

Hankook Tire

3Q 2014 Results

Oct. 29, 2014

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Financial Highlights

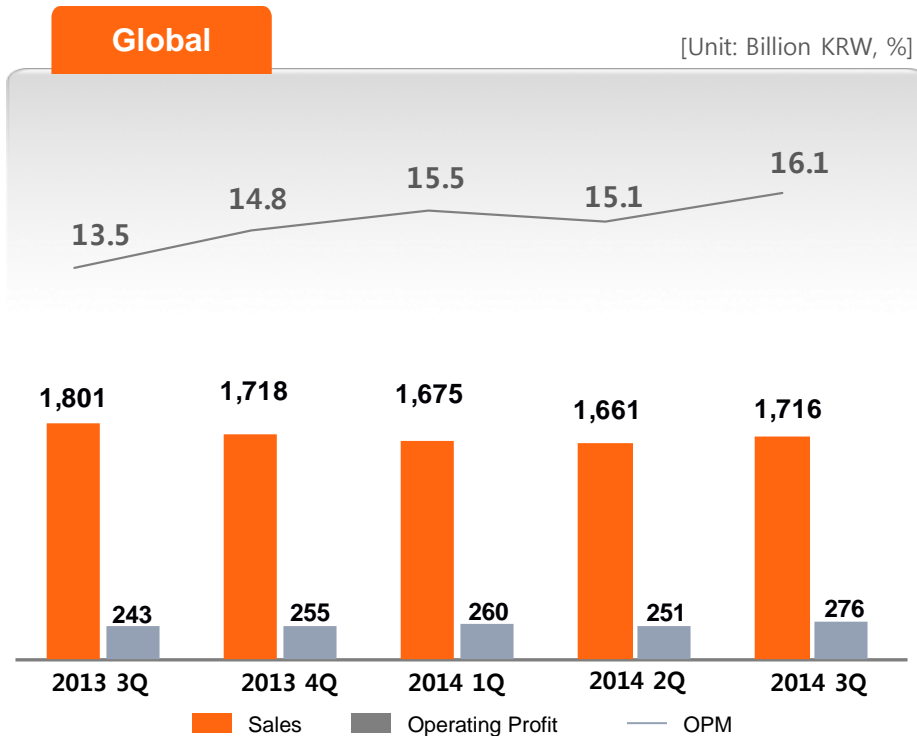
3Q '14 Global Performance (Consolidated)

[unit : Bil KRW, %]

	2013 3Q	2014 2Q	2014 3Q	QoQ	YoY
Sales	1,801	1,661	1,716	3.3%	-4.8%
COGS	1,215 <i>(67.4%)</i>	1,066 <i>(64.2%)</i>	1,103 <i>(64.3%)</i>	3.4%	-9.2%
Operating Profit	243 <i>(13.5%)</i>	251 <i>(15.1%)</i>	276 <i>(16.1%)</i>	9.9%	13.6%
Ordinary Profit	247 <i>(13.7%)</i>	234 <i>(14.1%)</i>	251 <i>(14.6%)</i>	7.4%	1.8%
EBITDA	362 <i>(20.1%)</i>	361 <i>(21.7%)</i>	382 <i>(22.2%)</i>	5.8%	5.6%

Financial Highlights

- Sales increased by 3.3% QoQ as a result of active overseas sales mainly in US and Europe
- Op.Profit increased by 9.9% QoQ and by 13.6% YoY due to decreased raw material cost and strong inventory reduction



▪ 3Q '14 Review

- 1) Sales – Increased by 3.3% QoQ due to US market recovery, sales growth in Russia and improved overseas OE sales
- 2) Inventory – Reduced inventory volume thanks to strong overseas sales activity
- 3) F/X – Sales slightly declined YoY due to unfavorable FX movement
- 4) 4Q Outlook – Plan to expand M/S by proactively responding to competitors' price policy & early sales activity of winter tires

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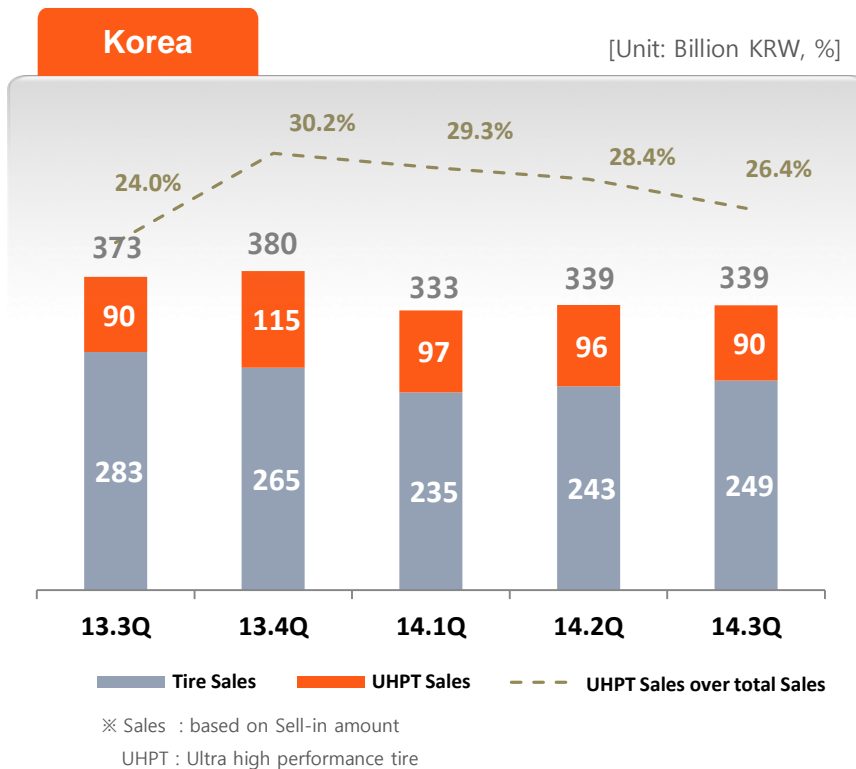
3 Stability

Production, Raw Material Cost & Balance Sheet



Performance – Korea

- Sales stagnated due to slow growth of domestic PCR market

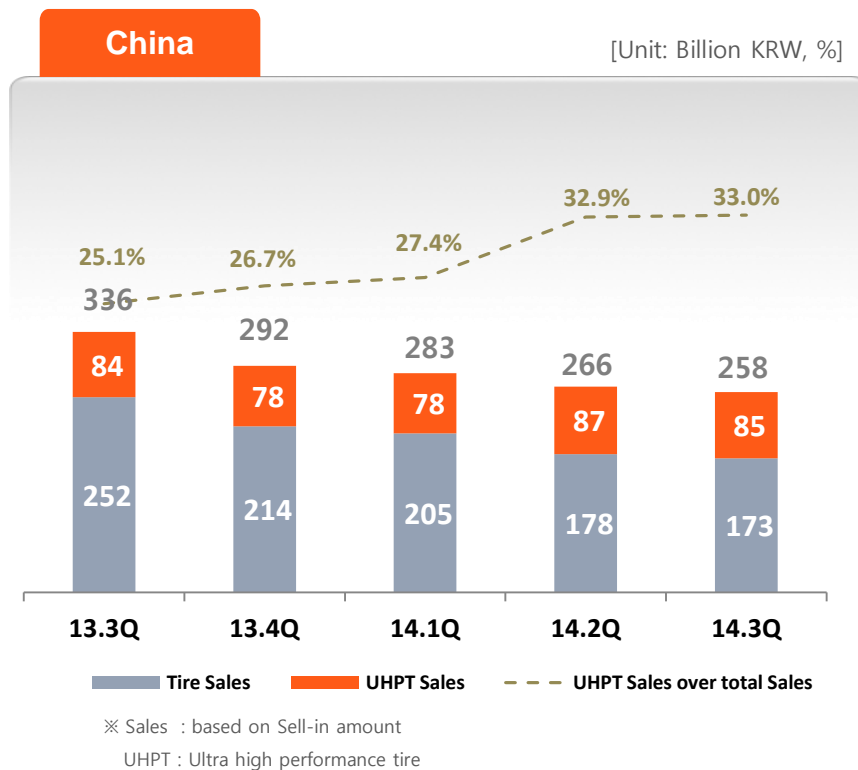


- **HKT 3Q Performance**

- 1) Sales – RE sales increased while OE sales decreased QoQ mainly due to a strike from OE makers
- 2) 4Q Outlook – Plan to expand winter tire sales and focus on RE sales through sales promotion of premium tires

Performance – China

- Market pressure on lowering ASP is increasing due to severe competition
- HKT is focusing on mid/long term growth through product mix improvement and distribution channel expansion

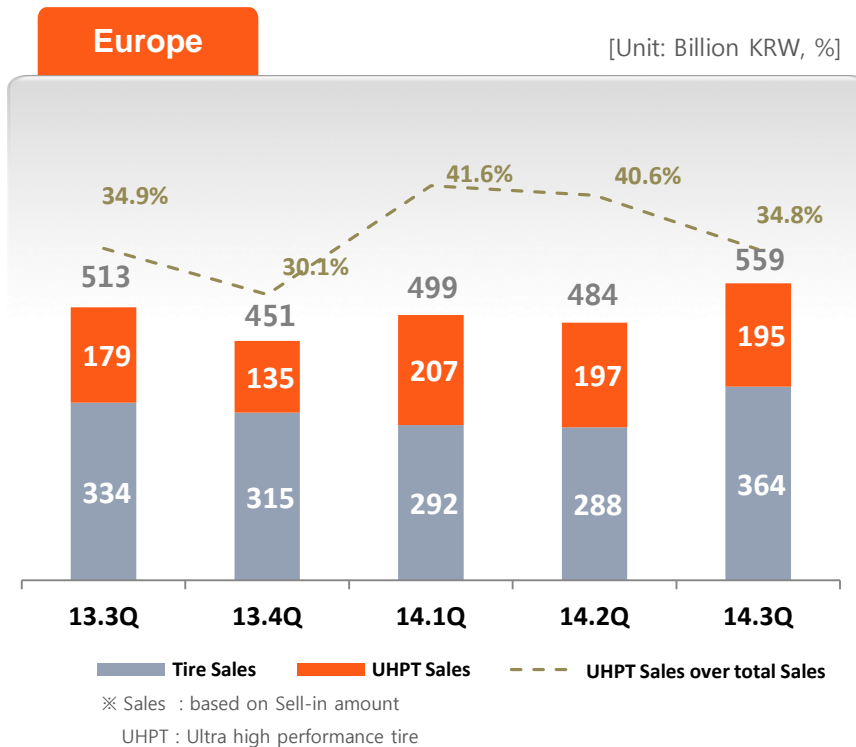


▪ HKT 3Q Performance

- 1) Sales – Decreased by 3% QoQ due to weaker sales from RE. OE sales keep growing while RE sales face challenges from volume and ASP aspects
- 2) 4Q Outlook – Will continue improving product Mix with high-inch and strategic products. Also, will focus on boosting synergy b/t OE & RE products

Performance – Europe

- Tire market is recovering and HKT sales increased by 15.5% QoQ and by 9% YoY accordingly



▪ HKT 3Q Performance

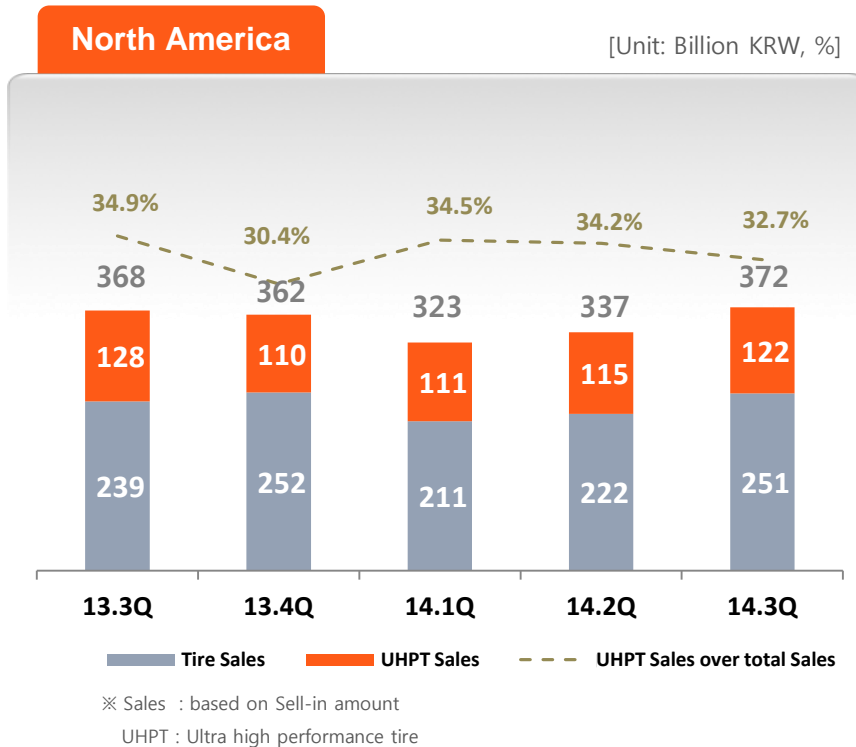
1) Sales – Secured M/S in most of countries. Especially, sales and M/S expanded in Eastern Europe.

2) 4Q Outlook

- Plan to focus on sales in Central Europe and CIS region.
- HKT will proactively respond to the aggressive price policy from competitors and expand the M/S by increasing the winter tire sales.

Performance – North America

- Marketing competition among makers continues and Chinese tires keep imported to US market
- Despite of the challenges, HKT achieved highest M/S in recent 2 years as a result of enhanced sales competence



HKT 3Q Performance

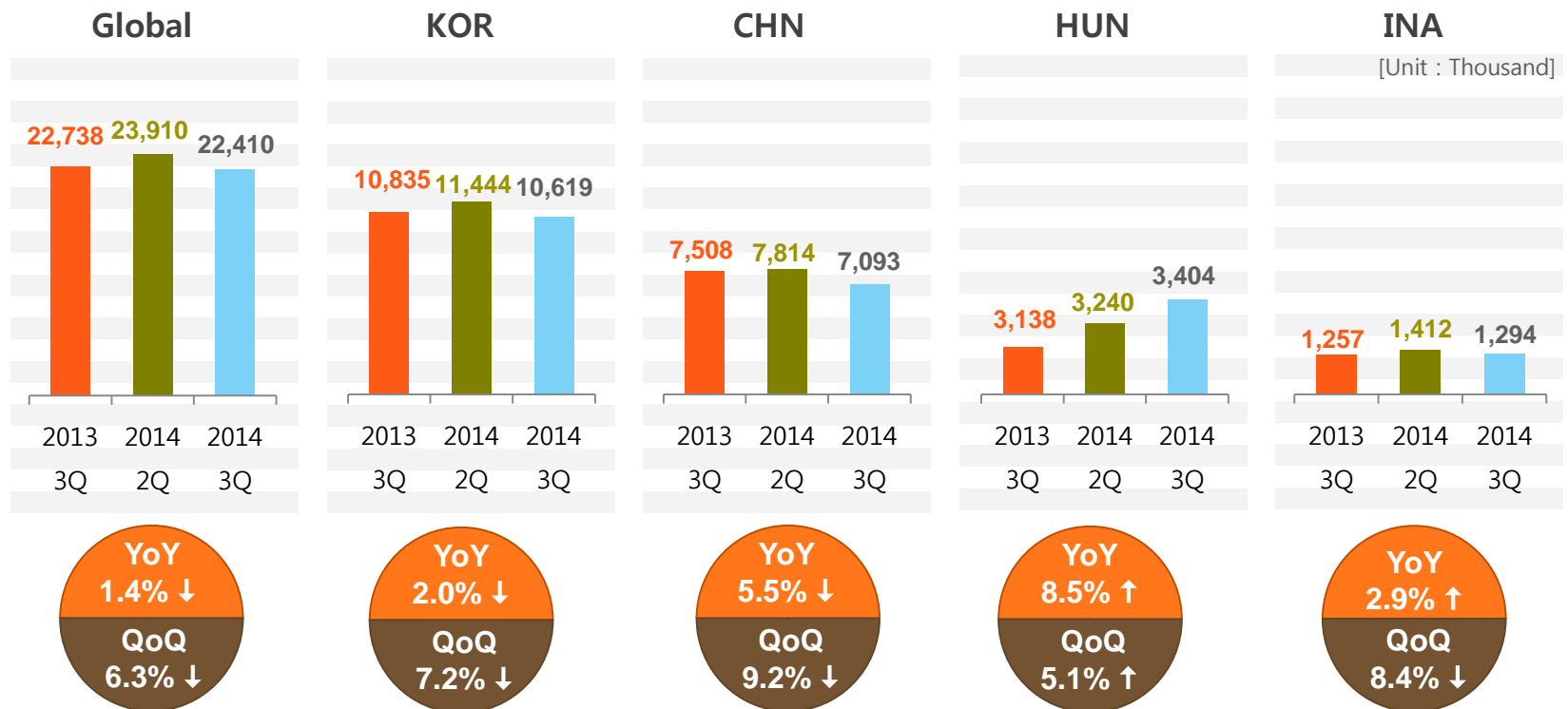
1) Sales – Continued gaining M/S by expanding business with wholesalers.

2) 4Q Outlook

- Plan to focus on enhancing distribution channel through both regional dealer and national retailer
- Will secure sales opportunity by timely responding to tariffs impose towards Chinese tires in US market

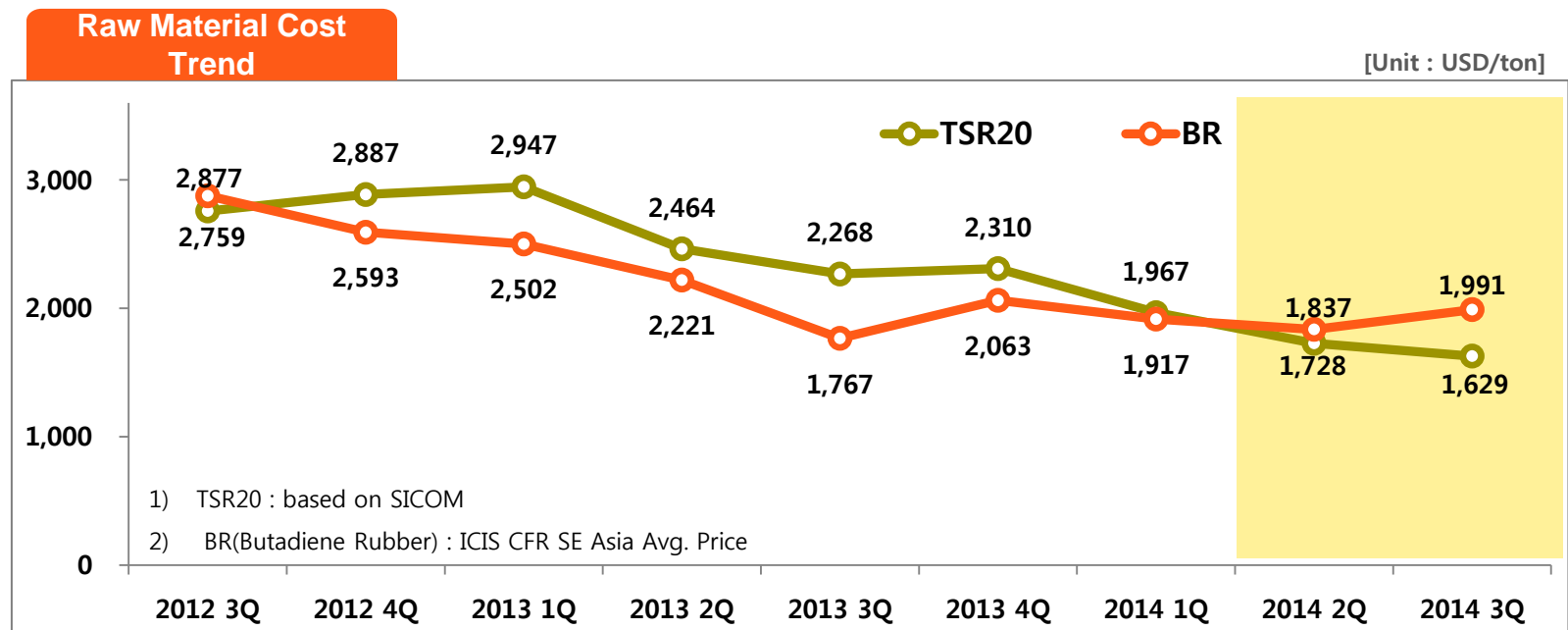
Stability – Production

- Total production volume decreased QoQ & YoY due to holidays of major production sites
- Production from Hungary and Indonesia increased YoY due to the capacity increase
- Ramped up volume is expected to come out in 1H '15 from Hungary plant & after 2H '15 from China and Indonesia plant

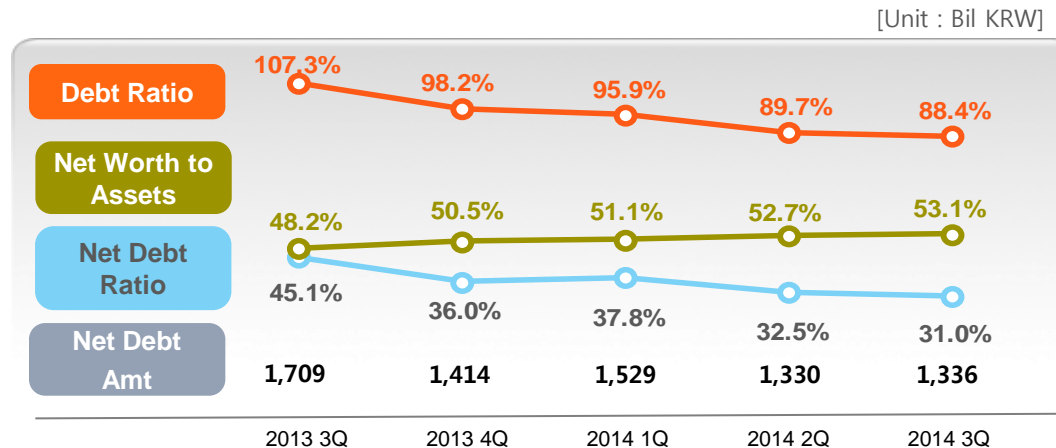
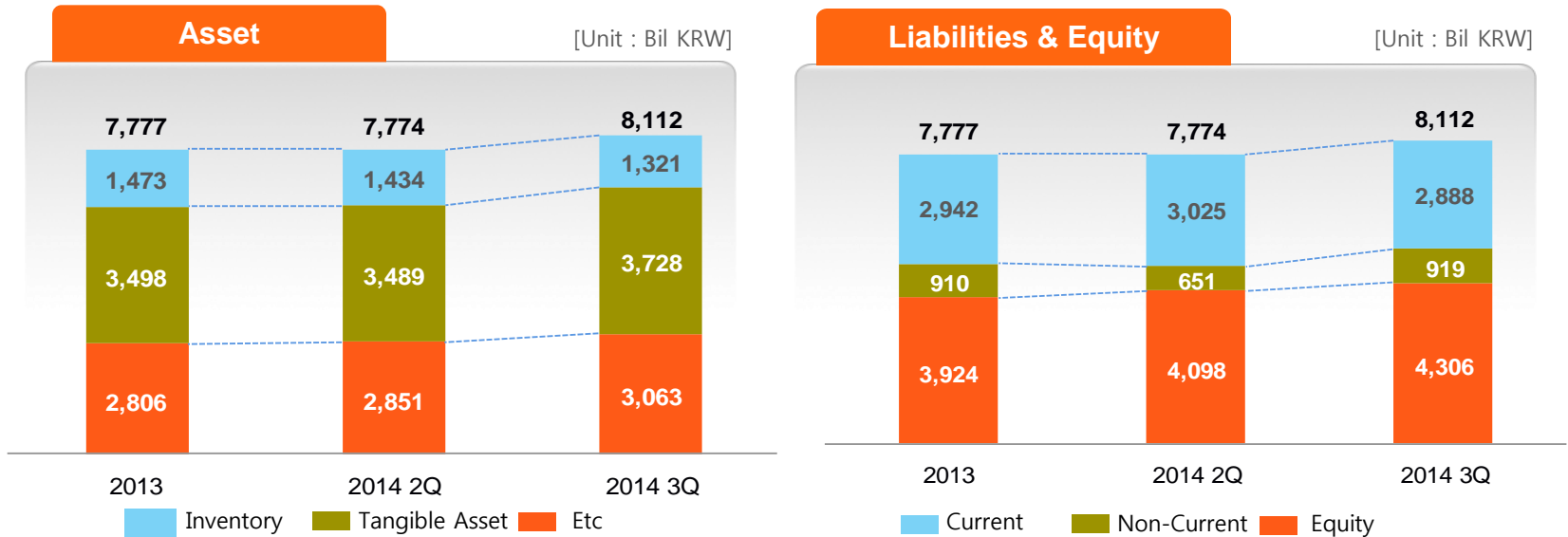


Stability : Raw Material Cost

- NR : Price additionally decreased in 2H due to the demand decrease in China, over supply from South East Asia, oil price drop and strong USD movement
However, slight price increase expected going forward thanks to the gradual economy recovery in US and China
- SR : Price slightly raised in 3Q '14 due to the supply & demand mismatch of BD in 2H
SR price is expected to moving towards a weak steady range reflecting a weak BD price since 3Q



Stability : Balance Sheet (Consolidated)



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Appendix. F/S – Consolidated B/S

[Unit : Bil KRW]

	2013		2014 2Q		2014 3Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	7,777	100.0%	7,774	100.0%	8,112	100.0%
Current Assets	3,952	50.8%	3,929	50.5%	4,039	49.8%
cashable assets	1,165	15.0%	1,129	14.5%	1,217	15.0%
Accounts receivable	1,191	15.3%	1,251	16.1%	1,370	16.9%
Inventories	1,473	18.9%	1,434	18.4%	1,321	16.3%
Non-current Assets	3,825	49.2%	3,845	49.5%	4,073	50.2%
Tangible assets	3,498	45.0%	3,489	44.9%	3,728	46.0%
Liabilities	3,853	49.5%	3,676	47.3%	3,807	46.9%
Current Liabilities	2,942	37.8%	3,025	38.9%	2,888	35.6%
Non-Current Liabilities	910	11.7%	651	8.4%	919	11.3%
Shareholders' Equity	3,924	50.5%	4,098	52.7%	4,306	53.1%
Debt	2,579		2,460		2,553	
Net debt	1,414		1,330		1,336	
Debt Ratio		98.2%		89.7%		88.4%
Net Worth to Assets		50.5%		52.7%		53.1%
Net Debt Ratio		36.0%		32.5%		31.0%

Appendix. F/S – Korea B/S

[Unit : Bil KRW]

	2013		2014 2Q		2014 3Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	4,656	100.0%	4,778	100.0%	5,012	100.0%
Current Assets	2,288	49.1%	2,325	48.7%	2,517	50.2%
cashable assets	832	17.9%	832	17.4%	834	16.6%
Account receivable	989	21.2%	991	20.7%	1,051	21.0%
Inventories	455	9.8%	415	8.7%	373	7.4%
Non-current Assets	2,368	50.9%	2,453	51.3%	2,495	49.8%
Tangible assets	1,378	29.6%	1,337	28.0%	1,356	27.1%
Liabilities	1,591	34.2%	1,547	32.4%	1,687	33.7%
Current Liabilities	1,294	27.8%	1,324	27.7%	1,425	28.4%
Non-Current Liabilities	297	6.4%	222	4.6%	261	5.2%
Shareholders' Equity	3,065	65.8%	3,231	67.6%	3,325	66.3%
Debt	840		802		895	
Net debt	8		-		61	
Debt Ratio		51.9%		47.9%		50.7%
Net Worth to Assets		65.8%		67.6%		66.3%

Appendix. F/S – China B/S

[unit : Bil RMB]

	2013		2014 2Q		2014 3Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	17.7	100.0%	18.2	100.0%	18.8	100.0%
Current Assets	7.8	44.3%	8.3	45.7%	8.7	46.5%
Account receivable	5.2	29.5%	5.1	28.2%	5.1	27.2%
Inventories	1.5	8.7%	1.8	9.7%	1.7	8.8%
Non-current Assets	9.9	55.7%	9.9	54.3%	10.0	53.5%
Tangible assets	7.7	43.2%	7.6	41.7%	7.7	41.1%
Liabilities	10.3	58.2%	9.9	54.6%	10.2	54.4%
Current Liabilities	9.3	52.4%	8.0	43.8%	8.4	44.5%
Non-Current Liabilities	1.0	5.8%	2.0	10.7%	1.9	9.9%
Shareholders' Equity	7.4	41.8%	8.3	45.4%	8.6	45.6%

Appendix. F/S – Hungary B/S

[unit : Mil HUF]

	2013		2014 2Q		2014 3Q	
	Amt.	%	Amt.	%	Amt.	%
Assets	262	100.0%	301	100.0%	331	100.0%
Current Assets	165	62.7%	165	54.6%	180	54.4%
Account receivable	59	22.4%	57	18.9%	66	20.1%
Inventories	26	9.7%	22	7.2%	22	6.7%
Non-current Assets	98	37.3%	137	45.4%	151	45.6%
Tangible assets	98	37.3%	137	45.4%	151	45.6%
Liabilities	164	62.5%	186	61.7%	207	62.4%
Current Liabilities	132	50.1%	179	59.4%	182	54.9%
Non-Current Liabilities	32	12.3%	7	2.2%	25	7.5%
Shareholders' Equity	98	37.5%	116	38.3%	125	37.6%

Appendix. F/S – Indonesia B/S

[unit : Mil USD]

	2013		2014 2Q		2014 3Q	
	Amt.	%	Amt.	%		%
Assets	398	100.0%	453	100.0%	590	100.0%
Current Assets	83	20.9%	137	30.3%	238	40.3%
Cashable assets	3	0.6%	16	3.4%	32	5.4%
Account receivable	14	3.5%	17	3.7%	21	3.6%
Inventories	40	10.0%	40	8.8%	41	7.0%
Non-current Assets	315	79.1%	316	69.7%	353	59.7%
Tangible assets	282	70.7%	283	62.5%	320	54.3%
Liabilities	283	71.1%	286	63.1%	316	53.5%
Current Liabilities	61	15.4%	64	14.0%	63	10.7%
Non-Current Liabilities	222	55.8%	222	49.0%	253	42.8%
Shareholders' Equity	115	28.9%	167	36.9%	275	46.5%

Appendix. F/S – Consolidated I/S

[Unit: Bil KRW]

	2013 3Q		2014 2Q		2014 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	1,801	100.0%	1,661	100.0%	1,716	100.0%	-4.8%	3.3%
COGS	1,215	67.4%	1,066	64.2%	1,103	64.3%	-9.2%	3.4%
Gross Profit	587	32.6%	595	35.8%	613	35.7%	4.5%	3.0%
SG&A	344	19.1%	344	20.7%	337	19.6%	-2.0%	-2.0%
Operating Profit	243	13.5%	251	15.1%	276	16.1%	13.6%	9.9%
Other Revenue	72	4.0%	63	3.8%	41	2.4%	-42.1%	-34.6%
Other Expense	48	2.7%	50	3.0%	59	3.4%	21.8%	19.2%
Financial Revenue	8	0.4%	14	0.9%	14	0.8%	84.4%	-1.4%
Financial Expense	27	1.5%	46	2.7%	21	1.2%	-20.8%	-53.2%
Income Before Income Tax	247	13.7%	234	14.1%	251	14.6%	1.8%	7.4%
EBITDA	361	20.1%	363	21.8%	382	22.2%	5.6%	5.3%
Depreciation	119	6.6%	111	6.7%	106	6.2%	-11.0%	-5.1%

Appendix. F/S – Korea I/S (IFRS)

[Unit : Bil KRW]

	2013 3Q		2014 2Q		2014 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	908	100.0%	956	100.0%	890	100.0%	-2.0%	-6.9%
COGS	640	70.5%	646	67.6%	597	67.1%	-6.7%	-7.5%
Gross Profit	268	29.5%	310	32.4%	293	32.9%	9.3%	-5.5%
SG&A	194	21.3%	196	20.6%	188	21.1%	-2.9%	-4.2%
Operating Profit	74	8.2%	114	11.9%	105	11.8%	41.3%	-7.8%
Other Revenue	82	9.0%	87	9.1%	59	6.7%	-27.9%	-31.8%
Other Expense	34	3.8%	38	4.0%	37	4.2%	9.1%	-2.9%
Financial Revenue	12	1.3%	11	1.2%	12	1.3%	-3.4%	0.9%
Financial Expense	18	2.0%	26	2.7%	9	1.0%	-51.6%	-67.0%
Income Before Income Tax	116	12.8%	147	15.4%	130	14.6%	11.5%	-12.1%
E B I T D A	129	14.3%	165	17.3%	156	17.6%	20.9%	-5.3%
Depreciation	55	6.1%	52	5.4%	52	5.8%	-6.5%	0.2%

Appendix. F/S – China B/S

[Unit : Bil RMB]

	2013 3Q		2014 2Q		2014 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	2.86	100.0%	2.66	100.0%	2.52	100.0%	-11.9%	-5.5%
COGS	2.09	73.1%	1.83	68.9%	1.84	73.0%	-12.0%	0.2%
Gross Profit	0.77	26.9%	0.83	31.1%	0.68	27.0%	-11.7%	-17.9%
SG&A	0.49	17.1%	0.46	17.2%	0.47	18.8%	-3.6%	3.0%
Operating Profit	0.28	9.8%	0.37	13.9%	0.21	8.3%	-25.8%	-43.9%
Other Revenue	0.14	4.9%	0.08	3.1%	0.09	3.5%	-36.5%	8.2%
Other Expense	0.07	2.3%	0.09	3.3%	0.12	4.8%	87.6%	38.4%
Financial Revenue	0.07	2.4%	0.01	0.4%	0.01	0.5%	-81.7%	14.6%
Financial Expense	0.11	3.8%	0.05	1.9%	0.05	2.1%	-52.9%	1.8%
Income Before Income Tax	0.31	11.0%	0.32	12.2%	0.13	5.4%	-57.0%	-58.3%
EBITDA	0.46	16.2%	0.54	20.3%	0.38	15.2%	-17.4%	-29.3%
Depreciation	0.18	6.4%	0.17	6.3%	0.17	6.9%	-4.5%	3.0%

Appendix. F/S – Hungary I/S (IFRS)

[Unit: Bil HUF]

	2013 3Q		2014 2Q		2014 3Q		YoY (%)	QoQ (%)
	Amt.	%	Amt.	%	Amt.	%		
Sales	41.5	100.0%	42.3	100.0%	43.6	100.0%	5.0%	3.1%
COGS	29.4	71.0%	28.6	67.7%	29.1	66.9%	-1.1%	1.9%
Gross Profit	12.0	29.0%	13.7	32.3%	14.4	33.1%	19.7%	5.6%
SG&A	4.5	10.8%	4.7	11.0%	5.1	11.7%	13.2%	9.1%
Operating Profit	7.6	18.2%	9.0	21.3%	9.4	21.5%	23.6%	3.8%
Other Revenue	1.0	2.5%	1.2	2.8%	0.5	1.1%	-52.7%	-58.7%
Other Expense	0.1	0.3%	0.5	1.3%	0.6	1.4%	408.7%	12.4%
Financial Revenue	0.1	0.3%	0.6	1.4%	0.4	0.8%	174.0%	-41.3%
Financial Expense	1.4	3.3%	1.7	4.1%	0.7	1.7%	-45.4%	-56.6%
Income Before Income Tax	7.3	17.5%	8.5	20.2%	8.8	20.3%	21.9%	3.5%
	-							
E B I T D A	12.2	29.5%	13.7	32.5%	13.5	31.0%	10.3%	-1.8%
Depreciation	4.7	11.3%	4.7	11.2%	4.1	9.5%	-11.4%	-12.4%

Appendix. F/S – Indonesia I/S (IFRS)

[Unit: Mil USD]

	2013 3Q		2014 2Q		2014 3Q		YoY	QoQ	
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)	
Sales	64.6	100.0%	67.2	100.0%	57.2	100.0%	-11.5%	-14.9%	
COGS	48.2	74.6%	45.5	67.7%	40.7	71.1%	-15.7%	-10.7%	
Gross Profit	16.4	25.4%	21.7	32.3%	16.5	28.9%	0.7%	-23.8%	
SG&A	11.8	18.2%	11.6	17.2%	10.0	17.5%	-15.1%	-13.5%	
Operating Profit	4.6	7.2%	10.1	15.1%	6.5	11.4%	40.8%	-35.6%	
Other Revenue	1.1	1.8%	0.6	0.9%	3.8	6.6%	235.3%	557.9%	
Other Expense	3.6	5.5%	1.1	1.6%	3.9	6.8%	8.4%	268.1%	
Financial Revenue	-	0.8	-1.3%	0.3	0.5%	0.4	0.7%	-150.5%	34.8%
Financial Expense	0.4	0.6%	2.2	3.3%	1.8	3.1%	380.8%	-20.3%	
Income Before Income Tax	1.0	1.6%	7.8	11.6%	5.1	8.9%	409.3%	-34.3%	
	-								
E B I T D A	10.5	16.2%	15.6	23.2%	12.1	21.1%	15.1%	-22.4%	
Depreciation	5.9	9.1%	5.4	8.1%	5.6	9.7%	-5.3%	2.4%	