

# 2012 Hankook Tire

## 4th Quarter Result

2013.02.01

**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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# Financial Highlights 1.

## 2012 4Q Global Business Results

[unit : 100 Mil KRW, %]

	<u>2011 4Q (A)</u>	<u>2012 4Q (B)</u>	<u>B/A</u>
<b>Sales</b>	<b>17,853</b>	<b>16,897</b>	<b>94.6%</b>
<b>COGS</b>	<b>13,386</b> <i>(74.9%)</i>	<b>11,242</b> <i>(66.5%)</i>	<b>84.0%</b>
<b>Operating Profit</b>	<b>1,204</b> <i>(6.7%)</i>	<b>2,165</b> <i>(12.8%)</i>	<b>179.8%</b>
<b>Ordinary Profit</b>	<b>1,025</b> <i>(5.7%)</i>	<b>1,984</b> <i>(11.7%)</i>	<b>193.6%</b>
<b>EBITDA</b>	<b>2,176</b> <i>(12.2%)</i>	<b>3,212</b> <i>(19.0%)</i>	<b>147.6%</b>

※ 2011 4Q : Before spin-off, 2012 4Q : After spin-off, HKTWW not included  
2011, 2012 IFRS, Consolidated Total

# Financial Highlights 2.



## 2012 Global Business Results

[unit : 100 Mil KRW, %]

	<u>2011 (A)</u>	<u>2012 (B)</u>	<u>B/A</u>
Sales	64,890	70,291	108.3%
COGS	48,139 <i>(74.2%)</i>	48,733 <i>(69.3%)</i>	101.2%
Operating Profit	5,781 <i>(8.9%)</i>	9,129 <i>(13.0%)</i>	157.9%
Ordinary Profit	4,796 <i>(7.4%)</i>	8,794 <i>(12.5%)</i>	183.4%
EBITDA	9,443 <i>(14.6%)</i>	13,078 <i>(18.6%)</i>	138.5%

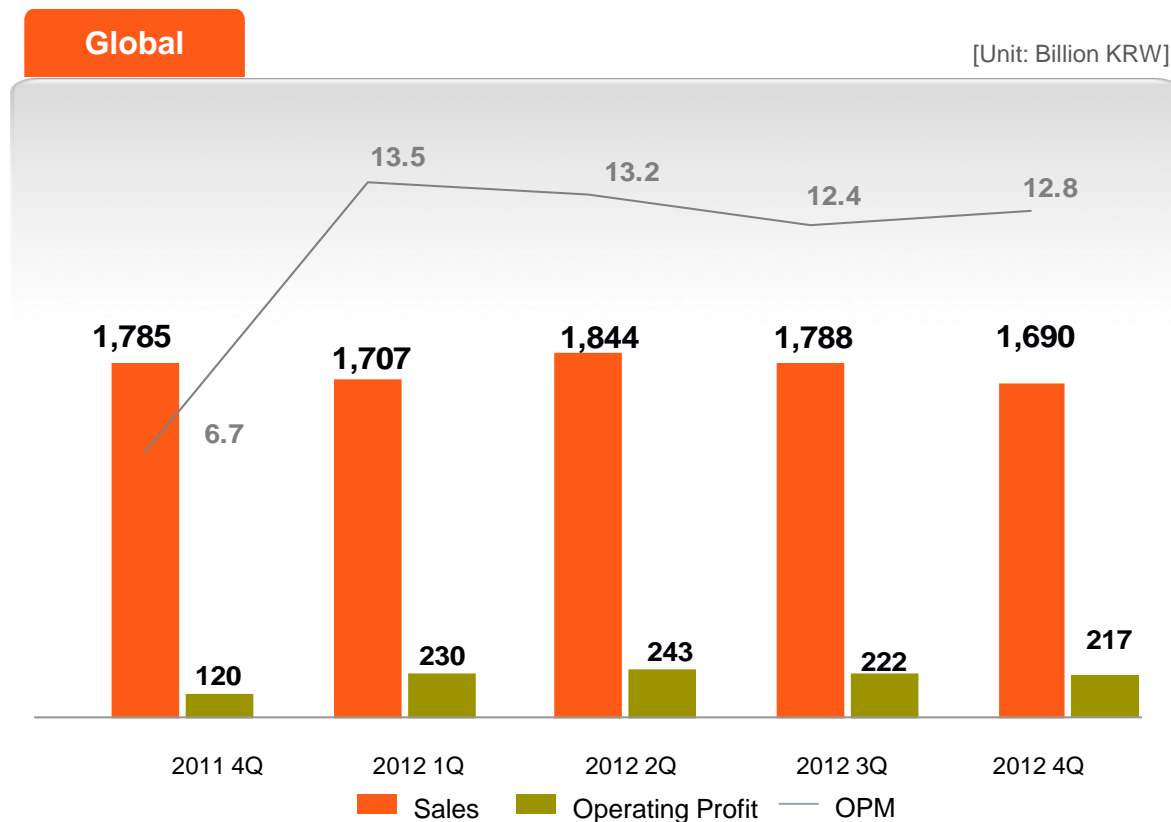
※ ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included  
2011, 2012 IFRS, Consolidated Total

# 1. Hankook Tire 2012 4Q/2012 Results Review



## (1) Performance

Despite the weak tire demand, our RE sales improved in 4Q, but due to weak global car demands, OE sales slightly declined.

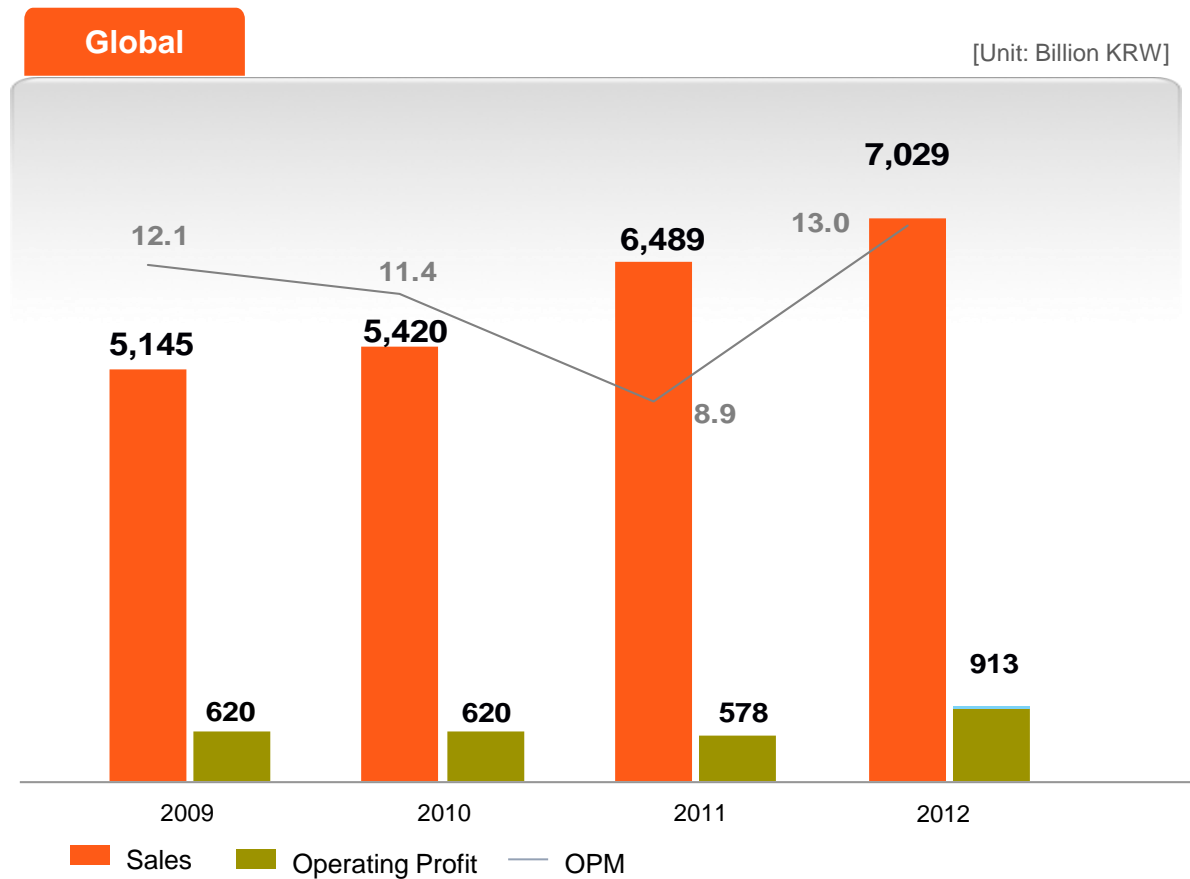


※ ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included

# 1. Hankook Tire 2012 4Q/2012 Results Review



## (1) Performance



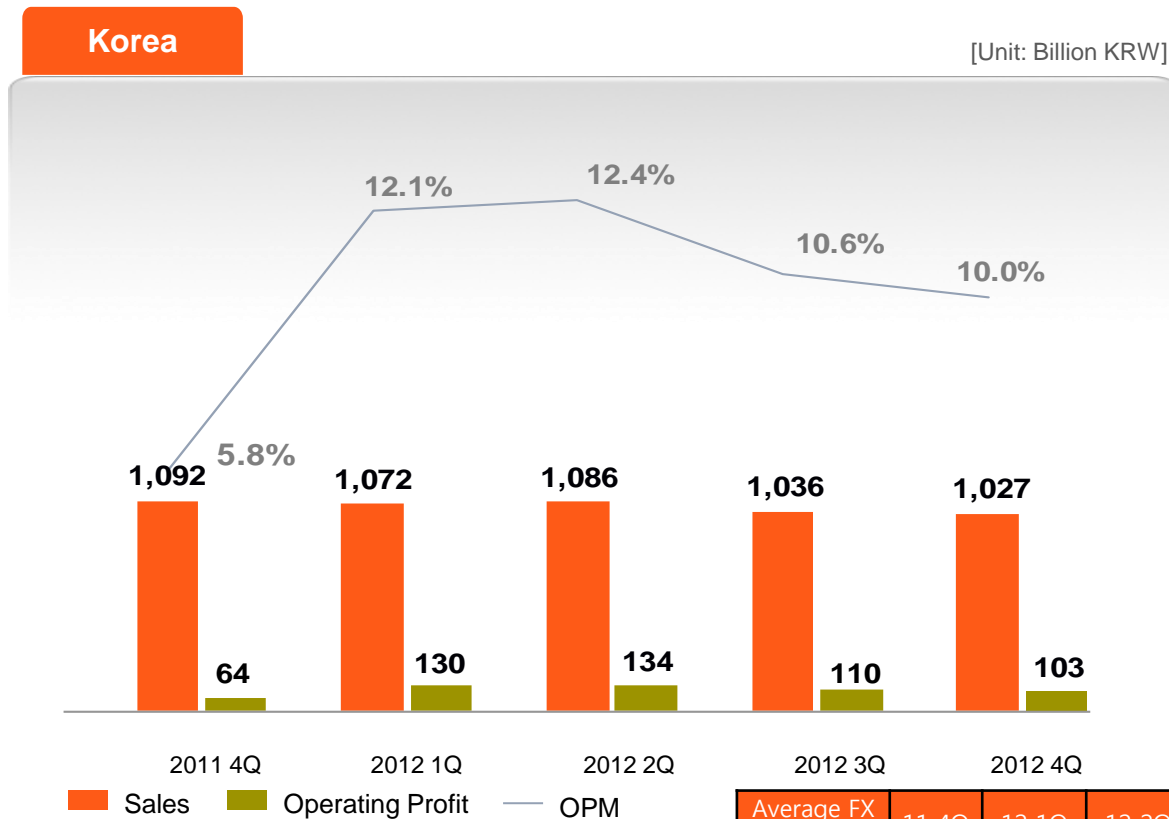
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# 1. Hankook Tire 2012 4Q/2012 Results Review



## (1) Performance

Improvements in RE sales YoY and QoQ, but the production decrease of Korean motor companies effected our OE sales.



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

Average FX Rate	11 4Q	12 1Q	12 2Q	12 3Q	12 4Q
USD/KRW	1,145	1,131	1,152	1,134	1,091
EUR/KRW	1,543	1,484	1,479	1,418	1,414

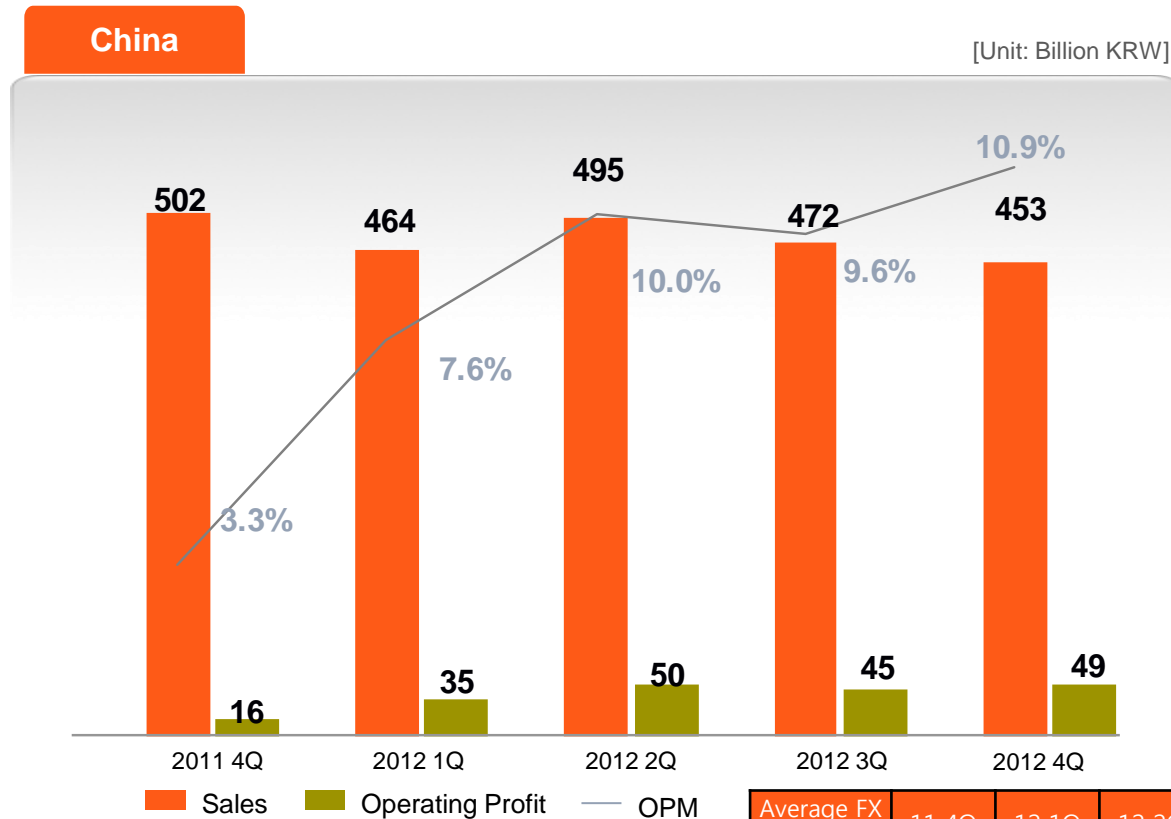


# 1. Hankook Tire 2012 4Q/2012 Results Review



## (1) Performance

RE sales declined due to tough competition in China, but our OE sales increased.



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

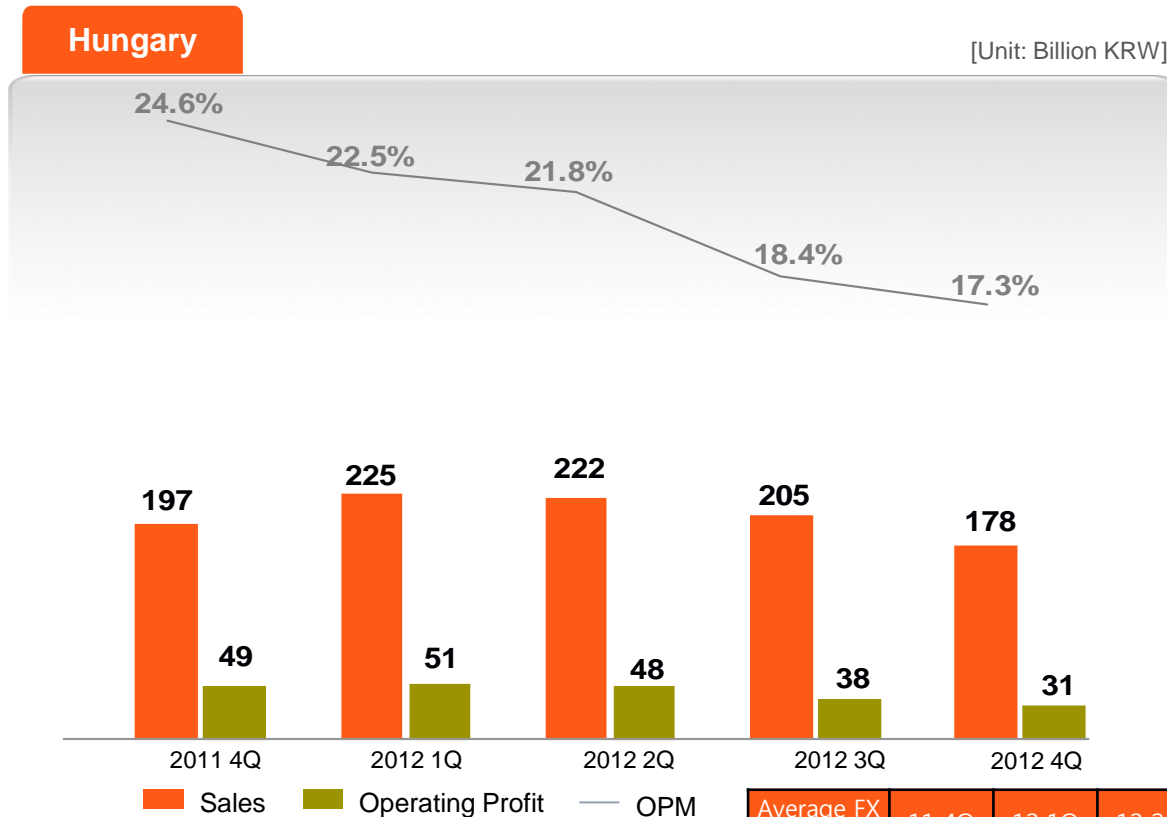
Average FX Rate	11 4Q	12 1Q	12 2Q	12 3Q	12 4Q
CNY/KRW	180	179	182	178	175
USD/CNY	6.369	6.310	6.331	6.353	6.244

# 1. Hankook Tire 2012 4Q/2012 Results Review



## (1) Performance

Sales declined due to the slow demand and long year-end-holidays, but, gained market share in W. Europe, OE and TBR sales also increased.



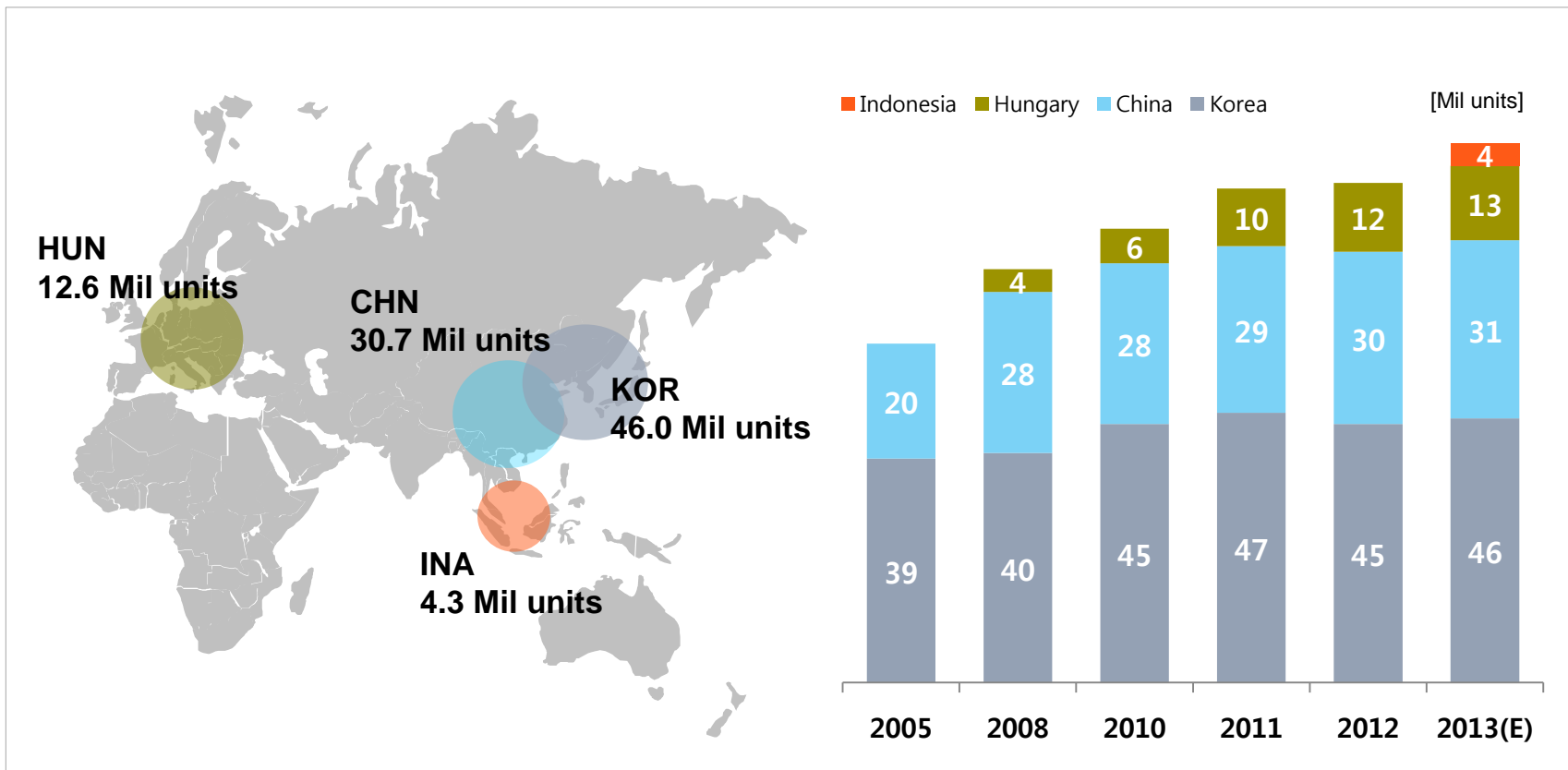
\* ~Aug. 2012 : HKT before spin-off / Sep.2012 ~ Dec. 2012 HKT after spin-off, HKTWW not included

Average FX Rate	11 4Q	12 1Q	12 2Q	12 3Q	12 4Q
EUR/HUF	304	297	294	283	283
HUF/KRW	5.08	5.00	5.03	5.01	4.99
EUR/USD	1.35	1.31	1.28	1.25	1.30

# 1. Hankook Tire 2012 4Q/2012 Results Review

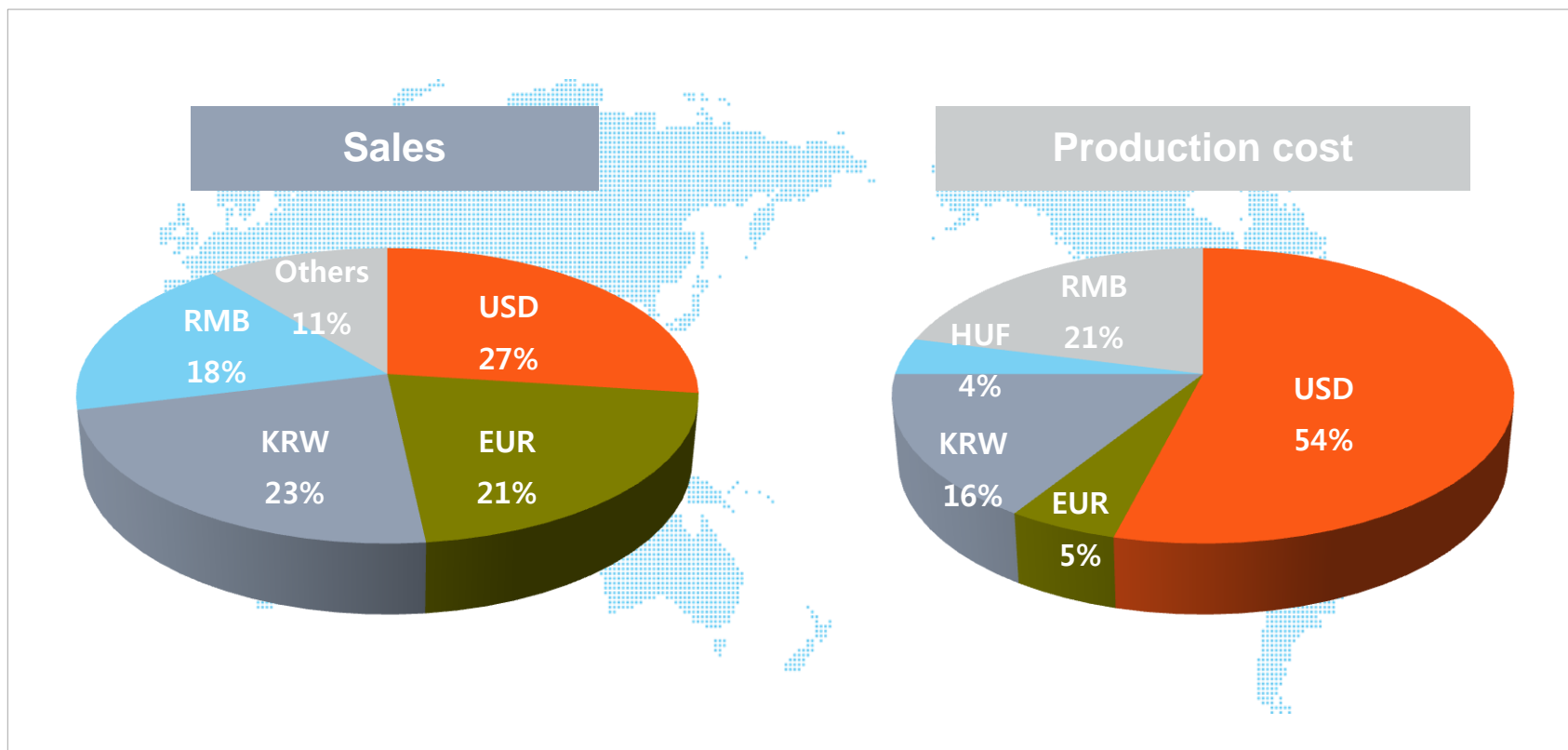
## (2) Competitiveness : Well-balanced global footprint

Based on geographically well-diversified facilities, we've made 60% of production growth for the past 6 years.



## (2) Competitiveness : Sustainable Profitability notwithstanding F/X volatility

Well-balanced currency portfolio makes our operating profit margin more stable and sustainable.

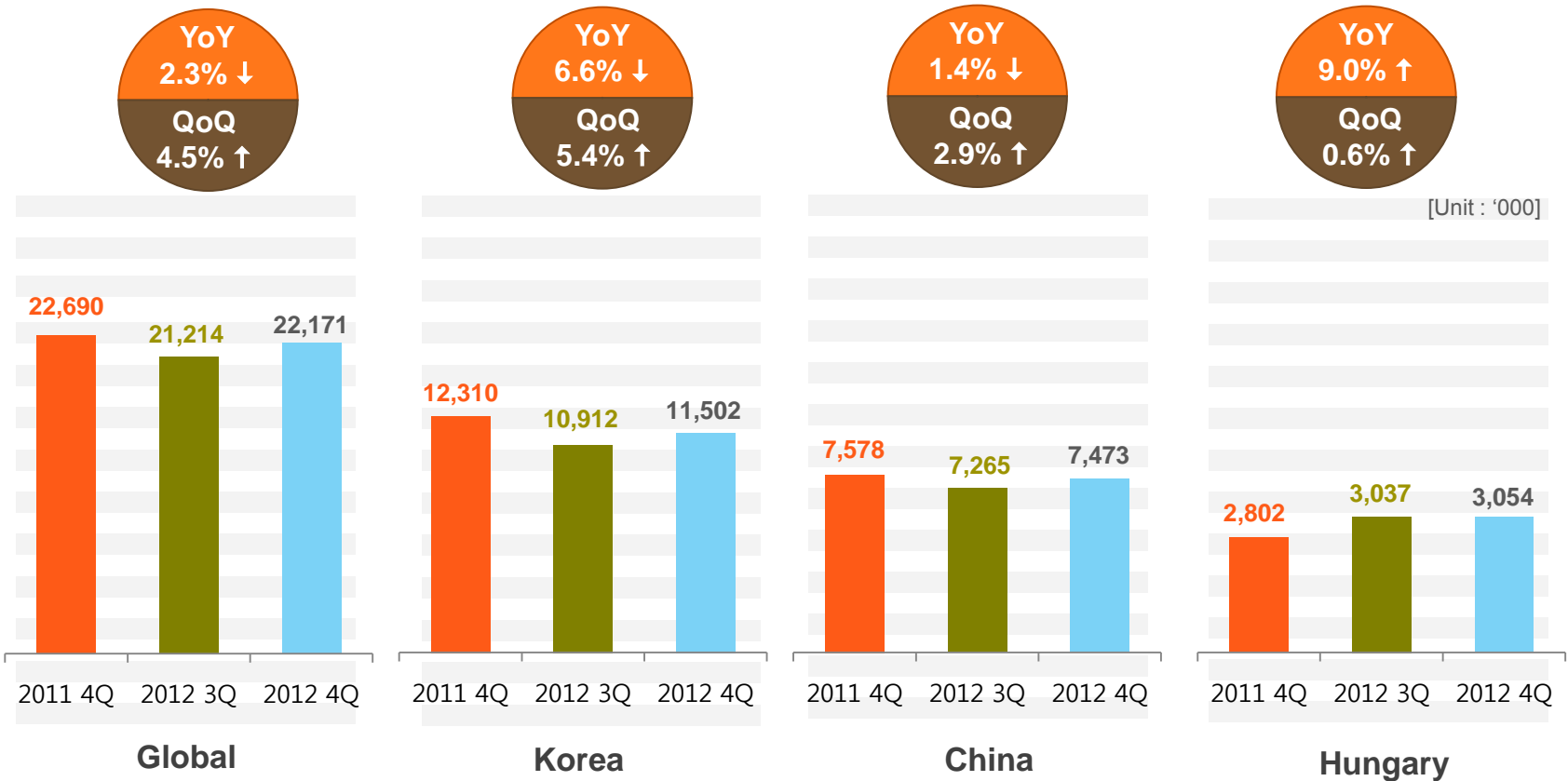


# 1. Hankook Tire 2012 4Q/2012 Results Review



## (2) Competitiveness : Maintaining high utilization rate

Due to the long year-end-holidays, total production decreased YoY, but increase of Korea & China plants' working day, production increased 4.5% on QoQ basis.



## (2) Competitiveness : Start-up Production Facilities

### Chongqing Production

- Increase HKT's brand image in China market, with fine quality products in reasonable prices
- Initial production: Aug. 2012
  - Daily production capacity : 52 TBRs
- Scheduled completion : Jun. 2013
  - Daily production capacity : 2,400 TBRs



### Indonesia Production

- Production hub for the demands in North America and emerging markets such as ASEAN area.
- Initial production: Sep. 2012
  - Daily production capacity : 100 PCRs
- Scheduled completion: Jul. 2013
  - Daily production capacity : 15,000 PCRs

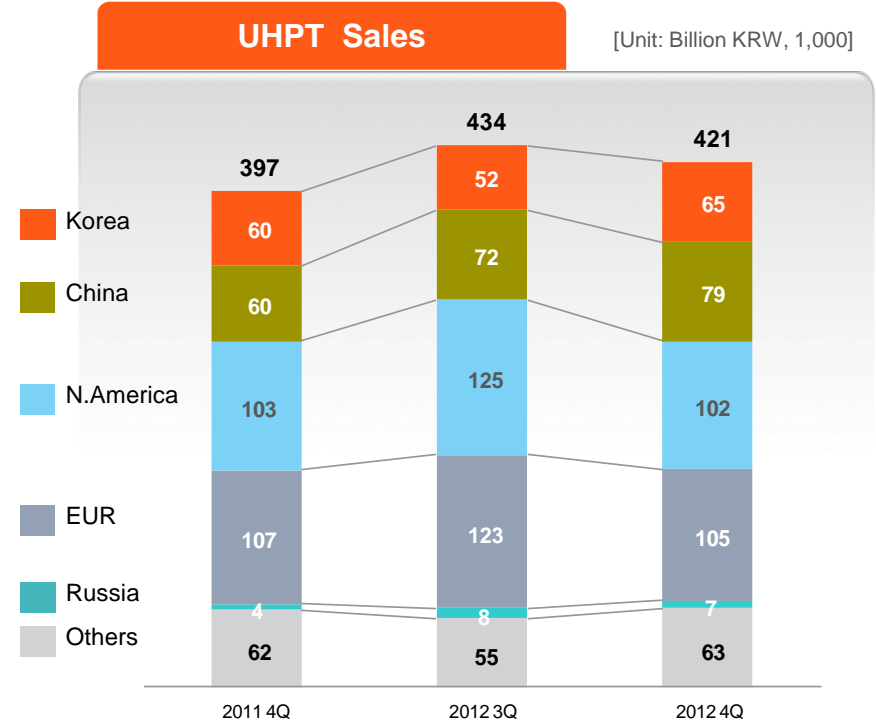
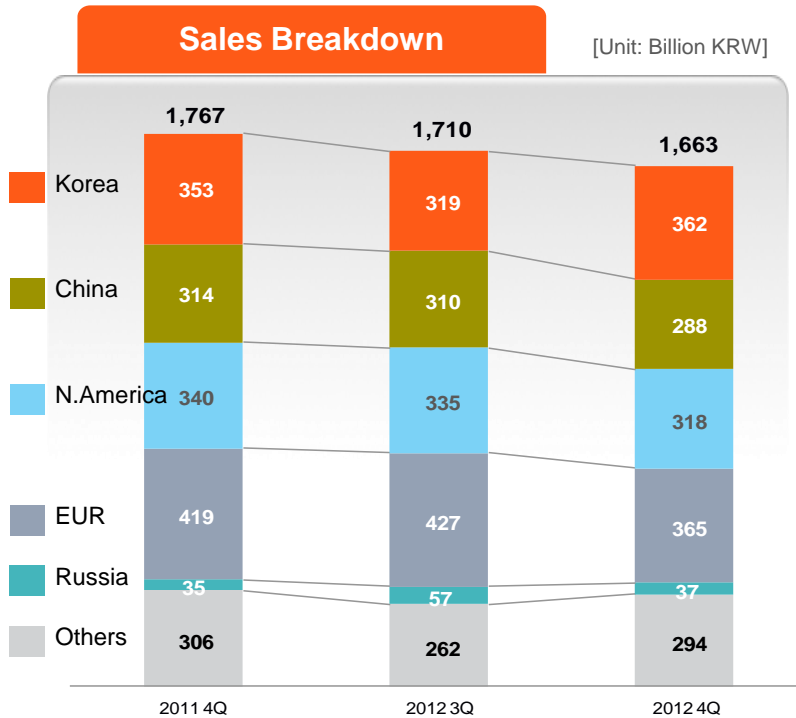


# 1. Hankook Tire 2012 4Q/2012 Results Review



## (2) Competitiveness : Well-diversified sales across geographical regions

Sales decreased in N. America and Europe due to weak tire demand, but sales in Korea and other areas increased on QoQ basis.



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

	2011 4Q	2012 3Q	2012 4Q
UHPT Sales/ Total Sales	22.5%	25.4%	25.3%
UHPT (‘000 units)	5,164	5,510	5,780

# 1. Hankook Tire 2012 4Q/2012 Results Review



## (2) Competitiveness : Strategies for emerging market & Russia

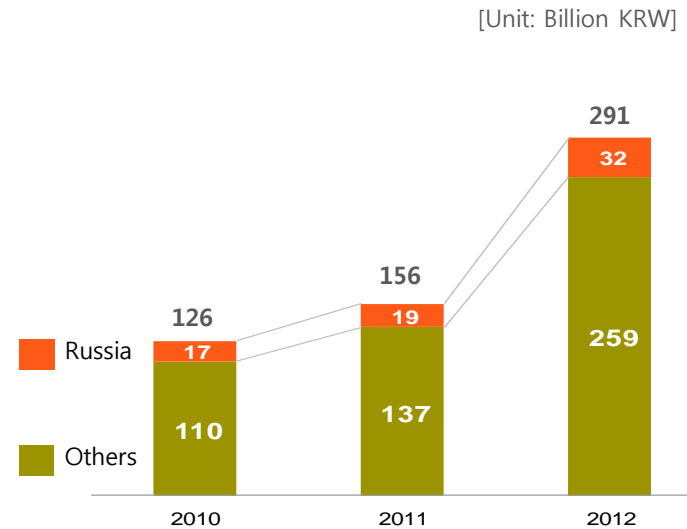
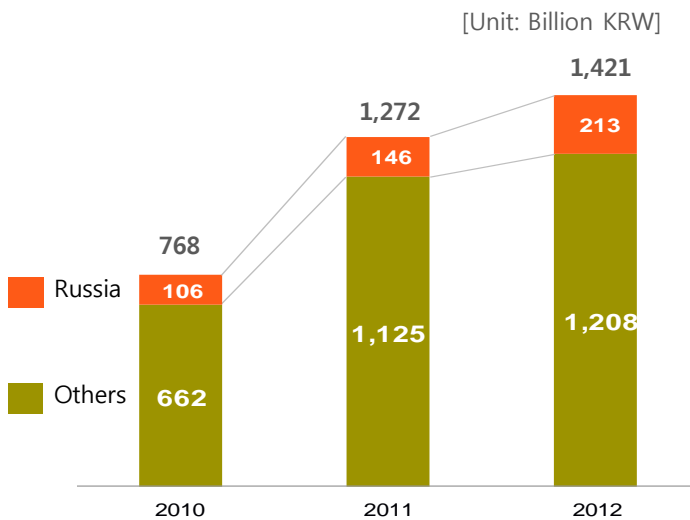
Sales in Russia and CIS countries are increasing rapidly.

Focus on gaining market share in potential markets such as CIS and E.Europe by improving our product mix and brand value.

### Sales Breakdown of Russia & Others

### UHPT Sales of Russia & Others

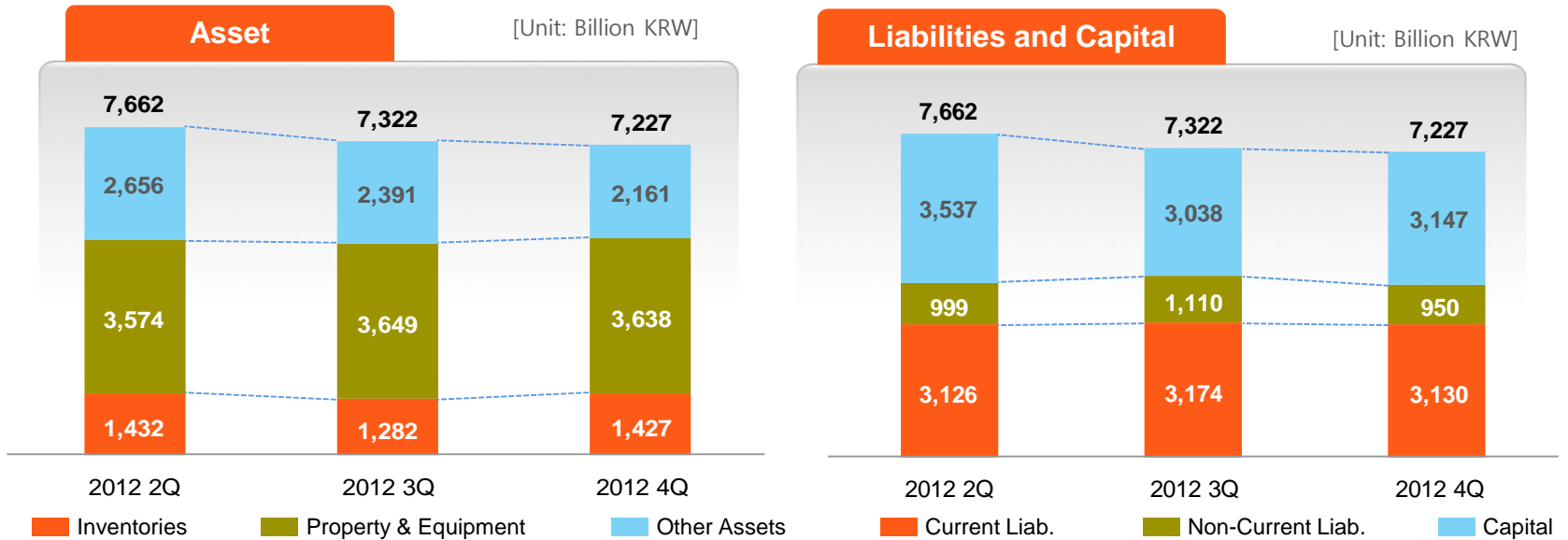
2010~2012 Annual sales - Russia 33%↑, Eastern Europe 16%↑



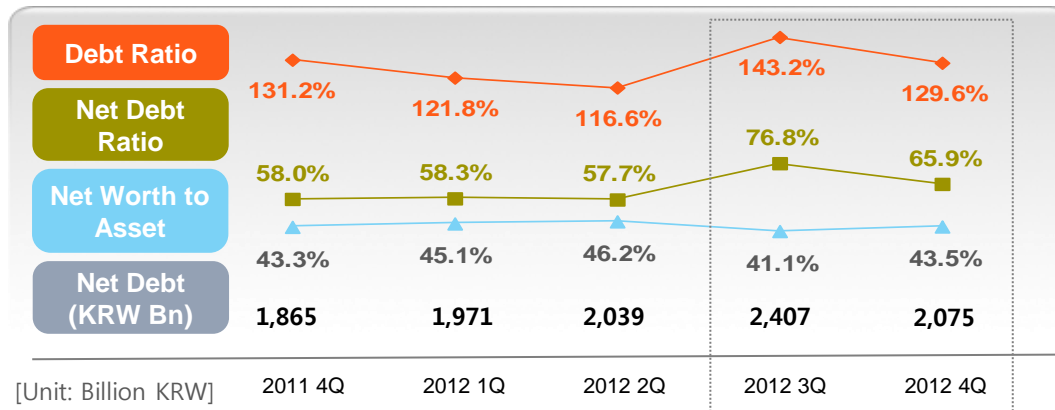


# 1. Hankook Tire 2012 4Q/2012 Results Review

## (3) Stability : Consolidated Balance Sheet



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



# 1. Hankook Tire 2012 4Q/2012 Results Review

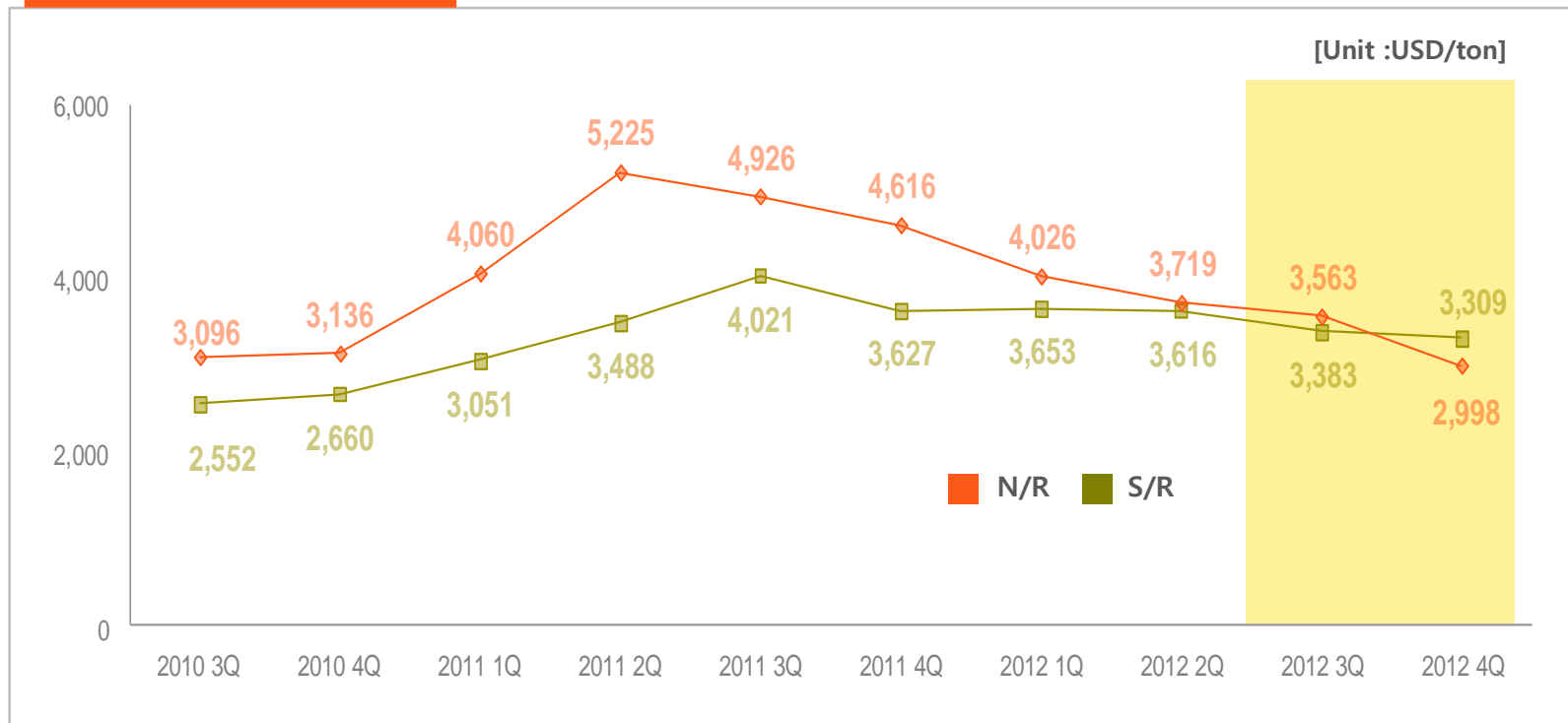


## (3) Stability : Raw Material Cost

NR Prices dropped due to weak rubber demand in China and India.

But, despite current market conditions, declining production of petrochemical companies caused SR's horizontal price movement.

Raw Material Cost Trend



## 2. Hankook Tire 2013 Outlook



### (1) 2013 Guidance

**Expand our presence in emerging markets**

**Enhance product flexibility between the plants**

**Focus on improving quality and cost-efficiency**

**Optimize global supply chain management**

## 2. Hankook Tire 2013 Outlook



### (1) 2013 Guidance

[unit: 100 Mil KRW,%]

Global	2012 (A)	2013 Target (B)	B/A
<b>Sales</b>	70,291	73,686	104.8%
<b>COGS</b>	48,733	52,049	106.8%
<b>COGS(%)</b>	69.3%	70.6%	
<b>Gross Profit</b>	21,558	21,637	100.4%
<b>SG&amp;A</b>	12,429	12,321	99.1%
<b>Operating Profit</b>	9,129	9,315	102.0%
<b>OP(%)</b>	13.0%	12.6%	

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2012, 2013 Consolidated Total

### (2) Medium and Long-term Target

” Contribution to advancement in driving”

#### ~ 2005 Korea No.1 Tire Company

- Market share leader in Korea
- Process Innovation
- New CI/BI

#### ~ 2012 Global Tire Company

- Start Hungary, Indonesia, China(Chongqing) plants
- Global Operation System
- Spun-off to holding company structure

#### Global Top-Tier Tire Company

- Build a Global Foot Print
- Qualitatively & Quantitatively Balanced Growth
- Global Top 5 Tire Company

### 3. Hankook Tire Worldwide



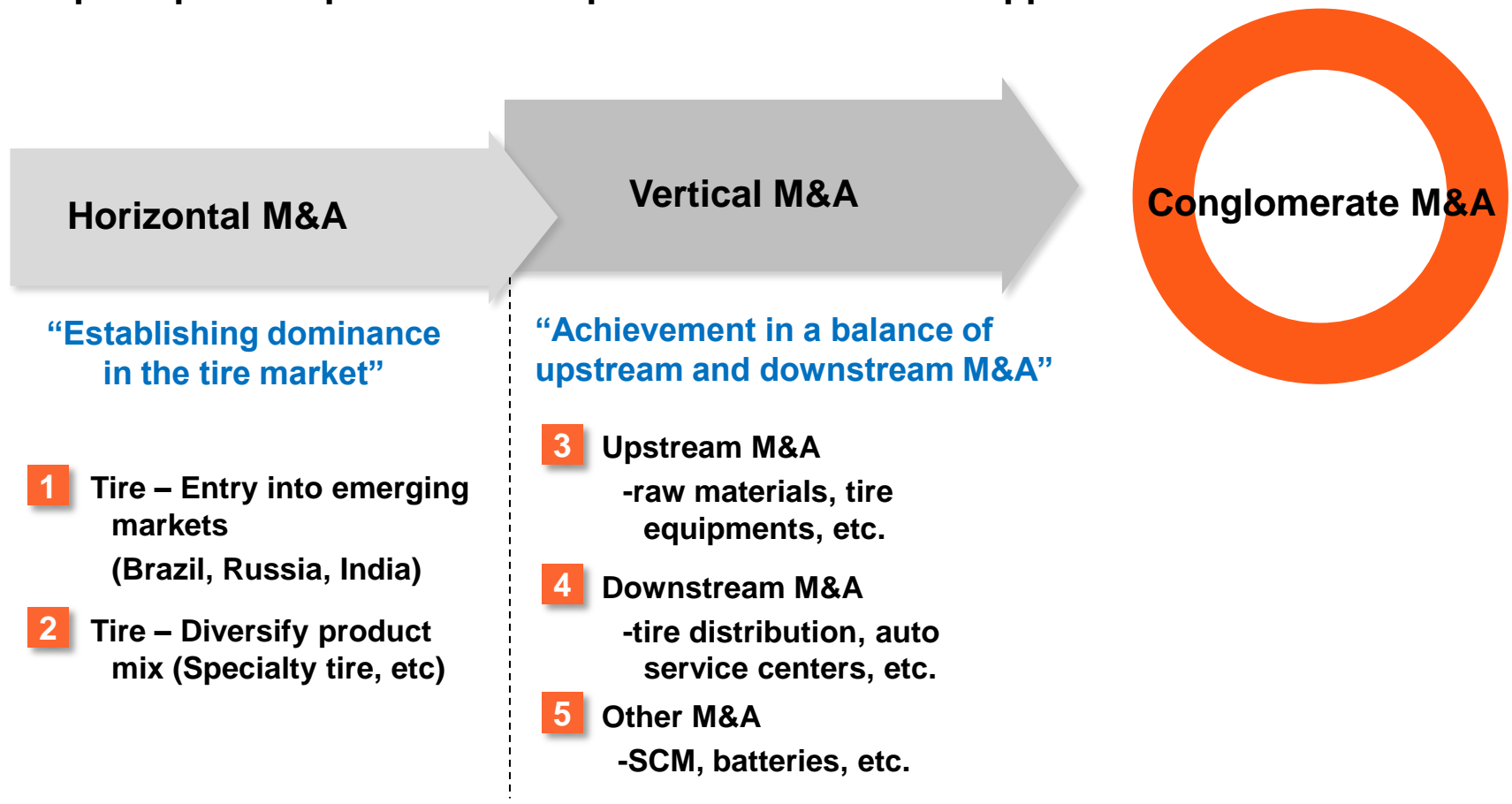
#### (1) 2012 4Q Results

Balance Sheet		KRW 100 mil.	Income Statement		KRW 100 mil.
	2012 3Q	2012 4Q		2012 4Q	2012
<b>Current Assets</b>	<b>5,495</b>	<b>5,221</b>	<b>Operating Revenue</b>	<b>181</b>	<b>404</b>
Cash / Cash equivalents	1,195	854	Brand Royalty	99	133
Account Receivables	2,150	2,414	Equity Method Income	19	179
<b>Non-current Assets</b>	<b>4,260</b>	<b>4,463</b>	Other Income	62	91
Intangibles	590	592	<b>Operating Expenses</b>	<b>89</b>	<b>256</b>
Investments in Associates	2,625	2,813	<b>Operating Profit</b>	<b>92</b>	<b>147</b>
Property, plant and equipment	974	993	<b>Income Before Income Tax</b>	<b>96</b>	<b>88</b>
<b>Total Assets</b>	<b>9,756</b>	<b>9,685</b>			
<b>Current Liabilities</b>	<b>927</b>	<b>787</b>			
<b>Non-current Liabilities</b>	<b>162</b>	<b>149</b>			
<b>Total Liabilities</b>	<b>1,089</b>	<b>937</b>			
<b>Total Shareholders' equity</b>	<b>8,666</b>	<b>8,748</b>			

#### (2) Vision and M&A Strategy

Pursue M&A opportunities that are in-line with HKT's core competencies.

Expand product portfolios and pursue new business opportunities.



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# Appendix. F/S – Consolidated B/S

[unit : 100 Mil KRW]

	2011		2012 4Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	74,363	100.0%	72,264	100.0%	-2,099	-2.8%
Current Assets	37,766	50.8%	34,176	47.3%	-3,590	-9.5%
cashable assets	9,326	12.5%	6,208	8.6%	-3,118	-33.4%
Inventories	13,293	17.9%	14,269	19.7%	976	7.3%
Non-current Assets	36,597	49.2%	38,088	52.7%	1,491	4.1%
Tangible assets	33,332	44.8%	36,384	50.3%	3,052	9.2%
Liabilities	42,196	56.7%	40,792	56.4%	-1,404	-3.3%
Current Liabilities	36,703	49.4%	31,295	43.3%	-5,408	-14.7%
Non-Current Liabilities	5,493	7.4%	9,497	13.1%	4,004	72.9%
Shareholders' Equity	32,167	43.3%	31,473	43.6%	-694	-2.2%
Debt	27,975		26,955			
Net debt	18,649		20,748			
Net debt Ratio		58.0%		64.5%		
Debt Ratio		131.2%		129.6%		
Net Worth to Assets		43.3%		43.6%		

[unit : 100 Mil KRW]

	2011		2012 4Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	45,549	100.0%	43,755	100.0%	-1,794	-3.9%
Current Assets	22,875	50.2%	19,942	45.6%	-2,933	-12.8%
cashable assets	2,880	6.3%	3,004	6.9%	124	4.3%
Account receivable	11,510	25.3%	10,576	24.2%	-934	-8.1%
Inventories	5,068	11.1%	4,430	10.1%	-638	-12.6%
Non-current Assets	22,674	49.8%	23,813	54.4%	1,139	5.0%
Tangible assets	14,307	31.4%	14,731	33.7%	424	3.0%
<b>Liabilities</b>	17,874	39.2%	16,983	38.8%	-891	-5.0%
Current Liabilities	17,162	37.7%	14,192	32.4%	-2,970	-17.3%
Non-Current Liabilities	712	1.6%	2,791	6.4%	2,079	292.0%
<b>Shareholders' Equity</b>	27,675	60.8%	26,772	61.2%	-903	-3.3%
Debt	10,220		9,304			
Net debt	3,268		4,612			
Net debt Ratio		11.8%		16.7%		
Debt Ratio		64.6%		63.4%		
Net Worth to Assets		60.8%		61.2%		

[unit : Mil RMB]

	2011		2012 4Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	15,240	100.0%	16,025	100.0%	785	5.1%
Current Assets	6,788	44.5%	6,608	41.2%	-181	-2.7%
Account receivable	4,381	28.7%	4,334	27.0%	-47	-1.1%
Inventories	1,377	9.0%	1,649	10.3%	272	19.7%
Non-current Assets	8,452	55.5%	9,417	58.8%	965	11.4%
Tangible assets	6,814	44.7%	7,802	48.7%	988	14.5%
Liabilities	9,705	63.7%	9,993	62.4%	288	3.0%
Current Liabilities	8,530	56.0%	8,730	54.5%	200	2.3%
Non-Current Liabilities	1,175	7.7%	1,263	7.9%	88	7.5%
Shareholders' Equity	5,535	36.3%	6,032	37.6%	497	9.0%

[unit : Mil HUF]

	2011		2012 4Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	224,491	100.0%	242,757	100.0%	18,266	8.1%
Current Assets	114,529	51.0%	145,538	60.0%	31,009	27.1%
Account receivable	48,636	21.7%	60,590	25.0%	11,954	24.6%
Inventories	28,359	12.6%	34,185	14.1%	5,826	20.5%
Non-current Assets	109,962	49.0%	97,219	40.0%	-12,743	-11.6%
Tangible assets	109,923	49.0%	97,179	40.0%	-12,744	-11.6%
<b>Liabilities</b>	193,607	86.2%	172,667	71.1%	-20,940	-10.8%
Current Liabilities	145,900	65.0%	125,332	51.6%	-20,568	-14.1%
Non-Current Liabilities	47,707	21.3%	47,335	19.5%	-372	-0.8%
<b>Shareholders' Equity</b>	30,884	13.8%	70,090	28.9%	39,206	126.9%

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

[unit : 100 Mil KRW]

	2011 4Q		2012 3Q		2012 4Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	17,853	100.0%	17,876	100.0%	16,897	100.0%	-5.4%	-5.5%
COGS	13,386	75.0%	12,457	69.7%	11,242	66.5%	-16.0%	-9.8%
Gross Profit	4,466	25.0%	5,419	30.3%	5,655	33.5%	26.6%	4.4%
SG&A	3,263	18.3%	3,198	17.9%	3,490	20.7%	7.0%	9.1%
Operating Profit	1,204	6.7%	2,221	12.4%	2,166	12.8%	79.9%	-2.5%
Other Revenue	657	3.7%	763	4.3%	699	4.1%	6.4%	-8.4%
Other Expense	486	2.7%	547	3.1%	591	3.5%	21.6%	8.0%
Financial Revenue	407	2.3%	240	1.3%	74	0.4%	-81.8%	-69.2%
Financial Expense	808	4.5%	412	2.3%	364	2.2%	-55.0%	-11.7%
equity method	51	0.3%	0	-	0	-	-	-
Income Before Income Tax	1,025	5.7%	2,266	12.7%	1,984	11.7%	93.7%	-12.4%
E B I T D A	2,176	12.2%	3,213	18.0%	3,211	19.0%	47.6%	-0.1%
Depreciation	973	5.4%	992	5.5%	1,046	6.2%	7.5%	5.4%

# Appendix. F/S – Korea I/S (IFRS)

[unit : 100 Mil KRW]

	2011 4Q		2012 3Q		2012 4Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	10,916	100.0%	10,360	100.0%	10,269	100.0%	-5.9%	-0.9%
COGS	8,315	76.2%	7,393	71.4%	7,176	69.9%	-13.7%	-2.9%
Gross Profit	2,601	23.8%	2,967	28.6%	3,093	30.1%	18.9%	4.3%
SG&A	1,966	18.0%	1,865	18.0%	2,068	20.1%	5.2%	10.9%
Operating Profit	635	5.8%	1,102	10.6%	1,026	10.0%	61.5%	-6.9%
Other Revenue	705	6.5%	859	8.3%	895	8.7%	26.9%	4.1%
Other Expense	420	3.8%	336	3.2%	394	3.8%	-6.1%	17.3%
Financial Revenue	174	1.6%	75	0.7%	58	0.6%	-66.5%	-22.0%
Financial Expense	73	0.7%	175	1.7%	170	1.7%	134.8%	-2.6%
Income Before Income Tax	1,022	9.4%	1,525	14.7%	1,414	13.8%	38.4%	-7.3%
E B I T D A	1,118	10.2%	1,592	15.4%	1,514	14.7%	35.4%	-4.9%
Depreciation	483	4.4%	490	4.7%	488	4.8%	1.0%	-0.4%

# Appendix. F/S – China I/S (IFRS)

[unit : 100 Mil RMB]

	2011 4Q		2012 3Q		2012 4Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	27.89	100.0%	26.43	100.0%	25.94	100.0%	-7.0%	-1.9%
COGS	23.04	82.6%	19.93	75.4%	19.24	74.2%	-16.5%	-3.5%
Gross Profit	4.85	17.4%	6.50	24.6%	6.70	25.8%	38.3%	3.1%
SG&A	3.96	14.2%	3.97	15.0%	3.87	14.9%	-2.2%	-2.5%
Operating Profit	0.89	3.2%	2.53	9.6%	2.83	10.9%	218.0%	11.9%
Other Revenue	0.12	0.4%	0.48	1.8%	0.43	1.7%	-	-
Other Expense	0.71	2.5%	0.64	2.4%	0.44	1.7%	-	-
Financial Revenue	1.62	5.8%	0.67	2.5%	0.82	3.2%	-49.4%	22.4%
Financial Expense	1.92	6.9%	1.43	5.4%	1.11	4.3%	-42.2%	-22.4%
Income Before Income Tax	0.00	0.0%	1.61	6.1%	2.53	9.8%	-	57.1%
E B I T D A	2.30	8.2%	3.97	15.0%	4.59	17.7%	99.8%	15.6%
Depreciation	1.41	5.0%	1.44	5.4%	1.76	6.8%	25.0%	22.2%

# Appendix. F/S – Hungary I/S (IFRS)

[unit : 100 Mil HUF]

	2011 4Q		2012 3Q		2012 4Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	387.80	100.0%	408.91	100.0%	356.83	100.0%	-8.0%	-12.7%
COGS	253.70	65.4%	289.69	70.8%	251.00	70.3%	-1.1%	-13.4%
Gross Profit	134.09	34.6%	119.22	29.2%	105.84	29.7%	-21.1%	-11.2%
SG&A	38.59	10.0%	44.11	10.8%	44.16	12.4%	14.4%	0.1%
Operating Profit	95.50	24.6%	75.11	18.4%	61.68	17.3%	-35.4%	-17.9%
Other Revenue	38.20	9.9%	5.45	1.3%	22.67	6.4%	-40.7%	316.0%
Other Expense	11.02	2.8%	10.92	2.7%	9.83	2.8%	-10.8%	-10.0%
Financial Revenue	1.66	0.4%	25.36	6.2%	-17.01	-4.8%	-	-
Financial Expense	94.73	24.4%	12.38	3.0%	13.27	3.7%	-86.0%	7.2%
Income Before Income Tax	29.61	7.6%	82.62	20.2%	44.24	12.4%	49.4%	-46.5%
E B I T D A	138.90	35.8%	121.19	29.6%	107.53	30.1%	-22.6%	-11.3%
Depreciation	43.40	11.2%	46.08	11.3%	45.85	12.8%	5.7%	-0.5%