

2012 Hankook Tire

3rd Quarter Result

2012.11.01

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.

- 1. Company Overview**
- 2. Hankooktire 2012 3Q Results Update**
- 3. Current Issue**

Appendix.

1. Company Overview

2. Hankooktire 2012 3Q Results Update

3. Current Issue

Appendix.

1. Company Overview – Hankooktire Worldwide

Overview

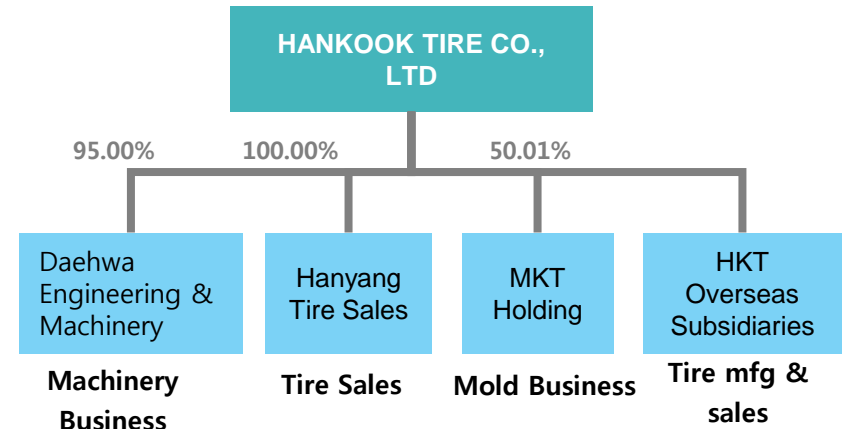
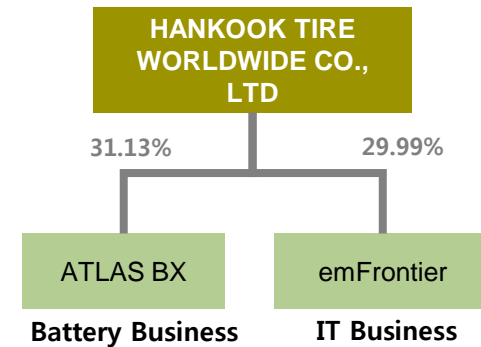
- **HKTWW was established in 1941** (2012.09 Spun-off and changed its name)
- **Capital Stock : KRW 14,157,430,000**
- **Share Outstanding : 28,314,860** (par value KRW 500)
- **The number of employees : 146**

Business

Revenue Structure

- Brand royalty from HKT and its overseas subsidiaries
- Fees generated by offering shared service
- Rental Revenues from HQ building and other real-estates
- Others : Group Training Center, IT business and seeking new business area etc.

Corporate Governance



※ HKTWW : Hankooktire Worldwide, HKT : Hankooktire

1-1. Spin-off Rationale

1

Changes in Business Environments

- Create synergies within the company by associating new business opportunities with the existing tire business
- Meet the increasing demand for management transparency due to restriction on cross-affiliate investments

2


Establishment of Responsible Management

- Establish a responsible management system through the spin-off as it allows independent management and objective evaluation of business achievements

3

Enhancement of Management Transparency

- Maximize the enterprise value and management transparency through separating the Company's operating business and the investment segments
- Organize a stable corporate governance by separating the business risk and ownership



**Ultimately maximize the enterprise value
as well as the shareholders' value**

1-2. Hankooktire Worldwide's Future Strategies

Strengthen group-wide strategies to achieve long-term goals

- Conduct strategy analysis and performance management on subsidiaries
- Establish mid- to long-term business portfolio plan
- Maximize synergy through full utilization of resources and infrastructure

Seize M&A opportunities

- Pursue M&A opportunities that are in-line with HKT's core competencies
- Expand product portfolios and pursue new business opportunities (tires, auto components, and rubber processing, etc.)

Share core business functions

- Maximize synergy by integrating core business functions
- Enhance the level of expertise by utilizing industry experts
- Facilitate prompt decision-making

Group-level financial stability

- Establish and activate a long-term plan to maximize efficient use of financial resources on a group-level
- Seek optimal investment opportunities
- Improve the level of financial strength by reducing the financial risks of subsidiaries

1-3. Changes in BS/IS

Balance Sheet			KRW Bn
	'11.12.31	'12.09.01	'12.09.30
Current Assets	4,476	5,533	5,496
Cash / Cash equivalents	3,508	3,571	3,413
Account Receivables	272	370	503
Inventories	-	-	-
Other	696	1,592	1,580
Non-current Assets	2,039	1,348	4,254
Investments in Associates	1,314	625	3,599
Property, plant and equipment	607	591	591
Intangibles	57	57	57
Other	61	75	7
Total Assets	6,515	6,881	9,750
Current Liabilities	697	1,127	968
Non-current Liabilities	77	138	96
Total Liabilities	774	1,265	1,064
Total Shareholders' equity	5,741	5,616	8,686

Income Statement			KRW Mil
	'12.9.30		
Operating Revenue	7,126	100%	
Brand Royalty	3,458	49%	
Equity Method Income	2,468	35%	
Other Income	1,200	17%	
Operating Expenses	1,994	28%	
Operating Profit	5,132	72%	
Income Before Income Tax	5,902	83%	
Depreciation	203	3%	

* Spin-off Ratio HKTWW:HKT = 0.8139505: 0.1860495

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▪ Disclosure of Operating Profit or Loss

- ✓ The Korea Accounting Standards Board (KASB) clarified its requirements for disclosure of operating profit or loss by issuing Amendments to K-IFRS 1001 'Presentation of Financial Statements'.

1. Main contents of the amendments

- ✓ Mandatory disclosure of operating profit or loss on the face of the statement of profit or loss and other comprehensive income.
- ✓ Definition of abovementioned operating profit or loss as an amount of sales minus cost of sales and selling and administrative expenses.
- ✓ Voluntary disclosure of entity-specific measure of operating performance (under the name of 'adjusted operating profit or loss' or, if appropriate, another name) in the notes provided the entity specific measure of operating performance calculated based on the entity's own criteria differs from the one presented on the face of the statement of profit or loss and other comprehensive income; in this case, it is also required to disclose (1) a reconciliation between the entity-specific measure of operating performance and operating profit or loss presented on the face of the statement of profit or loss and other comprehensive income, and (2) the fact that the measure of operating performance disclosed in the notes is calculated based on the entity's own criteria.

2. Effective Date

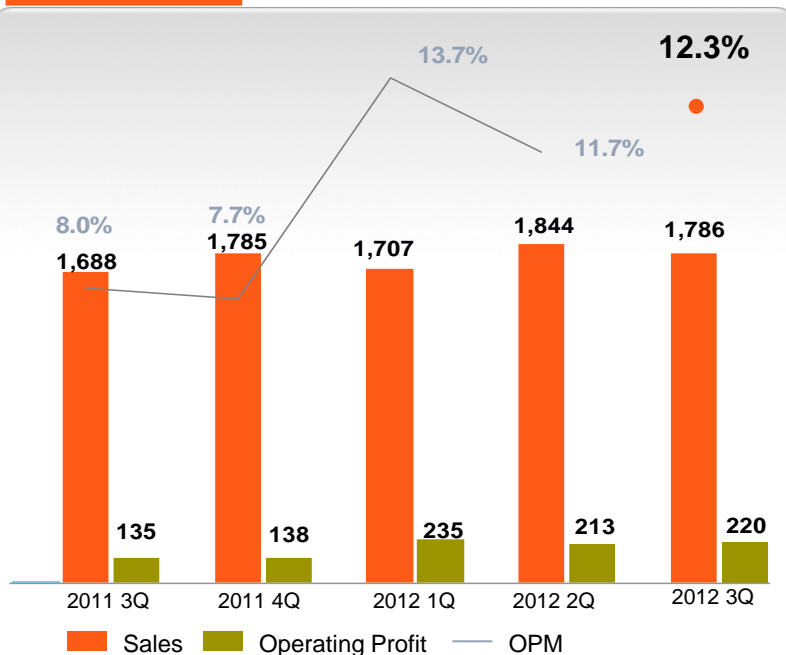
- ✓ The effective date of the amendments is 31 December 2012 and the amendments are required to be applied for annual periods ending on or after the effective date.

2. Hankooktire 2012 3Q Results Update

(1) Sales and Operating Profit

Global

[Unit: Billion KRW]



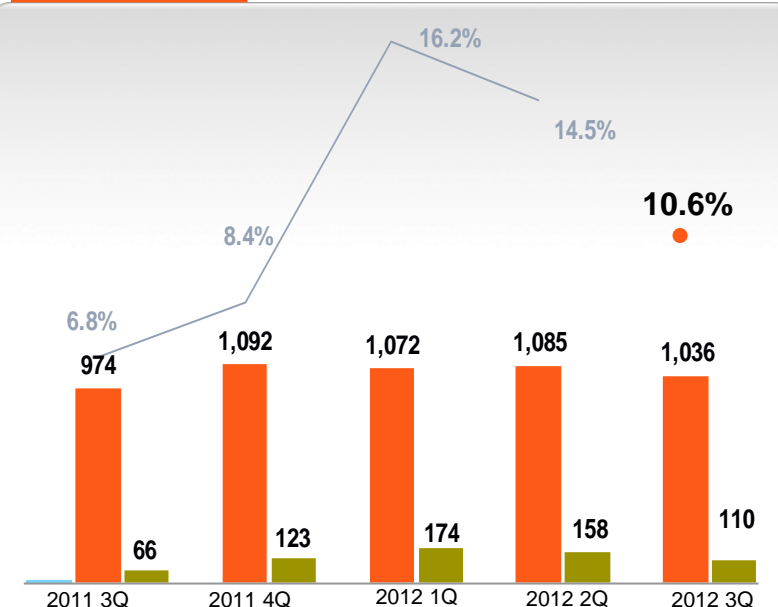
Changes in Sales and Operating Profit

[unit : 100 Mil KRW]

		Global		Korea	
		2012 2Q	2012 3Q	2012 2Q	2012 3Q
Before Amendments	Sales	18,444	17,878	10,857	10,360
	OP	2,126	2,340	1,578	1,597
	OPM	11.5%	13.1%	14.5%	15.4%
After Amendments	Sales	18,444	17,858	10,857	10,360
	OP	2,438	2,196	1,343	1,102
	OPM	13.2%	12.3%	12.4%	10.6%

KOREA

[Unit: Billion KRW]



- Operating margin increased
 - Lower raw materials costs and product mix improvements
- RE sales increased, OE sales and overseas sales decreased in Korea.
- SG&A increased due to brand loyalty, SSC fee to HKTWW.

Quarterly Average FX Rate

	11 1Q	11 2Q	11 3Q	11 4Q	12 1Q	12 2Q	12 3Q
USD/KRW	1,121	1,084	1,082	1,145	1,131	1,152	1,134
EUR/KRW	1,532	1,559	1,532	1,543	1,484	1,479	1,418

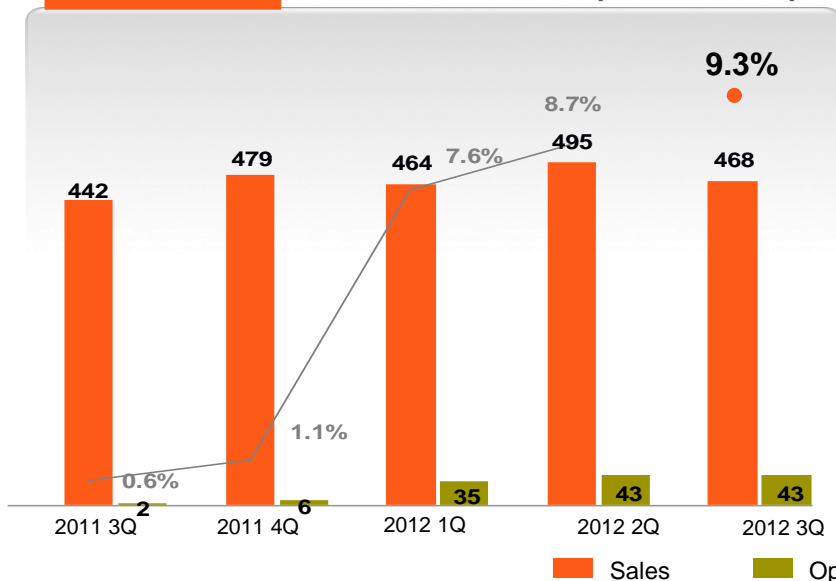
※ 2012 3Q After IFRS amendments, 2011.3Q~2012.2Q : Before spin-off
2012.3Q : After spin-off, HKTWW not included

2. Hankooktire 2012 3Q Results Update

(1) Sales and Operating Profit

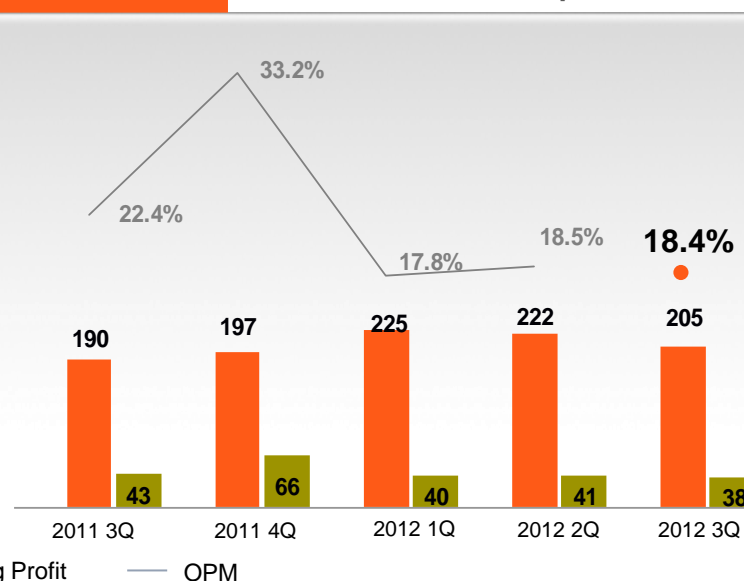
CHINA

[Unit: Billion KRW]



HUNGARY

[Unit: Billion KRW]



- Operating margin maintained at high levels
- Sales declined slightly due to weak demand and elevated competition
- Chongqing Plant's first production is started in August (construction to be completed in June 2013)

Quarterly Average FX Rate

	11 1Q	11 2Q	11 3Q	11 4Q	12 1Q	12 2Q	12 3Q
CNY/KRW	170	167	169	180	179	182	178
USD/CNY	6.579	6.502	6.410	6.369	6.310	6.331	6.353

- 3Q sales volume decreased QoQ, due to weak tire market
- Despite the decreased sales volume, improvements in PCR RE tire sales YoY.

Quarterly Average FX Rate

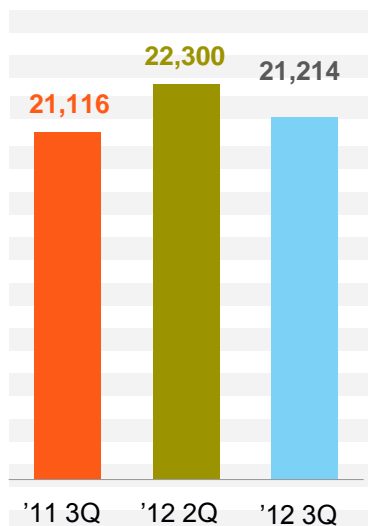
	11 1Q	11 2Q	11 3Q	11 4Q	12 1Q	12 2Q	12 3Q
EUR/HUF	273	266	274	304	297	294	283
HUF/KRW	5.62	5.85	5.60	5.08	5.00	5.03	5.01

2. Hankooktire 2012 3Q Results Update

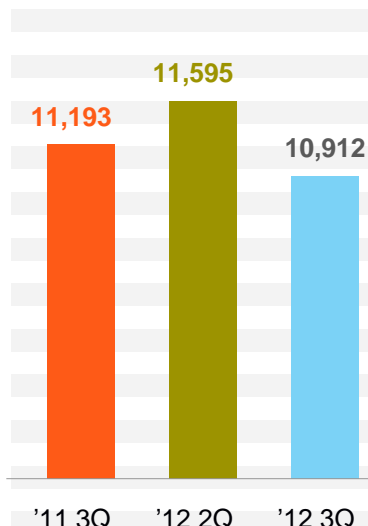
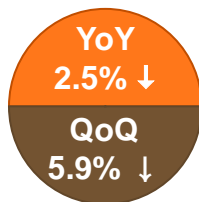
(3) Global Production

[Mil units]

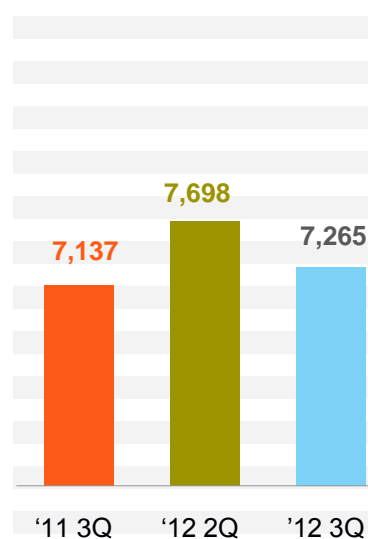
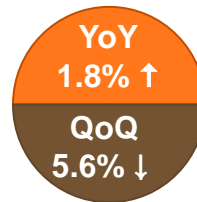
	'10 Act	'11Act	'12 Plan
KOR	45.45	46.70	46.28
CHN	28.34	28.98	30.51
HUN	5.91	10.09	12.51
Indonesia			0.03
TOT	79.70	85.77	89.33



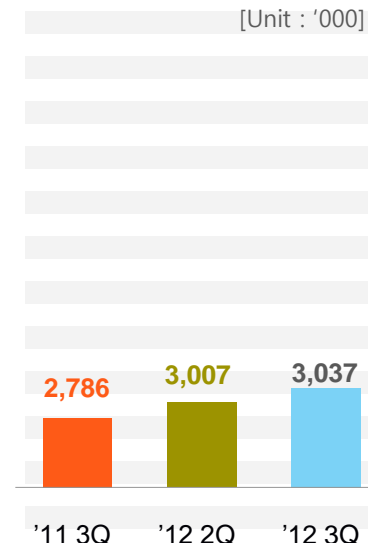
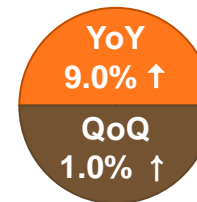
Global



Korea



China



Hungary

2. Hankooktire 2012 3Q Results Update

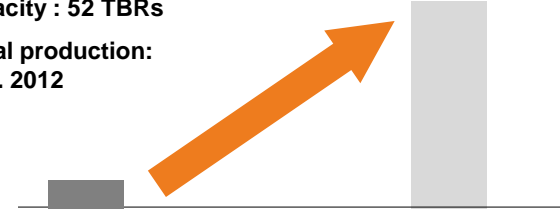
■ Production Facilities Under Construction

Chongqing Production Facility



- Daily production capacity : 52 TBRs
- Initial production: Aug. 2012

- Daily production capacity : 2,400 TBRs
- Scheduled completion : Jun. 2013

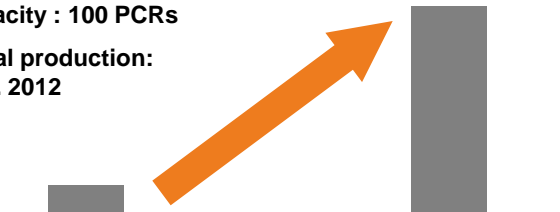


Indonesia Production Facility



- Daily production capacity : 100 PCRs
- Initial production: Sep. 2012

- Daily production capacity : 15,000 PCRs
- Scheduled completion: Jul. 2013



Chongqing Production Facility

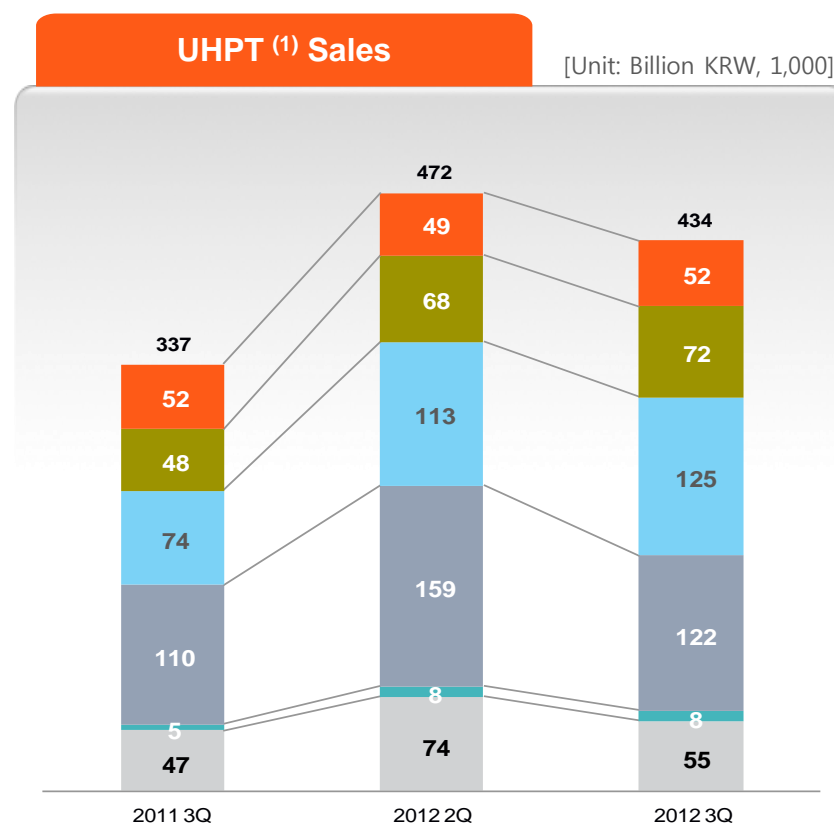
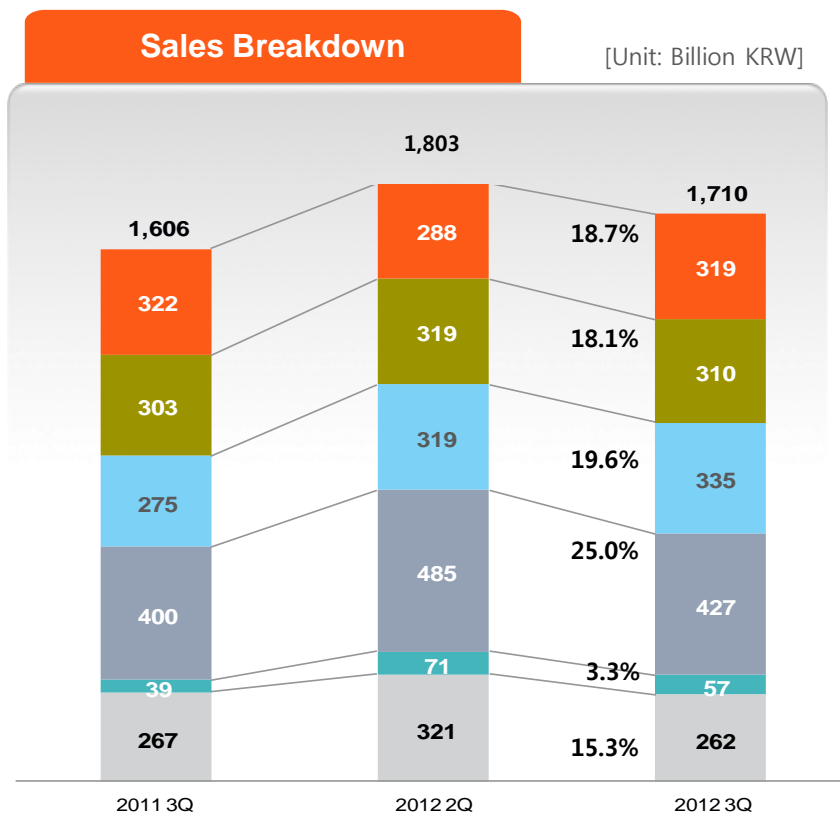
- Expand Chinese domestic TBR market with new facilities
- Increase HKT's brand image in China market, with fine quality products in reasonable prices

Indonesia Production Facility

- Production hub for areas without production facilities such as emerging markets and North America

2. Hankooktire 2012 3Q Results Update

(2) Global Sales Breakdown / UHPT ⁽¹⁾ Sales



■ Korea
 ■ China
 ■ N. America
 ■ EUR
 ■ Russia
 ■ Others

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

Notes

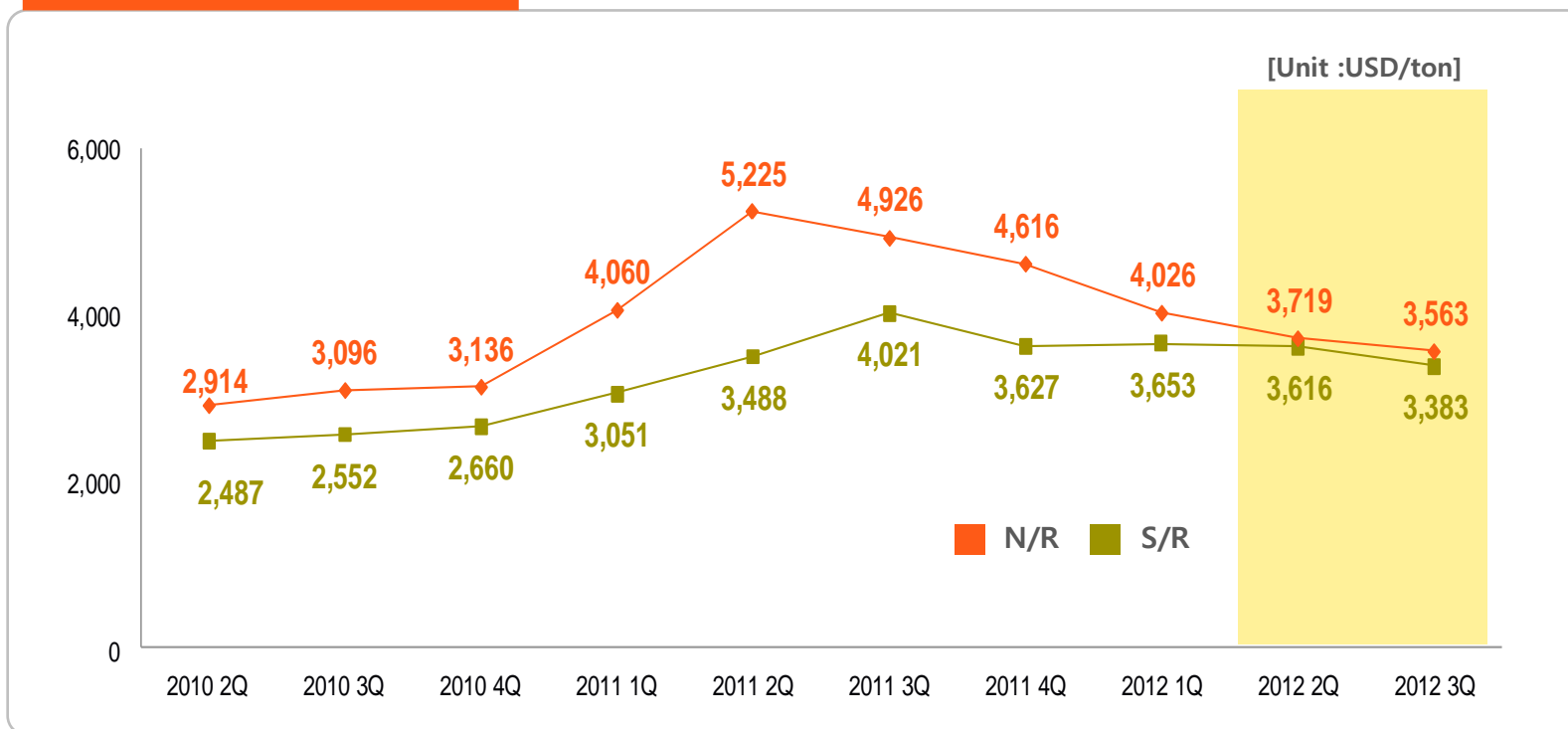
1. Ultra High Performance Tire

UHPT Sales/ Total Sales	21.0%	26.2%	25.4%
UHPT (^{'000} units)	4,524	5,881	5,510

(4) Raw Material Cost

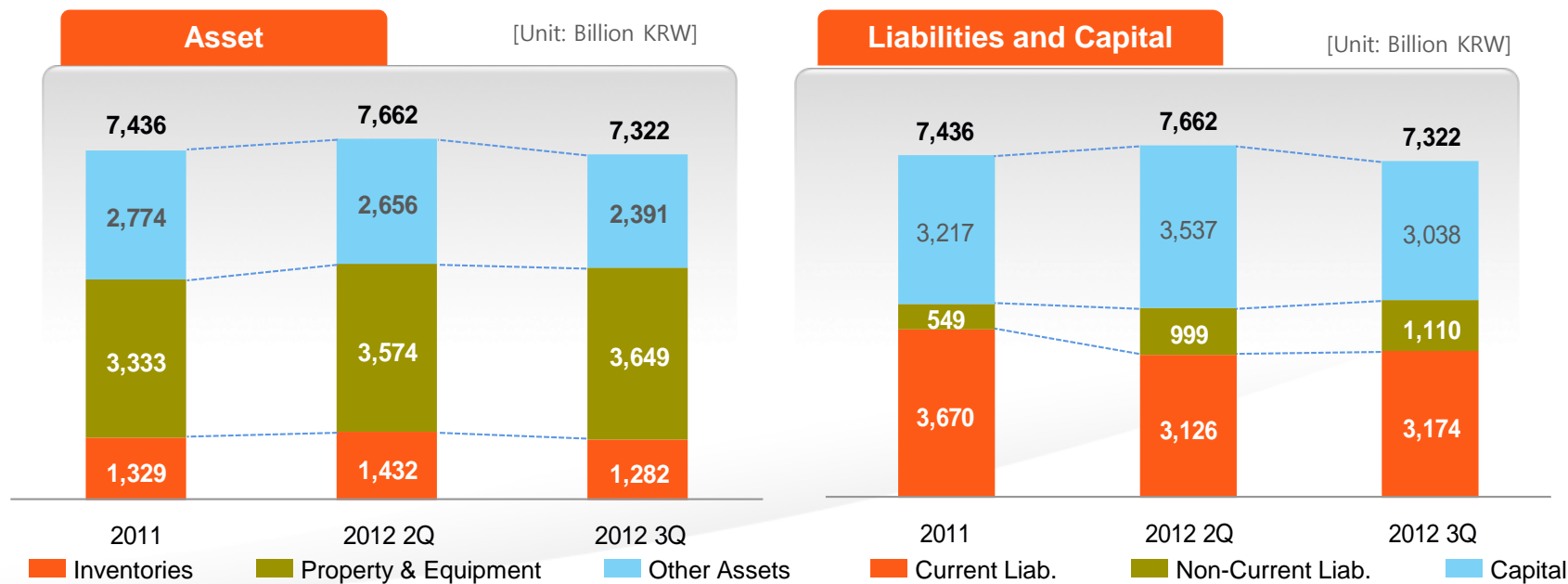
- Recent Natural Rubber spot prices have been decreased due to weak demand in China and India.
 - Shortfall of ethylene production is expected due to heating oil demand increases.
- Synthetic Rubber production expected to be decrease, needs to continuously monitor the S/R production.

Raw Material Cost Trend

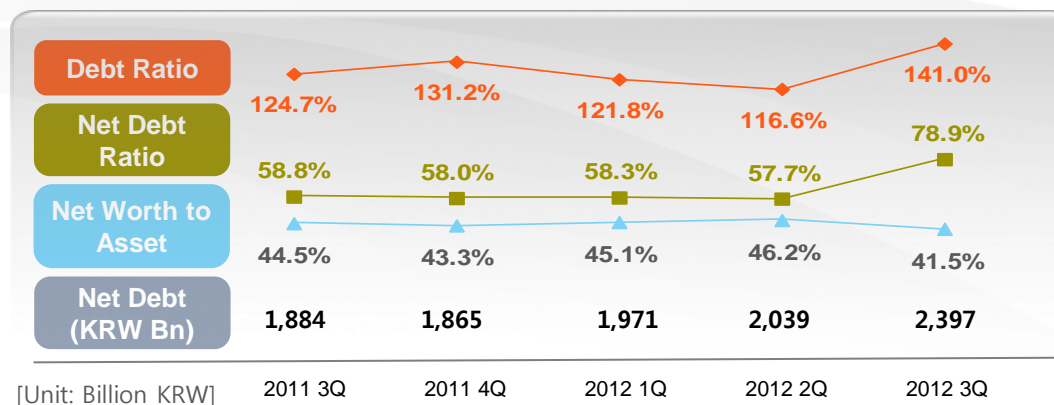


2. Hankooktire 2012 3Q Results Update

(5) Consolidated Balance Sheet



※ 2012.3Q HKTWW not included



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Appendix.

3. Current Issue

■ Strategies after expiration of Safeguard measures on Chinese tires

- ✓ The import of Chinese tires to U.S decreased due to impose Safeguard measures since 2009.
- ✓ Increase of Chinese tires in U.S is expected to lead the ease of competition in the China domestic market.
- ✓ The global tire makers which own production facilities in China are expected to have improvements in competitiveness in U.S as well as in China.



Opportunities & Strategies after expiration of Safeguard measures

- 1 Increase tire exportation from China to U.S**
 - Achieve premium position in the U.S. against our competitors and obtain diversified product Line-up to compete globally
- 2 Build a globally well-balanced portfolio**
 - Maximize efficiency through responding to changing market environment in a timely and proactive manner, through operating 'Multi-Plants' that meets the market demand
- 3 Focus on flagship products from Korea**
 - Maximize in profitability, HKT will concentrate on strategic product sales and raise price continuously

End of The Document

Appendix. F/S – Consolidated B/S

[unit : 100 Mil KRW]

	TOTAL	TIRE
Current Assets	34,875	34,077
Cash and Cash Equivalents	8,477	8,309
Non-Current Assets	38,348	37,142
Tangible Assets	36,487	35,757
Assets	73,223	71,219
Current Liabilities	31,737	31,132
Short-term borrowings	22,453	22,305
Non-current Liabilities	11,103	10,481
Long-term borrowings	9,996	9,420
Liabilities	42,840	41,617
Shareholder's Equity	30,384	29,602
1. Borrowings	32,450	31,725
2. Net Debt	23,973	23,417
3. Debt Ratio	141.00%	140.59%
4. Net worth to assets	41.49%	41.56%

* Excluding Hankooktire Worldwide

[unit : 100 Mil KRW]

	2011 (A)	2012 3Q(B)	B-A	
Current Assets	22,875	21,922	-953	-4%
Cash and Cash Equivalents	5,508	5,714	206	4%
Accounts Receivable	9,506	9,271	-235	-2%
Other Receivable	533	454	-79	-15%
Inventories	5,068	4,496	-572	-11%
Non-Current Assets	22,674	23,244	570	3%
Tangible Assets	14,307	14,130	-177	-1%
Assets	45,549	45,166	-383	-1%
Current Liabilities	17,162	16,468	-694	-4%
Accounts Payable	3,175	2,740	-435	-14%
Non-trade Payables	2,102	2,223	121	6%
Short-term borrowings	10,212	9,962	-250	-2%
Non-Current Liabilities	712	2,811	2,099	295%
Bonds Payable	0	1,494	1,494	1494%
Long-term borrowings	8	567	559	6988%
projected Benefit obligation	79	270	191	243%
Liabilities	17,874	19,279	1,405	8%
Shareholder's Equity	27,675	25,887	-1,788	-6%
1. Borrowings	10,220	12,023	1,803	18%
2. Net Debt	4,712	6,309	1,597	34%
3. Debt Ratio	64.59%	74.47%	9.89%	15%
4. Net worth to assets	60.76%	57.32%	-3.44%	-6%

[unit : Mil RMB]

	2011 (A)	2012 3Q(B)	B-A	
Current Assets	6,788	7,293	505	7.4%
Cash and Cash Equivalents	797	989	192	24.1%
Accounts Receivable	4,381	4,342	-40	-0.9%
Other Receivable	172	162	-10	-5.8%
Inventories	1,377	1,651	274	19.9%
Non-Current Assets	8,452	9,212	760	9.0%
Tangible Assets	6,814	7,603	789	11.6%
Assets	15,240	16,505	1,265	8.3%
Current Liabilities	8,530	9,388	858	10.1%
Accounts Payable	3,202	2,877	-325	-10.1%
Non-trade Payables	667	110	-556	-83.4%
Short-term borrowings	4,512	5,716	1,203	26.7%
Non-Current Liabilities	1,175	1,271	96	8.1%
Long-term borrowings	1,175	1,271	96	8.1%
Liabilities	9,705	10,658	953	9.8%
Shareholder's Equity	5,535	5,847	311	5.6%
1. Borrowings	5,688	6,987	1,299	22.8%
2. Net Debt	4,891	5,997	1,107	22.6%
3. Debt Ratio	175.33%	182.30%	6.97%	4.0%
4. Net worth to assets	36.32%	35.42%	-0.90%	-2.5%

Appendix. F/S – Hungary B/S

[unit : Mil HUF]

	2011 (A)	2012 3Q(B)	B-A	
Current Assets	114,529	137,743	23,214	20.3%
Cash and Cash Equivalents	523	374	-149	-28.5%
Accounts Receivable	48,636	61,175	12,539	25.8%
Other Receivable	90	61	-29	-32.1%
Inventories	28,359	30,110	1,751	6.2%
Non-Current Assets	109,962	100,843	-9,119	-8.3%
Tangible Assets	109,923	100,799	-9,124	-8.3%
Assets	224,491	238,586	14,095	6.3%
Current Liabilities	145,900	110,607	-35,293	-24.2%
Accounts Payable	12,416	6,845	-5,570	-44.9%
Non-trade Payables	3,451	2,606	-846	-24.5%
Short-term borrowings	85,943	39,763	-46,181	-53.7%
Non-Current Liabilities	47,707	62,889	15,182	31.8%
Long-term borrowings	47,707	62,889	15,182	31.8%
Liabilities	193,607	173,496	-20,110	-10.4%
Shareholder's Equity	30,884	65,089	34,205	110.8%
1. Borrowings	133,650	102,652	-30,998	-23.2%
2. Net Debt	133,127	102,278	-30,849	-23.2%
3. Debt Ratio	626.87%	266.55%	-360.32%	-57.5%
4. Net worth to assets	13.76%	27.28%	13.52%	98.3%

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

[Unit: 100 Mil KRW]

	2011 3Q		2012 2Q		2012 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	16,878	100.0%	18,444	100.0%	17,858	100.0%	5.8%	-3.2%
COGS	12,599	74.6%	13,007	70.5%	12,417	69.5%	-1.4%	-4.5%
Gross Profit	4,279	25.4%	5,437	29.5%	5,441	30.5%	27.2%	0.1%
SG&A	2,475	14.7%	2,999	16.3%	3,245	18.2%	31.1%	8.2%
OP (After amendments)	1,804	10.7%	2,438	13.2%	2,196	12.3%	-	-9.9%
Other Revenue	455	2.7%	640	3.5%	613	3.4%	-	-4.3%
Other Expense	913	5.4%	952	5.2%	467	2.6%	-	-
OP (Before amendments)	1,346	8.0%	2,126	11.5%	2,340	13.1%	-	10.0%
Non Operating	-660	-3.9%	-28	-0.1%	-270	-1.5%	-	-
Income Before Income Tax	686	4.1%	2,099	11.4%	2,070	11.6%	-	-1.4%
E B I T D A	2,235	13.2%	3,402	18.4%	3,189	17.9%	42.7%	-6.3%
Depreciation	889	5.3%	964	5.2%	993	5.6%	11.7%	3.1%

Appendix. F/S – Korea I/S (IFRS)

[Unit: 100 Mil KRW]

	2011 3Q		2012 2Q		2012 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	9,740	100.0%	10,857	100.0%	10,360	100.0%	6.4%	-4.6%
COGS	7,600	78.0%	7,741	71.3%	7,393	71.4%	-2.7%	-4.5%
Gross Profit	2,140	22.0%	3,116	28.7%	2,967	28.6%	38.7%	-4.8%
SG&A	1,834	18.8%	1,773	27.6%	1,865	18.0%	1.7%	5.2%
OP (After amendments)	306	3.1%	1,343	12.4%	1,102	10.6%	-	-18.0%
Other Revenue	366	3.8%	804	5.9%	785	7.6%	-	-2.4%
Other Expense	10	0.1%	569	8.8%	290	2.8%	-	-
OP (Before amendments)	662	6.8%	1,578	14.5%	1,597	15.4%	-	1.2%
Non Operating	-138	-1.4%	-33	-0.3%	-101	-1.0%	-	-
Income Before Income Tax	524	5.4%	1,545	14.2%	1,496	14.4%	-	-3.2%
E B I T D A	1,118	11.5%	2,049	18.9%	2,087	20.1%	86.6%	1.8%
Depreciation	456	4.7%	471	4.3%	490	4.7%	7.5%	4.0%

Appendix. F/S – China I/S (IFRS)

[unit : 100 Mil RMB]

	2011 3Q		2012 2Q		2012 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	26.22	100.0%	27.23	100.0%	26.23	100.0%	0.0%	-3.7%
COGS	22.26	84.9%	20.49	75.2%	19.65	74.9%	-11.7%	-4.1%
Gross Profit	3.96	15.1%	6.75	24.8%	6.58	25.1%	66.1%	-2.5%
SG&A	3.81	14.5%	4.02	14.8%	4.15	15.8%	8.9%	3.3%
OP (After amendments)	0.15	0.6%	2.73	10.0%	2.43	9.3%	-	-10.9%
Other Revenue	-0.6	-2.2%	1.24	4.6%	0.48	1.8%	-	-61.3%
Other Expense	0.6	2.4%	1.59	5.8%	0.64	2.4%	6.7%	-59.7%
OP (Before amendments)	0.15	0.6%	2.38	8.7%	2.27	8.7%	-	-4.6%
Non Operating	-0.32	-1.2%	-1.07	-3.9%	-0.83	-3.2%	-	-22.1%
Income Before Income Tax	-0.17	-0.7%	1.66	6.1%	1.44	5.5%	-	-13.6%
E B I T D A	1.52	5.8%	3.79	13.9%	3.71	14.1%	-	-2.1%
Depreciation	1.37	5.2%	1.42	5.2%	1.44	5.5%	5.7%	1.9%

Appendix. F/S – Hungary I/S (IFRS)

[unit : 100 Mil HUF]

	2011 3Q		2012 2Q		2012 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	339.04	100.0%	441.33	100.0%	408.90	100.0%	20.6%	-7.3%
COGS	249.07	73.5%	299.30	67.8%	289.69	70.8%	16.3%	-3.2%
Gross Profit	89.98	26.5%	142.03	32.2%	119.21	29.2%	32.5%	-16.1%
SG&A	34.45	10.2%	45.78	10.4%	44.11	10.8%	28.0%	-3.6%
OP (After amendments)	55.52	16.4%	96.25	21.8%	75.10	18.4%	35.3%	-22.0%
Other Revenue	36.09	10.6%	8.64	2.0%	5.45	1.3%	-	-
Other Expense	15.68	4.6%	23.39	5.3%	10.92	2.7%	-	-
OP (Before amendments)	75.93	22.4%	81.50	18.5%	69.64	17.0%	-8.3%	-14.6%
Non Operating	-88.28	-26.0%	22.27	5.0%	7.51	1.8%	-	-
Income Before Income Tax	-32.75	-9.7%	110.50	25.0%	82.61	20.2%	-	-
E B I T D A	94.80	28.0%	133.20	30.2%	53.59	13.1%	-	-
Depreciation	39.28	11.6%	44.97	10.2%	46.08	11.3%	17.3%	2.5%