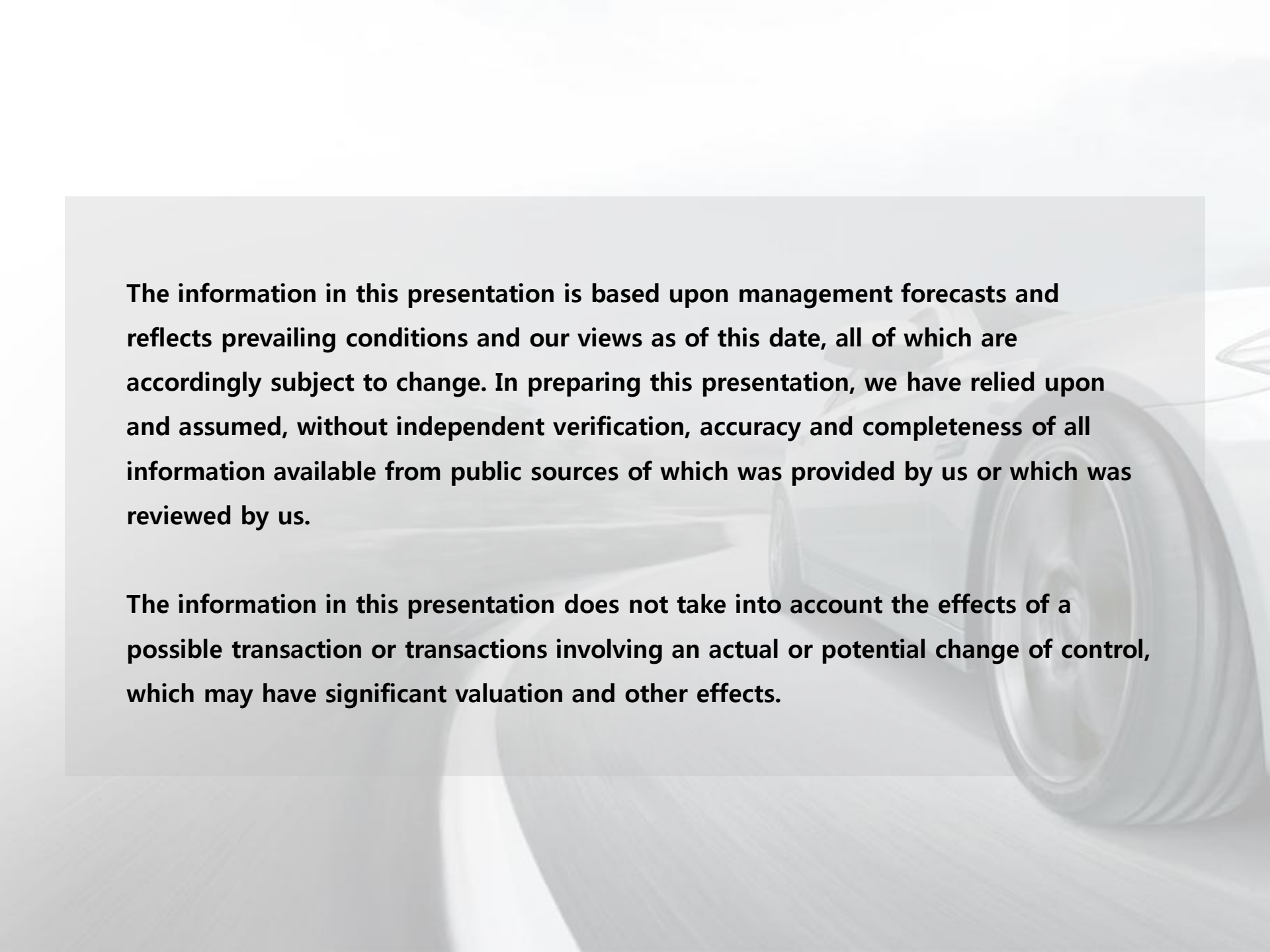


# 2015 Hankook Tire

## 3rd Quarter Result

2015. 11. 3



**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.**

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    - 3) **Stability : Raw Material Cost & Balance Sheet**
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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 rear wheel and part of the rear door are visible. The overall scene is in grayscale with a light blue tint.

A white convertible car is shown from a rear three-quarter view, driving on a road. The background is heavily blurred to convey a sense of speed. The car's top is down, and it has multi-spoke alloy wheels. The overall color palette is light and monochromatic, with various shades of gray and white.

## **2015 3Q Review & Financial Highlights**

# Financial Highlights

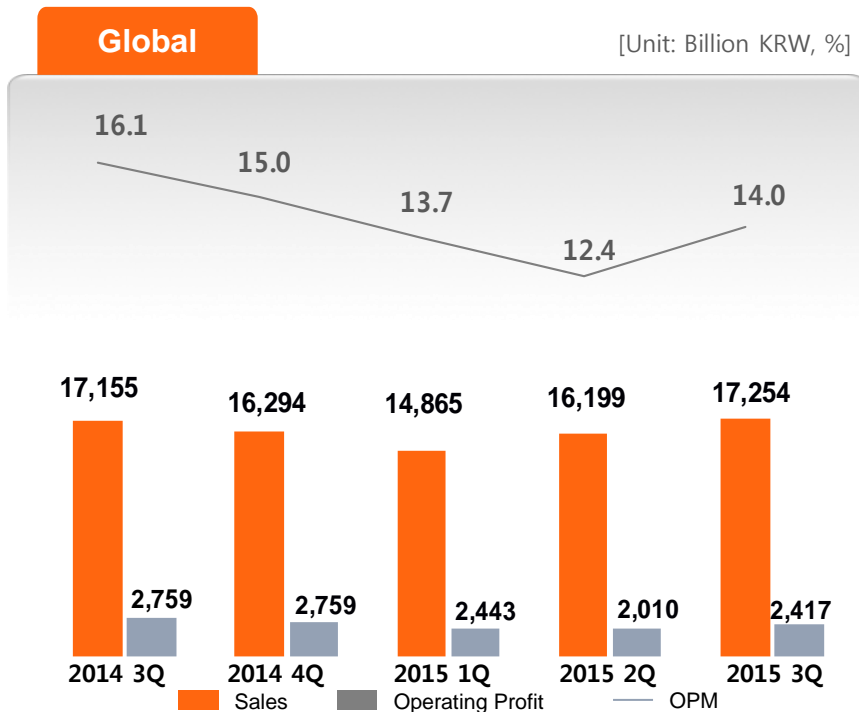
## 2015 3Q Global Performance (Consolidated)

[unit : Hundred Million KRW, %]

	2014 3Q	2015 2Q	2015 3Q	QoQ	YoY
Sales	17,154	16,199	17,254	6.5%	0.6%
COGS	11,019 <i>(64.2%)</i>	10,374 <i>(64.0%)</i>	11,062 <i>(64.1%)</i>	6.6%	0.4%
Operating Profit	2,759 <i>(16.1%)</i>	2,010 <i>(12.4%)</i>	2,417 <i>(14.0%)</i>	20.2%	-12.4%
Ordinary Profit	2,515 <i>(14.7%)</i>	1,932 <i>(11.9%)</i>	2,188 <i>(12.7%)</i>	13.3%	-13.0%
EBITDA	3,713 <i>(21.6%)</i>	3,163 <i>(19.5%)</i>	3,716 <i>(21.5%)</i>	17.5%	0.1%

# 1) Performance – Global

- **MKT:** Global market shows steady recovery, but competition remains high
- **HKT:** Due to volume growth and favorable F/X, 3Q revenues increased both QoQ and YoY



## 3Q Review

### 1. 3Q Results

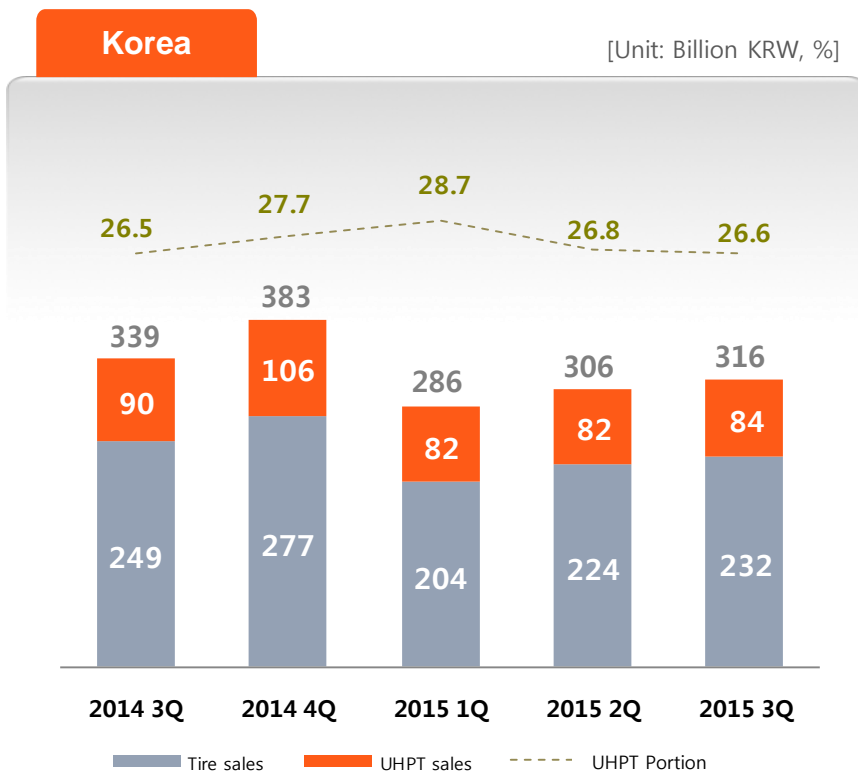
- Sales improvement mainly due to the increased sales in North America and the initiation of winter tire sales in main markets.
- However, the difficult situations in Chinese automotive market brought a decrease in OE sales.

### 2. 4Q Outlook

- Price competition expected to continue throughout the year, but the recovery of mature markets should slow down ASP downtrend and improve product mix

# 1) Performance – Korea

- **MKT: Unfavorable market situation; stagnated growth and intense competition continues**
- **HKT: Plans to strengthen competitiveness in Premium market and new OE business**



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

## 3Q Review

### 1. 3Q Results

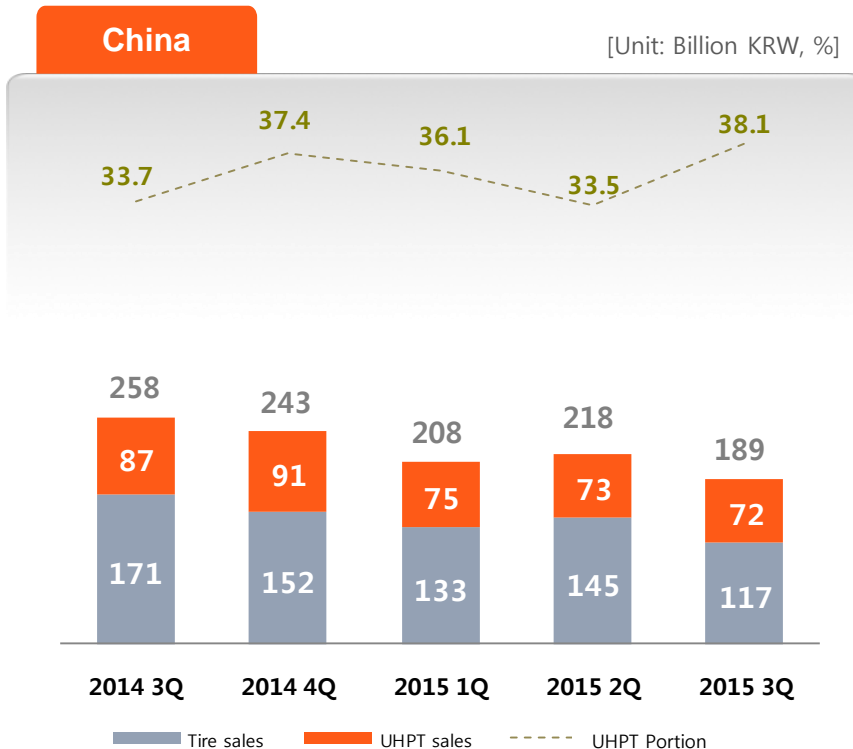
- RE sales down YoY due to the reduced market, but up QoQ with the start of winter tire sales
- New supply to Hyundai's New Avante model and GM's new Spark benefited OE Sales

### 2. 4Q Outlook

- Market recovery slower than expected
- Introduction of new winter products expected to enhance competitiveness

# 1) Performance – China

- MKT: Fierce competition continues with aggressive ASP & sales promotion in market
- HKT: RE volume growth offset by decrease of OE sales due to weak automotive market



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

## 3Q Review

### 1. 3Q Results

- Despite improved product mix, sales declined as OE sales were effected by the sluggish automotive market

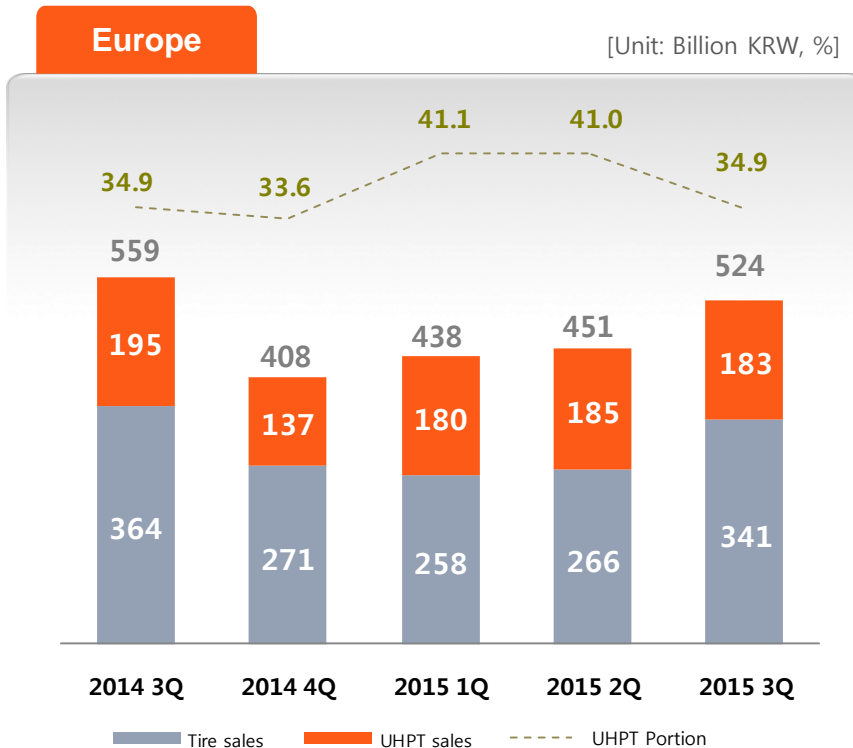
### 2. 4Q Outlook

- Tax benefits on car purchase anticipates a turnaround of the automotive market
- Will focus more on enhancing retail chains and aggressive sales



# 1) Performance – Europe

- MKT: Market showing slow recovery compared to 2014, but competition still fierce.
- HKT: Sales up QoQ due to start of winter season and new OE business



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

## 3Q Review

### 1. 3Q Results

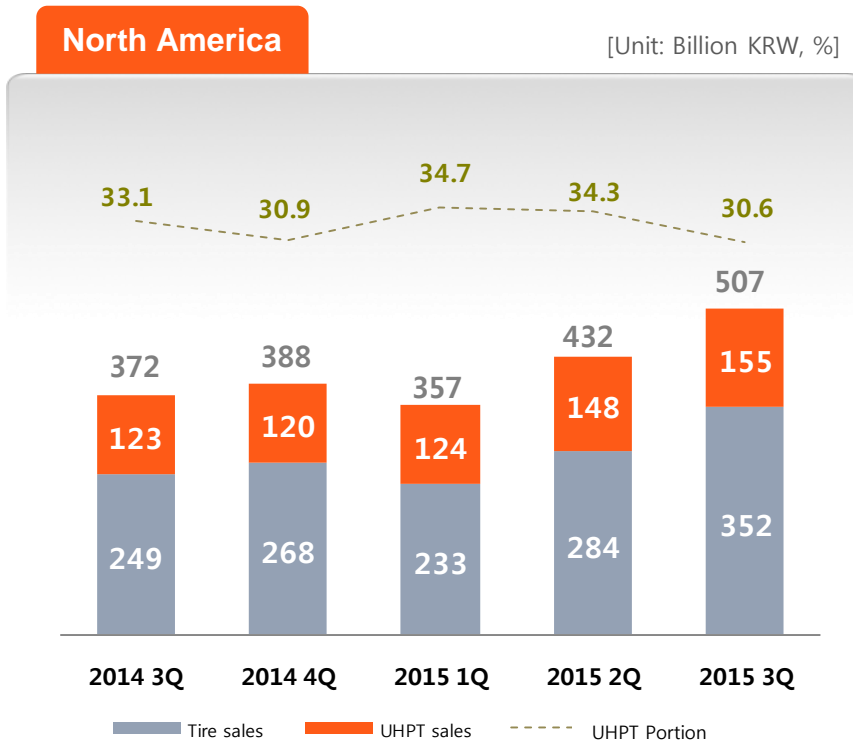
- Start of the winter season and new business with BMW and VW contributed to sales increase.

### 2. 4Q Outlook

- Full fledged winter season upcoming
- Plan to accurately respond to market price situation

# 1) Performance – North America

- **MKT:** With the finalization of the Chinese tire AD/CVD, South East Asian imports increased
- **HKT:** Sales escalation with favorable market situations and the increase of SUV/LTR sales



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

## 3Q Review

### 1. 3Q Results

- Volume growth lead by increased SUV/LTR sales
- OE supply to Ford F-150 and Toyota also beneficial

### 2. 4Q Outlook

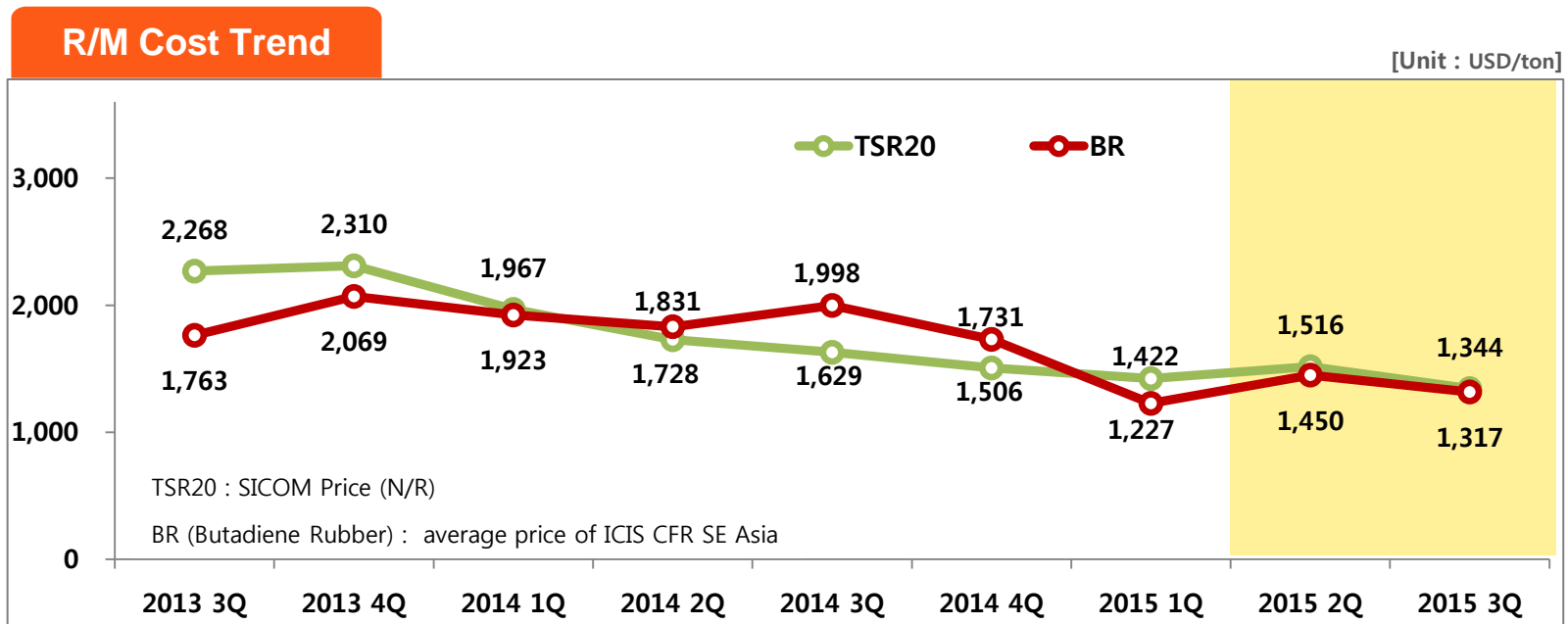
- Aim to achieve higher growth than the market
- Improvements in product mix and increased sales of Laufenn products are expected

## 2) Strategy : Sustainable Growth

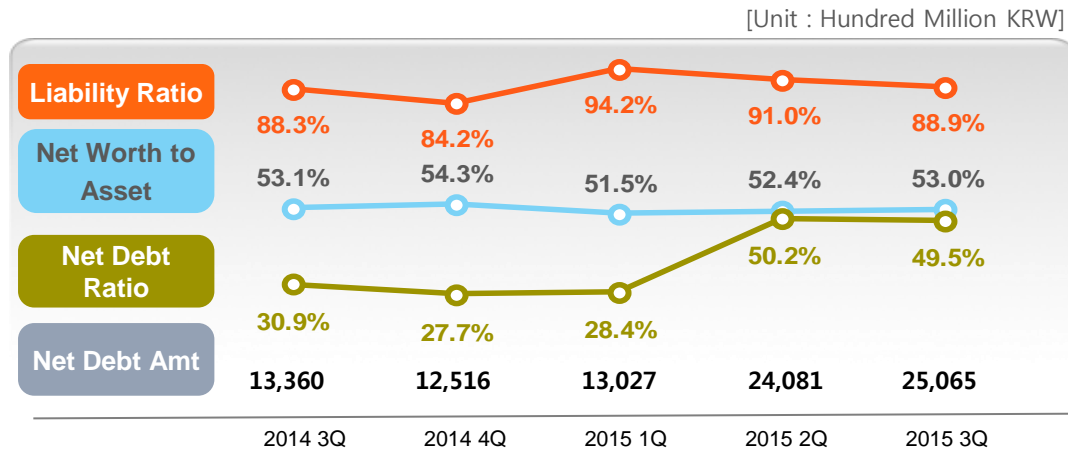
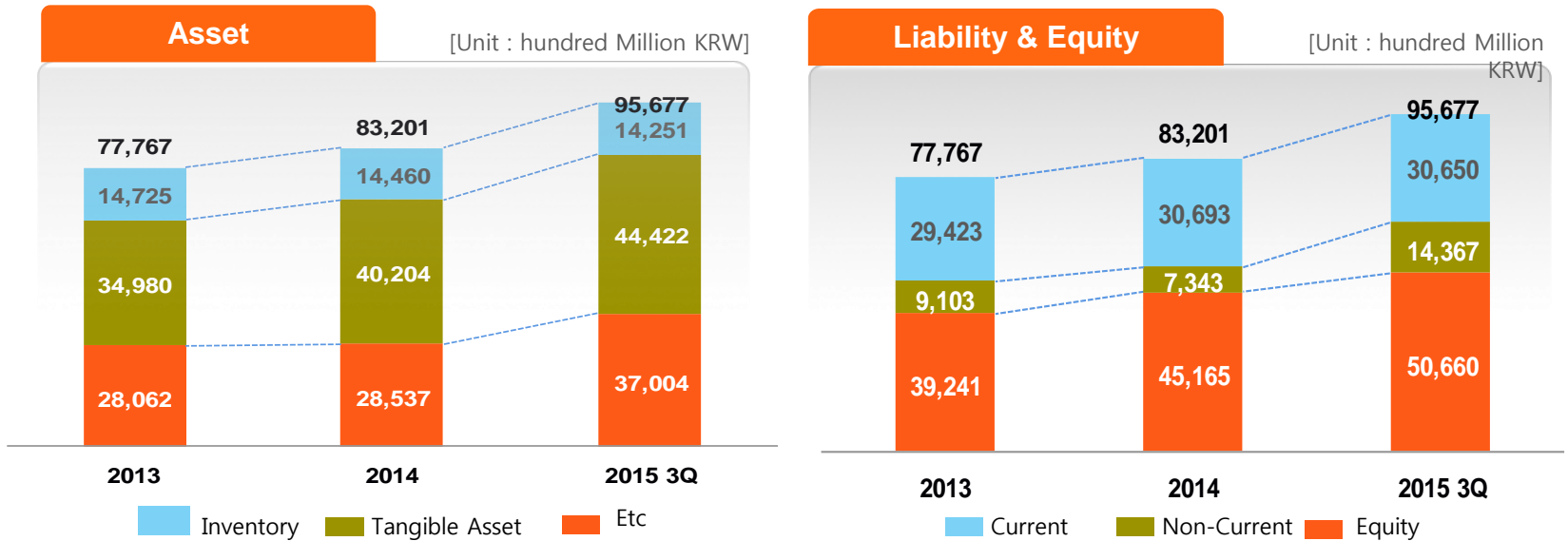
<b>Distribution Channel</b>	<b>Market coverage increase through global retail downstream</b>
<b>Brand</b>	<b>Becoming a Top Player satisfying customers with multi-brands</b>
<b>Quality</b>	<b>Performance optimization by pursuing Global One Quality</b>
<b>OE Business</b>	<b>Stable growth with balanced portfolio</b>

### 3) Stability : Raw Material Price Trend

- N/R
  - Price remains weak with increased production from South East Asia and decreased demand in China
  - Yet with US delaying the raise of interest rates and expectations of the Chinese government to launch economy stimuli may trigger a gradual upturn in price
- S/R
  - Signs of S/R price rally. Global BR(Butadiene) supply-demand balance expected to recover.
  - Steam crackers will decrease operation rate starting November, and maintenance shut down upcoming



### 3) Stability : Balance Sheet (Consolidated)



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# Appendix. F/S – Consolidated B/S

[Hundred million KRW]

	2014		2015 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>83,201</b>	<b>100.0%</b>	<b>95,677</b>	<b>100.0%</b>	<b>12,476</b>	<b>15.0%</b>
Current Assets	38,798	46.6%	35,228	36.8%	-3,570	-9.2%
cashable assets	11,720	14.1%	6,141	6.4%	-5,579	-47.6%
Accounts receivable	12,069	14.5%	14,109	14.7%	2,040	16.9%
Inventories	14,460	17.4%	14,251	14.9%	-209	-1.4%
Non-current Assets	44,403	53.4%	60,449	63.2%	16,046	36.1%
Tangible assets	40,204	48.3%	44,422	46.4%	4,218	10.5%
<b>Liabilities</b>	<b>38,036</b>	<b>45.7%</b>	<b>45,017</b>	<b>47.1%</b>	<b>6,981</b>	<b>18.4%</b>
Current Liabilities	30,693	36.9%	30,650	32.0%	-43	-0.1%
Non-Current Liabilities	7,343	8.8%	14,367	15.0%	7,024	95.7%
<b>Shareholders' Equity</b>	<b>45,165</b>	<b>54.3%</b>	<b>50,660</b>	<b>52.9%</b>	<b>5,495</b>	<b>12.2%</b>
Debt	24,236		31,207			
Net debt	12,516		25,065			
<b>Liability Ratio</b>		<b>84.2%</b>		<b>88.9%</b>		
<b>Net Worth to Assets</b>		<b>54.3%</b>		<b>52.9%</b>		
<b>Net Debt Ratio</b>		<b>27.7%</b>		<b>49.5%</b>		

# Appendix. F/S – Consolidated I/S

[Hundred million KRW]

	2014 3Q		2015 2Q		2015 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
<b>Sales</b>	<b>17,155</b>	<b>100.0%</b>	<b>16,199</b>	<b>100.0%</b>	<b>17,254</b>	<b>100.0%</b>	<b>0.6%</b>	<b>6.5%</b>
COGS	11,019	64.2%	10,374	64.0%	11,062	64.1%	0.4%	6.6%
Gross Profit	6,136	35.8%	5,825	36.0%	6,191	35.9%	0.9%	6.3%
SG&A	3,377	19.7%	3,815	23.6%	3,774	21.9%	11.8%	-1.1%
<b>Operating Profit</b>	<b>2,759</b>	<b>16.1%</b>	<b>2,010</b>	<b>12.4%</b>	<b>2,417</b>	<b>14.0%</b>	<b>-12.4%</b>	<b>20.2%</b>
Other Revenue	516	3.0%	387	2.4%	831	4.8%	61.0%	-%
Other Expense	714	4.2%	406	2.5%	637	3.7%	-10.7%	57.0%
Financial Revenue	192	1.1%	398	2.5%	340	2.0%	120.2%	6.2%
Financial Expense	238	1.4%	457	2.8%	763	4.4%	220.6%	66.9%
Income Before Income Tax	2,515	14.7%	1,932	11.9%	2,188	12.7%	-13.0%	13.3%
<b>E B I T D A</b>	<b>3,713</b>	<b>21.6%</b>	<b>3,163</b>	<b>19.5%</b>	<b>3,716</b>	<b>21.5%</b>	<b>0.1%</b>	<b>17.5%</b>
<b>Depreciation</b>	<b>954</b>	<b>5.6%</b>	<b>1,153</b>	<b>7.1%</b>	<b>1,299</b>	<b>7.5%</b>	<b>36.2%</b>	<b>12.7%</b>