1	-5.5	0.5
Europe	301	28.8	316	27.9	401	32.3	32.9	26.8
Others	217	20.7	218	19.3	218	17.6	0.6	0.0
UHPT Sales	1,709		1,600		1,723		0.9	7.7

## II. Parent Result

### 3. Raw Material Price Trend



[Unit:USD/ton]

	2008 3Q	2009 2Q	2009 3Q	YoY (%)	QoQ (%)
N/R	2,816	1,644	1,465	-48.0	-10.9
S/R	3,112	1,791	1,683	-45.9	-6.0
C/B	1,333	868	910	-31.7	4.8
T/C	4,552	4,414	4,345	-4.5	-1.6
S/C	2,082	2,016	1,915	-8.0	-5.0
Others	1,946	1,644	1,599	-17.8	-2.7
W-Average	2,358	1,608	1,529	-35.2	-4.9

## II. Parent Result



### 4. Major Equity Method Gain and Loss

[100 mil KRW]

	08 1Q	08 2Q	08 3Q	08 4Q	09 1Q	09 2Q	09 3Q
<b>Tire</b>	<b>-363</b>	<b>-64</b>	<b>-673</b>	<b>-1,081</b>	<b>-507</b>	<b>-36</b>	<b>466</b>
China	89	-58	-282	-674	-355	76	378
Euro Holdings(Hungary)	-382	1	-381	-304	0	-227	-5
Sales Subsidiaries	-70	-8	-9	-103	-151	115	92
<b>Non-Tire</b>	<b>36</b>	<b>53</b>	<b>23</b>	<b>80</b>	<b>48</b>	<b>35</b>	<b>31</b>
<b>Total</b>	<b>-291</b>	<b>-12</b>	<b>-650</b>	<b>-1,002</b>	<b>-449</b>	<b>-2</b>	<b>497</b>

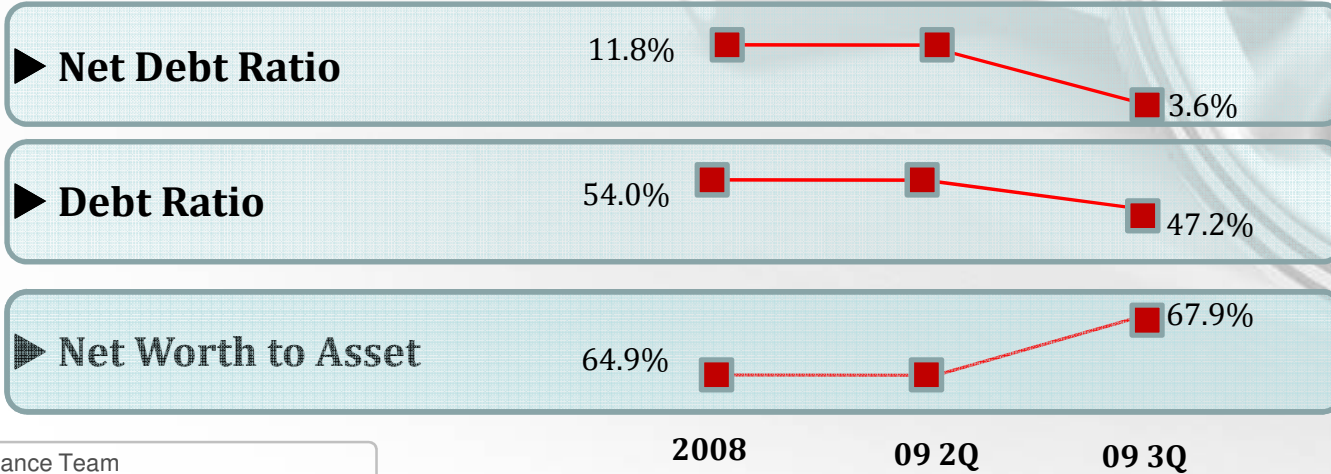
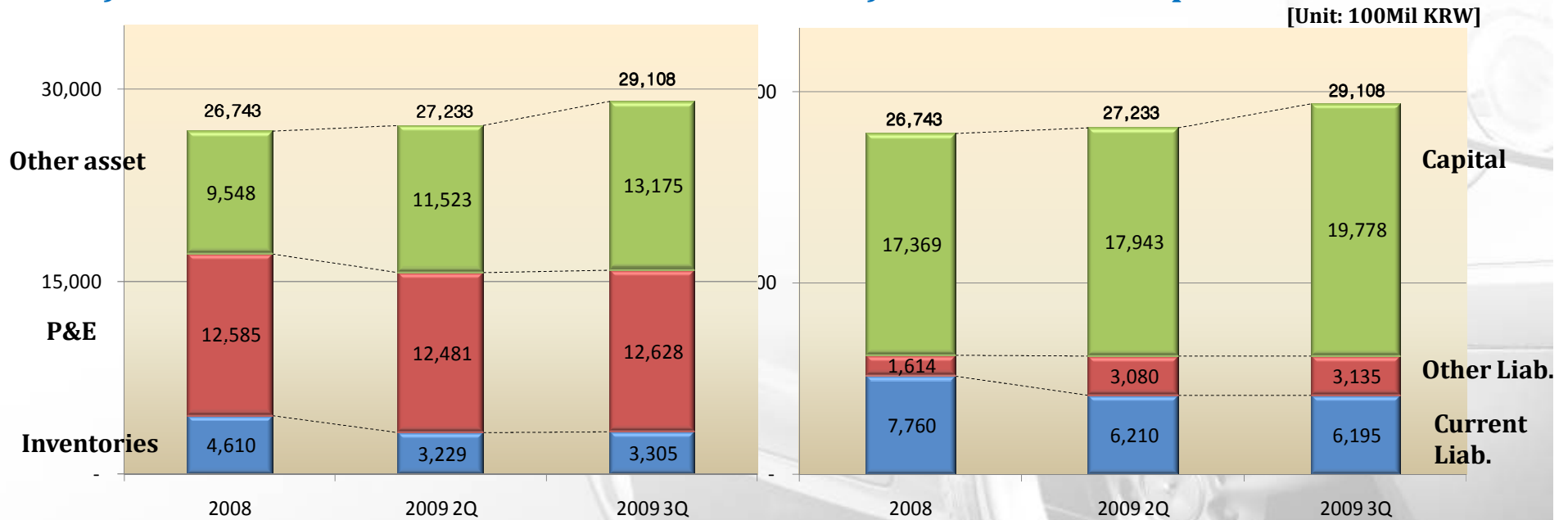
## II. Parent Result



### 5. Parent Asset, Liabilities and Capital

#### 1) Asset

#### 2) Liabilities and Capital



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### **III. Current Issues**

#### **1. U.S Gov. add Import tariffs on 'made in China' tire**

As effective date of 26<sup>th</sup> Sep 2009, the U.S gov. started to add 35%p more tax on 'Made in China' PC and LT tires from the original tariff of 4%. Around 3.5M unit were scheduled to be shipped out to U.S market from China sub. this year.

To dodge this unfavorable condition, Company is rapidly reallocating sales regions and product between Korea and China production bases.

Company will do best putting it's effort on minimize 'U.S' China subsidiary's impact through price discipline , diversifying sales region and order reallocation.

#### **2. Raw Material Price rebound s**

Despite of not-fully recovered demand for natural rubber , N/R Price has been currently risen to USD 2,200 level .

The Indonesian earthquake at the end of Sep is impacting on shipment delay for export demand. Thailand Gov. has allocated some budget to increase the N/R price.

In India, severe drought has been driven price uptrend after monsoon season from Feb to May this year .

#### **3. Pricing strategy for up-coming quarters**

Within 4Q 09, company's global average sales price is expected to be increased to 3%~5% from the current price level through the favored product mix and product price hike in several sales regions .

Company estimates domestic China OE/RE ASP is continued to be stabilized thanks to the market growth rate and company's efforts to diversify customers .

#### **4. Business Expansion**

Korea - By 2010, 45mil. unit annual capacity will be ready to produce

Hungary - Additional 5mil. unit will be doubling its current capacity of 5 Mil unit.

In terms of this expansion, Company is budgeting 150bil. KRW for next year.

Other opportunities – Company is completing study about expansion to reach 100mil.

Global capacity target through greenfield plants or M&A in south Asian countries.

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## 1. Parent Income Statement

[Unit: 100 Mil KRW]

	2008 3Q		2009 2Q		2009 3Q		YoY (%)	QoQ (%)
	AMT.	%	AMT.	%	AMT.	%		
Sales	6,677	100.0	6,716	100.0	7,621	100.0	14.1	13.5
COGS	4,974	74.5	4,858	72.3	4,890	64.2	-1.7	0.7
Gross Profit	1,703	25.5	1,858	27.7	2,731	35.8	60.3	47.0
SG&A	1,165	17.4	1,201	17.9	1,171	15.4	0.6	-2.5
O.P margin	539	8.1	656	9.8	1,559	20.5	189.5	137.6
Non-operating	-703	-10.5	265	3.9	793	10.4	-	199.0
Ordinary Profit	-164	-2.5	922	13.7	2,352	30.9	-	155.3
EBITDA	998	14.9	1,054	15.7	1,987	26.1	99.1	88.5
Depreciation	459	6.9	398	5.9	428	5.6	-6.8	7.5

## IV. Appendix F/S



### 1. Parent Income Statement

[Unit:100 Mil KRW]

	2008 3Q (a)	2009 2Q	2009 3Q (b)	Diff. (b-a)
<b>SG&amp;A</b>				
Salaries	292	276	273	-20
Ocean Freight	258	186	184	-74
Product Warranty Expenses	13	38	20	7
Employee Benefits	41	29	37	-3
Export Sales Expenses	20	18	22	1
Depreciation	94	83	84	-10
Advertising Expenses	108	174	155	47
Others	338	397	397	59
<b>Total</b>	<b>1,165</b>	<b>1,201</b>	<b>1,171</b>	<b>7</b>
<b>Non-Operating</b>				
Equity Method gain/loss	-650	-2	497	1,147
Foreign Currency Transaction	81	119	22	-59
Foreign Exchange Transaction	-299	-26	51	350
Import Royalty	172	204	213	41
Others	-7	-17	9	16
<b>Total</b>	<b>-703</b>	<b>277</b>	<b>793</b>	<b>1,496</b>

## 2. China Income Statement

[Unit: Mil RMB]

	2008 3Q		2009 2Q		2009 3Q		YoY (%)	QoQ (%)
	AMT.	%	AMT.	%	AMT.	%		
Sales	2,002	100.0	1,859	100.0	2,046	100.0	2.2	10.1
COGS	1,829	91.3	1,318	70.9	1,395	68.2	-23.7	5.9
Gross Profit	173	8.7	541	29.1	651	31.8	275.6	20.3
SG&A	285	14.3	289	15.6	299	14.6	4.8	3.4
O.P margin	-112	-5.6	252	13.5	352	17.2	-	39.8
Non-operating	-70	-3.5	-115	-6.2	-79	-3.8	-	-
Ordinary Profit	-182	-9.1	137	7.4	273	13.4	-	99.1
EBITDA	21	1.1	382	20.5	482	23.6	2172.1	26.3
Depreciation	133	6.7	130	7.0	130	6.4	-2.2	0.2

China GAAP

## 2. China Income Statement

[Unit: Mil RMB]

	2008 3Q (a)	2009 2Q	2009 3Q (b)	Diff. (b-a)
<b>SG&amp;A</b>	<b>285</b>	<b>289</b>	<b>299</b>	<b>14</b>
Salaries	31	18	27	-4
Sales Promotion	0	0	0	0
Royalty Expense	75	71	77	2
Cunsulting	12	14	16	4
Export Commission	31	20	23	-8
Depreciation	15	14	14	-2
Domestic Transportation Cost	38	40	44	6
Advertising Expenses	12	27	13	1
Others	72	85	86	14
<b>Non-Operating Gain &amp; Loss</b>	<b>-70</b>	<b>-115</b>	<b>-79</b>	<b>-8</b>
<b>Non-operating income</b>	<b>58</b>	<b>41</b>	<b>45</b>	<b>-13</b>
Foreign currency translation gain/loss	25	23	22	-3
Others	33	18	23	-10
<b>Non-operating expenses</b>	<b>129</b>	<b>156</b>	<b>124</b>	<b>-5</b>
Interest expense	64	70	59	-6
others	65	86	65	1
China GAAP				



## 3. Hungary Income Statement

[Unit: Mil HUF]

	2008 3Q		2009 2Q		2009 3Q		YoY (%)	QoQ (%)
	AMT.	%	AMT.	%	AMT.	%		
Sales	7,900	100.0	11,627	100.0	13,189	100.0	67.0	13.4
COGS	8,557	108.3	9,771	84.0	10,815	82.0	26.4	10.7
Gross Profit	-657	-8.3	1,857	16.0	2,374	18.0	-	27.8
SG&A	1,135	14.4	1,723	14.8	1,727	13.1	52.2	0.3
O.P margin	-1,792	-22.7	134	1.2	647	4.9	-	381.8
Non-operating	-2,384	-30.2	8,208	70.6	-154	-1.2	-	-101.9
Ordinary Profit	-4,176	-52.9	8,342	71.7	493	3.7	-	-94.1
EBITDA	564	7.1	2,517	21.6	3,063	23.2	442.7	21.7
Depreciation	2,357	29.8	2,383	20.5	2,416	18.3	2.5	1.4

Hungary GAAP

## 4. Consolidated Income Statement

[Unit: 100 Mil KRW]

	2008 3Q		2009 2Q		2009 3Q		YoY (%)	QoQ (%)
	AMT.	%	AMT.	%	AMT.	%		
Sales	11,396	100.0	12,573	100.0	14,399	100.0	26.4	14.5
COGS	8,817	77.4	8,837	70.3	9,558	66.4	8.4	8.2
Gross Profit	2,579	22.6	3,736	29.7	4,842	33.6	87.7	29.6
SG&A	2,147	18.8	2,288	18.2	2,092	14.5	-2.6	-8.6
O.P margin	432	3.8	1,448	11.5	2,750	19.1	536.4	90.0
Non-operating	-473	-4.1	403	3.2	-11	-0.1	-97.6	-
Ordinary Profit	-41	-0.4	1,850	14.7	2,738	19.0	-	48.0
EBITDA	1,527	13.4	2,363	18.8	3,757	26.1	146.0	59.0
Depreciation	1,095	9.6	915	7.3	1,007	7.0	-8.0	10.0

## 5. Parent Balance Sheet

[Unit:100 Mil KRW]

	End of 2008		2009 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	26,742	100.0	29,108	100.0	2,366	8.8
Current Assets	10,016	37.5	11,854	40.7	1,837	18.3
Quick Assets	5,406	20.2	8,549	29.4	3,142	58.1
Inventories	4,610	17.2	3,305	11.4	-1,305	-28.3
Non-current Asset	16,726	62.5	17,254	59.3	528	3.2
Investment Assets	4,085	15.3	4,534	15.6	448	11.0
Property&Equipment	12,585	47.1	12,628	43.4	43	0.3
Intangible Assets	55	0.2	92	0.3	37	66.4
<b>Liabilites</b>	9,374	35.1	9,330	32.1	-43	-0.5
Current Liabilities	7,760	29.0	6,195	21.3	-1,565	-20.2
Non-current Liabilities	1,614	6.0	3,135	10.8	1,521	94.2
<b>Capital</b>	17,369	64.9	19,778	67.9	2,409	13.9
Net Debt	2,049		703		-1,346	-65.7
Net Debt ratio		11.8%		3.6%		
Debt Ratio		54.0%		47.2%		
Net worth to Assets		64.9%		67.9%		

## 6. Consolidated Balance Sheet

[Unit:100 Mil KRW]

	End of 2008		2009 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	53,748	100.0	51,232	100.0	-2,516	-4.7
Current Assets	25,347	47.2	24,495	47.8	-852	-3.4
Quick Assets	12,879	24.0	17,044	33.3	4,164	32.3
Inventories	12,468	23.2	7,452	14.5	-5,016	-40.2
Non-current Asset	28,401	52.8	26,737	52.2	-1,664	-5.9
Investment Assets	1,579	2.9	1,736	3.4	156	9.9
Property&Equipment	26,613	49.5	24,769	48.3	-1,845	-6.9
Intangible Assets	208	0.4	233	0.5	25	11.8
<b>Liabilities</b>	36,069	67.1	30,402	59.3	-5,668	-15.7
Current Liabilities	28,879	53.7	21,547	42.1	-7,332	-25.4
Non-current Liabilities	7,190	13.4	8,855	17.3	1,664	23.1
<b>Capital</b>	17,679	32.9	20,830	40.7	3,152	17.8
Net Debt	21,949		16,403		-5,546	-25.3
Net Debt ratio		124.2%		78.7%		
Debt Ratio		204.0%		145.9%		
Net worth to Assets		32.9%		40.7%		

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