

2014 Hankook Tire

1st Quarter Result

2014.04.30

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Hankooktire 2014 1Q Review

1 2014 1Q Review

Financial Highlights

2 Performance

Hankook Tire 2014 1Q Results Review

3 Stability

Production, Raw Material Cost, Balance Sheet



Financial Highlights

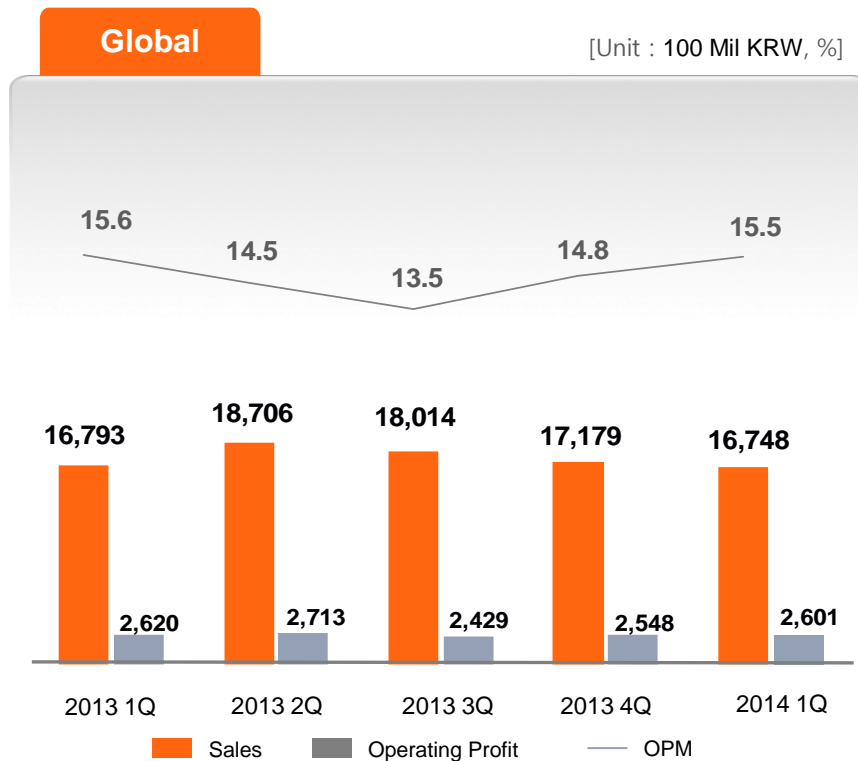
2013 4Q Global Business Results

[unit : 100 Mil KRW, %]

	<u>2013 1Q (A)</u>	<u>2013 4Q (B)</u>	<u>2014 1Q (C)</u>	<u>C/B</u>	<u>C/A</u>
Sales	16,793	17,179	16,748	97.5%	99.7%
COGS	11,334 <i>(67.5%)</i>	11,065 <i>(64.4%)</i>	11,007 <i>(65.7%)</i>	99.5%	97.1%
Operating Profit	2,620 <i>(15.6%)</i>	2,548 <i>(14.8%)</i>	2,601 <i>(15.5%)</i>	102.1%	99.3%
Ordinary Profit	2,377 <i>(14.2%)</i>	2,297 <i>(13.4%)</i>	2,444 <i>(14.6%)</i>	106.4%	102.8%
EBITDA	3,676 <i>(21.9%)</i>	3,704 <i>(21.6%)</i>	3,721 <i>(22.2%)</i>	100.5%	101.2%

Financial Highlights

- Increase of the global sale volume was offset by ASP decline amid the low raw material cost.



▪ 2014 1Q Review

- YoY

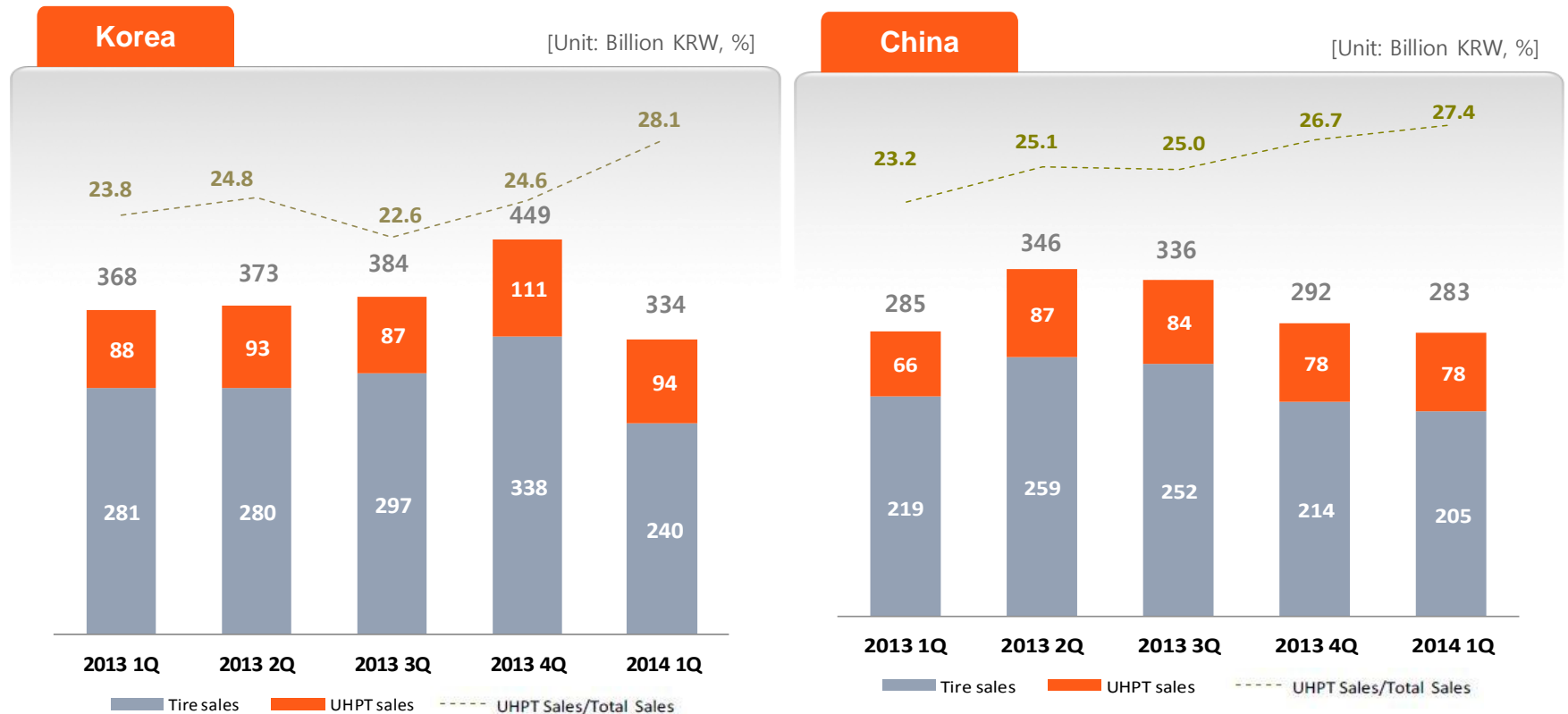
As global tire demand rebounded , our sales volume also grew. However, revenue fell slightly, mainly due to the strong Won and weak ASP which was caused by stable raw material price.

- QoQ

Less working days due to holidays in Korea/China decreased sales volume QoQ. But product mix improvement somewhat neutralized volume decrease.

(1) Performance – Hankooktire 2014 1Q Review

- Competition rose in Korea's RE market by other player's aggressive pricing.
- While Korea's RE and OE ASP were defended YoY/QoQ, volume decreased QoQ.
- China's OE sales increased YoY, product mix is steadily improving.

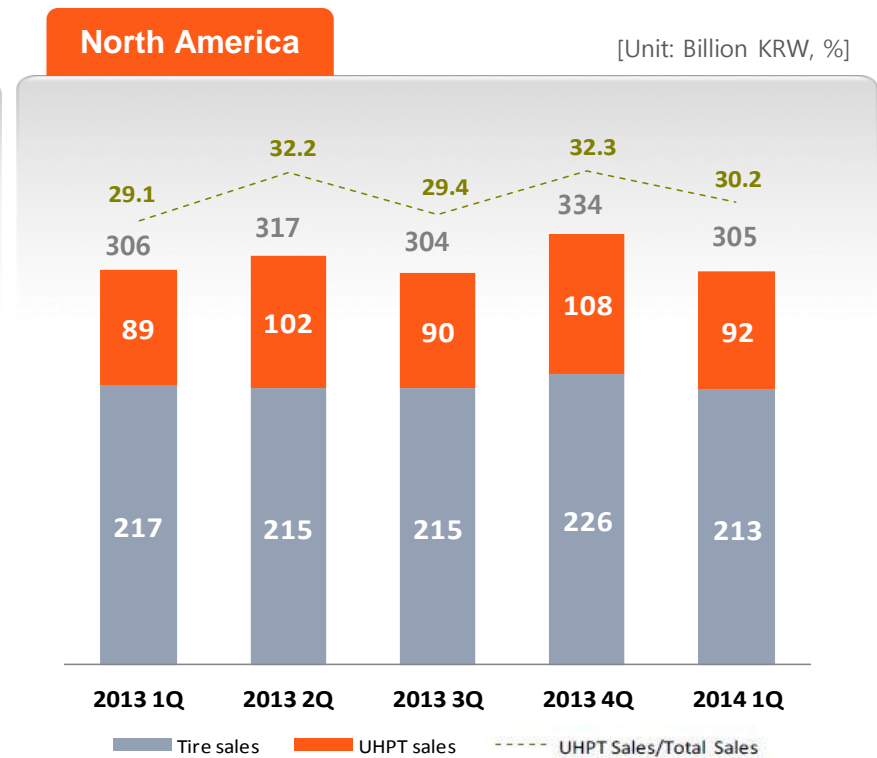
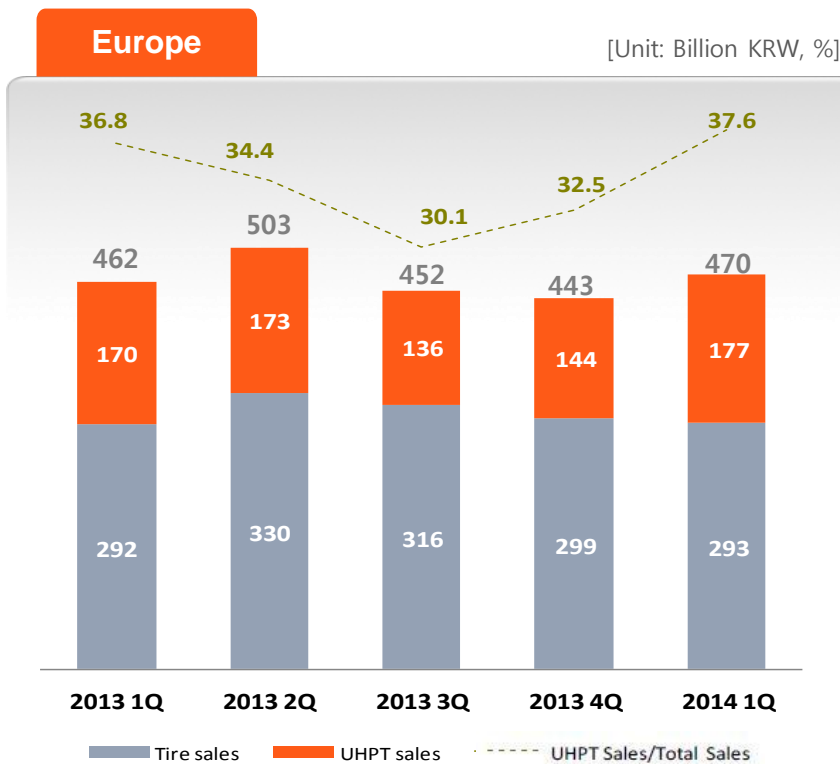


※ The sales and units were calculated by aggregating units sold by each production facility
EXP OE Sales included

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(1) Performance – Hankooktire 2014 1Q Review

- Rebounding demand in EU market enhanced UHPT portion and ASP.
- Thanks to demand increase in U.S. market, ASP was slightly improved.
- Still, inflow of low-end, low-price tires from China is inducing fierce competition.

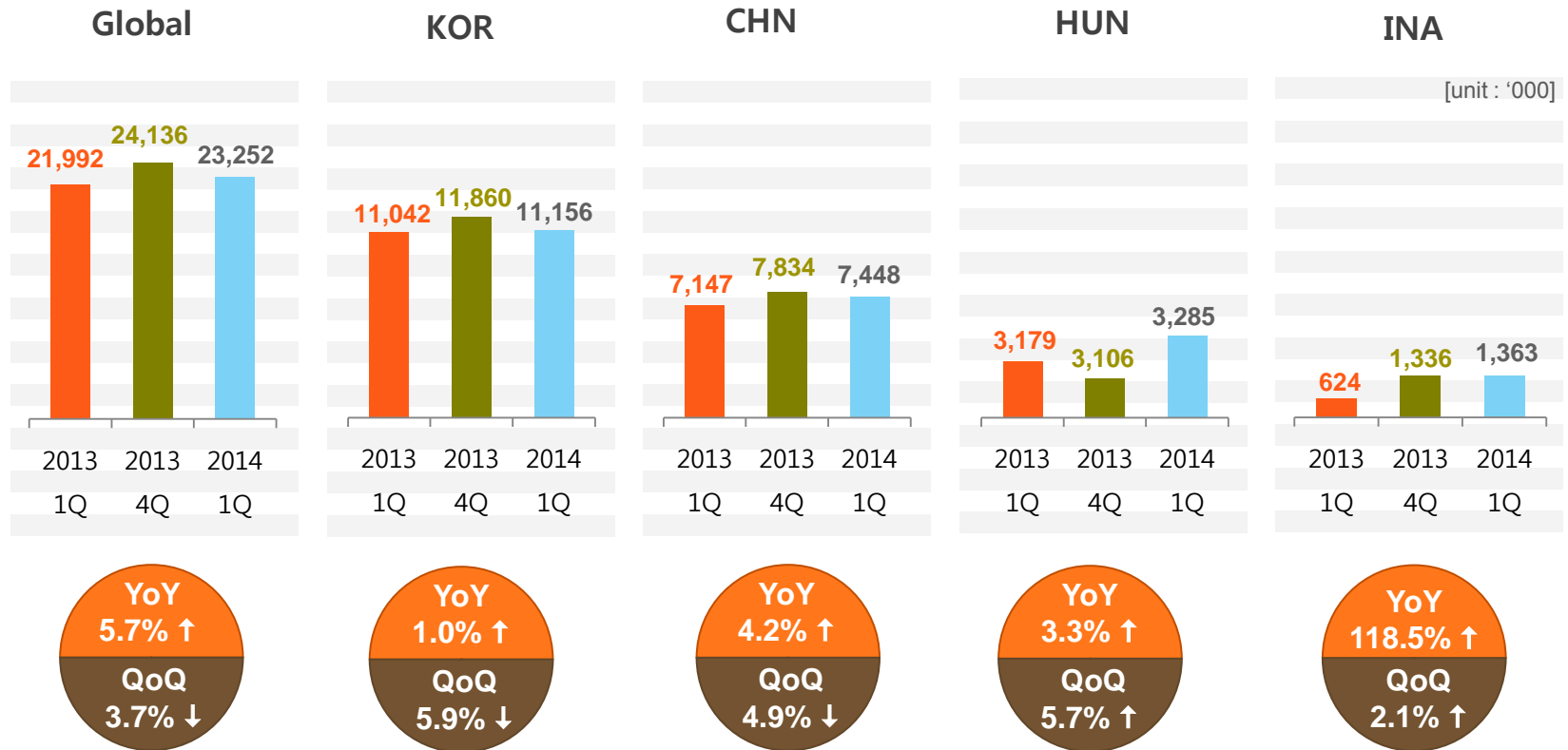


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(1) Performance – Production

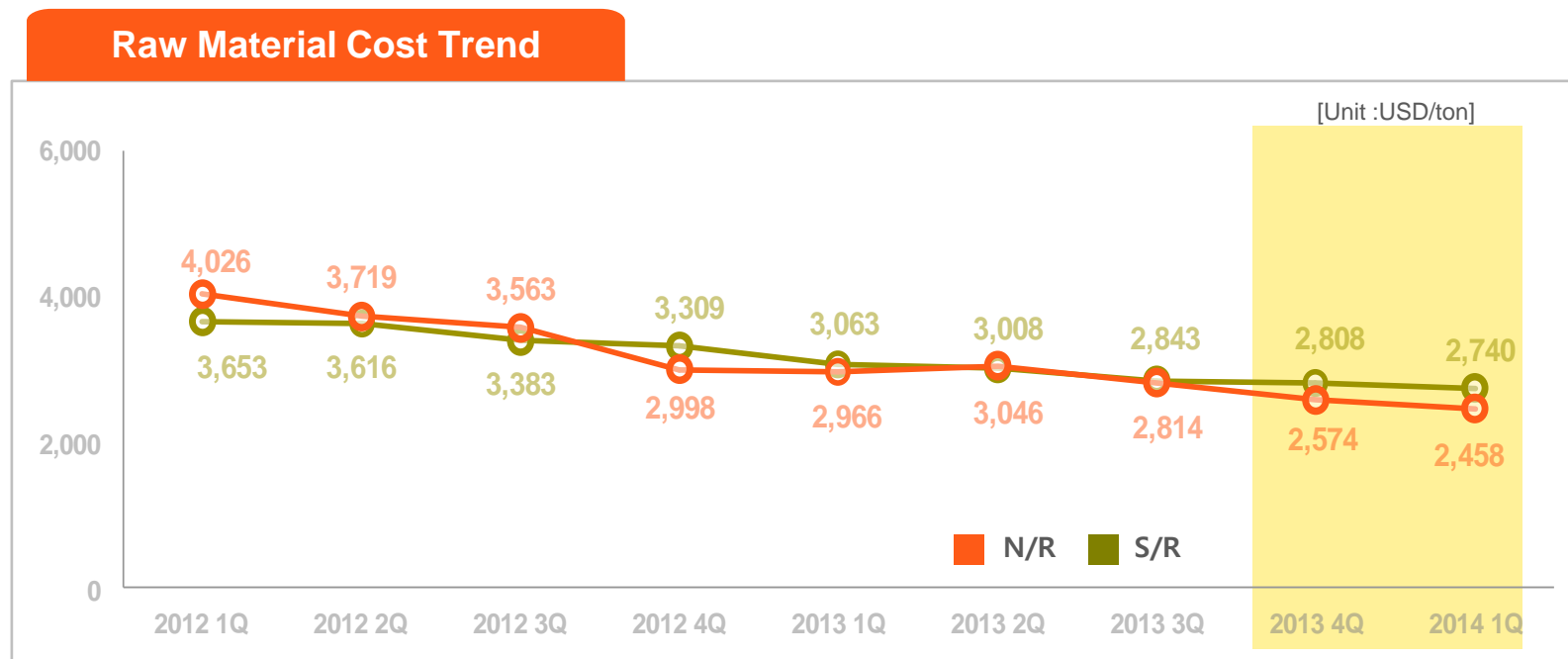
- Volume increased YoY due to completion of ramp-up in CHN, INA, whereas holidays in KOR and CHN affected volume decrease QoQ .



(2) Stability - Raw Material Cost

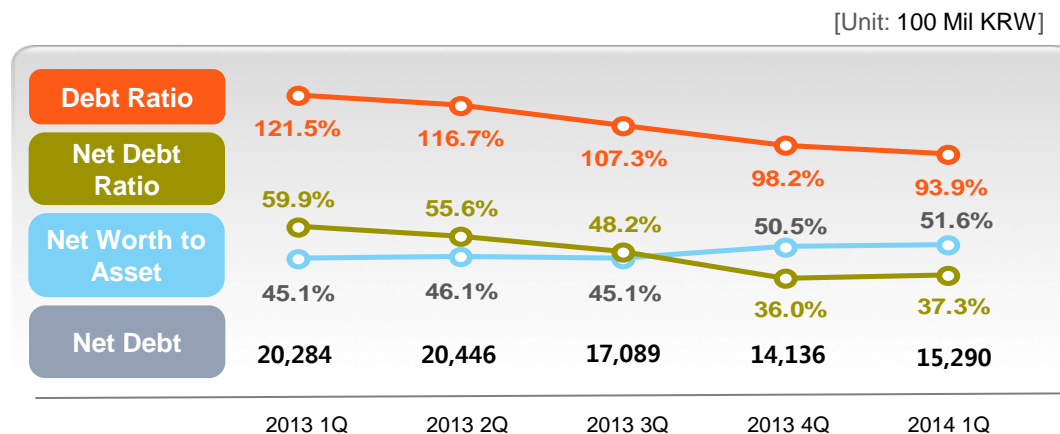
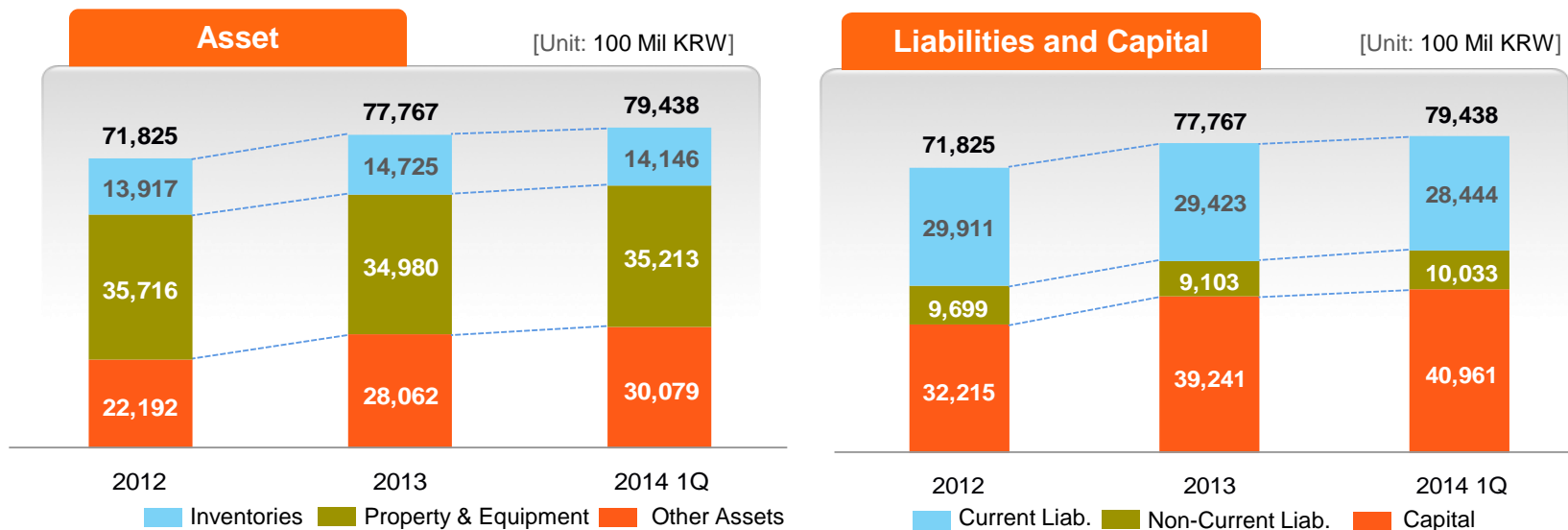
While rebound of tire demand resulted increase in consumption of NR and SR by 2.1%, 3.5% respectively YoY, increase of production is limiting price hike.

- NR : Concern about economy slowdown in China and Thai government's inventory release plan would lower the price further.
- SR : SSBR shows some price hikes, but over capacity situation would restrict SR price raise in short-term.



※ Average price, Korea only

(2) Stability - Consolidated Balance Sheet



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Appendix. F/S – Consolidated B/S

[unit: 100 Mil KRW]

	2013		2014 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	77,767	100.0%	79,438	100.0%	1,671	2.1%
Current Assets	39,522	50.8%	40,019	50.4%	497	1.3%
cashable assets	11,649	15.0%	11,540	14.5%	-109	-0.9%
Accounts receivable	11,910	15.3%	12,714	16.0%	804	6.8%
Inventories	14,725	18.9%	14,146	17.8%	-579	-3.9%
Non-current Assets	38,245	49.2%	39,419	49.6%	1,174	3.1%
Tangible assets	34,980	45.0%	35,213	44.3%	233	0.7%
Liabilities	38,526	49.5%	38,477	48.4%	-49	-0.1%
Current Liabilities	29,423	37.8%	28,444	35.8%	-979	-3.3%
Non-Current Liabilities	9,103	11.7%	10,033	12.6%	930	10.2%
Shareholders' Equity	39,241	50.5%	40,961	51.6%	1,720	4.4%
Debt	25,785		26,830			
Net debt	14,136		15,290			
Debt Ratio		98.2%		93.9%		
Net Worth to Assets		50.5%		51.6%		

Appendix. F/S – Korea B/S

[unit: 100 Mil KRW]

	2013		2014 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	46,560	100.0%	47,679	100.0%	1,119	2.4%
Current Assets	22,881	49.1%	24,035	50.4%	1,154	5.0%
cashable assets	8,321	17.9%	9,320	19.5%	999	12.0%
Account receivable	9,939	21.3%	9,921	20.8%	-18	-0.2%
Inventories	4,552	9.8%	4,671	9.8%	119	2.6%
Non-current Assets	23,679	50.9%	23,645	49.6%	-34	-0.1%
Tangible assets	13,775	29.6%	13,489	28.3%	-286	-2.1%
Liabilities	15,908	34.2%	15,839	33.2%	-69	-0.4%
Current Liabilities	12,938	27.8%	13,564	28.4%	626	4.8%
Non-Current Liabilities	2,970	6.4%	2,275	4.8%	-695	-23.4%
Shareholders' Equity	30,652	65.8%	31,840	66.8%	1,188	3.9%
Debt	8,397		8,513			
Net debt	76		-807			
Debt Ratio		51.9%		49.7%		
Net Worth to Assets		65.8%		66.8%		

Appendix. F/S – China B/S

[unit : 100 Mil RMB]

	2013		2014 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	17,737	100.0%	17,695	100.0%	-42	-0.2%
Current Assets	7,849	44.3%	7,864	44.4%	15	0.2%
Account receivable	5,229	29.5%	5,181	29.3%	-48	-0.9%
Inventories	1,539	8.7%	1,700	9.6%	161	10.5%
Non-current Assets	9,888	55.7%	9,831	55.6%	-57	-0.6%
Tangible assets	7,654	43.2%	7,585	42.9%	-69	-0.9%
Liabilities	10,321	58.2%	9,966	56.3%	-356	-3.4%
Current Liabilities	9,288	52.4%	7,995	45.2%	-1,293	-13.9%
Non-Current Liabilities	1,034	5.8%	1,971	11.1%	937	90.7%
Shareholders' Equity	7,416	41.8%	7,730	43.7%	314	4.2%

Appendix. F/S – Hungary B/S

[unit : K HUF]

	2013		2014 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	262,384	100.0%	280,657	100.0%	18,273	7.0%
Current Assets	164,526	62.7%	163,941	58.4%	-585	-0.4%
Account receivable	58,792	22.4%	55,337	19.7%	-3,454	-5.9%
Inventories	25,580	9.7%	23,913	8.5%	-1,667	-6.5%
Non-current Assets	97,858	37.3%	116,716	41.6%	18,858	19.3%
Tangible assets	97,814	37.3%	116,661	41.6%	18,847	19.3%
Liabilities	163,935	62.5%	173,589	61.9%	9,654	5.9%
Current Liabilities	131,579	50.1%	127,490	45.4%	-4,089	-3.1%
Non-Current Liabilities	32,356	12.3%	46,098	16.4%	13,743	42.5%
Shareholders' Equity	98,449	37.5%	107,068	38.1%	8,619	8.8%

Appendix. F/S – Indonesia B/S

[unit : K USD]

	2013		2014 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	398,851	100.0%	410,124	100.0%	11,273	2.8%
Current Assets	83,732	21.0%	96,775	23.6%	13,043	15.6%
Cashable assets	2,526	0.6%	5,721	1.4%	3,195	126.5%
Account receivable	14,313	3.6%	18,467	4.5%	4,154	29.0%
Inventories	38,277	9.6%	41,805	10.2%	3,529	9.2%
Non-current Assets	315,119	79.0%	313,349	76.4%	-1,771	-0.6%
Tangible assets	281,610	70.6%	280,256	68.3%	-1,355	-0.5%
Liabilities	282,718	70.9%	285,150	69.5%	2,432	0.9%
Current Liabilities	61,742	15.5%	64,072	15.6%	2,331	3.8%
Non-Current Liabilities	220,976	55.4%	221,078	53.9%	102	0.0%
Shareholders' Equity	116,134	29.1%	124,974	30.5%	8,841	7.6%

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

[unit: 100 Mil KRW]

	2013 1Q		2013 4Q		2014 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	16,793	100.0%	17,179	100.0%	16,748	100.0%	-0.3%	-2.5%
COGS	11,334	67.5%	11,065	64.4%	11,007	65.7%	-2.9%	-0.5%
Gross Profit	5,459	32.5%	6,114	35.6%	5,741	34.3%	5.2%	-6.1%
SG&A	2,839	16.9%	3,566	20.8%	3,140	18.7%	10.6%	-11.9%
Operating Profit	2,620	15.6%	2,548	14.8%	2,601	15.5%	-0.7%	2.1%
Other Revenue	629	3.7%	365	2.1%	505	3.0%	-19.7%	38.3%
Other Expense	555	3.3%	511	3.0%	409	2.4%	-26.3%	-20.0%
Financial Revenue	159	0.9%	110	0.6%	112	0.7%	-29.8%	1.6%
Financial Expense	475	2.8%	215	1.3%	365	2.2%	-23.1%	69.7%
Income Before Income Tax	2,378	14.2%	2,297	13.4%	2,444	14.6%	2.8%	6.4%
E B I T D A	3,677	21.9%	3,704	21.6%	3,721	22.2%	1.2%	0.5%
Depreciation	1,057	6.3%	1,155	6.7%	1,120	6.7%	6.0%	-3.1%

Appendix. F/S – Korea I/S (IFRS)

[unit: 100 Mil KRW]

	2013 1Q		2013 4Q		2014 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	9,812	100.0%	10,093	100.0%	9,148	100.0%	-6.8%	-9.4%
COGS	6,799	69.3%	6,850	67.9%	6,170	67.4%	-9.3%	-9.9%
Gross Profit	3,013	30.7%	3,243	32.1%	2,978	32.6%	-1.1%	-8.2%
SG&A	1,570	16.0%	2,079	20.6%	1,706	18.6%	8.7%	-17.9%
Operating Profit	1,443	14.7%	1,165	11.5%	1,272	13.9%	-11.8%	9.2%
Other Revenue	707	7.2%	776	7.7%	626	6.8%	-11.5%	-19.4%
Other Expense	379	3.9%	276	2.7%	242	2.6%	-36.1%	-12.4%
Financial Revenue	119	1.2%	33	0.3%	99	1.1%	-16.8%	201.6%
Financial Expense	139	1.4%	101	1.0%	72	0.8%	-48.2%	-28.9%
Income Before Income Tax	1,751	17.8%	1,596	15.8%	1,683	18.4%	-3.9%	5.4%
E B I T D A	1,930	19.7%	1,689	16.7%	1,779	19.4%	-7.8%	5.3%
Depreciation	487	5.0%	524	5.2%	507	5.5%	4.1%	-3.3%

Appendix. F/S – China I/S (IFRS)

[unit : 100 Mil RMB]

	2013 1Q		2013 4Q		2014 1Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	26.24	100.0%	27.59	100.0%	26.54	100.0%	1.1%	-3.8%
COGS	19.08	72.7%	19.39	70.3%	18.87	71.1%	-1.1%	-2.7%
Gross Profit	7.15	27.3%	8.20	29.7%	7.67	28.9%	7.2%	-6.5%
SG&A	4.14	15.8%	4.88	17.7%	4.38	16.5%	5.7%	-10.2%
Operating Profit	3.01	11.5%	3.32	12.0%	3.29	12.4%	9.2%	-1.0%
Other Revenue	0.57	2.2%	0.69	2.5%	0.76	2.9%	33.4%	10.8%
Other Expense	0.94	3.6%	0.57	2.1%	0.92	3.5%	-2.3%	61.2%
Financial Revenue	0.47	1.8%	0.89	3.2%	0.02	0.1%	-96.2%	-98.0%
Financial Expense	0.49	1.9%	1.06	3.8%	0.73	2.8%	49.3%	-31.1%
Income Before Income Tax	2.63	10.0%	3.27	11.9%	2.42	9.1%	-7.9%	-26.0%
EBITDA	4.74	18.1%	5.18	18.8%	5.05	19.0%	6.5%	-2.4%
Depreciation	1.73	6.6%	1.85	6.7%	1.76	6.6%	1.7%	-5.0%

Appendix. F/S – Hungary I/S (IFRS)

[unit : 100 Mil HUF]

	2013 1Q		2013 4Q		2014 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	439.12	100.0%	392.05	100.0%	426.57	100.0%	-2.9%	8.8%
COGS	309.46	70.5%	281.04	71.7%	288.97	67.7%	-6.6%	2.8%
Gross Profit	126.29	28.8%	111.01	28.3%	137.60	32.3%	9.0%	24.0%
SG&A	45.47	10.4%	42.57	10.9%	48.21	11.3%	6.0%	13.3%
Operating Profit	80.82	18.4%	68.44	17.5%	89.39	21.0%	10.6%	30.6%
Other Revenue	28.05	6.4%	4.30	1.1%	24.42	5.7%	-12.9%	467.8%
Other Expense	7.36	1.7%	5.70	1.5%	9.89	2.3%	34.4%	73.5%
Financial Revenue	1.47	0.3%	4.33	1.1%	7.61	1.8%	418.7%	75.7%
Financial Expense	47.08	10.7%	5.70	1.5%	31.17	7.3%	-33.8%	446.9%
Income Before Income Tax	55.90	12.7%	65.67	16.8%	80.36	18.8%	43.8%	22.4%
E B I T D A	124.51	28.4%	115.19	29.4%	135.88	31.9%	9.1%	18.0%
Depreciation	43.69	9.9%	46.74	11.9%	46.49	10.9%	6.4%	-0.5%

Appendix. F/S – Indonesia I/S (IFRS)

[unit : K USD]

	2013 1Q		2013 4Q		2014 1Q		QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)
Sales	19,725	100.0%	62,097	100.0%	61,866	100.0%	-0.4%
COGS	19,478	98.7%	41,756	67.2%	42,510	68.7%	1.8%
Gross Profit	247	1.3%	20,341	32.8%	19,356	31.3%	-4.8%
SG&A	3,881	19.7%	11,014	17.7%	10,134	16.4%	-8.0%
Operating Profit	-3,634	-18.4%	9,326	15.0%	9,222	14.9%	-1.1%
Other Revenue	239	1.2%	446	0.7%	404	0.7%	-9.5%
Other Expense	492	2.5%	1,298	2.1%	-672	-1.1%	-151.8%
Financial Revenue	68	0.3%	106	0.2%	100	0.2%	-5.3%
Financial Expense	1,366	6.9%	1,772	2.9%	1,558	2.5%	-12.1%
Income Before Income Tax	-5,185	-26.3%	6,809	11.0%	8,841	14.3%	29.8%
E B I T D A	366	1.9%	14,492	23.3%	14,222	23.0%	-1.9%
Depreciation	4,000	20.3%	5,166	8.3%	5,000	8.1%	-3.2%