

# 4Q 2013 IR Report

**Kumho Tires IR Team**  
*As of Mar, 2014*

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- I . 4Q 2013 Earnings Result
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Financial Summary for Consolidated Results, 4Q 2013

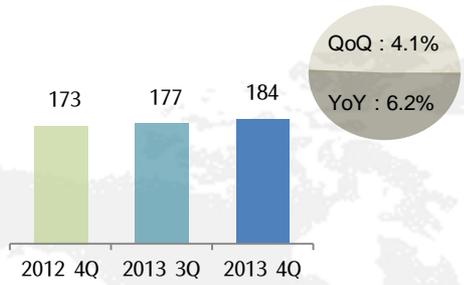
[Unit: 100 Mil KRW, %]

	<u>2012 4Q</u>	<u>2013 3Q</u>	<u>2013 4Q</u>	<u>QoQ</u>	<u>YoY</u>
<b>Sales</b>	<b>9,272</b>	<b>8,903</b>	<b>9,293</b>	<b>4.4%</b>	<b>0.2%</b>
<b>COGS</b>	<b>6,838</b> (73.7%)	<b>6,459</b> (72.6%)	<b>6,972</b> (75.0%)	<b>7.9%</b>	<b>2.0%</b>
<b>Operating Profit</b>	<b>875</b> (9.4%)	<b>736</b> (8.3%)	<b>965</b> (10.4%)	<b>31.1%</b>	<b>10.3%</b>
<b>Ordinary Profit</b>	<b>-375</b> (-4.0%)	<b>261</b> (2.9%)	<b>129</b> (1.4%)	<b>-50.6%</b>	<b>234.4%</b>
<b>Depreciation</b>	<b>462</b>	<b>462</b>	<b>470</b>	<b>1.7%</b>	<b>1.7%</b>
<b>EBITDA</b>	<b>1,337</b> (14.4%)	<b>1,198</b> (13.5%)	<b>1,435</b> (15.4%)	<b>19.8%</b>	<b>7.3%</b>

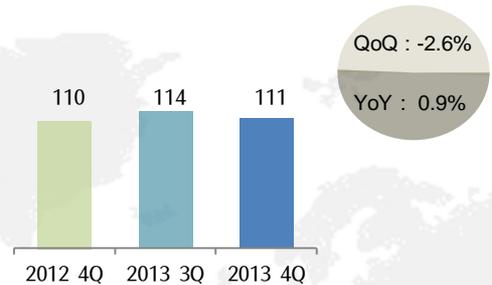
## ☑ Summary for Regional Sales Results, 4Q 2013

[Units: Bil KRW, %]

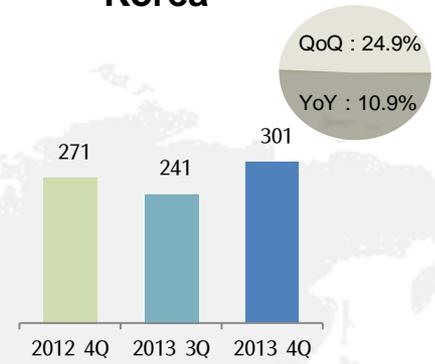
### North America



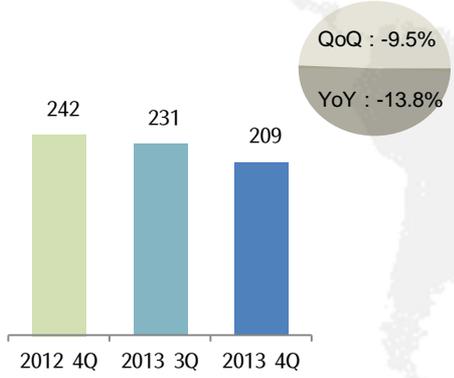
### Europe



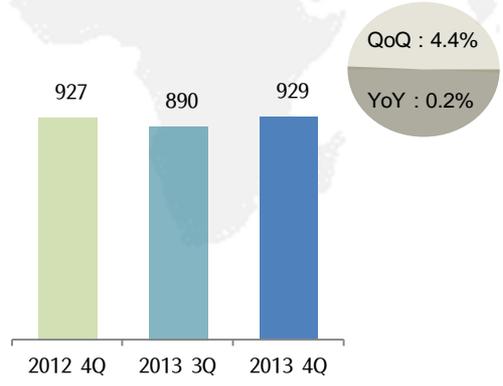
### Korea



### Others



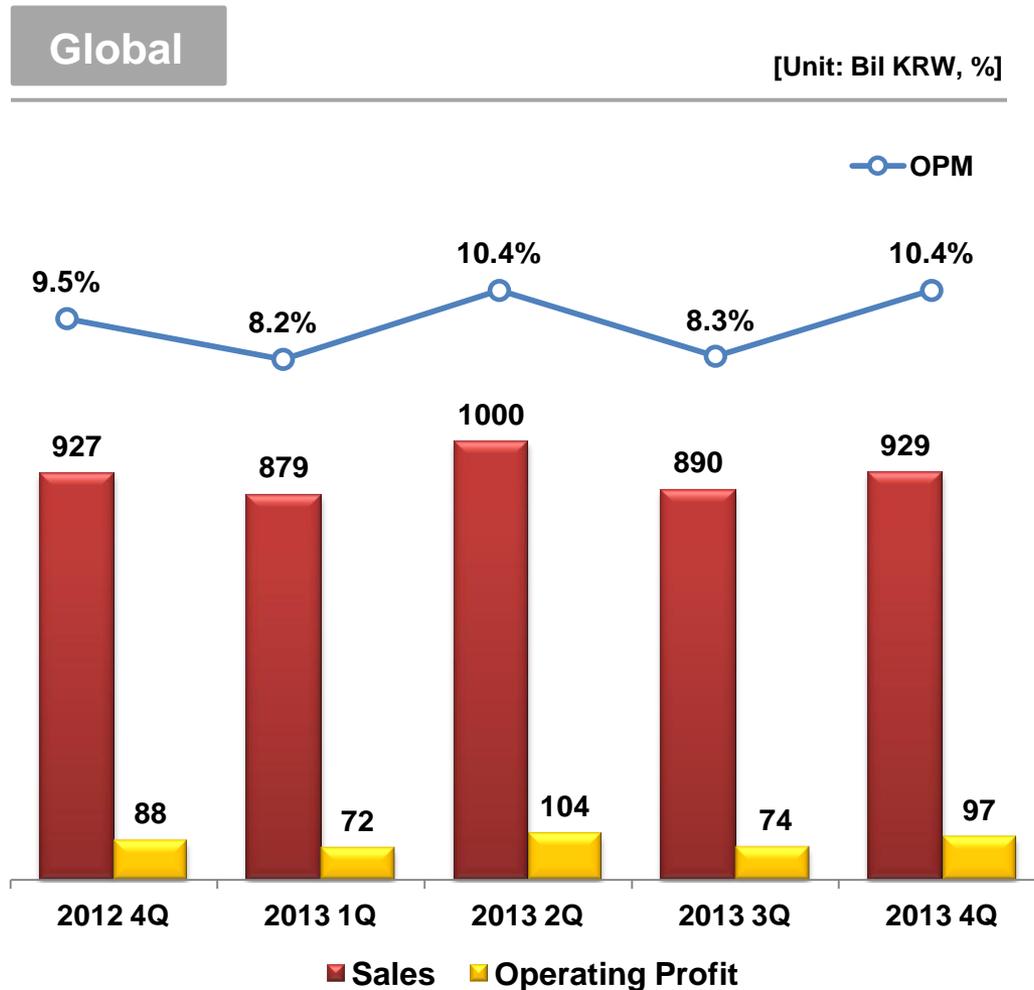
### Global Sales



### China



☑ Global sales recovered slightly with increased tire demand overseas, despite of KRW-USD drop



☑ **Sales :**  
**4.4% increased QoQ**  
**0.2% increased YoY**

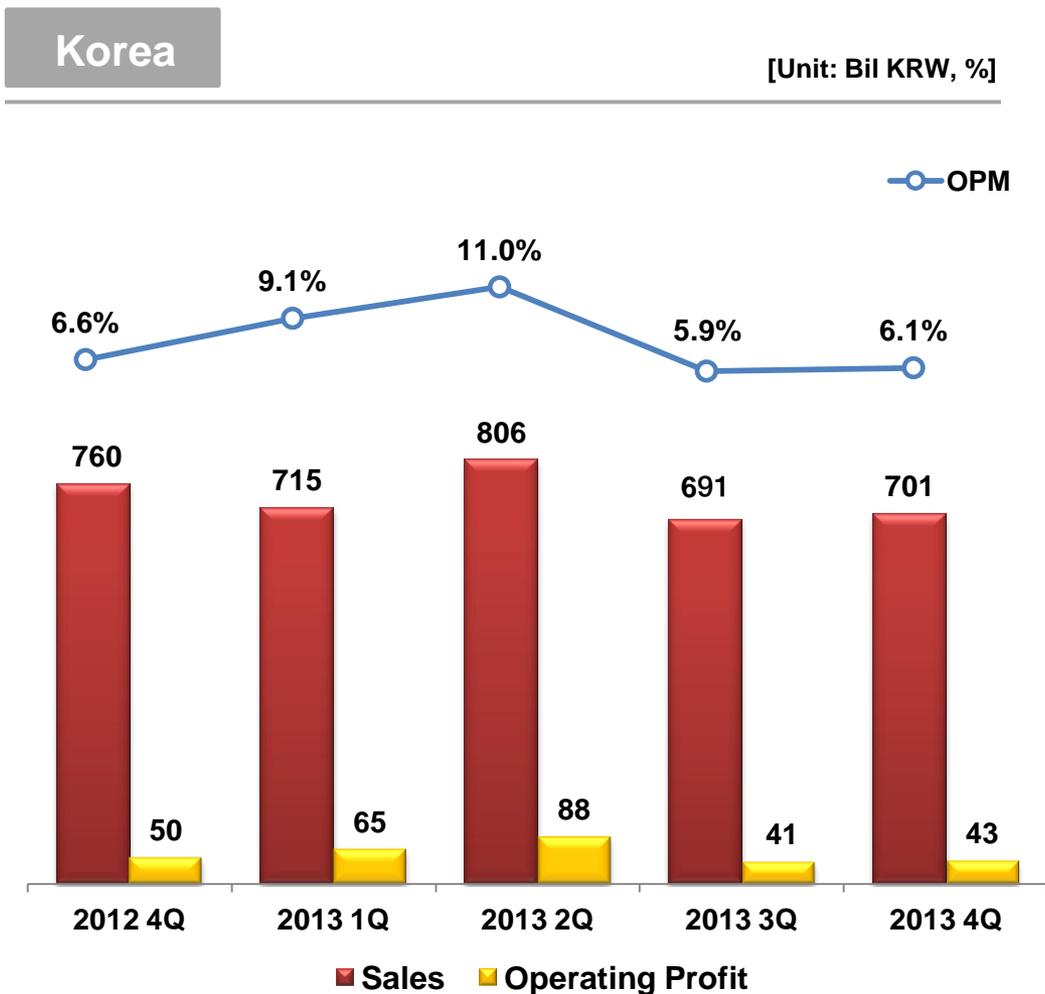
☞ After 3Q, the recovered tire demand in developed markets led to a sales increase especially in North America, which resulted in strong growth in global sales

☞ In Korea domestic market, RE market share has been recovering significantly

☑ **Operating Profit :**  
**31.1% increased QoQ**  
**10.2% increased YoY**

☞ Due to the constant raw material tailwind and the uprising global utilization, OPM recorded 10.4% globally in 4Q

☑ Sales decreased with poor export, despite of strong domestic RE sales



☑ **Sales :**

**1.4% increased QoQ**

**7.8% decreased YoY**

☞ Intensified investment to specialized distribution network and marketing activities resulted in a domestic sales increase. OE sales is also recovered, with reinstated business days.

☑ **Operating Profit :**

**4.9% increased QoQ**

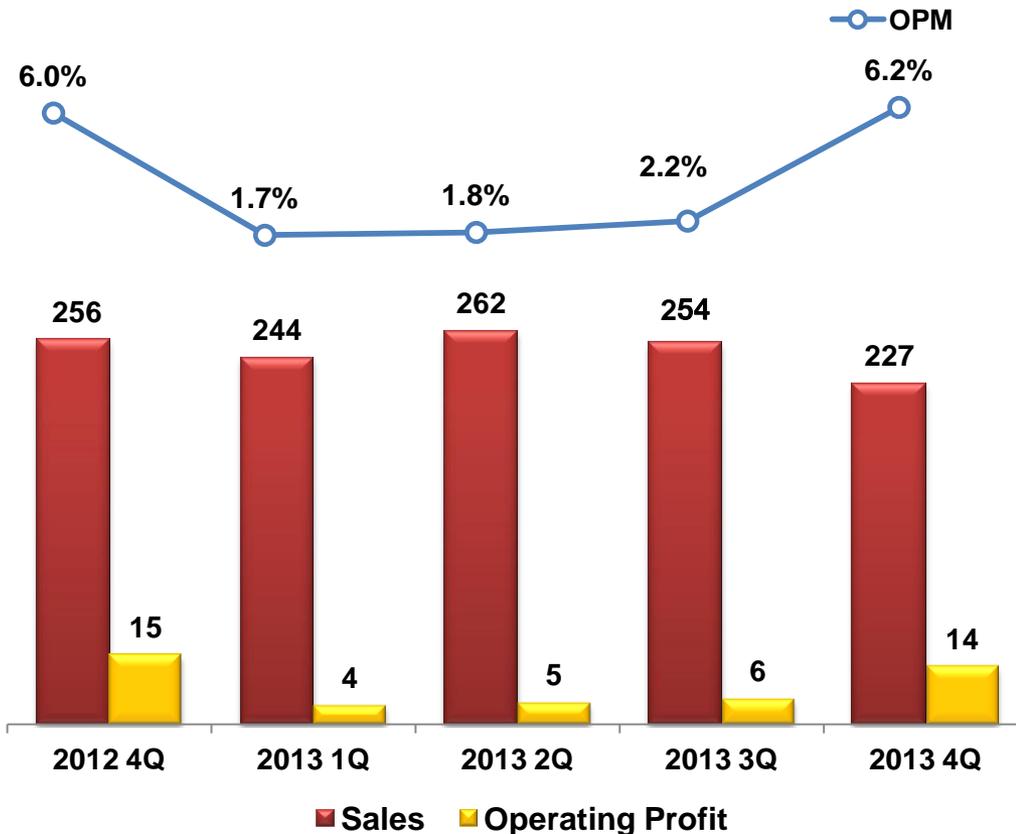
**14.0% decreased YoY**

☞ Constant raw material tailwind and the uprising global utilization lead to sales and OPM increase.

☑ **Severe price competition and supply expansion of major tire makers resulted in sales decrease**

China

[Unit: Bil KRW, %]



☑ **Sales :**  
**10.6% decreased QoQ**  
**11.3% decreased YoY**

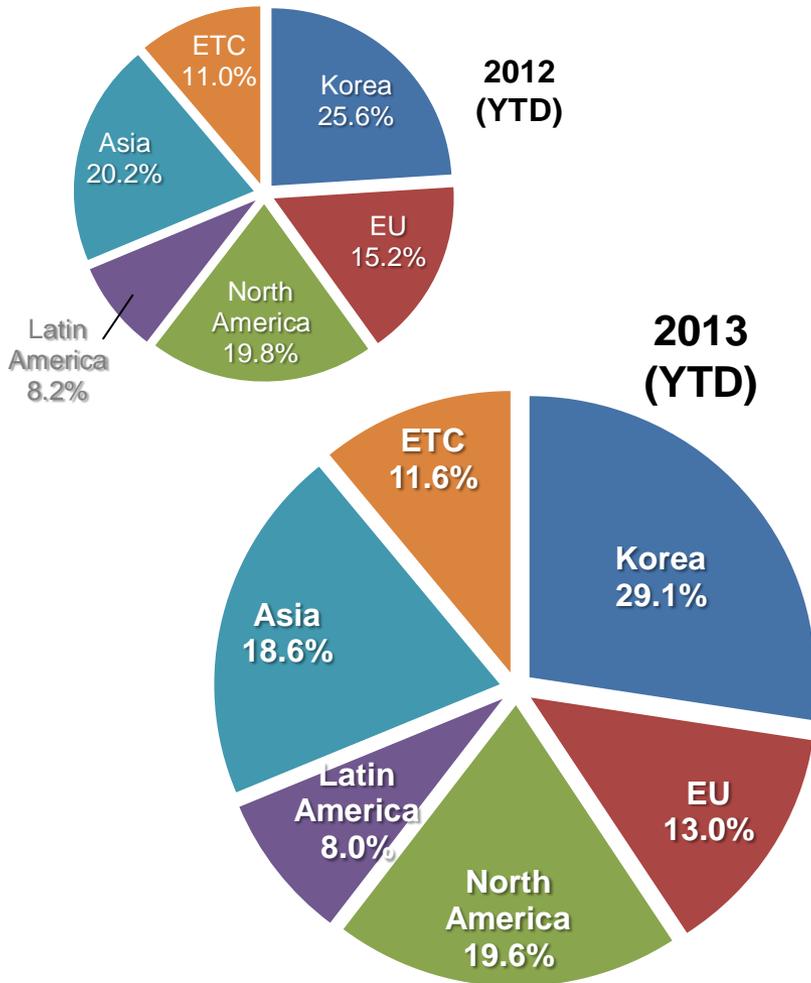
☞ Global tire makers expand the supply as the tire market is to restore its demand. Meanwhile, competition with price discount and promotion became intense, which made the sales decrease QoQ and YoY.

☑ **Operating Profit :**  
**133.3% increased QoQ**  
**6.7% decreased YoY**

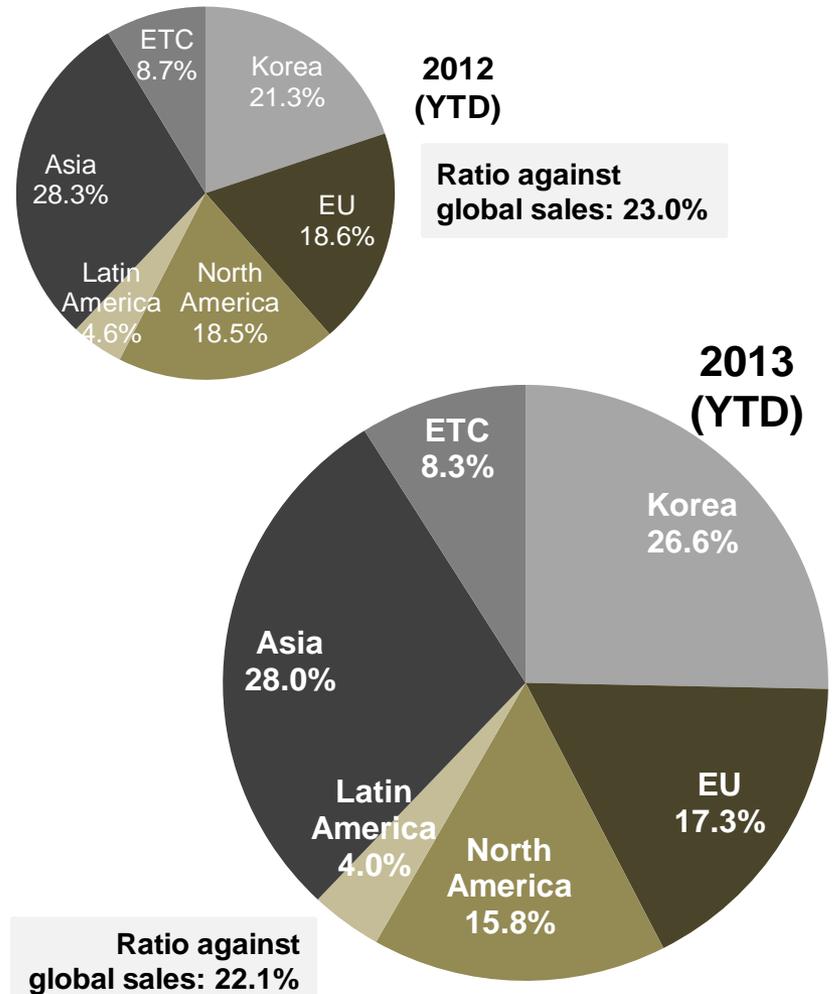
☞ OPM recovered as the utilization of China plant has grown up from 3Q 2013

# 4. Sales Breakdown

☑ Ratio of Korea sales increased YoY, due to overseas sales decline

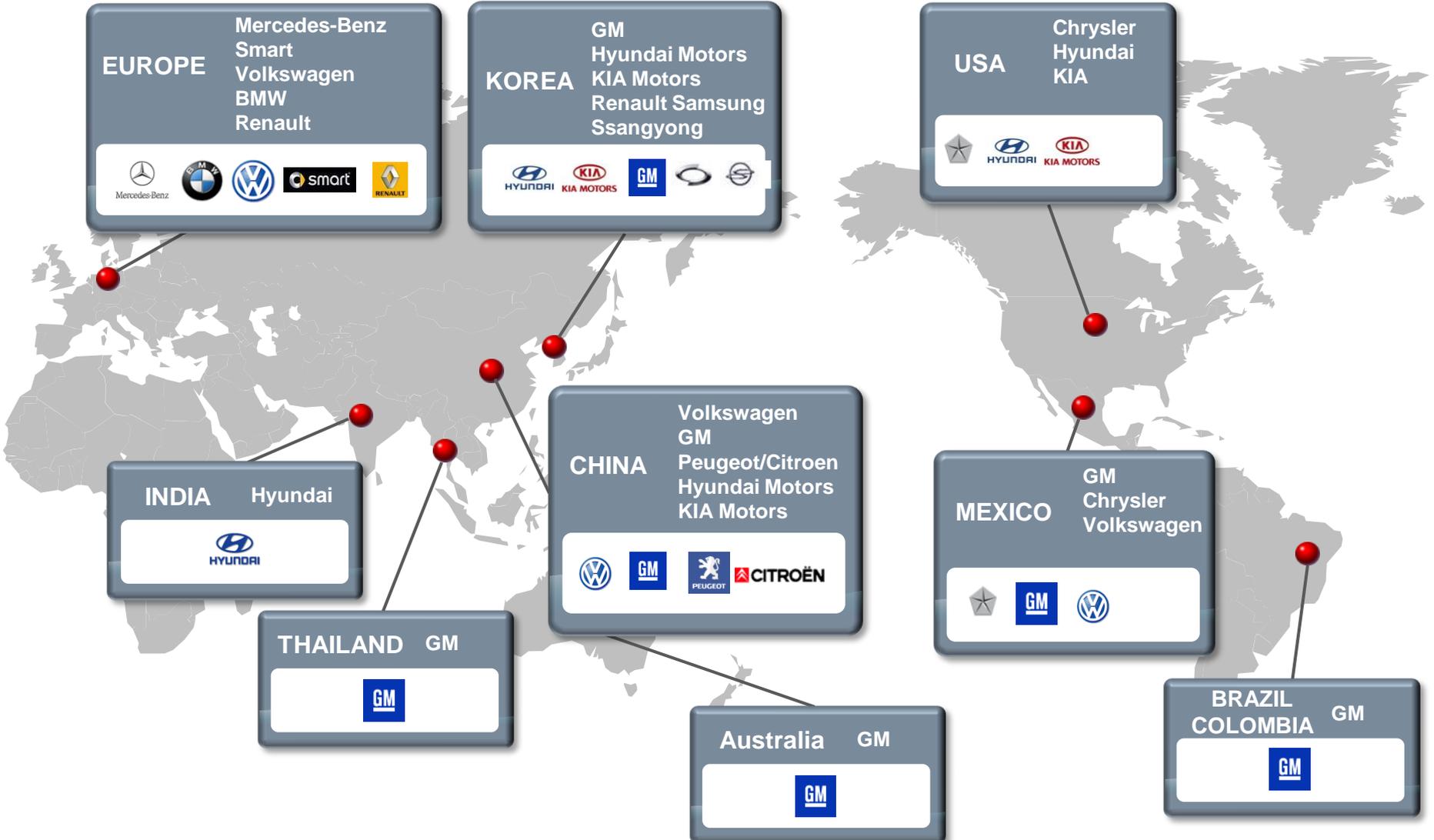


☑ Regional Sales breakdown for UHPT

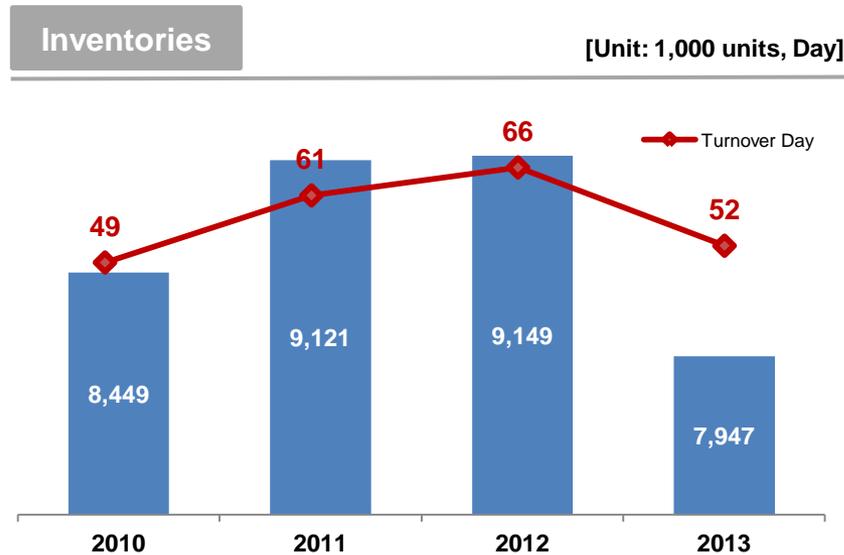
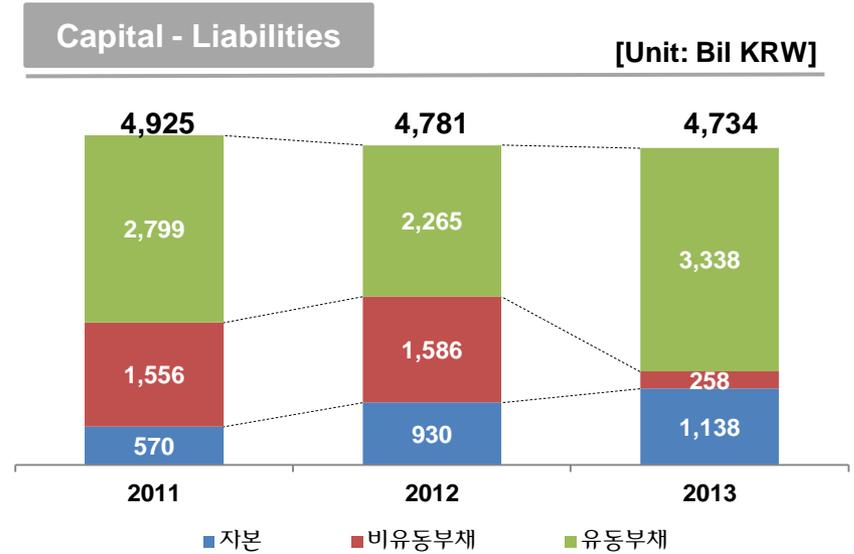
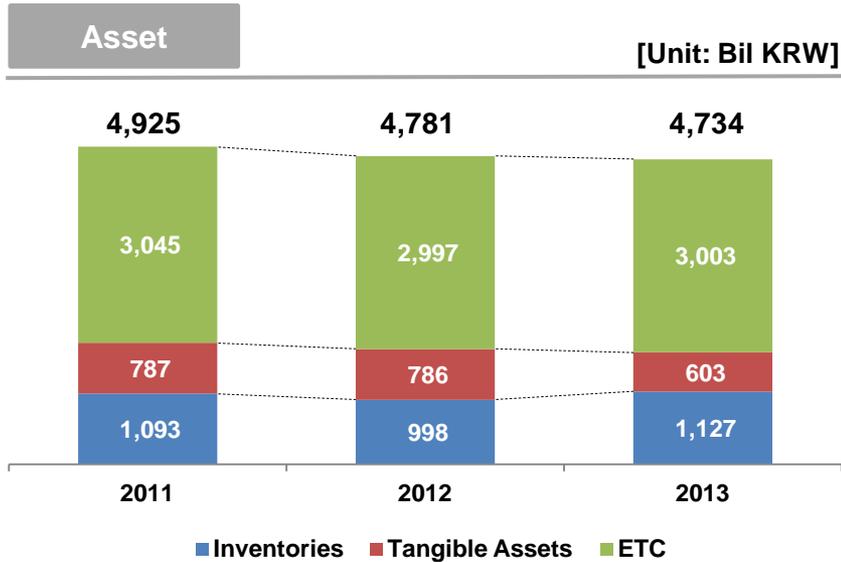


# 5. Global OE Customer Status

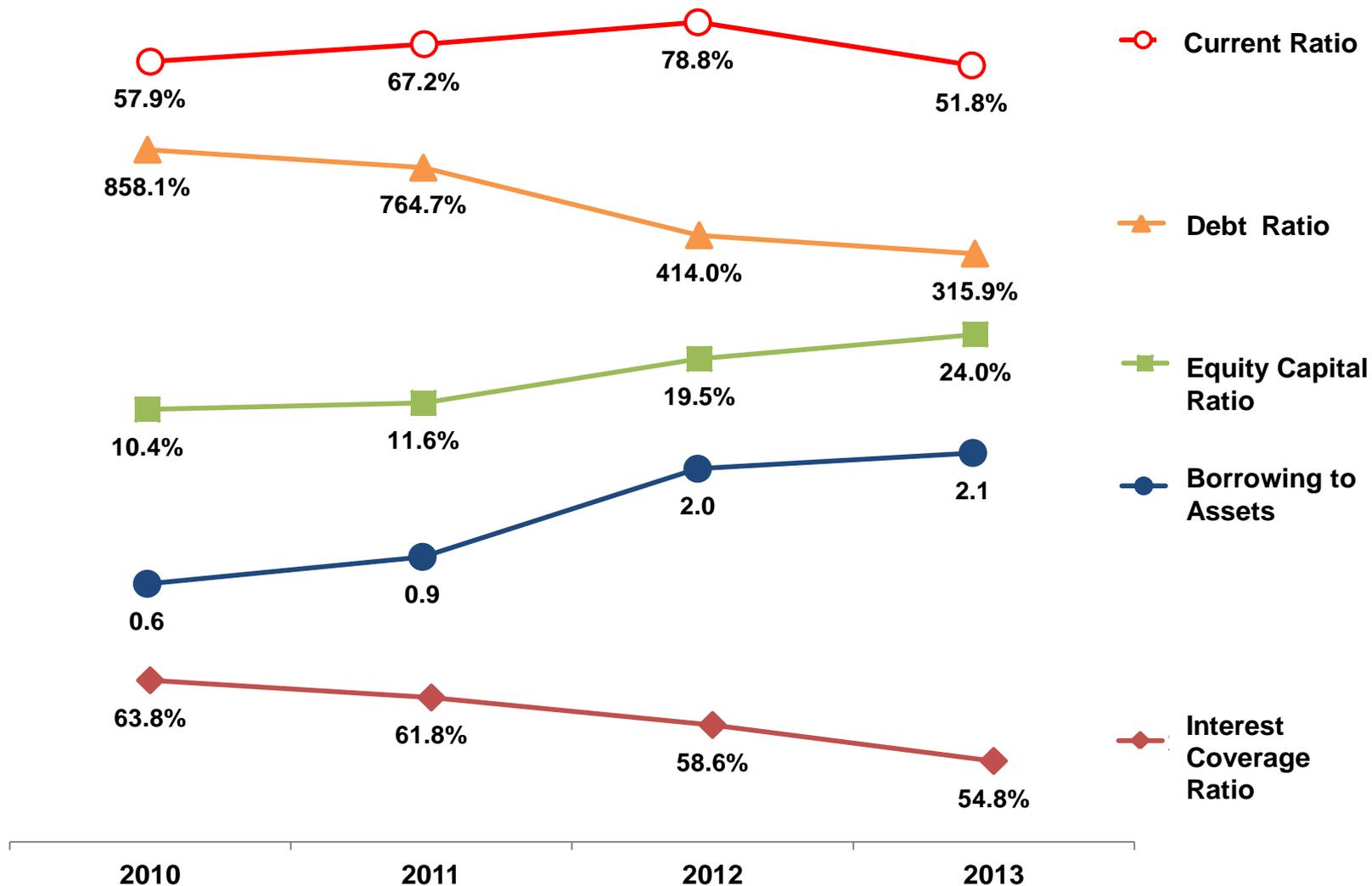
☑ New partnership with BMW and Renault is expected to contribute to expand market share in North America and EU



# 6. Financial Status - Consolidated

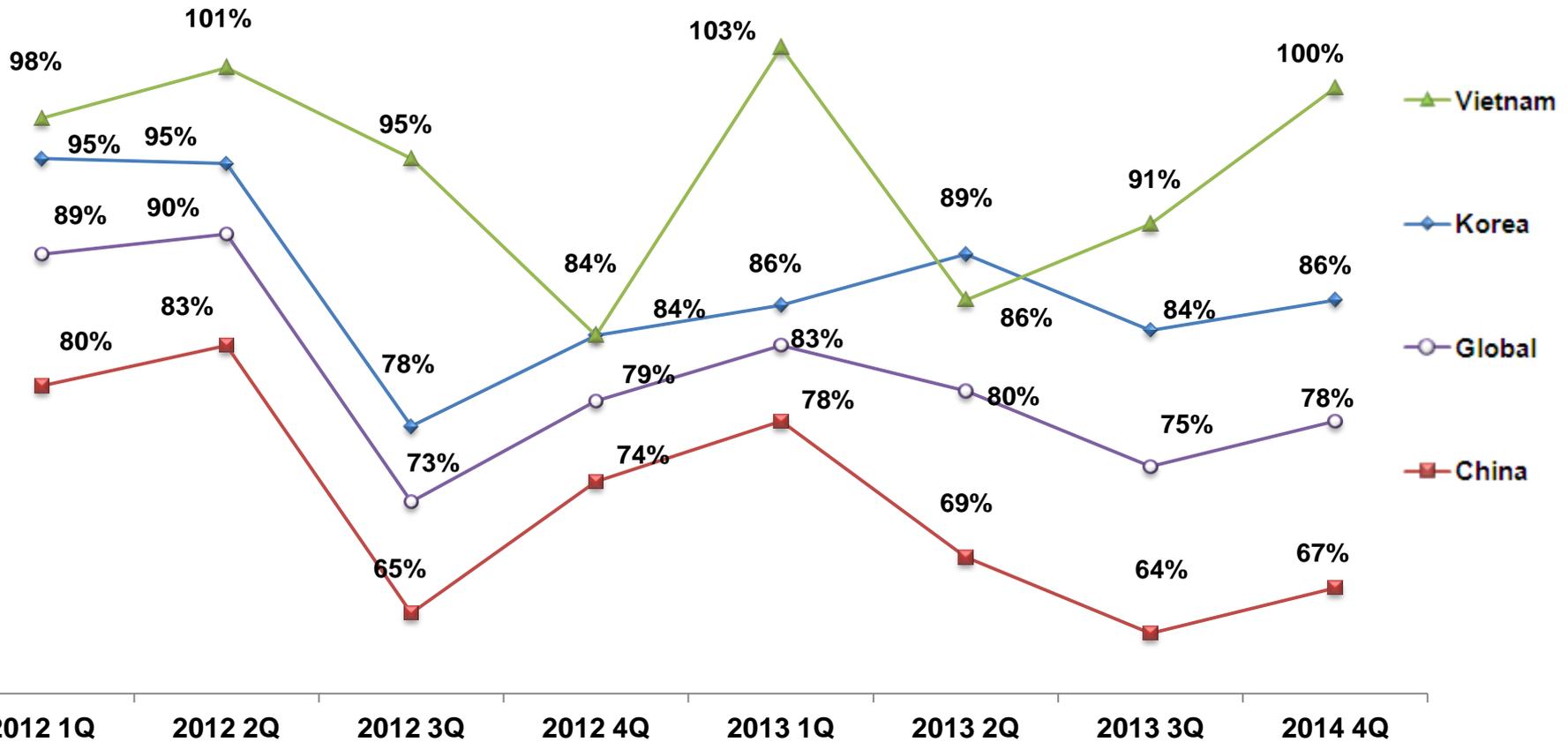


Financial ratio is improving, including decreased debt ratio



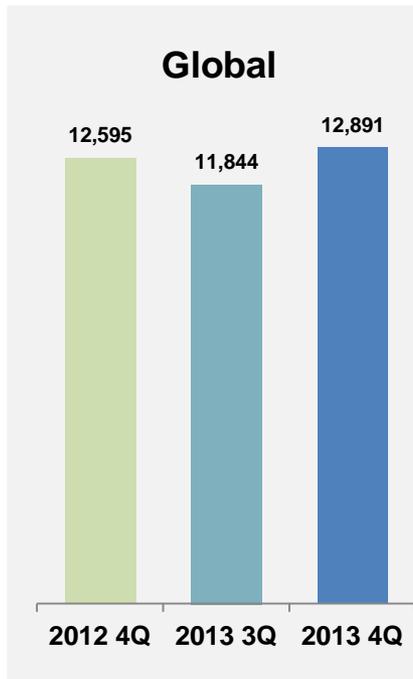
☑ **Utilization has slightly recovered QoQ, due to overseas sales recovery**

\*Inventory status : 9,149 thousand units / 65.8 days in 2012  
 7,947 thousand units / 52.4 days in 2013

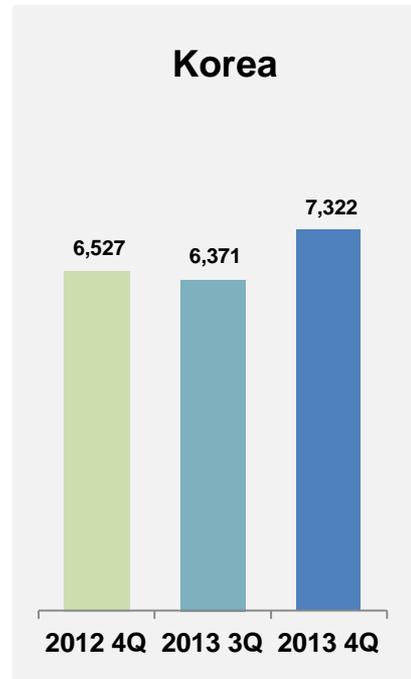


☑ Production increased by recovered demand and reinstated business days

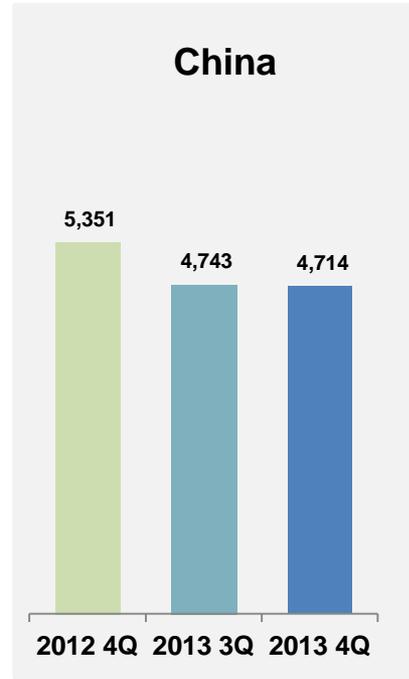
[Productions, Unit:1,000]



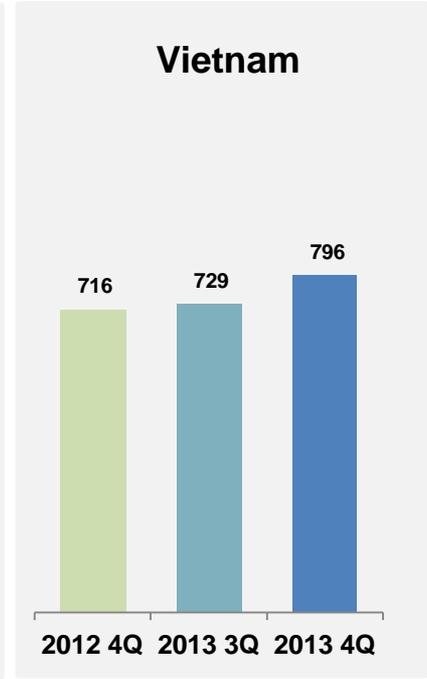
YoY	2.4%	▲
QoQ	8.8%	▲



YoY	12.2%	▲
QoQ	14.9%	▲



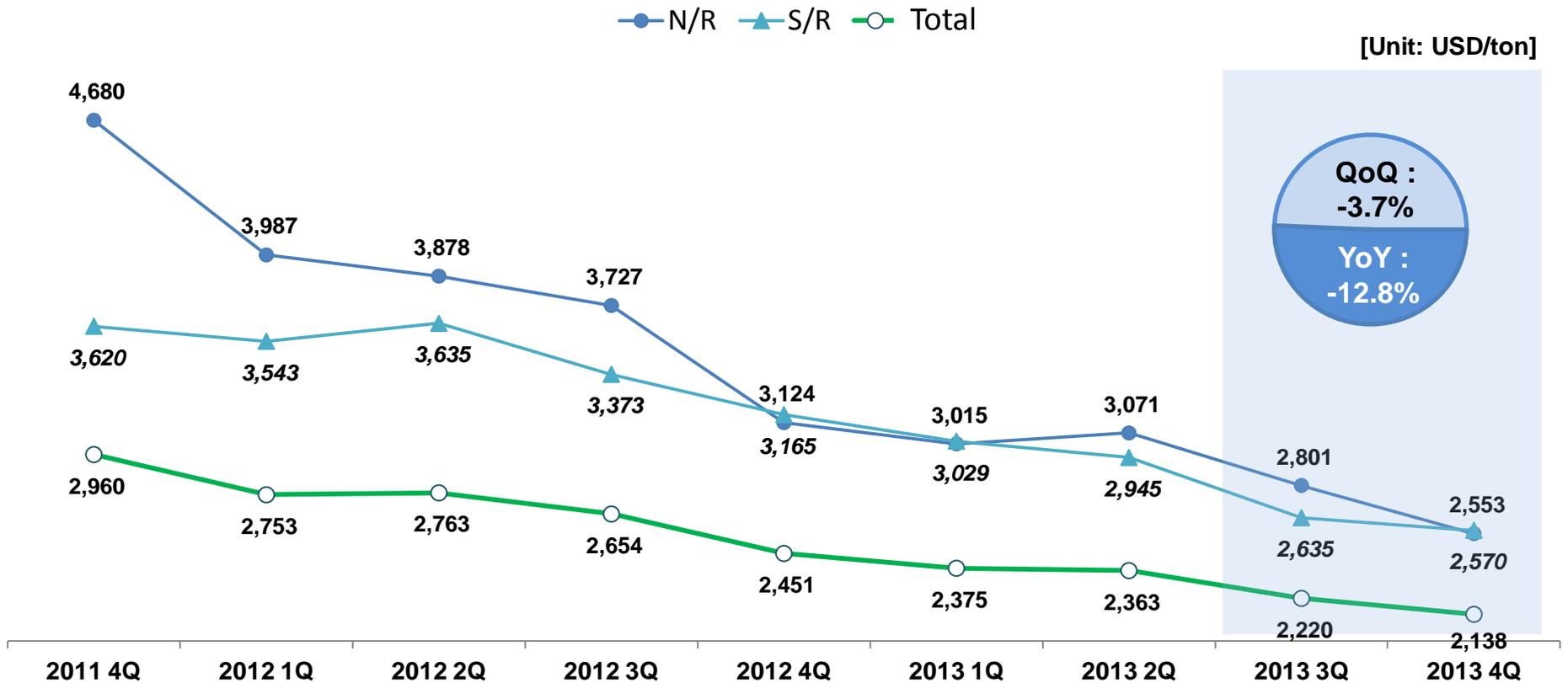
YoY	27.8%	▼
QoQ	0.6%	▼



YoY	19.3%	▲
QoQ	17.1%	▲

# 10. Tendency of Raw Material Cost

- ☑ **N/R** : - NR price slightly fell down QoQ with 1) large stock 2) grown supply with good supply-demand status 3) decreased global oil price.
  - Price increase is to restricted with Fed Tapering and large stock in China; still there is a price increase factors like economic recovery in EU, Thailand anti-government protests.
- ☑ **S/R** : Adjustment for BD plant utilization and production decrease resulted in price recovery.



# 11. Income Statement - Consolidated

[Unit: Hundred Million KRW]

	2013 4Q	2013 3Q	QoQ		2012 4Q	YoY	
Sales	9,293	8,903	390	4.4%	9,272	21	0.2%
COGS	6,972	6,459	513	7.9%	6,838	134	2.0%
Gross Profit	2,321	2,444	(123)	-5.0%	2,434	(113)	-4.6%
<i>Gross Ratio</i>	25.0%	27.4%		2.9%	26.3%		-1.3%
SG&A	1,356	1,708	(352)	-20.6%	1,559	(203)	-13.0%
Operating Profit	965	736	229	31.1%	875	90	10.3%
<i>OPM</i>	10.4%	8.3%		2.1%	9.4%		0.9%
Net Profit	77	187	(110)	-58.9%	243	(166)	-68.3%
<i>NPM</i>	0.8%	2.1%		-1.3%	2.6%		-1.8%
Depreciation	470	462	8	1.7%	462	8	1.7%
EBITDA	1,435	1,198	237	19.7%	1,337	98	7.3%

## 12. Balance Sheet - Consolidated

[Unit: Hundred Million KRW]

	2013 1Q	2012 4Q	QoQ		2012 1Q	YoY	
<b>Asset</b>	47,353	48,682	(1,329)	-2.7%	47,810	(457)	-1.0%
<b>Current Asset</b>	17,344	18,211	(867)	-4.8%	17,841	(497)	-2.8%
- Cash & Cash equivalents	4,227	3,793	434	11.4%	3,060	1,167	38.1%
- Trade Accounts & Notes Receivable	6,130	7,036	(906)	-12.9%	6,389	(259)	-4.0%
- Inventories	6,027	6,725	(698)	-10.4%	7,861	(1,834)	-23.3%
<b>Non Current Asset</b>	30,010	30,471	(461)	-1.5%	29,969	41	0.1%
<b>Liabilities</b>	36,011	37,601	(1,590)	-4.2%	38,509	(2,498)	-6.5%
- Current Liabilities	33,433	22,097	11,336	51.3%	22,645	10,788	47.6%
- Fixed Liabilities	2,579	15,505	(12,926)	-83.4%	15,864	(13,285)	-83.7%
<b>Equity</b>	11,342	11,081	261	2.4%	9,301	2,041	21.9%
<b>Debt</b>	25,961	26,952	(991)	-3.7%	28,002	(2,041)	-7.3%
- Short-term	25,689	14,286	11,403	79.8%	14,646	11,043	75.4%
- Long-term	272	12,666	(12,394)	-97.9%	13,356	(13,084)	-98.0%
<b>Net Debt</b>	21,734	23,159	(1,425)	-6.2%	24,942	(3,208)	-12.9%
<b>Debt-Equity Ratio</b>	317.5%	339.3%		-21.8%	414.0%		-96.5%
<b>Current Ratio</b>	51.9%	82.4%		-30.5%	78.8%		-26.9%

# 13. Income Statement - Korea

[Unit: Hundred Million KRW]

	2013 4Q	2013 3Q	QoQ		2012 4Q	YoY	
Sales	7,012	6,913	99	1.4%	7,595	(583)	-7.7%
COGS	5,727	5,638	89	1.6%	6,240	(513)	-8.2%
Gross Profit	1,285	1,275	10	0.8%	1,355	(70)	-5.2%
<i>Gross Ratio</i>	18.3%	18.4%		-0.1%	17.8%		0.5%
SG&A	851	864	(13)	-1.5%	854	(3)	-0.4%
Operating Profit	434	411	23	5.6%	501	(67)	-13.4%
<i>OPM</i>	6.2%	5.9%		0.2%	6.6%		-0.4%
Net Profit	(218)	43	(261)	-610.7%	159	(377)	-237.1%
<i>NPM</i>	-3.1%	0.6%		-3.7%	2.1%		-5.2%
Depreciation	217	207	10	5.0%	204	13	6.4%
EBITDA	651	618	33	5.4%	705	(54)	-7.6%

# 14. Balance Sheet - Korea

[Unit: Hundred Million KRW]

	2013 4Q	2013 3Q	QoQ		2012	YoY	
<b>Asset</b>	33,247	34,313	(1,066)	-3.1%	33,782	(535)	-1.6%
<b>Current Asset</b>	12,615	13,443	(828)	-6.2%	13,682	(1,067)	-7.8%
- Cash & Cash equivalents	825	1,747	(922)	-52.8%	1,128	(304)	-26.9%
- Trade Accounts & Notes Receivable	7,321	8,207	(886)	-10.8%	8,343	(1,023)	-12.3%
- Inventories	2,030	2,342	(313)	-13.4%	2,874	(845)	-29.4%
<b>Non Current Asset</b>	20,632	20,870	(239)	-1.1%	20,099	532	2.6%
<b>Liabilities</b>	20,869	21,974	(1,106)	-5.0%	23,156	(2,287)	-9.9%
- Current Liabilities	18,988	11,099	7,889	71.1%	11,724	7,264	62.0%
- Fixed Liabilities	1,881	10,876	(8,995)	-82.7%	11,432	(9,551)	-83.5%
<b>Equity</b>	12,378	12,339	39	0.3%	10,626	1,753	16.5%
<b>Debt</b>	14,420	15,237	(817)	-5.4%	16,505	(2,085)	-12.6%
- Short-term	14,420	6,822	7,598	111.4%	7,225	7,195	99.6%
- Long-term	-	8,415	(8,415)	-100.0%	9,281	(9,281)	-100.0%
<b>Net Debt</b>	13,595	13,490	105	0.8%	15,377	(1,782)	-11.6%
<b>Debt-Equity Ratio</b>	168.6%	178.1%		-9.5%	217.9%		-49.3%
<b>Current Ratio</b>	66.4%	121.1%		-54.7%	116.7%		-50.3%

**KUMHO TIRES** 

