

# 2013 Hankook Tire

## 1st Quarter Result

2013.04.26

**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.**

## **[1] Hankook Tire 2013 1Q Review**

### **2013 1Q Key Messages**

### **Financial Highlights**

- 1. Performance : Sales and Operating Profit**
- 2. Competitiveness : Production, Sales Breakdown, Premium OE**
- 3. Stability : Balance Sheet, Raw Material Cost**
- 4. 2013 Guidance**

## **[2] Hankook Tire Worldwide 2013 1Q Review**

### **Appendix.**

**Stable sales, despite challenging environment**

**Product-mix improvements in Europe market**

**Enhanced operating profit, due to favorable raw material price**

**Beneficial effects from early stabilization in two new facilities**

# Financial Highlights



## Hankook Tire 2013 1Q Global Business Results

※ ISIN Code : KR7161390000

[unit : 100 Mil KRW, %]

	<u>2012 1Q (A)</u>	<u>2012 4Q (B)</u>	<u>2013 1Q (C)</u>	<u>C/B</u>	<u>C/A</u>
<b>Sales</b>	<b>17,074</b>	<b>17,007</b>	<b>16,791</b>	<b>98.7%</b>	<b>98.3%</b>
<b>COGS</b>	<b>12,028</b> <i>(70.4%)</i>	<b>11,413</b> <i>(67.1%)</i>	<b>11,376</b> <i>(67.8%)</i>	<b>99.7%</b>	<b>94.6%</b>
<b>Operating Profit</b>	<b>2,305</b> <i>(13.5%)</i>	<b>2,224</b> <i>(13.1%)</i>	<b>2,544</b> <i>(15.2%)</i>	<b>114.4%</b>	<b>110.4%</b>
<b>Ordinary Profit</b>	<b>2,535</b> <i>(14.8%)</i>	<b>2,058</b> <i>(12.1%)</i>	<b>2,342</b> <i>(13.9%)</i>	<b>113.8%</b>	<b>92.3%</b>
<b>EBITDA</b>	<b>3,271</b> <i>(19.2%)</i>	<b>3,270</b> <i>(19.2%)</i>	<b>3,600</b> <i>(21.4%)</i>	<b>110.1%</b>	<b>110.1%</b>

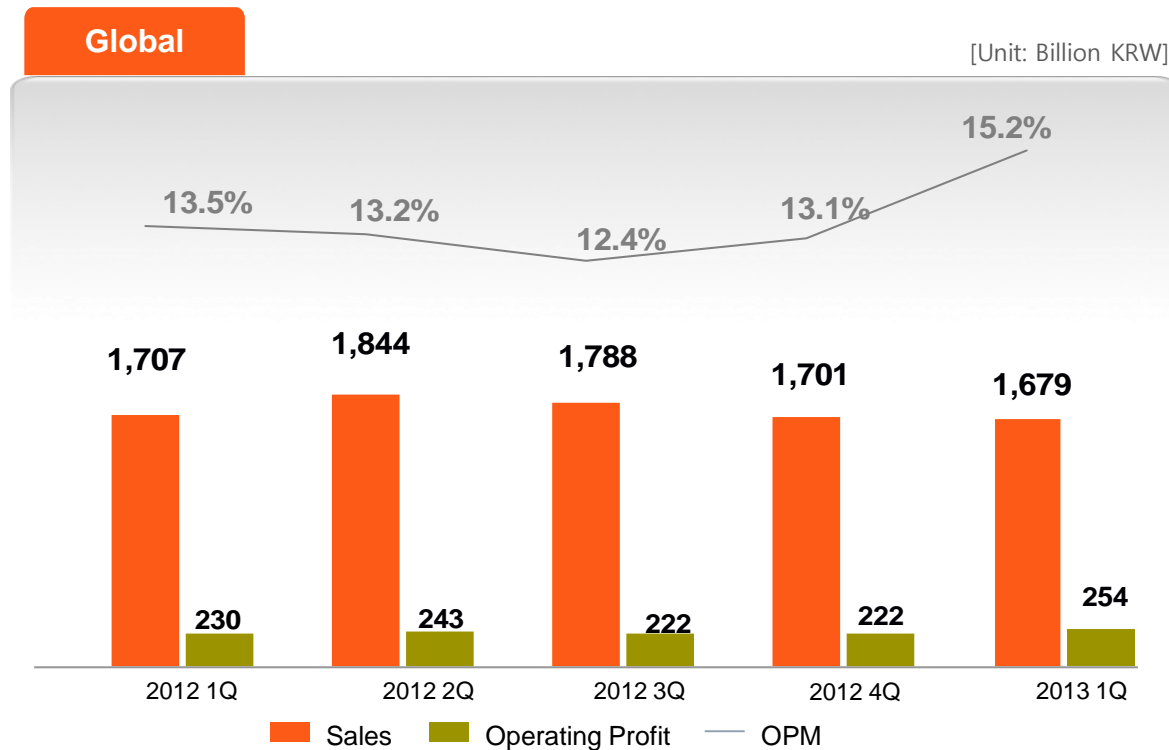
※ 2012 1Q : Before spin-off, IFRS, Consolidated Total

# (1) Performance

- Operating profit improvements, favorable raw material price effect

Despite the weak global tire demand, our sales volume and product mix improved in 1Q, but currency effected negatively on total sales.

Lower raw material cost and SG&A led to operating profit improvements.



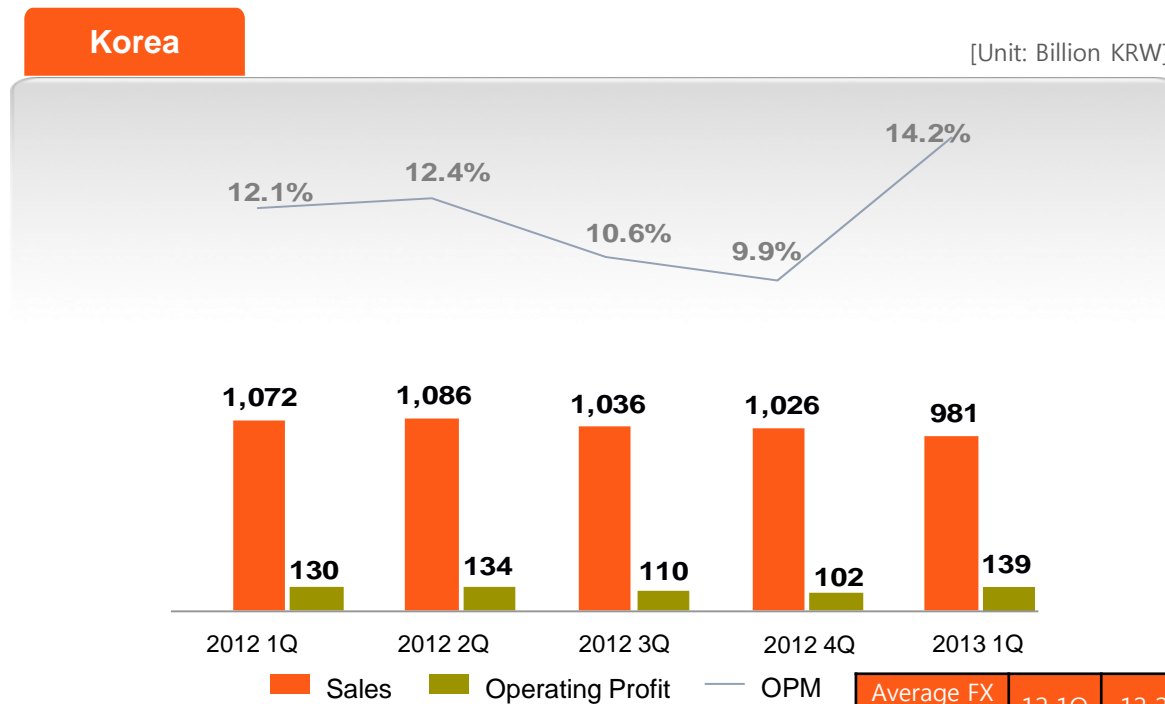
※ ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included

# (1) Performance

- Great margins and operating profit, profitability ↑

Sales slightly decreased due to the appreciation of the Korean Won and weak tire demand in the market.

RE sales increased year on year, but OE sales declined because of new cars sales down effects.



※ ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included

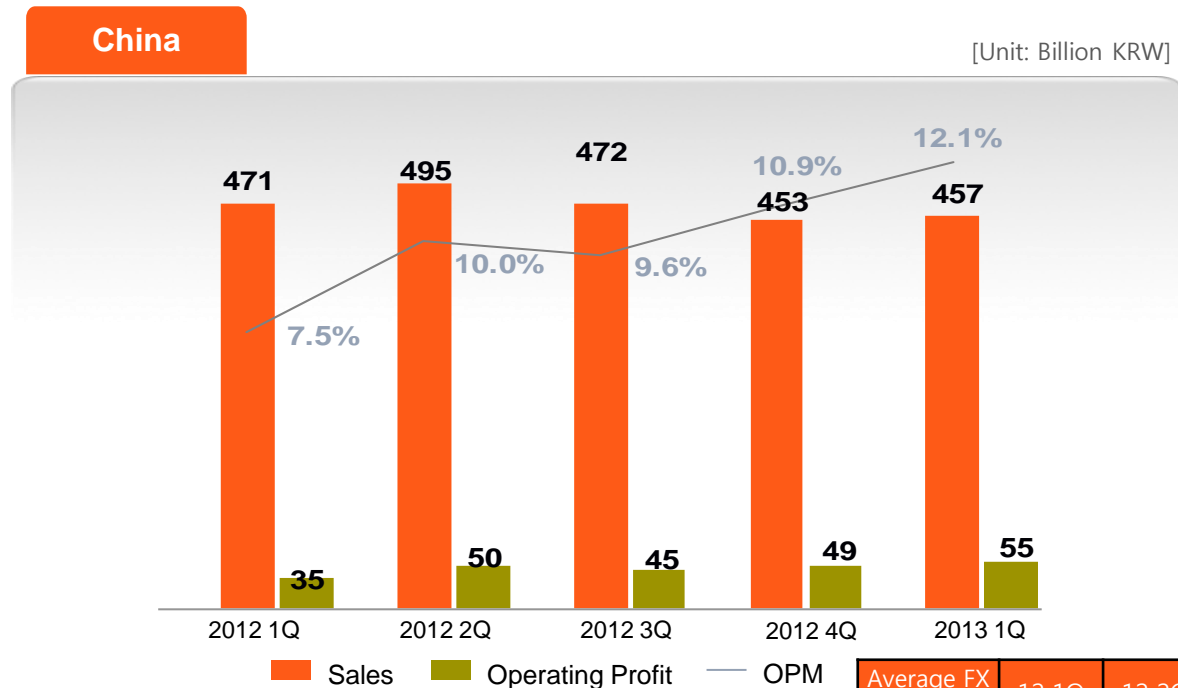
Average FX Rate	12 1Q	12 2Q	12 3Q	12 4Q	13 1Q
USD/KRW	1,131	1,152	1,134	1,091	1,084
EUR/KRW	1,484	1,479	1,418	1,414	1,431

# (1) Performance

- Lower raw material costs led to higher margin

Although domestic and RE sales volume grew year on year, RMB denominated sales remained flat as ASP decline on 1Q.

(2012 1Q : 2.62 Bil RMB , 2012 4Q : 2.59 Bil RMB , 2013 1Q : 2.62 Bil RMB)



※ ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included

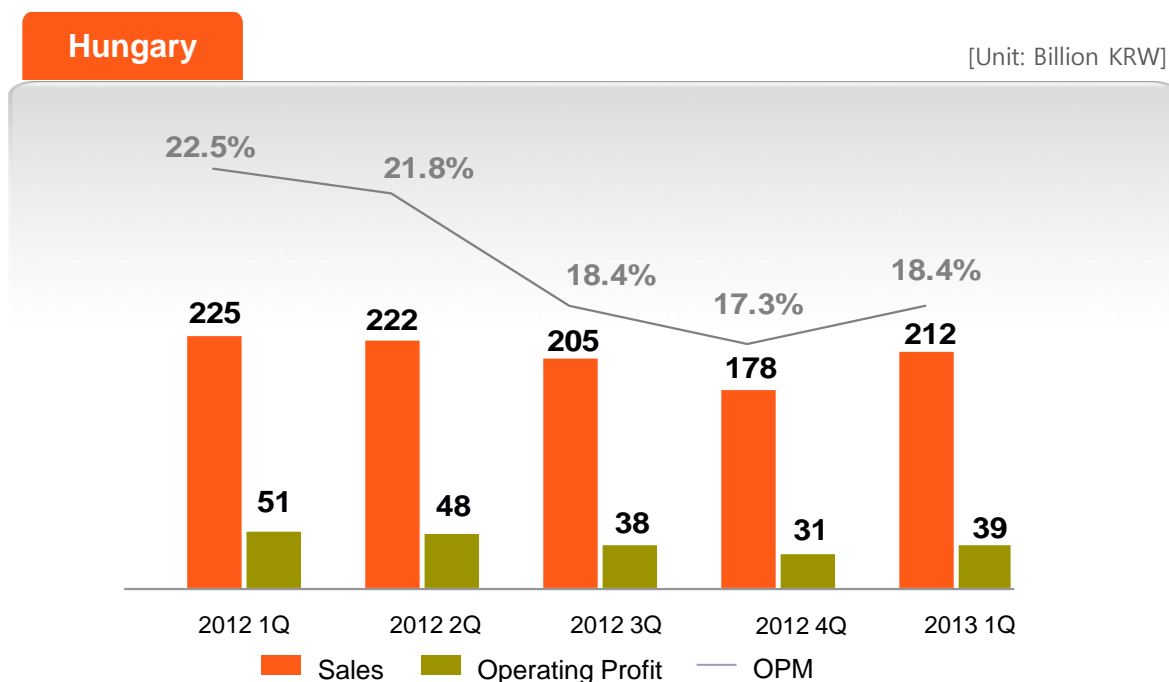
Average FX Rate	12 1Q	12 2Q	12 3Q	12 4Q	13 1Q
CNY/KRW	179	182	178	175	174
USD/CNY	6.310	6.331	6.353	6.244	6.224



# (1) Performance

- M/S improvements in the midst of weak tire market in Europe

Despite of weak new car business in Europe, we achieved great OE sales on YoY and QoQ basis. RE sales will also grow up when summer tire orders start in April.



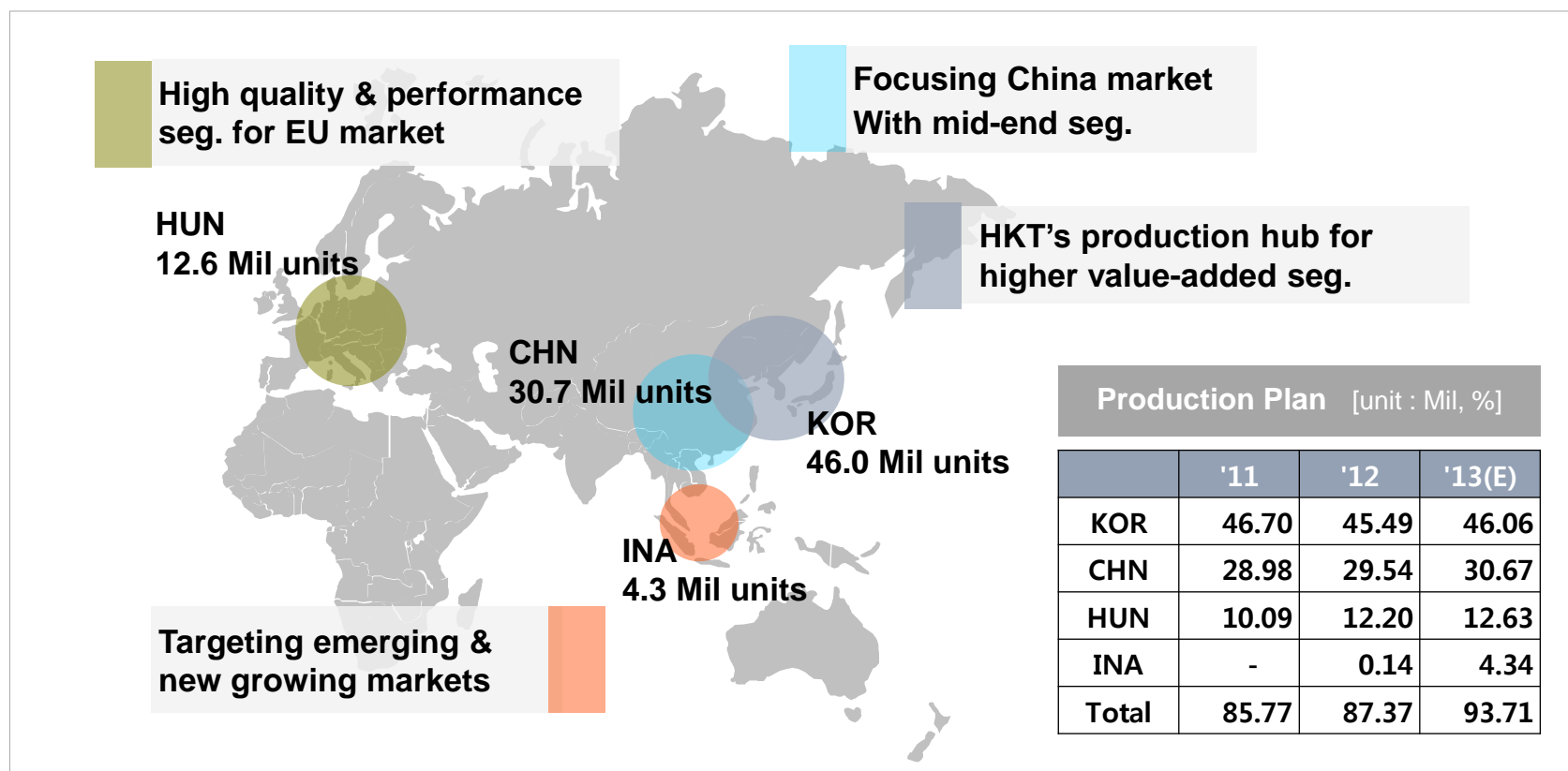
※ ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included

Average FX Rate	12 1Q	12 2Q	12 3Q	12 4Q	13 1Q
EUR/HUF	297	294	283	283	296
HUF/KRW	5.00	5.03	5.01	4.99	4.83

## (2) Competitiveness

- Well-balanced global footprint

- Benefited from low-cost country manufacturing and optimized global supply chain system
- Increase profitability by production efficiency and product flexibility between the plants
- Maximized profitability by efficient and flexible production operation



### Start-up Production Facilities

#### Chongqing Production

- Targeting Chinese domestic TBR market

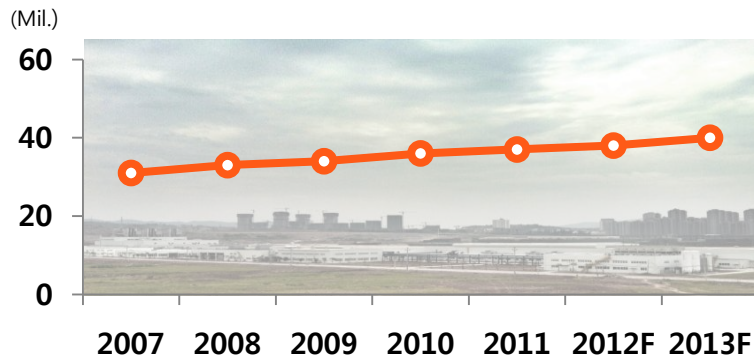
- Expand export to S. America

'12.8 Daily production capacity : 52 TBRs

'13.3 Daily production capacity : 1,652 TBRs

'13.6 Daily production capacity : 2,400 TBRs (final)

#### China TB RE Market Outlook



#### Indonesia Production

- Hub for growth in the emerging markets

- Production hub, targeting ASEAN, North America and other emerging countries

'12.9 Daily production capacity : 100 PCRs

'13.3 Daily production capacity : 10,000 PCRs

'13.8 Daily production capacity : 15,000 PCRs (final)

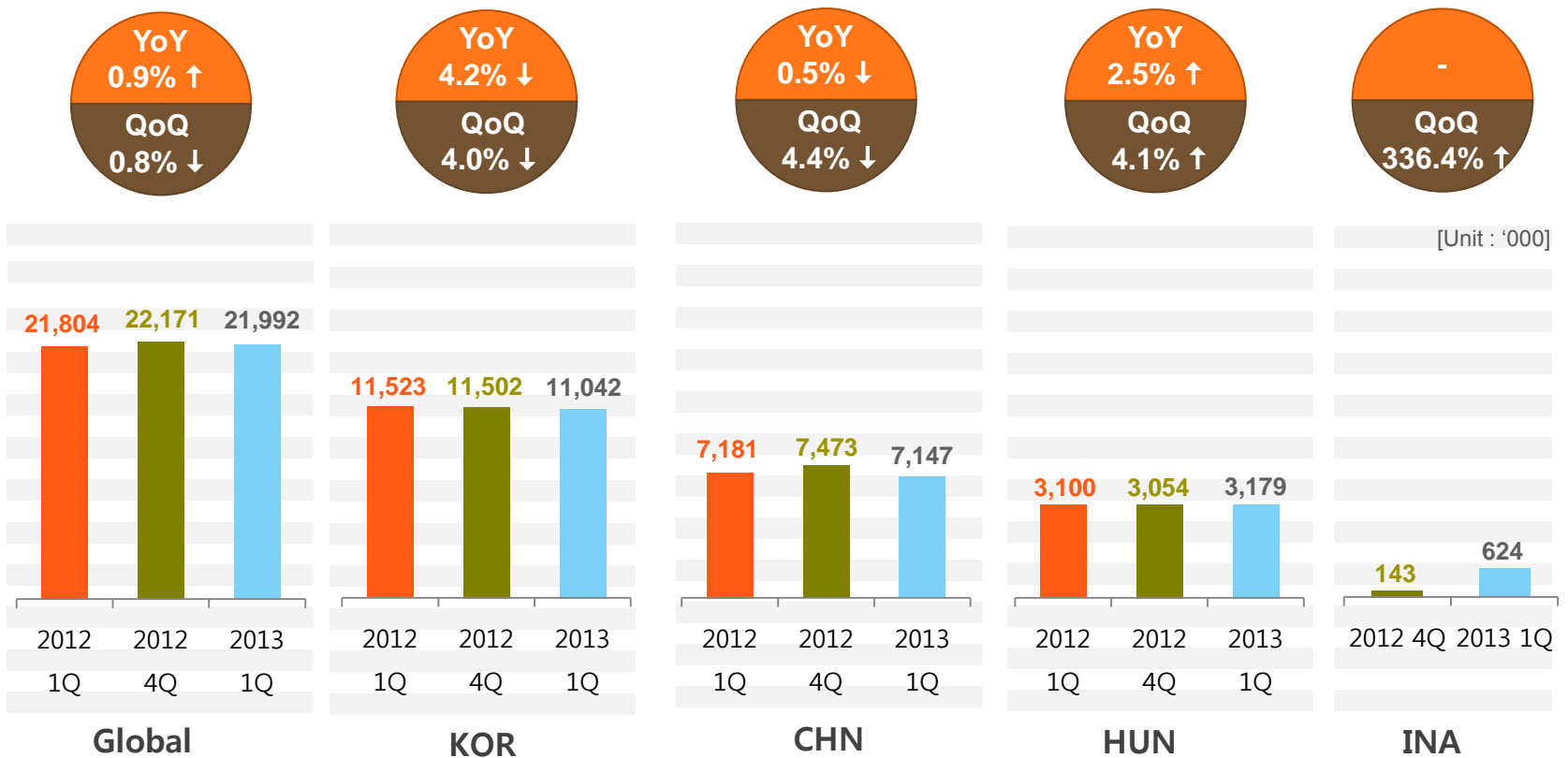


※ Source : LMC, HKT Marketing Strategy Team

## (2) Competitiveness

- Maintaining high utilization rate

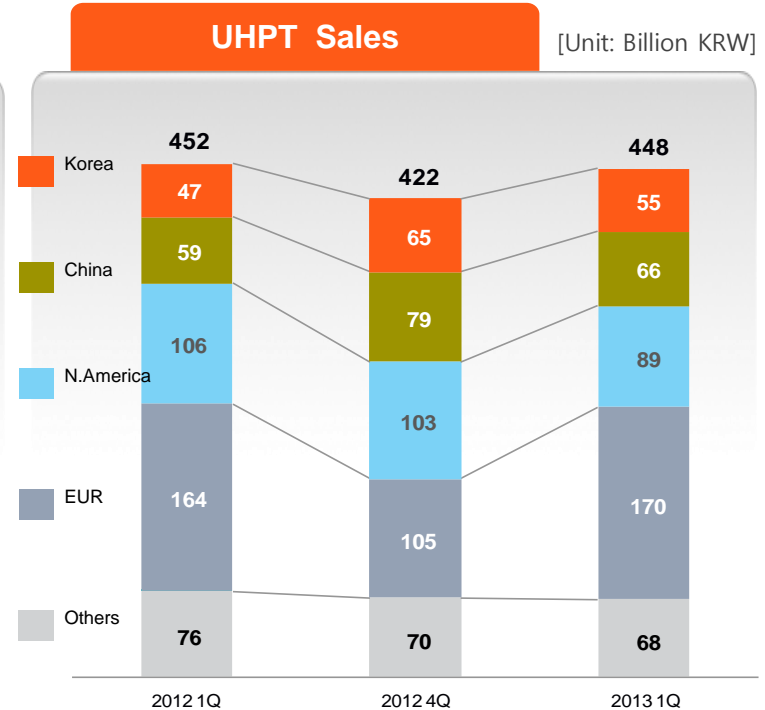
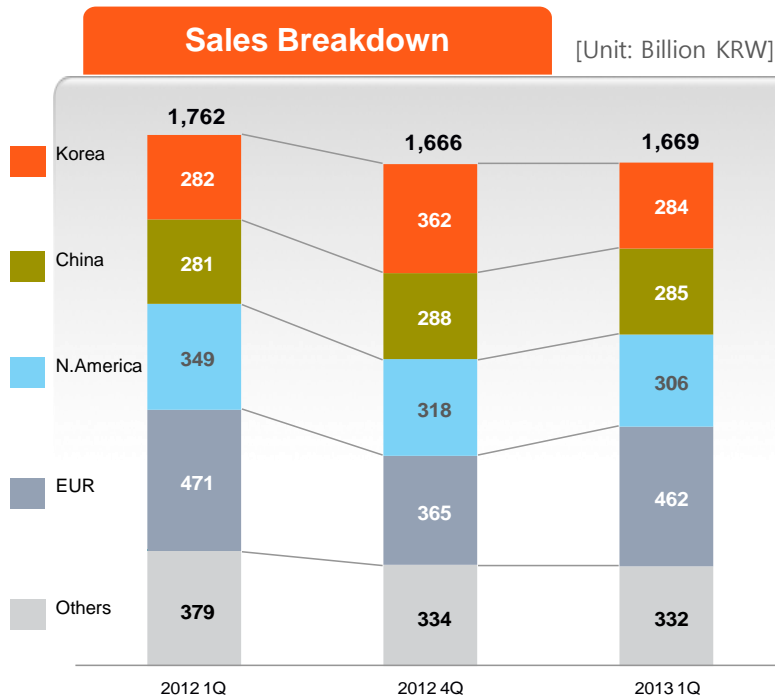
Total production increased YoY, but new-year-holidays effected Korea & China plants' working day, production decreased 0.8% on QoQ basis.



## (2) Competitiveness

- Well-diversified sales across geographical regions

Sales decreased in every region except in Europe due to global tire demand slowdown, but total UHPT sales increased on QoQ basis, due to UHPT sales increase in Europe.

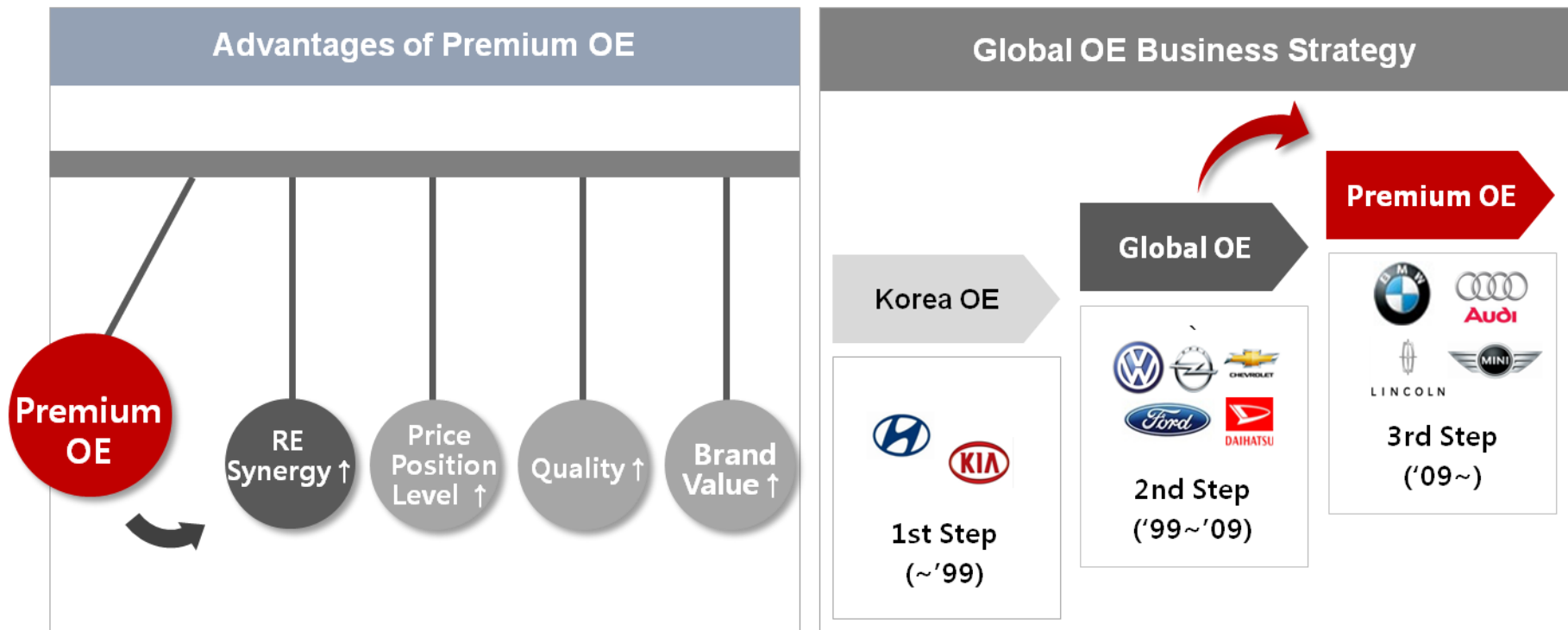


※ The sales and units were calculated by aggregating units sold by each production facility

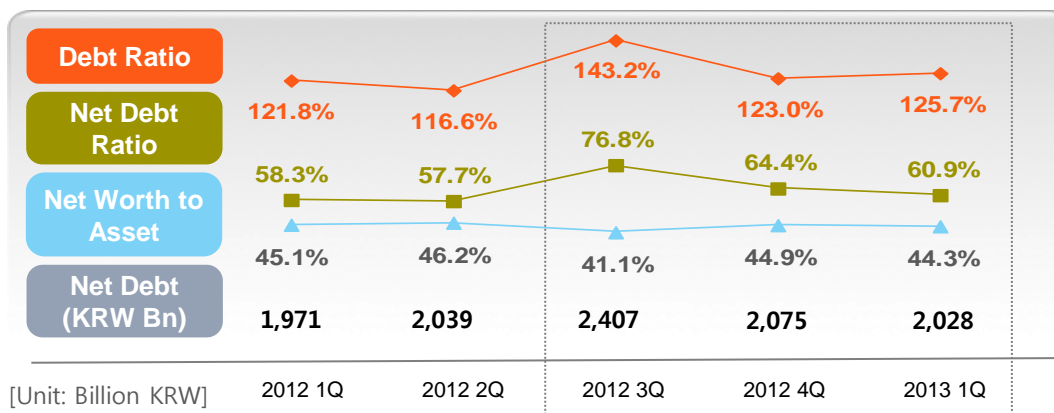
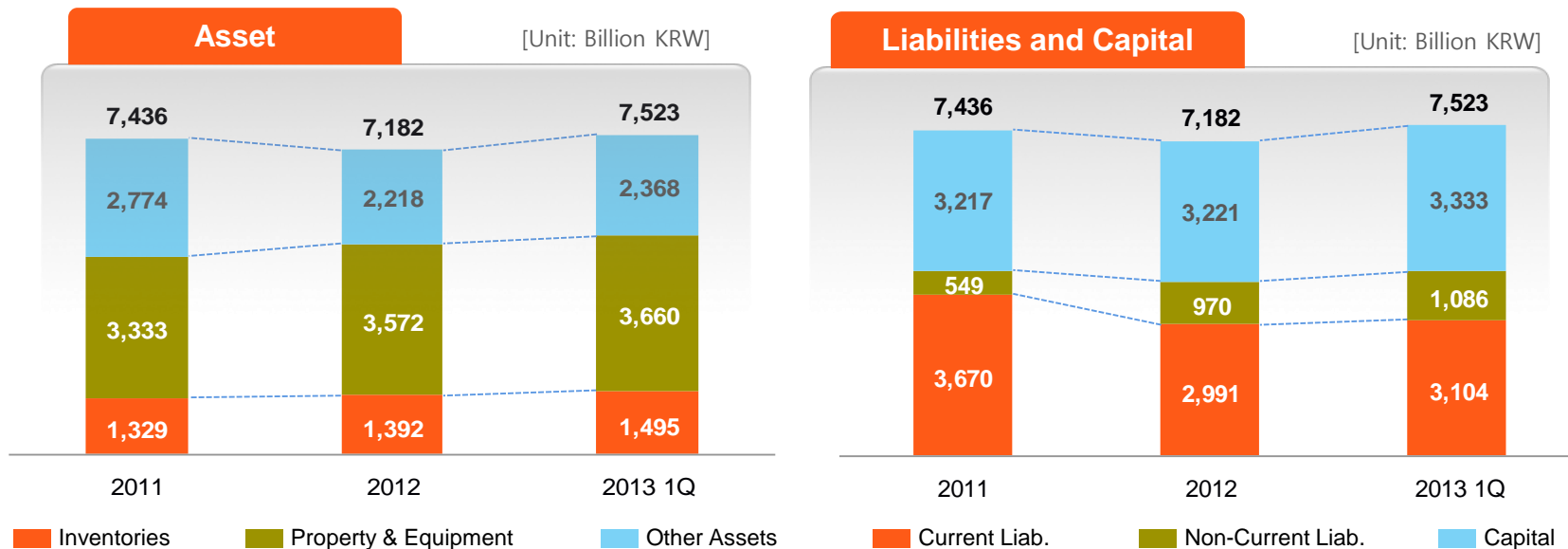
	2012 1Q	2012 4Q	2013 1Q
UHPT Sales/ Total Sales	25.6%	25.3%	26.8%
UHPT ('000 units)	5,647	5,794	6,225

## (2) Competitiveness

- Expanding Premium OE business with proven quality and technology
  - Promote sales in the RE business and increase brand value by expanding client portfolio to premium automobile manufacturers.
  - Gain more M/S in Global and Premium OE market and improvements in margins year by year.
  - Start providing OE to Honda, 'Civic' : 1<sup>st</sup> step to expand our OE volumes to Japanese best-selling passenger cars



# (3) Stability : Consolidated Balance Sheet

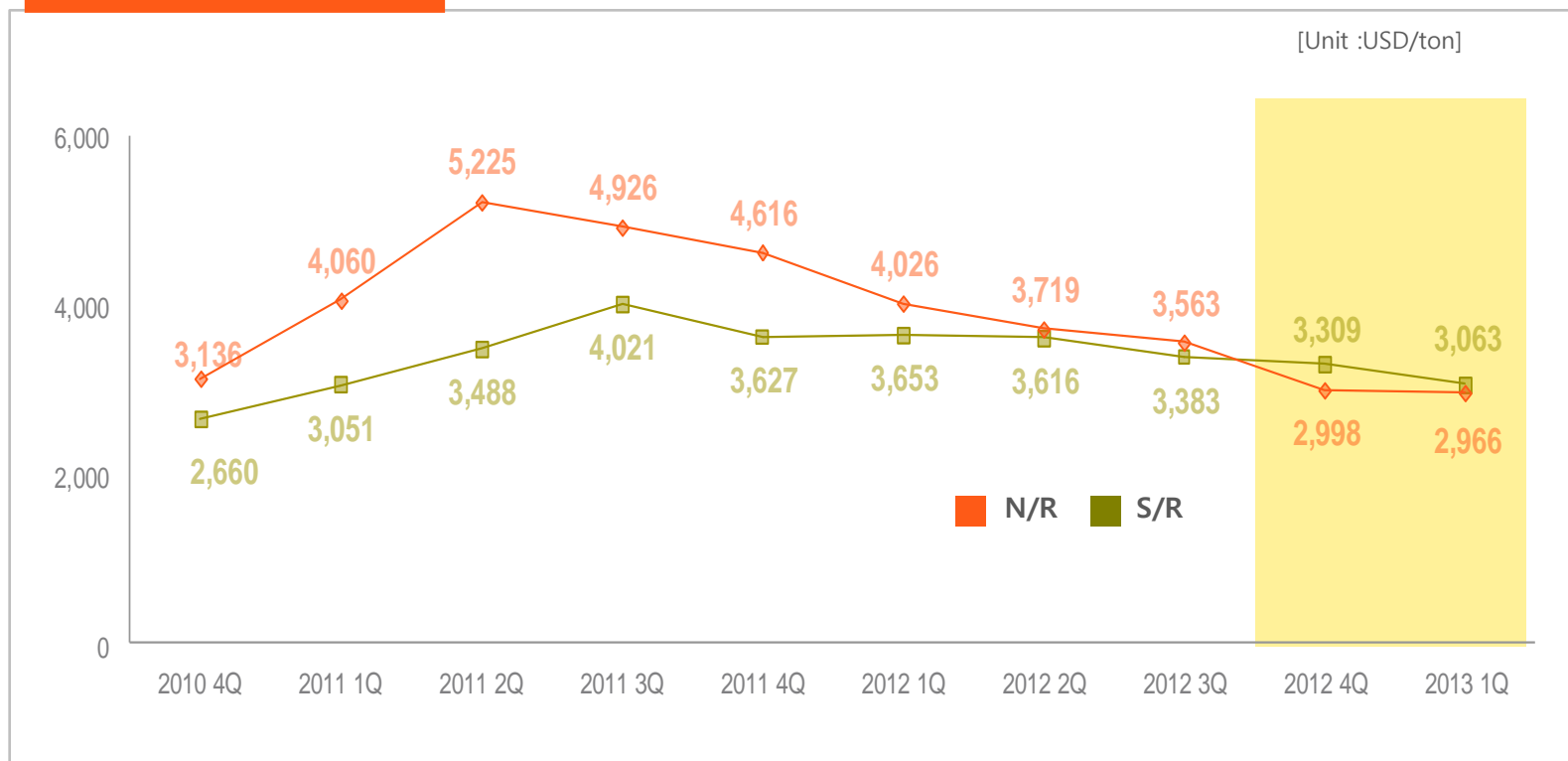


※ Sep. 2012 ~ : HKT after spin-off, HKTWW not included

### (3) Stability : Raw Material Cost

- Raw material cost seems to be stable, will be favorable to our OP till 2H
  - NR : Demand is still weak, but supply will increase slightly due to seasonality
  - SR : Weak demand will continue, SR facilities might lower their utilization

Raw Material Cost Trend





**Preparation period for market rise in 2H**

**Increase operating profit by focusing on improving efficiency in two new facilities**

**Enhance sales capability in Emerging-ASEAN market**

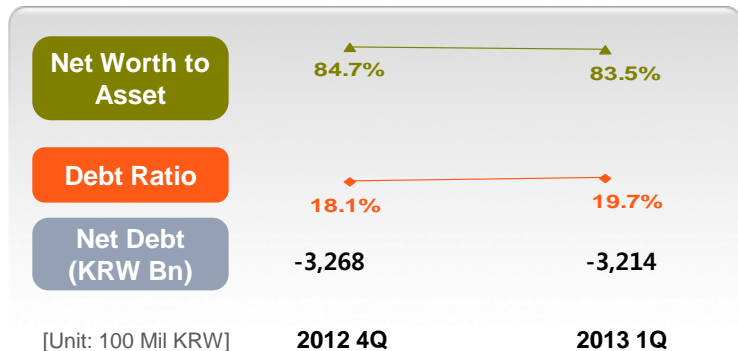
**Increase our price position level**

# Hankook Tire Worldwide 2013 1Q Review



Balance Sheet		KRW 100 mil.	
	2012 4Q	2013 1Q	
<b>Current Assets</b>	<b>5,220</b>	<b>5,409</b>	
Cash / Cash equivalents	854	952	
Account Receivables	2,225	2,065	
<b>Non-current Assets</b>	<b>4,523</b>	<b>4,636</b>	
Intangibles	592	607	
Investments in Associates	2,900	2,969	
Property, plant and equipment	974	997	
<b>Total Assets</b>	<b>9,743</b>	<b>10,045</b>	
<b>Current Liabilities</b>	<b>844</b>	<b>1,003</b>	
<b>Non-current Liabilities</b>	<b>646</b>	<b>653</b>	
<b>Total Liabilities</b>	<b>1,490</b>	<b>1,656</b>	
<b>Total Shareholders' equity</b>	<b>8,253</b>	<b>8,389</b>	

Income Statement		KRW 100 mil.	
	2012 4Q	2013 1Q	
<b>Operating Revenue</b>	<b>170</b>	<b>218</b>	
Brand Royalty	99	101	
Equity Method Income	8	43	
Other Income	63	74	
<b>Operating Expenses</b>	<b>90</b>	<b>82</b>	
<b>Operating Profit</b>	<b>81</b>	<b>136</b>	
<b>Income Before Income Tax</b>	<b>85</b>	<b>174</b>	



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# Appendix. F/S – Consolidated B/S

[unit : 100 Mil KRW]

	2012		2013 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	71,824	100.0%	75,227	100.0%	3,403	4.7%
Current Assets	33,369	46.5%	36,684	48.8%	3,315	9.9%
cashable assets	6,207	8.6%	7,456	9.9%	1,249	20.1%
Accounts receivable	11,844	16.5%	13,066	17.4%	1,222	10.3%
Inventories	13,917	19.4%	14,950	19.9%	1,033	7.4%
Non-current Assets	38,456	53.5%	38,543	51.2%	87	0.2%
Tangible assets	35,716	49.7%	36,599	48.7%	883	2.5%
<b>Liabilities</b>	39,610	55.1%	41,898	55.7%	2,288	5.8%
Current Liabilities	29,911	41.6%	31,040	41.3%	1,129	3.8%
Non-Current Liabilities	9,699	13.5%	10,859	14.4%	1,160	12.0%
<b>Shareholders' Equity</b>	32,215	44.9%	33,329	44.3%	1,114	3.5%
Debt	26,955		27,741			
Net debt	20,748		20,284			
Debt Ratio		123.0%		125.7%		
Net Worth to Assets		44.9%		44.3%		

[unit : 100 Mil KRW]

	2012		2013 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	43,755	100.0%	45,124	100.0%	1,375	3.1%
Current Assets	19,942	45.6%	21,420	47.5%	1,484	7.4%
cashable assets	3,004	6.9%	3,576	7.9%	572	19.0%
Account receivable	10,576	24.2%	10,866	24.1%	203	1.9%
Inventories	4,430	10.1%	4,591	10.2%	161	3.6%
Non-current Assets	23,813	54.4%	23,704	52.5%	-109	-0.5%
Tangible assets	14,731	33.7%	14,469	32.1%	-262	-1.8%
<b>Liabilities</b>	16,983	38.8%	17,406	38.6%	144	0.8%
Current Liabilities	14,192	32.4%	14,468	32.1%	35	0.2%
Non-Current Liabilities	2,791	6.4%	2,938	6.5%	109	3.9%
<b>Shareholders' Equity</b>	26,772	61.2%	27,718	61.4%	1,231	4.6%
Debt	9,304		9,355			
Net debt	4,612		3,613			
Debt Ratio		65.2%		62.8%		
Net Worth to Assets		60.5%		61.4%		

[단위 : Mil RMB]

	2012		2013 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	16,230	100.0%	16,356	100.0%	126	0.8%
Current Assets	6,604	40.7%	6,823	41.7%	219	3.3%
Account receivable	4,334	26.7%	4,353	26.6%	18	0.4%
Inventories	1,649	10.2%	1,578	9.6%	-72	-4.3%
Non-current Assets	9,625	59.3%	9,533	58.3%	-92	-1.0%
Tangible assets	7,834	48.3%	7,711	47.1%	-123	-1.6%
Liabilities	10,024	61.8%	9,957	60.9%	-66	-0.7%
Current Liabilities	8,783	54.1%	8,660	52.9%	-123	-1.4%
Non-Current Liabilities	1,241	7.6%	1,297	7.9%	57	4.6%
Shareholders' Equity	6,206	38.2%	6,398	39.1%	192	3.1%

[unit : Mil HUF]

	2012		2013 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	242,813	100.0%	240,776	100.0%	-2,037	-0.8%
Current Assets	145,593	60.0%	146,982	61.0%	1,388	1.0%
Account receivable	60,590	25.0%	63,124	26.2%	2,535	4.2%
Inventories	34,185	14.1%	28,825	12.0%	-5,360	-15.7%
Non-current Assets	97,219	40.0%	93,794	39.0%	-3,425	-3.5%
Tangible assets	97,179	40.0%	93,743	38.9%	-3,436	-3.5%
Liabilities	173,692	71.5%	165,323	68.7%	-8,369	-4.8%
Current Liabilities	126,357	52.0%	102,941	42.8%	-23,416	-18.5%
Non-Current Liabilities	47,335	19.5%	62,382	25.9%	15,047	31.8%
Shareholders' Equity	69,121	28.5%	75,453	31.3%	6,333	9.2%

[unit : K USD]

	2012		2013 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>369,160</b>	<b>100.0%</b>	<b>371,932</b>	<b>100.0%</b>	<b>2,772</b>	<b>0.8%</b>
Current Assets	71,989	19.5%	68,158	18.3%	-3,831	-5.3%
Cashable assets	24,268	6.6%	1,692	0.5%	-22,576	-93.0%
Account receivable	2,285	0.6%	7,133	1.9%	4,848	212.2%
Inventories	16,347	4.4%	30,574	8.2%	14,227	87.0%
Non-current Assets	297,171	80.5%	303,775	81.7%	6,603	2.2%
Tangible assets	294,591	79.8%	301,354	81.0%	6,763	2.3%
<b>Liabilities</b>	<b>254,786</b>	<b>69.0%</b>	<b>262,743</b>	<b>70.6%</b>	<b>7,957</b>	<b>3.1%</b>
Current Liabilities	34,629	9.4%	42,471	11.4%	7,842	22.6%
Non-Current Liabilities	220,157	59.6%	220,272	59.2%	115	0.1%
<b>Shareholders' Equity</b>	<b>114,374</b>	<b>31.0%</b>	<b>109,189</b>	<b>29.4%</b>	<b>-5,185</b>	<b>-4.5%</b>



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

[unit: 100 Mil KRW]

	2012 1Q		2012 4Q		2013 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	17,074	100.0%	16,897	100.0%	16,791	100.0%	-1.7%	-1.3%
COGS	12,028	70.4%	11,242	66.5%	11,376	67.8%	-5.4%	-0.3%
Gross Profit	5,046	29.6%	5,655	33.5%	5,415	32.2%	7.3%	-3.2%
SG&A	2,741	16.1%	3,490	20.7%	2,871	17.1%	4.7%	-14.8%
Operating Profit	2,305	13.5%	2,166	12.8%	2,544	15.2%	10.4%	14.4%
Other Revenue	768	4.5%	699	4.1%	630	3.8%	-17.9%	-14.5%
Other Expense	738	4.3%	591	3.5%	550	3.3%	-25.4%	-10.4%
Financial Revenue	604	3.5%	74	0.4%	200	1.2%	-66.9%	158.3%
Financial Expense	436	2.6%	364	2.2%	482	2.9%	10.6%	32.3%
equity method	33	0.2%	0	-	0	-	-	-
Income Before Income Tax	2,536	14.9%	1,984	11.7%	2,342	13.9%	-7.7%	13.8%
E B I T D A	3,271	19.2%	3,211	19.0%	3,600	21.4%	10.1%	10.1%
Depreciation	966	5.7%	1,046	6.2%	1,056	6.3%	9.3%	1.0%

# Appendix. F/S – Korea I/S (IFRS)

[unit: 100 Mil KRW]

	2012 1Q		2012 4Q		2013 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	10,721	100.0%	10,263	100.0%	9,812	100.0%	-8.5%	-4.4%
COGS	7,914	73.8%	7,176	69.9%	6,799	69.3%	-14.1%	-5.2%
Gross Profit	2,807	26.2%	3,087	30.1%	3,013	30.7%	7.3%	-2.4%
SG&A	1,506	14.0%	2,071	20.2%	1,622	16.5%	7.7%	-21.7%
Operating Profit	1,301	12.1%	1,016	9.9%	1,391	14.2%	6.9%	36.8%
Other Revenue	879	8.2%	921	9.0%	707	7.2%	-19.5%	-23.2%
Other Expense	439	4.1%	417	4.1%	379	3.9%	-13.7%	-9.2%
Financial Revenue	151	1.4%	69	0.7%	156	1.6%	3.0%	124.7%
Financial Expense	152	1.4%	181	1.8%	139	1.4%	-8.1%	-23.1%
Income Before Income Tax	1,741	16.2%	1,409	13.7%	1,736	17.7%	-0.3%	23.2%
E B I T D A	1,783	16.6%	1,504	14.7%	1,878	19.1%	5.3%	24.8%
Depreciation	482	4.5%	488	4.8%	487	5.0%	1.0%	-0.2%

# Appendix. F/S – China I/S (IFRS)

[Unit : 100 Mil RMB]

	2012 1Q		2012 4Q		2013 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	26.26	100.0%	25.94	100.0%	26.24	100.0%	-0.1%	1.1%
COGS	20.36	77.5%	19.24	74.2%	19.08	72.7%	-6.3%	-0.8%
Gross Profit	5.90	22.5%	6.70	25.8%	7.15	27.3%	21.3%	6.8%
SG&A	3.94	15.0%	3.87	14.9%	3.99	15.2%	1.4%	3.1%
Operating Profit	1.96	7.5%	2.83	10.9%	3.16	12.1%	61.3%	11.8%
Other Revenue	1.12	4.3%	0.43	1.7%	0.28	1.1%	-75.0%	-34.9%
Other Expense	1.17	4.5%	0.44	1.7%	0.26	1.0%	-77.8%	-40.9%
Financial Revenue	0.60	2.3%	0.82	3.2%	0.76	2.9%	26.7%	-7.3%
Financial Expense	1.28	4.9%	1.11	4.3%	1.17	4.5%	-8.6%	5.4%
Income Before Income Tax	1.23	4.7%	2.53	9.8%	2.77	10.6%	125.2%	9.6%
E B I T D A	3.34	12.7%	4.59	17.7%	4.88	18.6%	46.1%	6.4%
Depreciation	1.38	5.3%	1.76	6.8%	1.72	6.6%	24.6%	-2.3%

# Appendix. F/S – Hungary I/S (IFRS)

[Unit : 100 Mil HUF]

	2012 1Q		2012 4Q		2013 1Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	450.67	100.0%	356.83	100.0%	439.12	100.0%	-2.6%	23.1%
COGS	307.21	68.2%	251.00	70.3%	309.46	70.5%	0.7%	23.3%
Gross Profit	143.46	31.8%	105.84	29.7%	129.67	29.5%	-9.6%	22.5%
SG&A	42.21	9.4%	44.16	12.4%	48.84	11.1%	15.7%	10.6%
Operating Profit	101.25	22.5%	61.68	17.3%	80.82	18.4%	-20.2%	31.0%
Other Revenue	9.69	2.2%	22.67	6.4%	28.05	6.4%	189.4%	23.7%
Other Expense	30.80	6.8%	9.83	2.8%	7.36	1.7%	-76.1%	-25.1%
Financial Revenue	90.02	20.0%	-17.01	-4.8%	1.47	0.3%	-98.4%	-108.6%
Financial Expense	32.42	7.2%	13.27	3.7%	47.08	10.7%	45.3%	254.8%
Income Before Income Tax	158.85	35.2%	44.24	12.4%	55.90	12.7%	-64.8%	26.4%
E B I T D A	144.94	32.2%	107.53	30.1%	126.25	28.8%	-12.9%	17.4%
Depreciation	43.69	9.7%	45.85	12.8%	45.43	10.3%	4.0%	-0.9%

# Appendix. F/S – Indonesia I/S (IFRS)

[unit : K USD]

	2012 4Q		2013 1Q		QoQ
	Amt.	%	Amt.	%	(%)
Sales	5,321	100.0%	19,725	100.0%	270.7%
COGS	9,339	175.5%	19,478	98.7%	108.6%
Gross Profit	-4,018	-75.5%	247	1.3%	-
SG&A	2,569	48.3%	3,881	19.7%	51.1%
Operating Profit	-6,587	-123.8%	-3,634	-18.4%	-
Other Revenue	164	3.1%	239	1.2%	46.1%
Other Expense	479	9.0%	492	2.5%	2.7%
Financial Revenue	-248	-4.7%	68	0.3%	-
Financial Expense	-3,288	-61.8%	1,366	6.9%	-
Income Before Income Tax	-3,862	-72.6%	-5,185	-26.3%	34.3%
E B I T D A	-4,860	-91.3%	151	0.8%	-
Depreciation	1,727	32.5%	3,785	19.2%	119.2%