

2014 Hankook Tire

2nd Quarter Result

2014.07.29

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Hankooktire 2014 2Q Review

1 2014 2Q Review

Financial Highlights

2 Performance

Hankook Tire 2014 2Q Results Review

3 Stability

Production, Raw Material Cost, Balance Sheet



(1) Financial Highlights

2014 2Q Global Business Results

[unit : 100 Mil KRW, %]

	<u>2013 2Q (A)</u>	<u>2014 1Q (B)</u>	<u>2014 2Q (C)</u>	<u>C/B</u>	<u>C/A</u>
Sales	18,706	16,750	16,615	99.2%	88.8%
COGS	12,564 <i>(67.2%)</i>	11,003 <i>(65.7%)</i>	10,661 <i>(64.2%)</i>	96.9%	84.9%
Operating Profit	2,713 <i>(14.5%)</i>	2,602 <i>(15.5%)</i>	2,512 <i>(15.1%)</i>	96.5%	92.6%
Ordinary Profit	2,756 <i>(14.7%)</i>	2,450 <i>(14.6%)</i>	2,356 <i>(14.2%)</i>	96.2%	85.5%
EBITDA	3,819 <i>(20.4%)</i>	3,721 <i>(22.2%)</i>	3,608 <i>(21.7%)</i>	97.0%	94.5%

(1) Financial Highlights

2014 1H Global Business Results

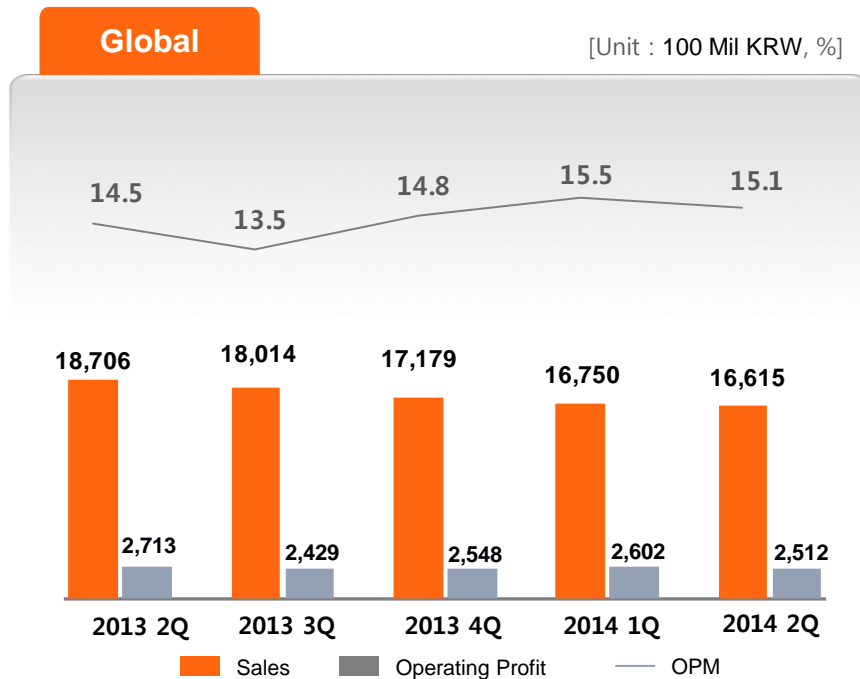
[unit : 100 Mil KRW, %]

	<u>2013 1H (A)</u>	<u>2014 1H (B)</u>	<u>B/A</u>
Sales	35,500	33,365	94.0%
COGS	23,898 <i>(67.3%)</i>	21,664 <i>(64.9%)</i>	90.7%
Operating Profit	5,334 <i>(15.0%)</i>	5,113 <i>(15.3%)</i>	95.9%
Ordinary Profit	5,133 <i>(14.5%)</i>	4,804 <i>(14.4%)</i>	93.6%
EBITDA	7,496 <i>(21.1%)</i>	7,329 <i>(22.0%)</i>	97.8%

(2) Performance – 2014 2Q Review

With expansion on global production facilities, total production and sales volume are increased.

Falling in ASP, due to continuous decrease in raw material price, and rising Won value resulted in decreased sales revenue compared to 2013 2Q.



2014 2Q Review

- YoY

Global tire demand is rebounding and HKT is reinforcing marketing and sales activities. However, revenue is continuously falling mainly due to strong Won and low ASP caused by low raw material price.

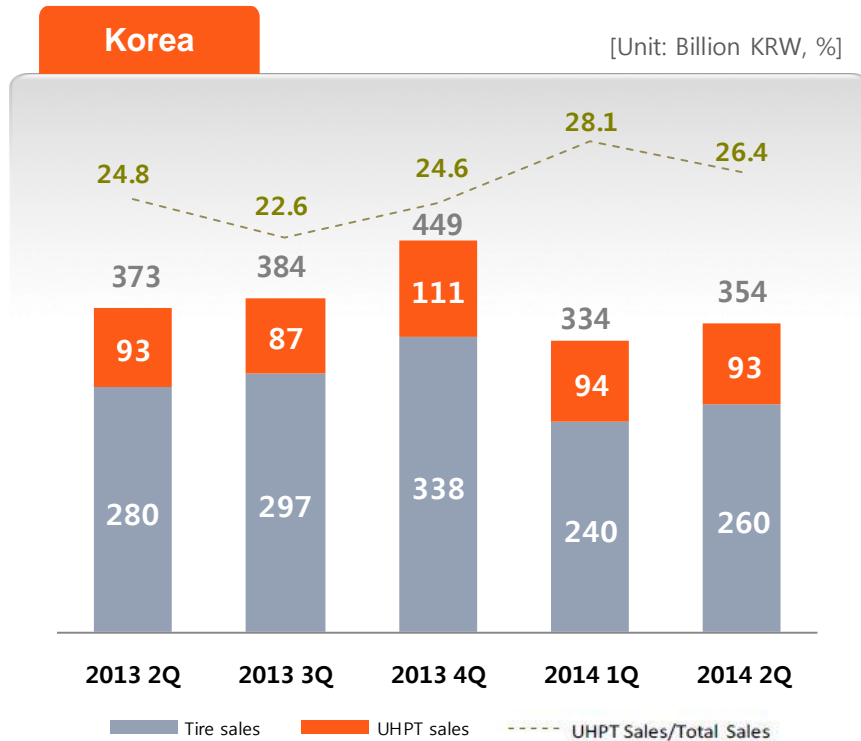
- QoQ

Even though more working days in Korea and China brought increased QoQ volume, a reduction in ASP caused by intensified competition and strong Won resulted in negative growth on sales revenue.

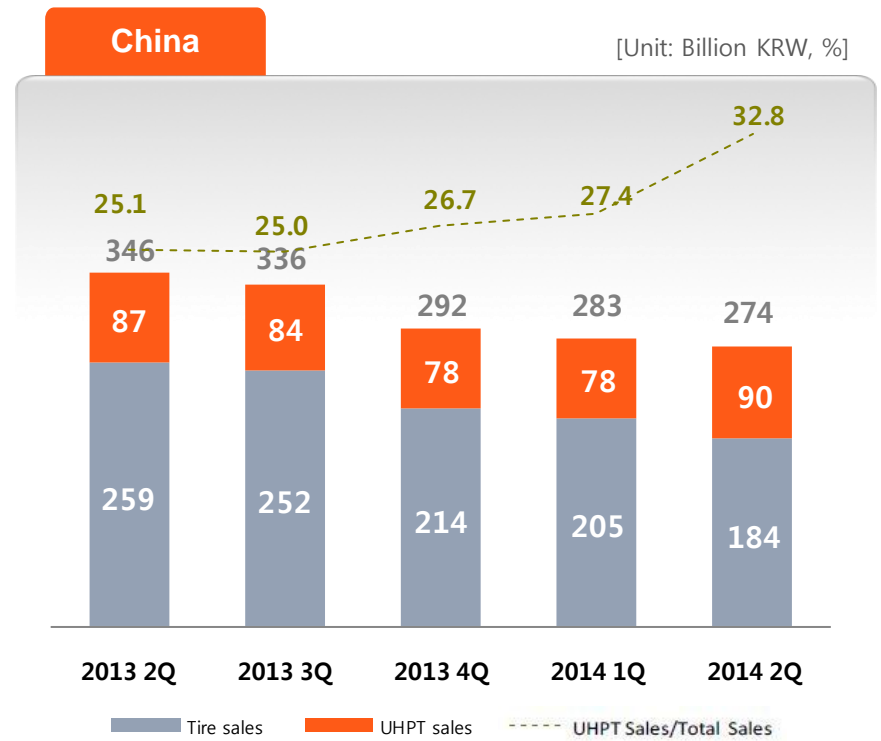
(2) Performance – 2014 2Q Review

Due to decreased domestic tire demand and competitors' aggressive marketing activities, HKT slightly lost M/S in Korea market.

In China, oversupply of products in the market intensified price competition and continued decline in raw material price caused passive purchasing pattern of dealers.



* The sales and units were calculated by aggregating units sold by each production facility

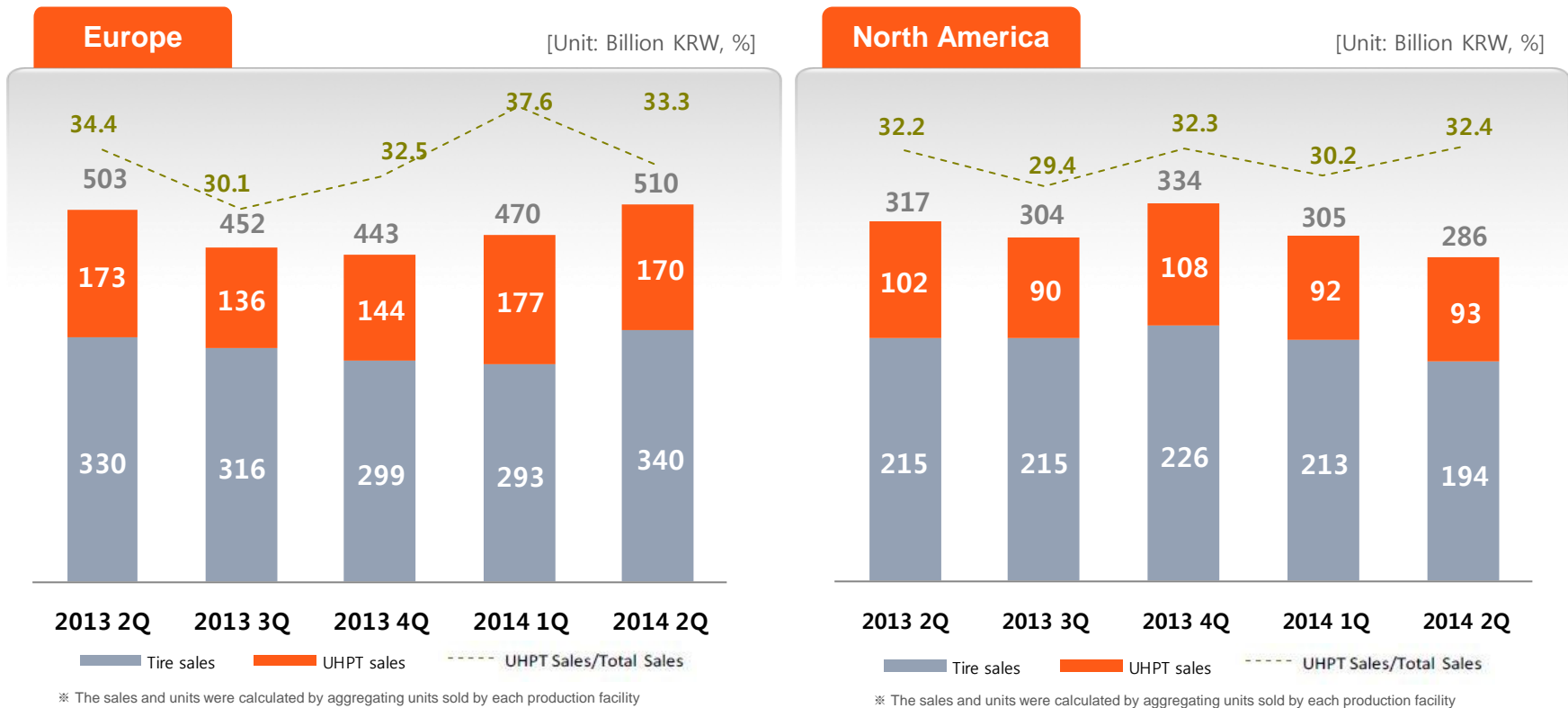


* The sales and units were calculated by aggregating units sold by each production facility

(2) Performance – 2014 2Q Review

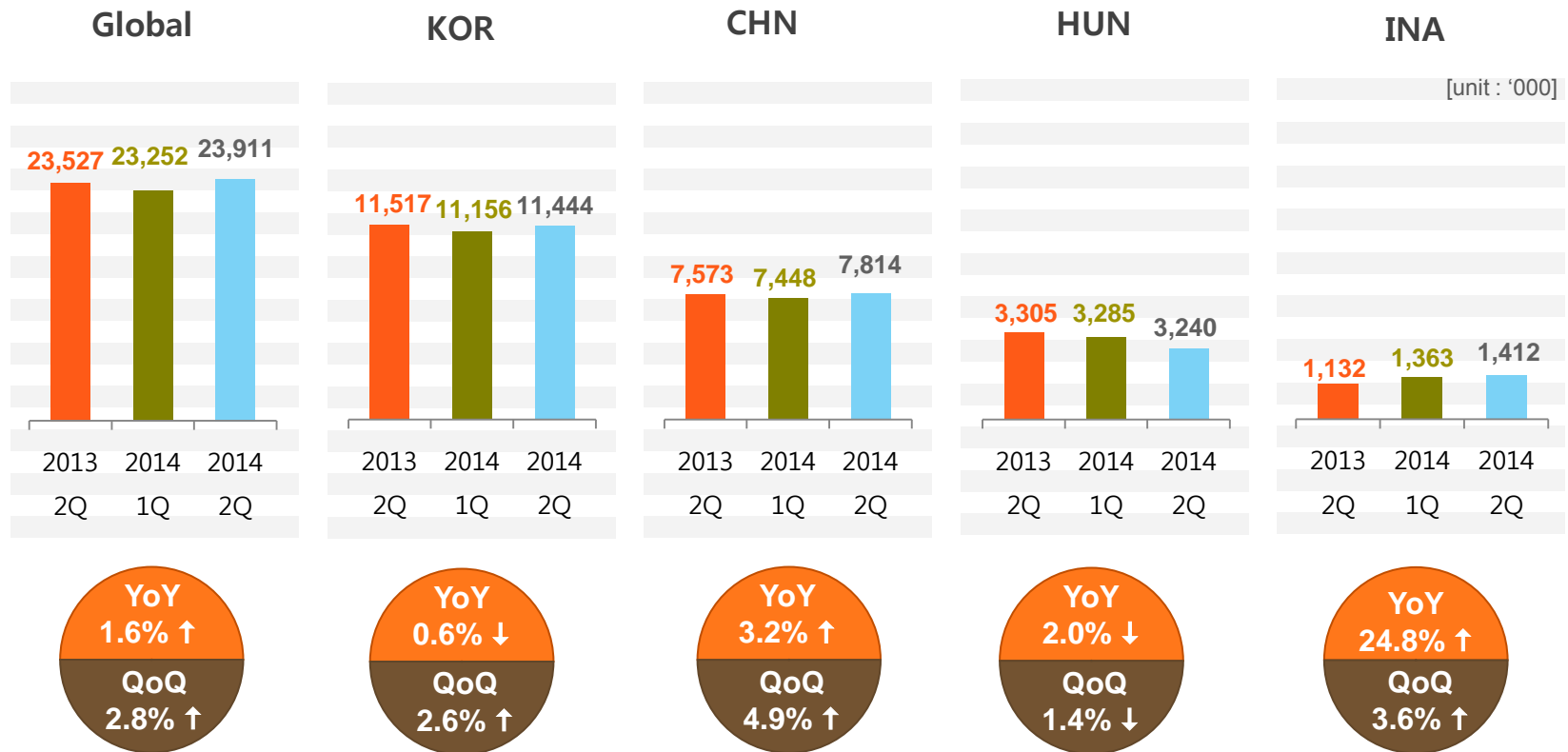
A turnaround in EU market is observed with a rise in sales, however price competition became more intensified to secure supply.

North America's demand is also rebounded, but active entry of Chinese low segment tires accelerated competition and makers suffered from competitors aggressive price reduction.



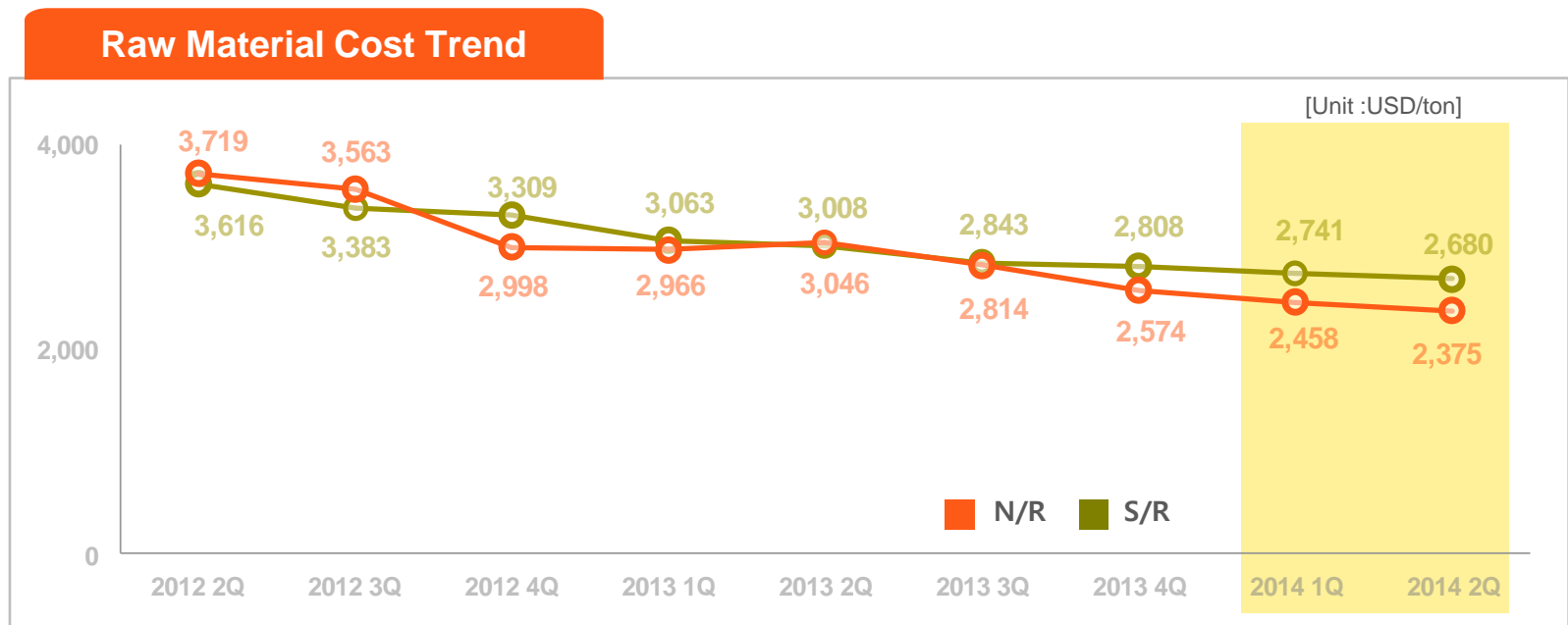
(2) Performance – Production

Due to additional capacity expansions, global production increased by 1.6% YoY basis. While, Korea plant's restructurings on machineries and Hungary plant's p-mix changes caused a decline on YoY production capacity 0.6% and 2.0% respectively.



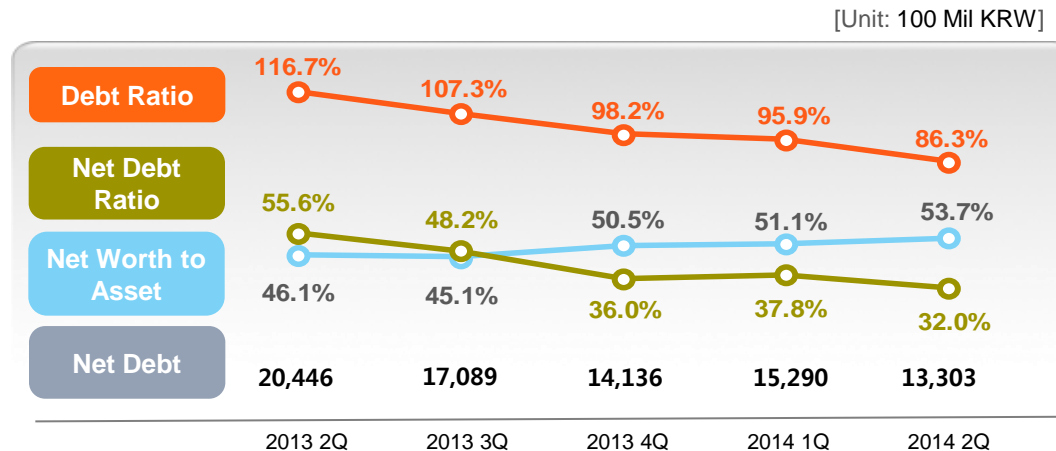
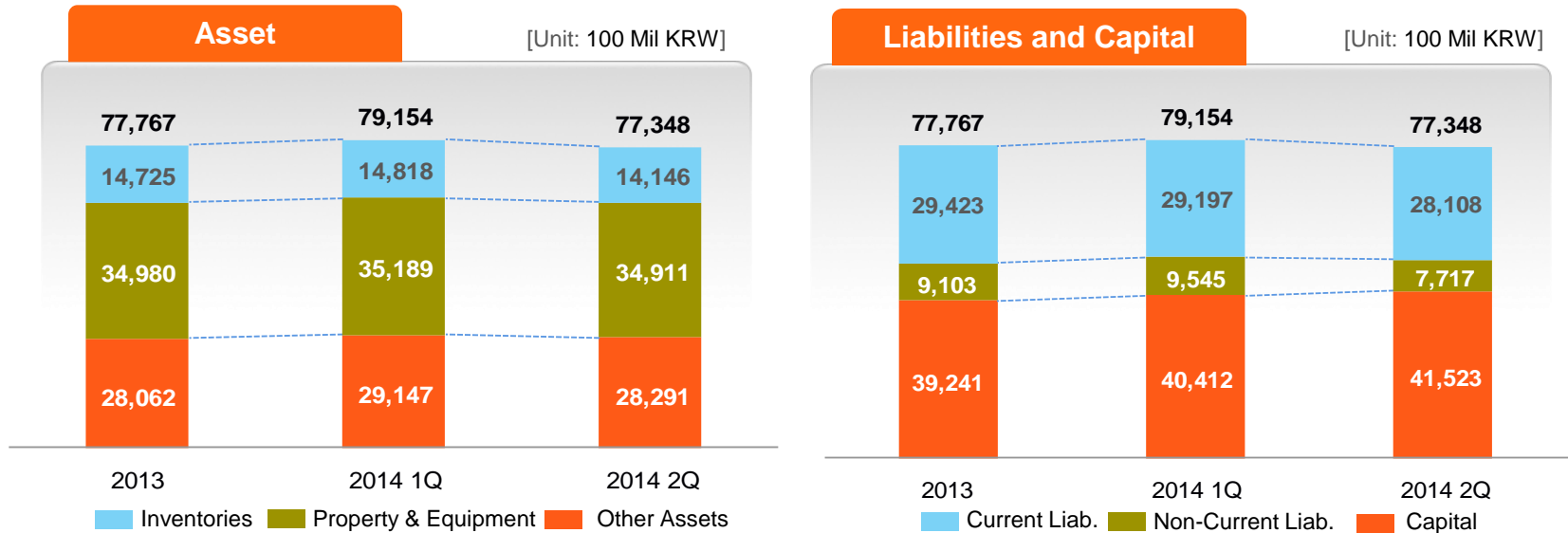
(3) Stability - Raw Material Cost

- **NR** : Even though an improvements of economic indicators led a rise in rubber price by the end of June, quantity of rubber production level in Indonesia/Thailand is expected to increase and falling in rubber price will continue along with oversupply.
- **SR** : Asia's BD price is increased due to tight supply and strong demand. A sharp rise in BD price and market price of products will cause a rise in SR price.



※ Average price, Korea only

(3) Stability - Consolidated Balance Sheet



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Appendix. F/S – Consolidated B/S

[unit: 100 Mil KRW]

	2013		2014 1Q		2014 2Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	77,767	100.0%	79,154	100.0%	77,348	100.0%
Current Assets	39,522	50.8%	40,514	51.2%	38,178	49.4%
cashable assets	11,649	15.0%	11,508	14.5%	11,299	14.6%
Accounts receivable	11,910	15.3%	13,004	16.4%	11,378	14.7%
Inventories	14,725	18.9%	14,818	18.7%	14,146	18.3%
Non-current Assets	38,245	49.2%	38,640	48.8%	39,170	50.6%
Tangible assets	34,980	45.0%	35,189	44.5%	34,911	45.1%
Liabilities	38,526	49.5%	38,742	48.9%	35,825	46.3%
Current Liabilities	29,423	37.8%	29,197	36.9%	28,108	36.3%
Non-Current Liabilities	9,103	11.7%	9,545	12.1%	7,717	10.0%
Shareholders' Equity	39,241	50.5%	40,412	51.1%	41,523	53.7%
Debt	25,785		26,830		24,602	
Net debt	14,136		15,290		13,303	
Debt Ratio		98.2%		95.9%		86.3%
Net Worth to Assets		50.5%		51.1%		53.7%

Appendix. F/S – Korea B/S

[unit: 100 Mil KRW]

	2013		2014 1Q		2014 2Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	46,560	100.0%	47,648	100.0%	47,777	100.0%
Current Assets	22,881	49.1%	24,003	50.4%	23,246	48.7%
cashable assets	8,321	17.9%	9,320	19.6%	8,317	17.4%
Account receivable	9,939	21.3%	9,886	20.7%	10,652	22.3%
Inventories	4,552	9.8%	4,671	9.8%	4,152	8.7%
Non-current Assets	23,679	50.9%	23,645	49.6%	24,531	51.3%
Tangible assets	13,775	29.6%	13,489	28.3%	13,372	28.0%
Liabilities	15,908	34.2%	16,200	34.0%	15,465	32.4%
Current Liabilities	12,938	27.8%	13,976	29.3%	13,270	27.8%
Non-Current Liabilities	2,970	6.4%	2,224	4.7%	2,195	4.6%
Shareholders' Equity	30,652	65.8%	31,448	66.0%	32,312	67.6%
Debt	8,397		8,513		8,020	
Net debt	76					
Debt Ratio		51.9%		51.5%		47.9%
Net Worth to Assets		65.8%		66.0%		67.6%

Appendix. F/S – China B/S

[unit : Mil RMB]

	2013		2014 1Q		2014 2Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	17,737	100.0%	17,695	100.0%	18,220	100.0%
Current Assets	7,849	44.3%	7,864	44.4%	8,323	45.7%
Account receivable	5,229	29.5%	5,181	29.3%	5,143	28.2%
Inventories	1,539	8.7%	1,700	9.6%	1,762	9.7%
Non-current Assets	9,888	55.7%	9,831	55.6%	9,898	54.3%
Tangible assets	7,654	43.2%	7,585	42.9%	7,597	41.7%
Liabilities	10,321	58.2%	9,966	56.3%	9,945	54.6%
Current Liabilities	9,288	52.4%	7,995	45.2%	7,987	43.8%
Non-Current Liabilities	1,034	5.8%	1,971	11.1%	1,958	10.7%
Shareholders' Equity	7,416	41.8%	7,730	43.7%	8,275	45.4%

Appendix. F/S – Hungary B/S

[unit : Mil HUF]

	2013		2014 1Q		2014 2Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	262,384	100.0%	280,657	100.0%	301,405	100.0%
Current Assets	164,526	62.7%	163,941	58.4%	164,634	54.6%
Account receivable	58,792	22.4%	55,337	19.7%	57,048	18.9%
Inventories	25,580	9.7%	23,913	8.5%	21,644	7.2%
Non-current Assets	97,858	37.3%	116,716	41.6%	136,771	45.4%
Tangible assets	97,814	37.3%	116,661	41.6%	136,720	45.4%
Liabilities	163,935	62.5%	173,589	61.9%	185,858	61.7%
Current Liabilities	131,579	50.1%	127,490	45.4%	179,177	59.4%
Non-Current Liabilities	32,356	12.3%	46,098	16.4%	6,681	2.2%
Shareholders' Equity	98,449	37.5%	107,068	38.1%	115,547	38.3%

Appendix. F/S – Indonesia B/S

[unit : K USD]

	2013		2014 1Q		2014 2Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	398,419	100.0%	410,124	100.0%	453,496	100.0%
Current Assets	83,300	20.9%	96,775	23.6%	137,404	30.3%
Cashable assets	2,540	0.6%	5,721	1.4%	15,645	3.4%
Account receivable	13,840	3.5%	18,467	4.5%	16,878	3.7%
Inventories	39,813	10.0%	41,805	10.2%	39,876	8.8%
Non-current Assets	315,119	79.1%	313,349	76.4%	316,092	69.7%
Tangible assets	281,610	70.7%	280,256	68.3%	283,384	62.5%
Liabilities	283,452	71.1%	285,150	69.5%	286,061	63.1%
Current Liabilities	61,310	15.4%	64,072	15.6%	63,621	14.0%
Non-Current Liabilities	222,142	55.8%	221,078	53.9%	222,439	49.0%
Shareholders' Equity	114,967	28.9%	124,974	30.5%	167,435	36.9%

Appendix. F/S – Consolidated I/S (IFRS)

[unit: 100 Mil KRW]

	2013 2Q		2014 1Q		2014 2Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	18,706	100.0%	16,750	100.0%	16,615	100.0%	-11.2%	-0.8%
COGS	12,564	67.2%	11,003	65.7%	10,661	64.2%	-15.1%	-3.1%
Gross Profit	6,142	32.8%	5,747	34.3%	5,954	35.8%	-3.1%	3.6%
SG&A	3,429	18.3%	3,145	18.8%	3,442	20.7%	0.4%	9.4%
Operating Profit	2,713	14.5%	2,602	15.5%	2,512	15.1%	-7.4%	-3.5%
Other Revenue	406	2.2%	539	3.2%	649	3.9%	60.0%	20.4%
Other Expense	495	2.6%	439	2.6%	482	2.9%	-2.7%	9.8%
Financial Revenue	359	1.9%	108	0.6%	129	0.8%	-64.1%	19.4%
Financial Expense	227	1.2%	361	2.2%	452	2.7%	99.1%	25.2%
Income Before Income Tax	2,755	14.7%	2,449	14.6%	2,356	14.2%	-14.5%	-3.8%
EBITDA	3,819	20.4%	3,651	21.8%	3,608	21.7%	-5.5%	-1.2%
Depreciation	1,106	5.9%	1,049	6.3%	1,096	6.6%	-0.9%	4.5%

Appendix. F/S – Korea I/S (IFRS)

[unit: 100 Mil KRW]

	2013 2Q		2014 1Q		2014 2Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	10,143	100.0%	9,148	100.0%	9,556	100.0%	-5.8%	4.5%
COGS	6,801	67.1%	6,170	67.4%	6,455	67.5%	-5.1%	4.6%
Gross Profit	3,342	32.9%	2,978	32.6%	3,101	32.5%	-7.2%	4.1%
SG&A	2,046	20.2%	1,706	18.6%	1,964	20.6%	-4.0%	15.1%
Operating Profit	1,296	12.8%	1,272	13.9%	1,137	11.9%	-12.3%	-10.6%
Other Revenue	745	7.3%	626	6.8%	898	9.4%	20.5%	43.5%
Other Expense	347	3.4%	242	2.6%	384	4.0%	10.7%	58.7%
Financial Revenue	132	1.3%	99	1.1%	99	1.0%	-25.1%	0.0%
Financial Expense	98	1.0%	72	0.8%	262	2.7%	166.4%	263.9%
Income Before Income Tax	1,728	17.0%	1,683	18.4%	1,488	15.6%	-13.9%	-11.6%
E B I T D A	1,789	17.6%	1,779	19.4%	1,659	17.4%	-7.3%	-6.7%
Depreciation	493	4.9%	507	5.5%	522	5.5%	5.8%	3.0%

Appendix. F/S – China I/S (IFRS)

[unit : 100 Mil RMB]

	2013 2Q		2014 1Q		2014 2Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	29.04	100.0%	26.54	100.0%	26.62	100.0%	-8.3%	0.3%
COGS	21.32	73.4%	18.87	71.1%	18.34	68.9%	-14.0%	-2.8%
Gross Profit	7.72	26.6%	7.67	28.9%	8.28	31.1%	7.3%	8.0%
SG&A	4.20	14.4%	4.38	16.5%	4.58	17.2%	9.2%	4.7%
Operating Profit	3.52	12.1%	3.29	12.4%	3.70	13.9%	5.1%	12.4%
Other Revenue	0.25	0.9%	0.76	2.9%	0.82	3.1%	226.2%	6.6%
Other Expense	0.30	1.0%	0.92	3.5%	0.88	3.3%	193.7%	-4.1%
Financial Revenue	1.06	3.6%	0.02	0.1%	0.11	0.4%	-89.4%	517.2%
Financial Expense	0.94	3.2%	0.73	2.8%	0.51	1.9%	-45.8%	-30.3%
Income Before Income Tax	3.59	12.4%	2.42	9.1%	3.24	12.2%	-9.9%	33.5%
EBITDA	5.29	18.2%	5.05	19.0%	5.40	20.3%	2.0%	6.9%
Depreciation	1.77	6.1%	1.76	6.6%	1.69	6.3%	-4.7%	-4.0%

Appendix. F/S – Hungary I/S (IFRS)

[unit : 100 Mil HUF]

	2013 2Q		2014 1Q		2014 2Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	446.62	100.0%	426.57	100.0%	422.57	100.0%	-5.4%	-0.9%
COGS	317.65	71.1%	288.97	67.7%	285.92	67.7%	-10.0%	-1.1%
Gross Profit	128.97	28.9%	137.60	32.3%	136.65	32.3%	6.0%	-0.7%
SG&A	48.24	10.8%	48.21	11.3%	46.51	11.0%	-3.6%	-3.5%
Operating Profit	80.73	18.1%	89.39	21.0%	90.14	21.3%	11.7%	0.8%
Other Revenue	-9.47	-2.1%	24.42	5.7%	11.84	2.8%	-225.0%	-51.5%
Other Expense	8.38	1.9%	9.89	2.3%	5.47	1.3%	-34.8%	-44.7%
Financial Revenue	2.44	0.5%	7.61	1.8%	6.01	1.4%	146.0%	-21.1%
Financial Expense	-20.34	-4.6%	31.17	7.3%	17.12	4.1%	-184.2%	-45.1%
Income Before Income Tax	85.65	19.2%	80.36	18.8%	85.40	20.2%	-0.3%	6.3%
E B I T D A	127.10	28.5%	135.88	31.9%	137.44	32.5%	8.1%	1.2%
Depreciation	46.38	10.4%	46.49	10.9%	47.30	11.2%	2.0%	1.7%

Appendix. F/S – Indonesia I/S (IFRS)

[unit : K USD]

	2013 2Q		2014 1Q		2014 2Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	52,369	100.0%	61,866	100.0%	67,241	100.0%	28.4%	8.7%
COGS	40,624	77.6%	42,510	68.7%	45,519	67.7%	12.0%	7.1%
Gross Profit	11,744	22.4%	19,356	31.3%	21,722	32.3%	85.0%	12.2%
SG&A	10,273	19.6%	10,134	16.4%	11,574	17.2%	12.7%	14.2%
Operating Profit	1,471	2.8%	9,222	14.9%	10,148	15.1%	589.7%	10.0%
Other Revenue	24	0.0%	404	0.7%	671	1.0%	-	66.3%
Other Expense	-305	-0.6%	-672	-1.1%	1,074	1.6%	-	-
Financial Revenue	1,016	1.9%	100	0.2%	215	0.3%	-	-
Financial Expense	3,182	6.1%	1,558	2.5%	2,175	3.2%	-31.6%	39.7%
Income Before Income Tax	-365	-0.7%	8,841	14.3%	7,784	11.6%	-	-11.9%
E B I T D A	5,257	10.0%	14,222	23.0%	15,878	23.6%	202.0%	11.6%
Depreciation	3,786	7.2%	5,000	8.1%	5,730	8.5%	51.4%	14.6%