

**NEW START**



Kumho Tire Annual Report 2014

**KUMHO TIRE** 

CONTENTS

02 CEO MESSAGE

04 VISION AND STRATEGY

>> WE ARE THOROUGHLY PREPARED

08 FINANCIAL HIGHLIGHTS

10 BUSINESS REVIEW

14 ISSUE SECTION

>> WE FOCUS ON TECHNOLOGY

18 TECHNOLOGY LEADERSHIP

22 RESEARCH AND DEVELOPMENT

>> WE ARE PASSIONATE ABOUT BUSINESS

26 SPORTS MARKETING

28 GLOBAL MARKETING

30 BRAND PORTFOLIO

>> WE INSPIRE YOUR FUTURE

34 BUSINESS ETHICS

36 SOCIAL COMMITMENT

38 ENVIRONMENTAL MANAGEMENT

40 NEWS HIGHLIGHTS

42 CONSOLIDATED FINANCIAL STATEMENTS

52 SEPARATE FINANCIAL STATEMENTS

62 GLOBAL NETWORK

NEW START

*We are at the start line again.*

*Despite difficulties inside and outside the company, Kumho Tire has prepared for the future by focusing on tomorrow's potential rather than today's crisis. The passion and hard work displayed by every executive and employee became a driving force for more rapid growth, while the experience of overcoming numerous crises in the past will become a foundation for even bigger growth. At Kumho, we are not merely satisfied with today's achievements, but will continue to realize sustainable growth and customer satisfaction.*

*Kumho Tire's new start has just begun.*

# CEO MESSAGE

*In 2015, Kumho Tire will focus on the reinforcement of competitiveness, with the completion of its corporate restructuring serving as the foundation. We will do our best to achieve management goals through the operation of market-specific products and reinforced sales competitiveness. Every employee will ceaselessly move forward toward our goals and work hard for a greater synergistic effect by fully cooperating with each other.*



- >> WE ARE THOROUGHLY PREPARED  
Financial Highlights  
Business Review  
Issue Section
- >> WE FOCUS ON TECHNOLOGY  
Technology Leadership  
Research and Development
- >> WE ARE PASSIONATE ABOUT BUSINESS  
Sports Marketing  
Global Marketing  
Brand Portfolio
- >> WE INSPIRE YOUR FUTURE  
Business Ethics  
Social Commitment  
Environmental Management  
News Highlights

As president of Kumho Tire, I would like to extend my sincere gratitude to our customers and shareholders. I would like to ask for your continued support this year.

In 2014, the global economy entered the stage of slow recovery, and was centered on advanced countries in North America and Europe. With the help of the automobile industry’s sales growth, the tire market also showed a five percent growth over the previous year. However, the business environment became even more unstable, as there were differences in the speed of recovery depending on market situations on different continents.

For Kumho Tire, 2014 was a significant year. Although external growth appeared somewhat stagnant due to fiercer price competition caused by the weak Japanese yen and global overproduction, the company succeeded in completing its restructuring process based on internal strengths accumulated over the past five years, including an improved financial structure and higher credit rating.

We also worked tirelessly to prepare for more growth. A technical partnership signed with the Yokohama Rubber Company will be a foundation for securing a leading position in the future, and the resumption of plant construction in the US will provide us with a solid bridgehead to enter the North American market.

In 2015, Kumho Tire plans on strengthening its competitiveness, with the completion of its corporate restructuring serving as the foundation. Despite fiercer competition in the global tire market due to raw material price issues, the company will achieve sales goals through flexible product operation and reinforced sales competitiveness. This includes the development of locally customized products, diversification of sales channels in North America, and the firm establishment of direct sales systems in Europe.

All of our employees will not relent in moving forward toward our goals as they passionately work hard for a greater synergistic effect through mutual cooperation.

By using indomitable passion and tireless tenacity as a stepping stone, Kumho Tire is moving forward toward a brighter future. At this time, I kindly ask for the continued support of the company from all customers and shareholders.

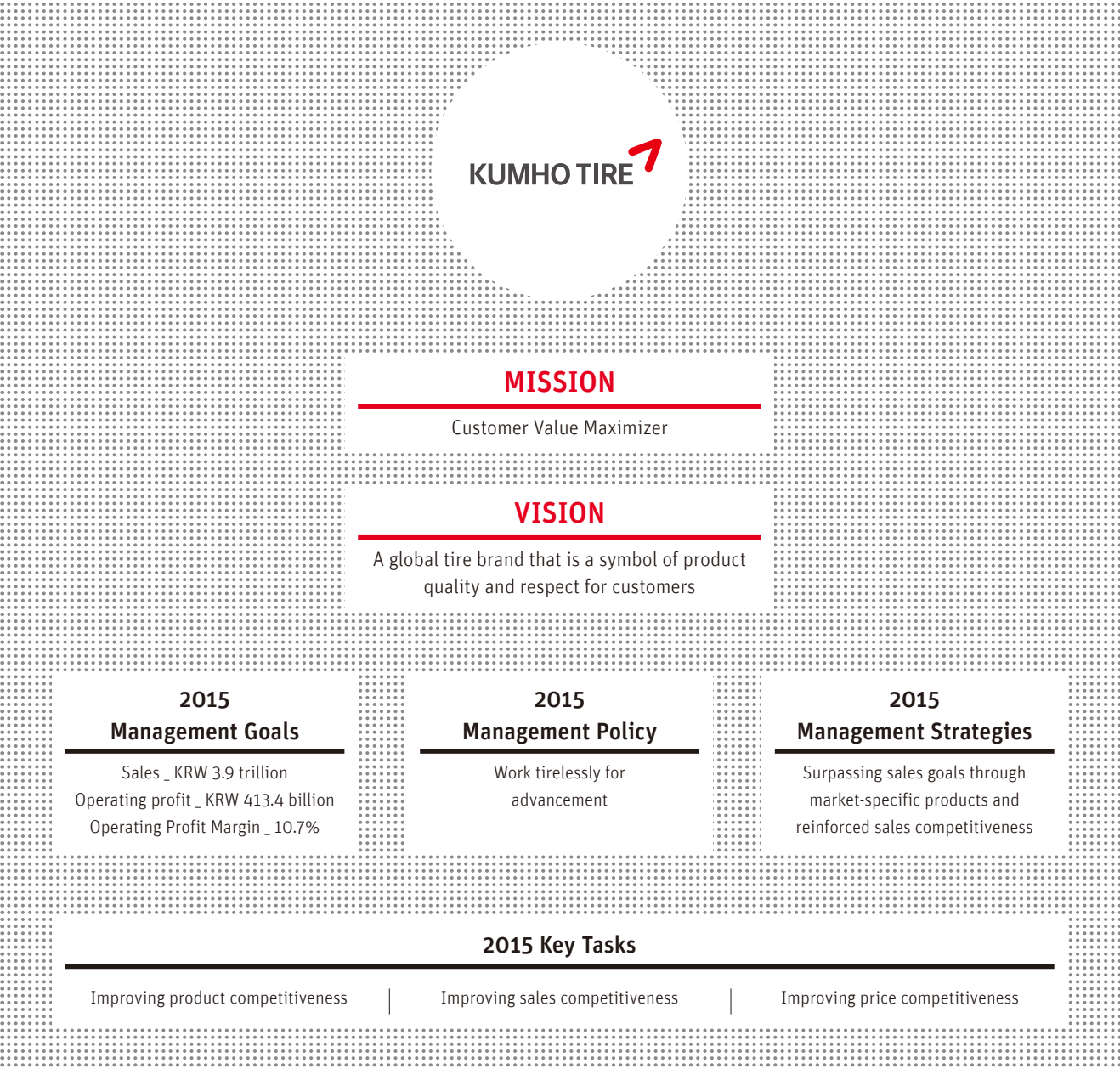
Thank you.

A handwritten signature in black ink, reading "Chang-kyu Kim".

**Kim Chang-kyu**  
CEO & President, Kumho Tire Co., Inc.

# VISION AND STRATEGY

Kumho Tire declared “Work tirelessly for advancement” as its 2015 management policy in order to maximize customer value, and is now making significant advances based on its founding spirit of passion and tenacity for rapid growth. Committed to further improving the company’s overall capabilities and product quality, Kumho Tire is on its way to becoming a leading global company that is highly respected by customers because of the greater value it provides.



## >> IMPROVING PRODUCT COMPETITIVENESS

Products are the window through which a company communicates with customers and also the tools to realize customer satisfaction. Kumho Tire increases product quality by carefully listening to the voice of customers (VOC), while maximizing customer satisfaction by continuously improving the production process. By continually making investments in R&D, the company will release new region-specific products, and expand product patterns and specifications to meet the various needs of the market and customers. Kumho Tire has always been determined to secure new technologies so it can respond to changes in consumption trends, such as tires for electric vehicles and low-noise tires. In addition, it will further improve product competitiveness by actively responding to external reviews from foreign magazines and media.

## >> IMPROVING SALES COMPETITIVENESS

A product can only show its performance when it is chosen by a customer. That is why Kumho Tire not only improves product quality but also reinforces sales competitiveness. In 2015, the company will diversify its sales channels in North America to establish a foothold in the market, and will continue to expand its market position in the European market through ambitious goals and rational plans. Furthermore, Kumho Tire will increase its influence in the global emerging market (GEM) by improving distribution networks and supplying products that are customized to each specific region. Also, the company has plans to maintain its market share in Korea and China, the basis of Kumho Tire’s competitiveness. Finally, it will establish a consistent brand image with continuous marketing activities and improve the efficiency of sales activities with reinforced marketing intelligence (MI).

## >> IMPROVING PRICE COMPETITIVENESS

Supplying high-quality products at reasonable prices increases corporate competitiveness and is a way to realize greater customer value. Kumho Tire diversifies its purchasing sources of raw materials, as this has a significant impact on tire prices, and is prepared for price instability by expanding the application of Vietnamese natural rubber. In order to reduce the quantity of raw materials by reducing a product’s weight, Kumho is concentrating on research related to low-weight technology in association with the Yokohama Rubber Company. Efforts are also being made to secure price competitiveness inside the company. When the company increases its production rate, only the necessary quantity of raw materials is used. Additionally, Kumho is replacing old facilities for new ones and adding new equipment to minimize the waste of raw materials in the manufacturing process. In 2015, cost innovation activities are scheduled at plants in Korea and China, while total productive maintenance (TPM) will be expanded, and the participation of all employees will be encouraged to conduct innovation activities for cost reduction measures.



# WE ARE THOROUGHLY PREPARED

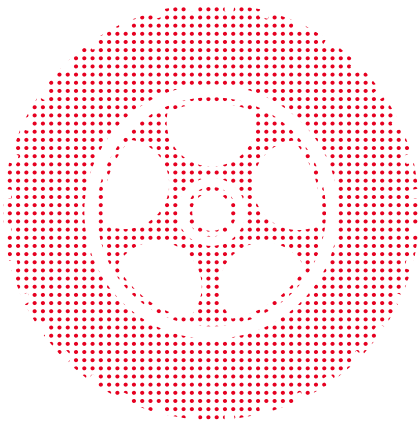
*Kumho Tire turns worries and uncertainties about business into potential with foresight and thorough preparation for the future. Kumho Tire has steadily planned for the future by focusing on growth even amid an unfavorable business environment, while constantly working hard to make the company's plans a reality. Financial soundness will be the foundation for future growth and continuous investments, including the resumption of its plant construction in Georgia, and provide a driving force for even greater growth.*

**Today, Kumho Tire is poised to fly higher than ever before.**

## ANNUAL PRODUCTION CAPACITY OF GEORGIA PLANT

# 4 million units

We are planning to invest a total of USD 413 million in Kumho Tire's Georgia plant, with the aim of completing its construction in January 2016. The plant will have an annual production capacity of 4 million units.



IT

PLANT  
6



# WE ARE THOROUGH PREPARATION

Kumho Tire turns worries and uncertainties about business into preparation for the future. Kumho Tire has steadily prepared for the future, amid an unfavorable business environment, while considering the reality. Financial soundness will be the foundation for the resumption of its plant construction in Georgia. **Today, Kumho Tire is poised to fly higher than ever.**

08 FINANCIAL  
HIGHLIGHTS

10 BUSINESS  
REVIEW

14 ISSUE  
SECTION



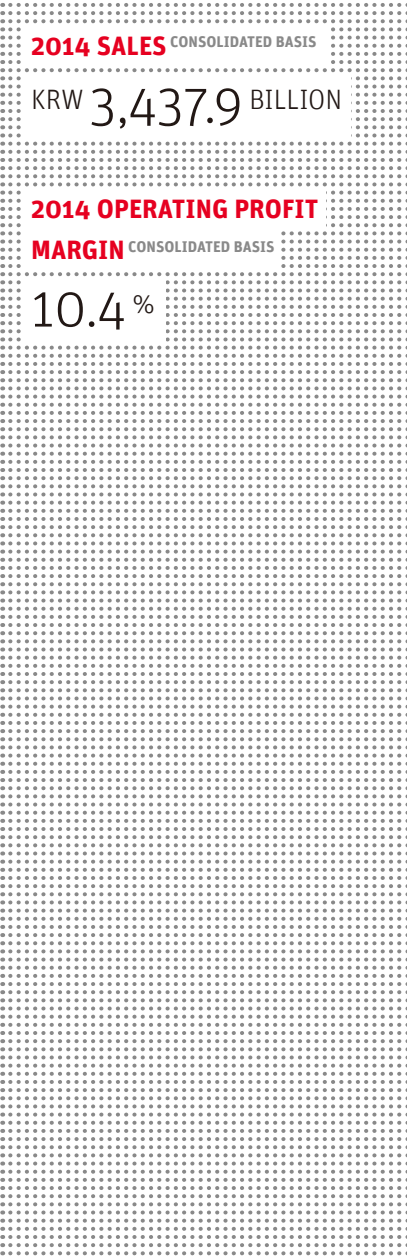
2015 PRESENTATION ON  
KUMHO TIRE MANAGEMENT



KUMHO TIRE'S GEORGIA PLANT  
TO BE COMPLETED IN 2016

# FINANCIAL HIGHLIGHTS

Despite recovery trends in the U.S. and Europe, 2014 was not an easy year for the global tire industry because of rapid changes in the business environment. However, Kumho Tire focused on internal improvement, established a more sound financial structure, and successfully completed its restructuring process by the end of the year. The company will advance towards a better tomorrow based on a diversified regional portfolio and a stable market position.



For Kumho Tire, 2014 will be remembered as a very meaningful year because the company succeeded in its corporate restructuring efforts, recording a net profit three years in a row amid an unstable business environment caused by fiercer price competition in the tire industry and fluctuating foreign exchange rates.

The company realized a sound financial structure and healthy management environment by focusing on improving its internal structure rather than being concerned about external evaluations, which in turn became a firm foundation for completing the corporate restructuring process.

The company's operating profit margin stood at 10.4 percent on a consolidated basis, and Kumho also greatly improved its debt ratio, from 764 percent in 2011 to 262.3 percent in 2014. Although sales decreased by 9 percent over the previous year, operating income and net income increased by 3.6 percent and 30.4 percent, respectively, leading to more positive expectations about the company's future. In addition, Kumho's credit rating rose to BBBO, one step up from the previous BBB-, as the company became more stabilized.

Such improved figures prove that Kumho Tire has ceaselessly pursued its goal without surrendering to unfavorable situations. However, we at Kumho are not just satisfied with today's achievements, but set new goals for a better tomorrow, and are working tirelessly to strengthen our capabilities. Diversified production and export regions, as well as a strengthened product portfolio, will become the foundation for flexibly responding to any situation, while our stable market status as one of the world's top 10 tire makers will provide the strength we need to overcome any crisis.

Also, by expanding our strategic association with the Yokohama Rubber Company, Kumho Tire will actively pursue cooperation in many ways so that the two companies can further develop alongside one another while also cooperating on technical matters. In July 2014, the company resumed its new plant construction in the U.S., which will significantly help Kumho Tire restore its influence in the global market. Today, Kumho Tire is being reborn as a global leader with the completion of its corporate restructuring as a starting point, and its tireless advance is just beginning.

- >> WE ARE THOROUGHLY PREPARED
- > Financial Highlights
- Business Review
- Issue Section
- >> WE FOCUS ON TECHNOLOGY
- Technology Leadership
- Research and Development
- >> WE ARE PASSIONATE ABOUT BUSINESS
- Sports Marketing
- Global Marketing
- Brand Portfolio
- >> WE INSPIRE YOUR FUTURE
- Business Ethics
- Social Commitment
- Environmental Management
- News Highlights

KEY FIGURES

consolidated basis

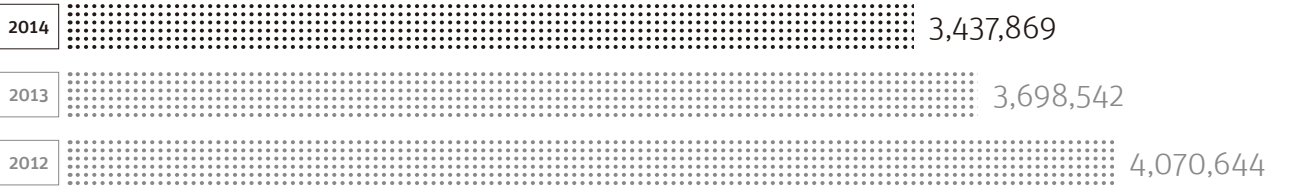
Unit: KRW million

	2012	2013	2014
Sales	4,070,644	3,698,542	3,437,869
Operating profit	375,346	345,936	358,399
Operating Profit Margin	9.2%	9.4%	10.4%
Net Income	130,586	100,958	131,608
Total Assets	4,781,013	4,733,933	4,804,662
Total Liabilities	3,850,889	3,595,732	3,478,670
Total Capital	930,124	1,138,201	1,325,993
Debt Ratio	414.0%	315.9%	262.3%

SALES

consolidated basis

Unit: KRW million



OPERATING PROFIT MARGIN

consolidated basis

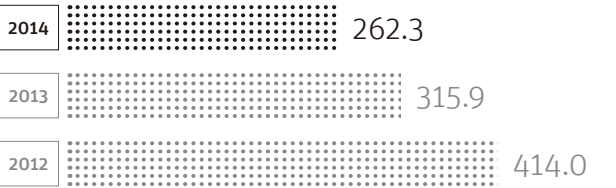
Unit: %



DEBT RATIO

consolidated basis

Unit: %

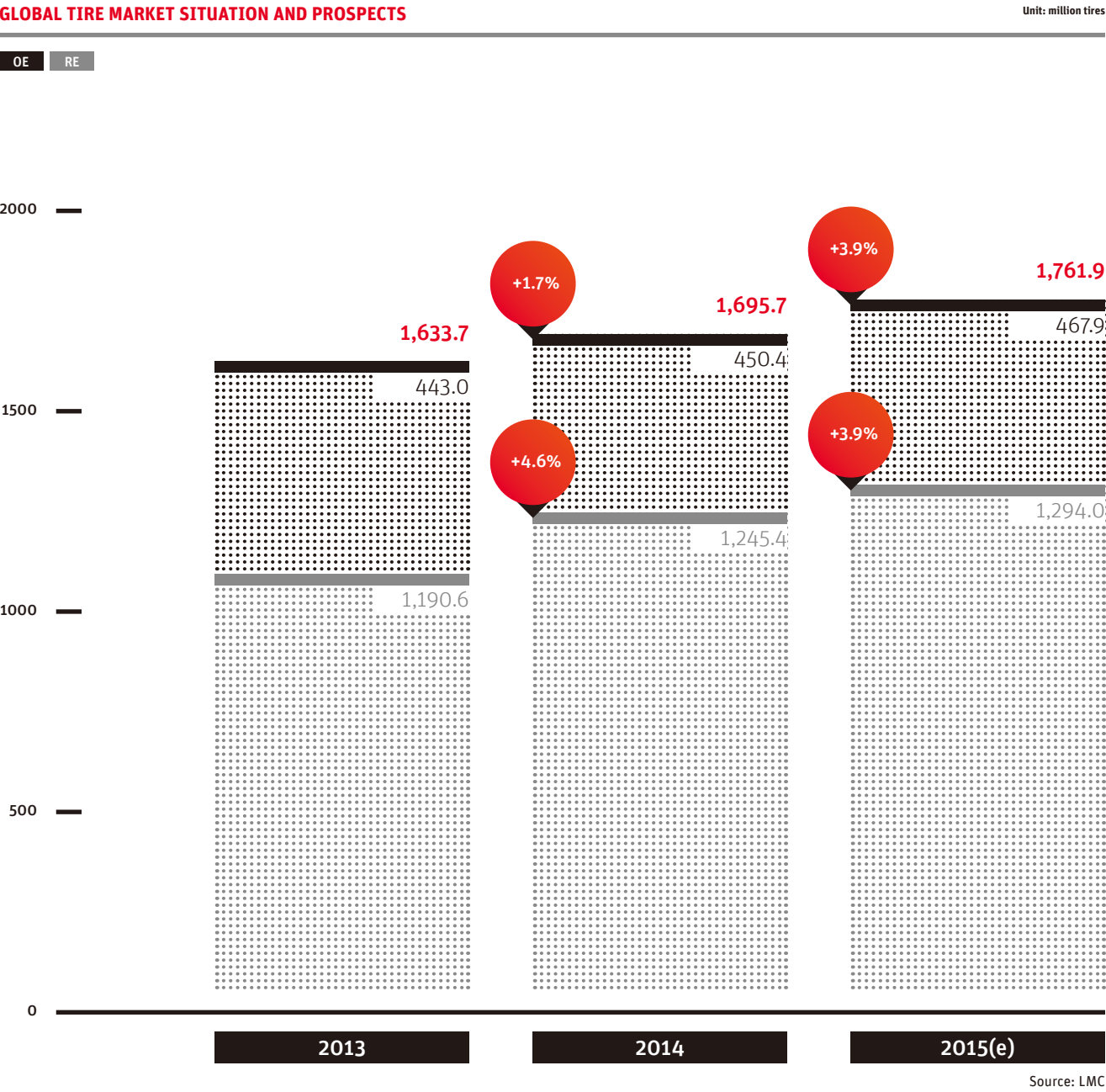




# BUSINESS REVIEW

Although the global tire market started to recover in 2014, competition among companies became fiercer among tire makers trying to fill increased demand. The domestic market was unstable in many ways due to the expansion of FTAs with other countries and fluctuating foreign exchange rates. To date, Kumho Tire has secured competitiveness with locally customized production strategies and products as it solidifies its status in the global market by reinforcing partnerships with leading automakers.

## GLOBAL TIRE MARKET SITUATION AND PROSPECTS



- >> WE ARE THOROUGHLY PREPARED
- Financial Highlights
- > Business Review
- Issue Section
- >> WE FOCUS ON TECHNOLOGY
- Technology Leadership
- Research and Development
- >> WE ARE PASSIONATE ABOUT BUSINESS
- Sports Marketing
- Global Marketing
- Brand Portfolio
- >> WE INSPIRE YOUR FUTURE
- Business Ethics
- Social Commitment
- Environmental Management
- News Highlights

## >> PERFORMANCE ANALYSIS AND STRATEGIES FOR DOMESTIC MARKET

**OE** Lower price competitiveness due to the expansion of FTAs with foreign countries and fluctuating foreign exchange rates had a negative influence on Korean automakers' exports, while foreign automakers are laying the foundation for penetrating the Korean market. To overcome this challenge, Korean automakers require higher product quality of their suppliers, and have consequently increased the use of foreign tires. As a result, competition in the tire market for mid- and long-term demand is expected to become cut-throat. In order to meet automakers' request for a higher level of quality, Kumho Tire is concentrating on R&D and quality improvement. Furthermore, it plans to secure more orders on a mid- and long-term basis by mainly focusing on tire specifications in high demand and car models with a high repurchase rate of the same type of tires. Additionally, the company will actively join Hyundai-Kia's efforts to advance into the global market.

**RE** Kumho Tire increased retail stores' preference for Kumho's products by reinforcing its lineup with new products, such as the TA31 and V720, and successfully settled a mileage warranty program with customers. At the same time, it increased customer satisfaction through various types of promotions. Today, Kumho is increasing its new distribution network to strengthen its market base and encouraging qualitative growth through numerous support programs, including a training center in Daejeon and online training. As a result of such efforts, Kumho Tire's market share reached 32.9 percent in 2014. As Korea's market is not expected to be very favorable in 2015, the company will continue to carry out aggressive promotion initiatives and strengthen communication within its distribution network, while also rapidly responding to changes and crises.

## >> PERFORMANCE ANALYSIS AND STRATEGIES FOR THE NORTH AMERICAN MARKET

**OE** Automakers around the world are expanding production in order to respond to increased demand from North America as a result of its economic recovery. This is expected to lead to intensified competition among tire makers for market share. Kumho Tire plans on improving its ability to respond to crises and secure more orders by diversifying its customer base and product groups. The company will also raise market competitiveness through its Georgia plant, where construction was recently resumed. Furthermore, the company will continue to expand its market share in North America, fully operating a competitive system against tire makers from around the world.

### PROSPECTS FOR THE 2015 GLOBAL TIRE MARKET

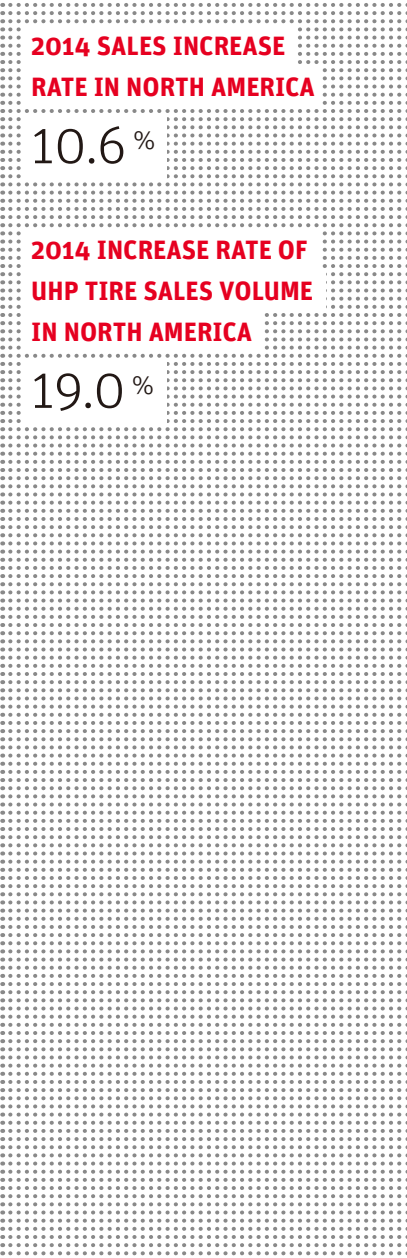
1,762 million

Source: LMC

### KUMHO TIRE'S DOMESTIC RE MARKET SHARE IN 2014

32.9 %



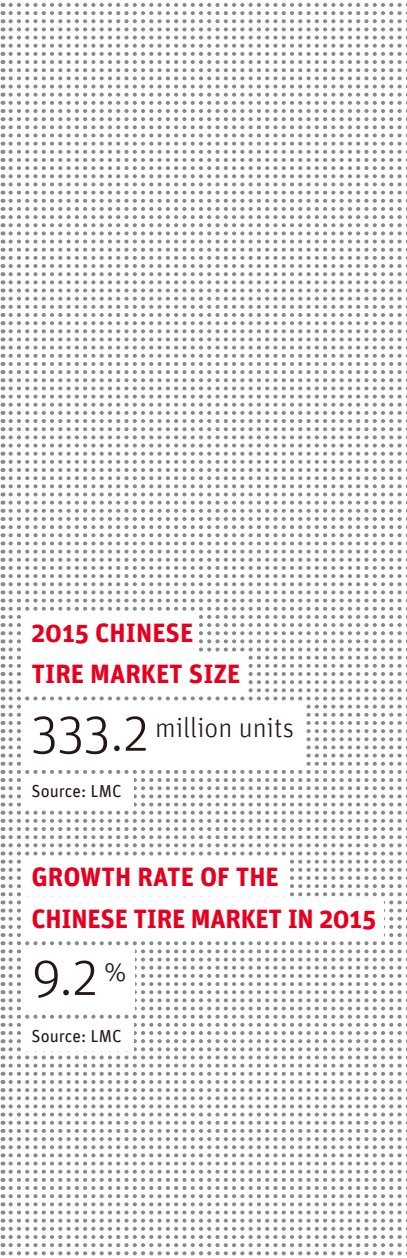


**RE** In 2014, Kumho Tire strengthened its competitiveness in North America, the largest tire market in the world. With the aim of increasing sales, the company expanded its share of wallet (SOW) for major clients and adopted a price monitoring system so that it can strengthen market analysis and rapidly respond to changes. To cope with the immense size of the North American market, Kumho Tire subdivided it into separate regions and carried out specialized sales strategies for different regions. As a result of these efforts, sales and sales volume of UHP tires increased by 10.6 percent and 19 percent, respectively, over the previous year. The company will continue to work hard for higher competitiveness in 2015 by not only raising quarterly sales through diversification of product specifications and improved performance, but also by strengthening sales channels and coming up with practical strategies to solidify its business base.

>> **PERFORMANCE ANALYSIS AND STRATEGIES FOR THE EUROPEAN MARKET**

**OE** In the European market, car sales are once again increasing with the continent's economic recovery. Of particular note is that there is increased demand for eco-friendly cars as a result of reinforced environmental regulations. The global tire industry is concentrating on supplying eco-friendly tires and tires that further support passenger safety are being increasingly be applied to new cars. Kumho Tire is coping with this heightened demand as it strengthens partnerships with well-known automakers such as Volkswagen and Renault, while also cooperating with premium automakers such as BMW and Mercedes-Benz as it does its utmost to improve Kumho's brand awareness.

**RE** In 2014, Kumho Tire improved its price positioning when the company reinforced price controls in each region of the European market. In the past, certain problems arose when selling products to different regions due to price differences between mass purchase dealers and small purchase dealers. Kumho Tire is honing its capacities so as to make 2015 a turning point. As it moves forward, the company will lay a foundation for stable sales by actively targeting a pan-European distribution network and occupy a superior status in price competition by expanding its total supply quantity, mainly through strategic sales channels. Kumho Tire will also strengthen its foundation for sales through the improvement of its KPC program, a support program for retail stores, while will also strengthening activities to raise Kumho Tire's brand image and reliability of product quality by participating in Germany's four major magazine tests.



>> **MARKET ANALYSIS AND FUTURE STRATEGIES FOR OTHER REGIONS**

**OE** An important issue in the global market (except North America and Europe) is cost reduction, for which tire makers around the world are expected to build local plants and increase the ratio of locally produced parts. Today, Kumho Tire is raising market competitiveness through locally based management. For example, the company uses products manufactured at its plant in Vietnam to target the ASEAN market, and responds to globally integrated purchases to secure more orders. It also works hard to ensure stable supplies through product sourcing from local plants.

**RE** Kumho Tire is planning to reinforce its brand image and market share through strategic strengthening of distribution channels and consumer-specific marketing activities. In addition, it will heighten its product lineup by developing tires that take into account the characteristics of each region, while increasing customer satisfaction and reliability with customized services.

>> **RELOCATION OF THE NANJING PLANT**

In 1994, Kumho Tire became the first Korean tire maker to enter China, and the starting point was its plants in Nanjing. Today, the Nanjing plants are preparing for even greater growth. After Nanjing's City Council passed a motion on urban development plans, the plants were relocated to the Harbor Economic Development District. Kumho's PCR-TBR plants will be relocated in 2015 up until December 2016, with full-scale production slated to begin in March 2017. With the relocation of the Nanjing plants, Kumho Tire will lay the foundation for improving competitiveness and market share in the Chinese market. Kumho will raise production efficiency by uniting the two separate plants (the PCR car tire plant and TBR truck & bus tire plant) in Nanjing, and build an eco-friendly plant for high-quality tires with the adoption of cutting-edge facilities and technology, including automation equipment and logistics automation systems for raw materials and partly manufactured goods.

The company will also expand tire production at the global level starting with the new plant, reinforcing the supply of premium OE tires for overseas markets. Kumho's Nanjing plant represents the company's first step into China. Today, Kumho Tire is moving forward with the plant's opening serving as its foothold for a new start.

# ISSUE SECTION\_KUMHO TIRE GEORGIA INC.

With the completion of its restructuring, Kumho Tire is now in the midst of rapid growth by resuming the construction of its first North American tire manufacturing plant in Macon, Georgia, USA. The Georgia plant, which is scheduled to begin production in 1st quarter of 2016, will establish Kumho Tire’s first foothold in the North American market, which is the most important region in the global tire industry. The plant will also play a crucial role for Kumho in spearheading its efforts to further penetrate the European market.

SPHERE OF THE NORTH AMERICAN MARKET IN THE GLOBAL AUTO MARKET

22.6%

Source: LMC

SHARE OF THE NORTH AMERICAN MARKET COMAPRED TO GLOBAL TIRE SALES VOLUME

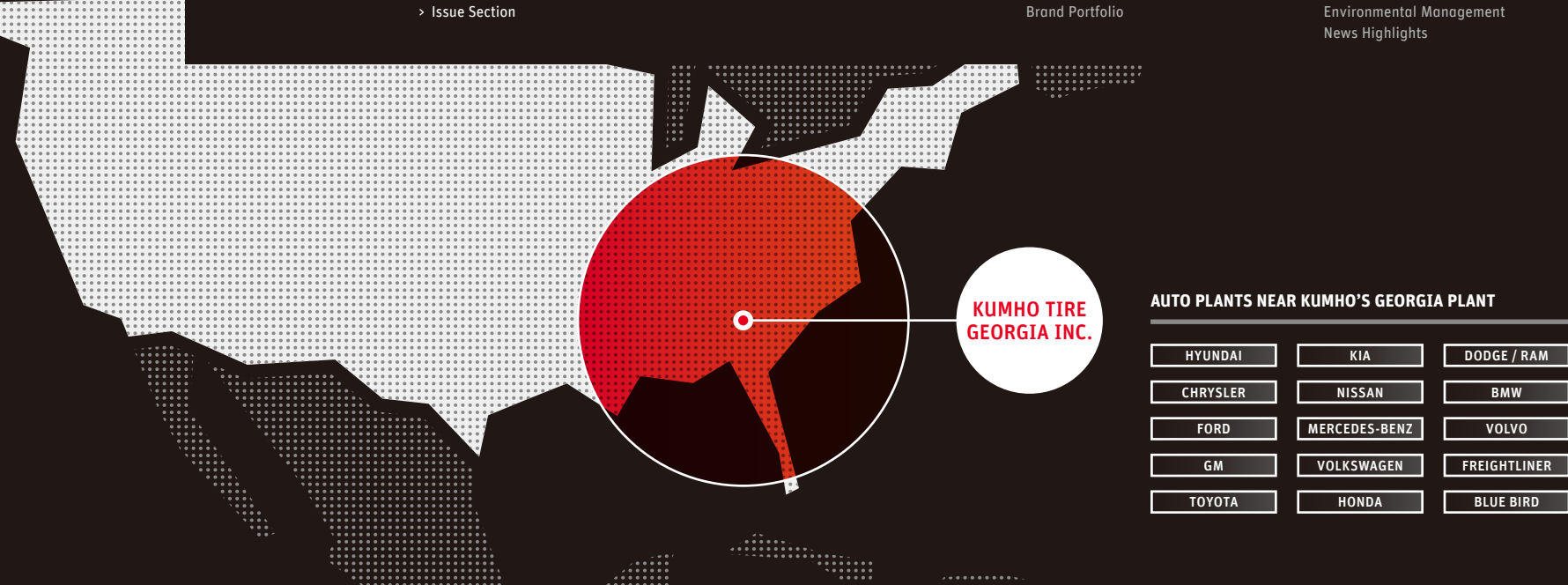
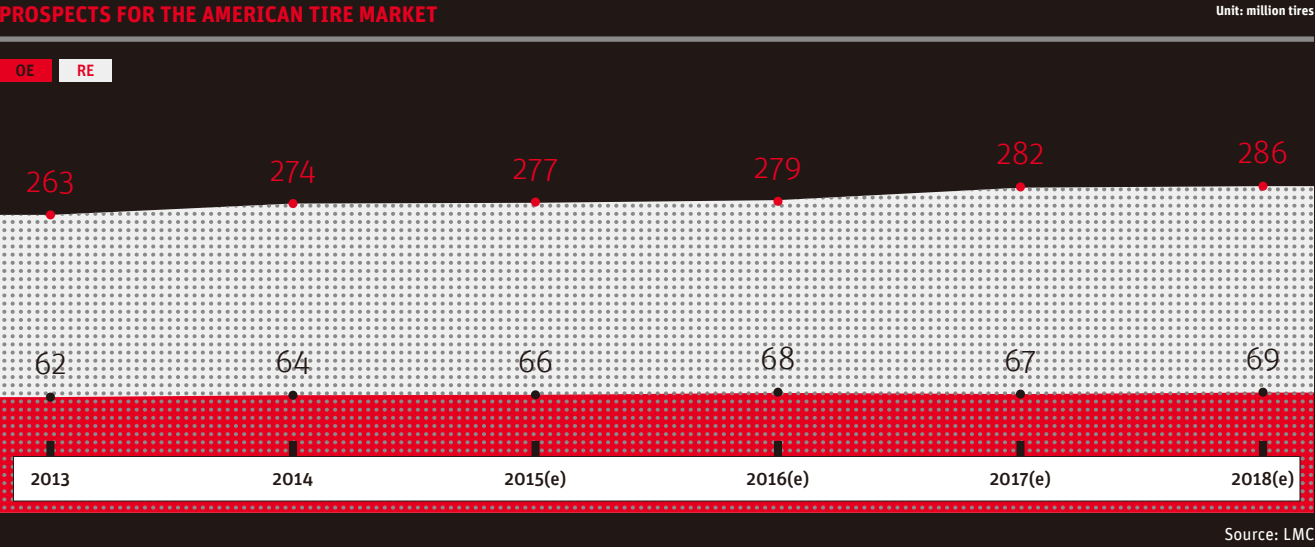
19.9%

Source: LMC

>> **IMPORTANCE OF THE AMERICAN MARKET**

North America is home to 22.6 percent of the world’s registered automobiles and also makes up 19.9 percent of the world’s tire production. The size and scale of the American market will facilitate the securing of order volume on a long-term basis through partnerships with global automakers who are also expanding their production bases in this region.

The global tire market as a whole is expected to grow 4.4 percent annually until 2018, while the North American and European markets will show improvement each year expecting to grow on average 1.0 percent and 3.2 percent, respectively. Such prospects suggest that the North American market will become critical as a field for competition in leading the global tire market. The North American market is a strategically important location not only for Kumho’s present performance but also for its future growth. Additionally, the company’s success in North America is directly connected to the market’s recognition of Kumho’s product quality creating an ideal opportunity for Kumho to increase its brand awareness.



AUTO PLANTS NEAR KUMHO’S GEORGIA PLANT

HYUNDAI	KIA	DODGE / RAM
CHRYSLER	NISSAN	BMW
FORD	MERCEDES-BENZ	VOLVO
GM	VOLKSWAGEN	FREIGHTLINER
TOYOTA	HONDA	BLUE BIRD

>> **THE IMPORTANCE OF THE GEORGIA PLANT**

Tire makers around the world are regionally diversifying production bases for sustainable growth in order to reduce the cost of production and logistics, manufacture products that reflect customers' different needs, and immediately respond to changes in the trade environment through the local bases. In September 2014, Kumho resumed the construction of the plant in the state of Georgia. The company is planning to invest a total of USD 413 million aiming for completion in January 2016 and commence production thereafter. The decision to locate the plant in the state of Georgia was based on two factors: the practicality of maintaining a physical presence in North America to keenly handle the requirements and issues of the global market and Georgia’s strategic location—where many global automakers have established productions within an 800 km radius—that will become an important region for tire makers targeting the North American market.

Kumho Tire will improve its North American competitiveness in sales by using the Georgia plant as its foundation. Based on its annual production capacity of four million units, the plant will respond to the increase in demand by supplying tires for cars and small-sized trucks as well as play an active role model for Kumho's European plant in near future. The recent economic recovery will heighten sales especially with its partnership with Hyundai-Kia Motors, which have also established plants in Georgia and Alabama, and become a pivotal point for reinforced market share.

>> **CONSTRUCTON OF THE GEORGIA PLANT**

In July 2014, Kumho Tire resumed construction of its plant in Georgia in order to establish a solid foothold in the American market. The company is planning to invest a total of USD 413 million with the aim of completing it in January 2016, with the plant starting full production as soon as it is completed. Based on its annual production capacity of four million units, the Georgia plant will respond to increased demand by supplying tires for cars and small-sized trucks as well as play an active role as the base to target the European market.



# WE FOCUS ON TECHNOLOGY

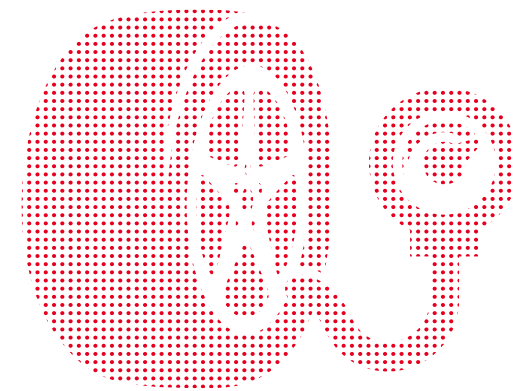
*Under the belief that technology is the key to growth, Kumho Tire has focused on R&D efforts even amid crises. The company has concentrated its capabilities on R&D by completing the construction of the Central R&D Center and has proved its hard-earned technological prowess in the world through motor sports. Kumho Tire's bold efforts towards technical innovation will never stop. At Kumho, we know that is not only our obligation, but a foundation for sustainable growth.*

***Kumho Tire is focusing on technology and taking another step forward toward growth.***

## NUMBER OF RESEARCHERS AT THE R&D CENTER IN 2017

# 1,000 persons

Kumho Tire is planning to increase its R&D Center human resources up to 1,000 people by 2017, and to invest over 3 percent of sales for core technology and stable R&D activities.



# WE FOCUS ON TECHNOLOGY

Under the belief that technology is the key to growth in times of crises. The company has concentrated its capabilities on the R&D Center and has proved its hard-earned technology. Kumho Tire's bold efforts towards technical innovation are not only our obligation, but a foundation for sustainable growth. **Kumho Tire is focusing on technology and taking**

18 TECHNOLOGY  
LEADERSHIP

22 RESEARCH  
AND DEVELOPMENT



ECSTA HM INSTALLED  
IN THE BMW 3 SERIES

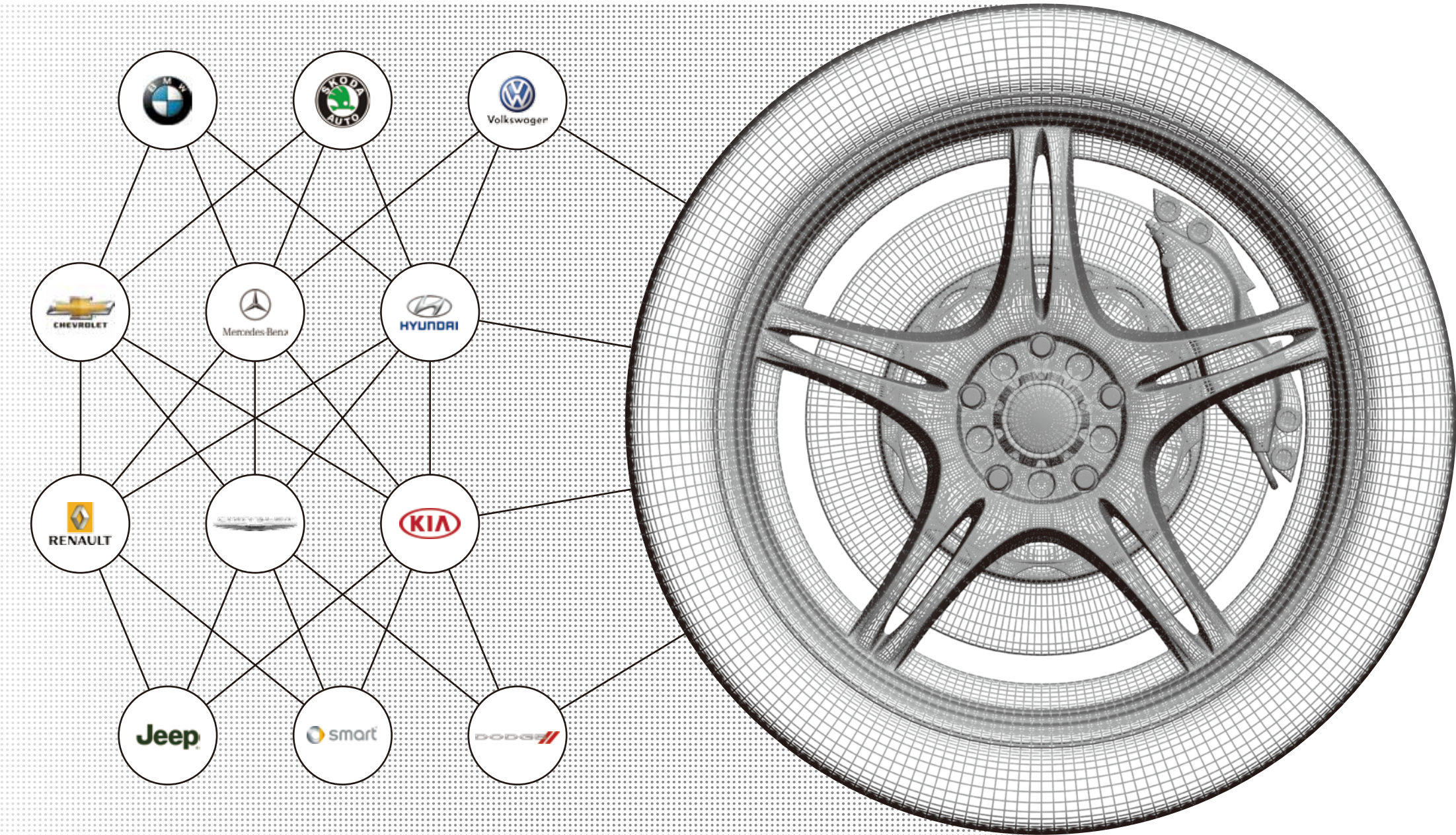


THE CENTRAL R&D CENTER  
IN YONGIN



# TECHNOLOGY LEADERSHIP

Kumho Tire is concentrating its company-wide capabilities under the aim of rebuilding fame as a technological innovator. The company has now completed construction at its Central R&D Center, while its technology and product quality has been recognized worldwide for providing official tires at international racing competitions. Kumho Tire has focused on technology aiming at future growth and is expanding partnerships with domestic and foreign automakers.



>> OE PARTNERS

OE partnerships, including a variety of automakers such as Chrysler, Mercedes-Benz, Volkswagen, and BMW, reflect Kumho Tire's high product quality. The company has also had its technology recognized while increasing the share of its UHP tires in the U.S. (the world's largest premium tire market) and Europe. This was a result of Kumho Tire's decision to take bold initiatives and make concentrated investments in technology, even amid the crises it was working through at the time. The company will strengthen OE partnerships with global automakers based on a ceaseless passion, as well as investments in technological prowess.

GLOBAL OE PARTNERS

· DAIMLER	· VOLKSWAGEN	· BMW	· FCA
· RENAULT	· GM	· HYUNDAI · KIA	

>> CUSTOMER VALUE MAXIMIZER


Behind Kumho Tire's efforts and passion to grow as a global company are customers. Its efforts to provide greater value to customers has also led the company to be recognized by various evaluations as the leading tire company in Korea. In 2014, the company was selected as the Most Recommended Company by Customers by Korea Management Association Consulting, and was also selected as a Brand star with the No. 1 Domestic Brand Value in the tire category by Brandstock Corp. In 2013, the seventh consecutive year it won the award. The company was also ranked No. 1 for 10 consecutive years in the automotive tire category in the Korea Customer Satisfaction Index (KCSI) by Korea Management Association Consulting. Kumho Tire will continue to improve its technological prowess for customer satisfaction and remain a technology leader.

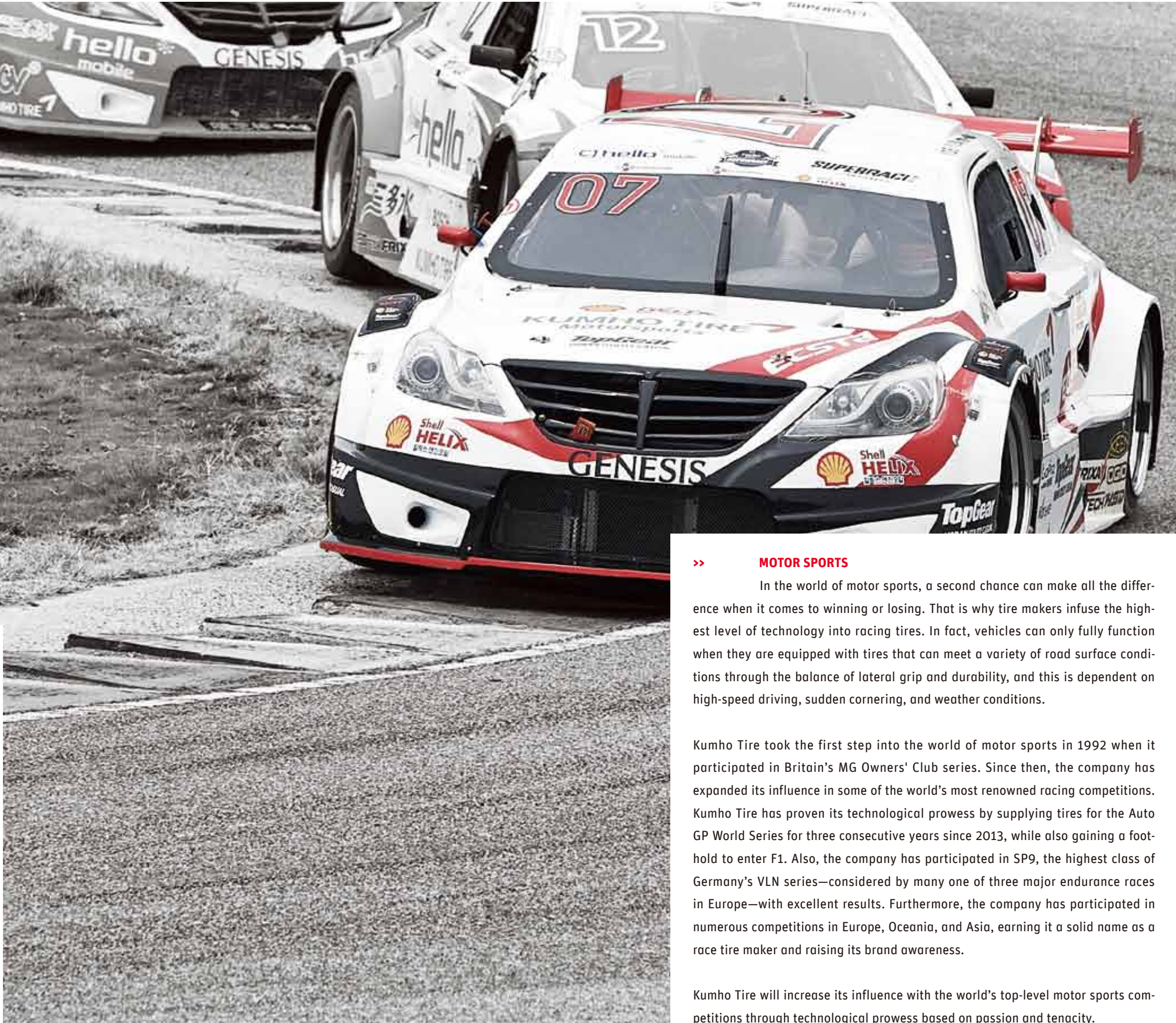
- KOREAN AWARDS RECEIVED IN 2014
- RECIPIENT OF THE KOREA BEST BRAND AWARD IN THE TIRE CATEGORY BY FORBES KOREA <sup>2012-2014</sup>
  - RANKED NO. 1 AS A BRAND STAR IN THE TIRE CATEGORY BY BRANDSTOCK CORP. <sup>2008-2014</sup>
  - RANKED NO. 1 IN THE TIRE CATEGORY AT THE NATIONAL BRAND AWARDS BY JOONGANG ILBO ECONOMIST <sup>2012-2014</sup>
  - RANKED NO. 1 IN THE AUTOMOTIVE TIRE CATEGORY BY THE KOREA MANAGEMENT ASSOCIATION CONSULTING'S KOREAN CUSTOMER SATISFACTION INDEX KCSI <sup>2005-2014</sup>
  - TIRE PRO RANKED NO. 1 IN THE TIRE STORE CATEGORY BY KOREA MANAGEMENT ASSOCIATION CONSULTING'S KOREA SALES SERVICE SATISFACTION INDEX (KSST)
  - RANKED NO. 1 IN THE AUTOMOTIVE TIRE CATEGORY BY THE KOREA MANAGEMENT ASSOCIATION'S KOREAN NET PROMOTER SCORE KNPS <sup>2008-2014</sup>

- FOREIGN AWARDS RECEIVED IN 2014
- RECIPIENT OF IF DESIGN AWARD IN THE PRODUCT DESIGN CATEGORY FOR ECSTA PS91 IN GERMANY <sup>2012-2014</sup>
  - RECIPIENT OF RED-DOT DESIGN AWARD IN THE PRODUCT DESIGN CATEGROY FOR PS91, VA31 AND W161 IN GERMANY <sup>2012-2014</sup>
  - RECIPIENT OF A GOOD DESIGN AWARD (G-MARK) IN THE ELECTRIC VEHICLE TIRE CATEGROY FOR WATTRUN VA31 IN GERMANY
  - RECIPIENT OF A GOOD DESIGN AWARD IN THE CURRENT PRODUCTS CATEGORY FOR ECSTA PA31, CRUGEN HP91, AND WATTRUN VA31 IN NORTH AMERICA
  - RANKED No. 1 IN THE TIRE CATEGORY AT THE GOLDEN DRAGON AWARDS IN VIETNAM



PARTICIPATION IN  
MAJOR MOTOR SPOORT GLOBALLY

	- CJ Hello Mobile Super-Race, Super 6000 Class/Ecsta V720 Class - ECSTA Super Challenge		- Masters of F3
	- China Touring Car Championship - China Formula Grand Prix		- VLN Veranstaltergemeinschaft Langstreckenpokal Nürburgring
	- Auto GP World Series		- Italy F3
	- Irish Tarmac Rally Championship		- ARC Australia Rally Championship - Australia F3 - V8 touring
	- French Rally Championship		



>> MOTOR SPORTS

In the world of motor sports, a second chance can make all the difference when it comes to winning or losing. That is why tire makers infuse the highest level of technology into racing tires. In fact, vehicles can only fully function when they are equipped with tires that can meet a variety of road surface conditions through the balance of lateral grip and durability, and this is dependent on high-speed driving, sudden cornering, and weather conditions.

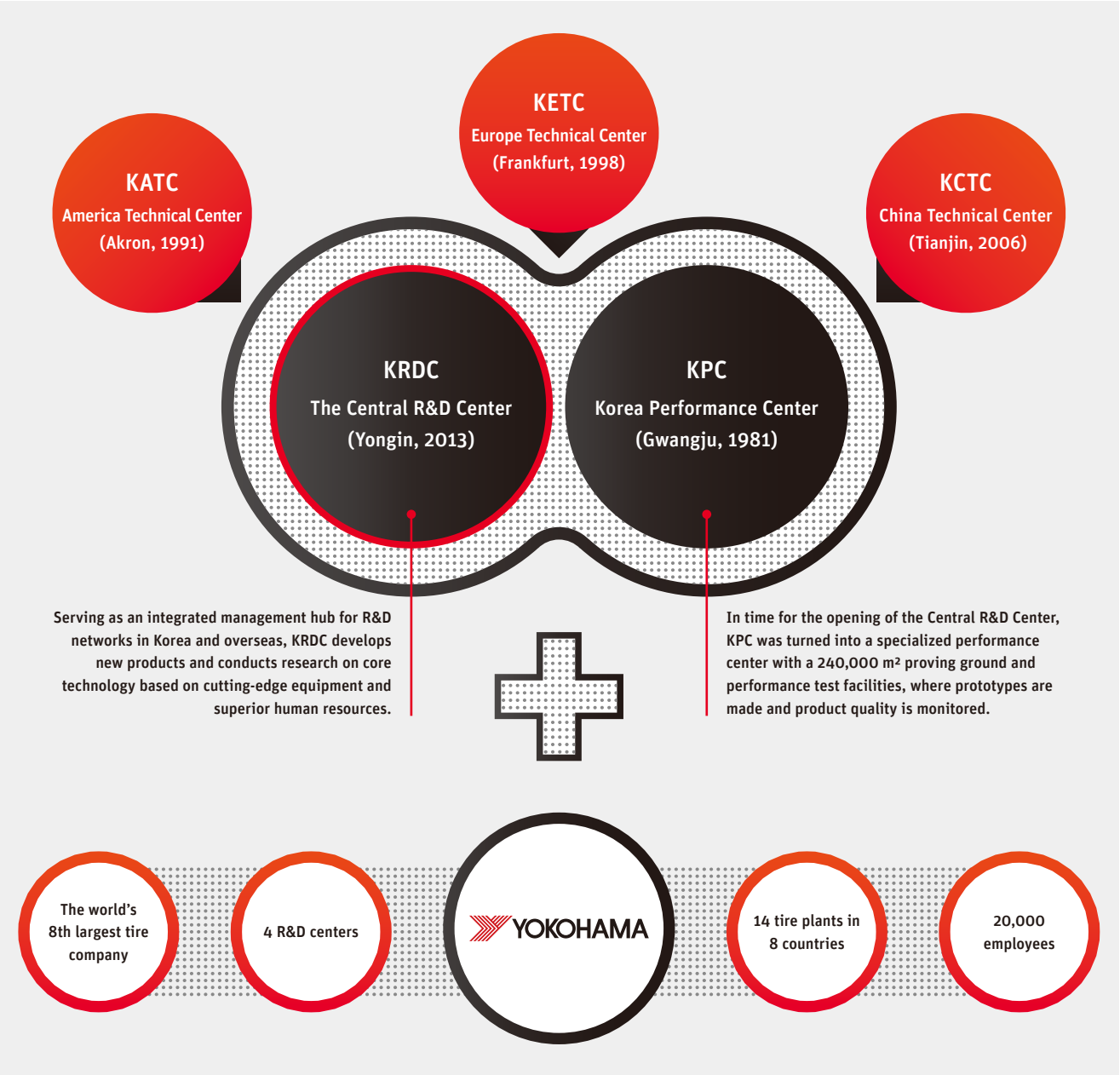
Kumho Tire took the first step into the world of motor sports in 1992 when it participated in Britain's MG Owners' Club series. Since then, the company has expanded its influence in some of the world's most renowned racing competitions. Kumho Tire has proven its technological prowess by supplying tires for the Auto GP World Series for three consecutive years since 2013, while also gaining a foothold to enter F1. Also, the company has participated in SP9, the highest class of Germany's VLN series—considered by many one of three major endurance races in Europe—with excellent results. Furthermore, the company has participated in numerous competitions in Europe, Oceania, and Asia, earning it a solid name as a race tire maker and raising its brand awareness.

Kumho Tire will increase its influence with the world's top-level motor sports competitions through technological prowess based on passion and tenacity.



# RESEARCH AND DEVELOPMENT

R&D is the starting point of customer satisfaction and the means to rapidly grow as a global tire company. In order to present the best tires suited for regional characteristics around the world, Kumho Tire is equipped with an R&D network that concentrates its capabilities on releasing products which meet industrial trends and customer needs. Kumho Tire will continue to play a leading role in developing tire technology around the world.



- >> WE ARE THOROUGHLY PREPARED

Financial Highlights  
Business Review  
Issue Section
- >> WE FOCUS ON TECHNOLOGY

Technology Leadership  
> Research and Development
- >> WE ARE PASSIONATE ABOUT BUSINESS

Sports Marketing  
Global Marketing  
Brand Portfolio
- >> WE INSPIRE YOUR FUTURE

Business Ethics  
Social Commitment  
Environmental Management  
News Highlights

**>> R&D NETWORK**

Kumho Tire is working hard to lead the global tire market with its technology. The central R&D center (KRDC) in Yongin, Gyeonggi-do has become the pivotal place for Kumho Tire's R&D activities, and the Kumho Performance Center (KPC), located in Gwangju, is now being utilized as a platform to make its products and technology even more complete. The company also established a global R&D network that connects Kumho America Technical Center (KATC, Akron, USA), Kumho Europe Technical Center (KETC, Frankfurt, Germany), and Kumho China Technical Center (KCTC), where the highest level of tires are developed with cutting-edge equipment and top human resources.

**>> RESEARCH PERFORMANCE RESULTS**

Kumho tire's technological innovation has played a leading role in the development of the domestic tire industry. In 1975, the company developed tires for military airplanes and radial tires for cars. In 1999, it produced run-flat tires for the first time in Korea. In 2006, the company developed aroma tires, 32-inch extra-large UHP tires, and the Supercar 15 series, gaining the title of being the world's first to accomplish this. In fact, Kumho Tire is the only Korean company that maintains airplane tire technology, often referred to as the “gem of tire technology.”

Kumho Tire's innovation is always advancing. Recently, in step with the automotive industry's efforts to create a more pleasant driving experience, the company released Korea's first low tire

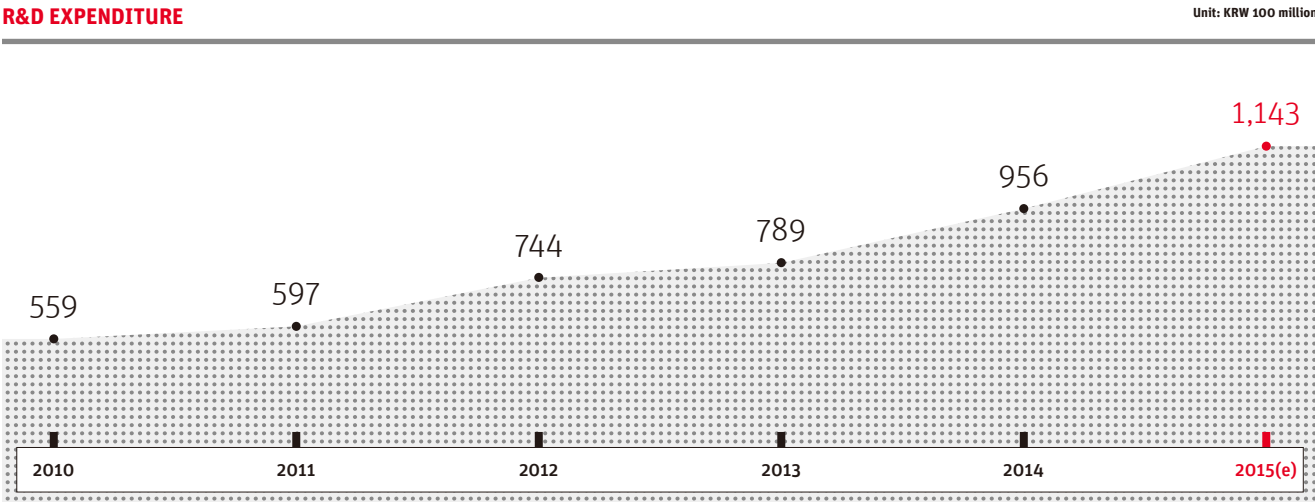
cavity noise product. Kumho Tire maximized the sound-reducing effect by adopting a “K-Silent System” in which sound-absorbing materials are attached inside the contact area, with optimum quality materials used for the tires. This resulted in an eight per-cent improvement in sound absorption in comparison to the com-pany's existing premium products.

Kumho Tire continuously releases products that consider driver safety and the environment in step with the development of au-tomobiles. In 2014, the company introduced a sealant tire (self-sealing tire) which helps normal driving through self-sealing when a foreign substance penetrates the tire, and also launched WATT-RUN, Korea's first only tire produced for electric vehicles after over two years of R&D.

**>> A TECHNICAL PARTNERSHIP WITH THE YOKOHAMA RUBBER COMPANY**

In order to respond to the global tire market, which is facing fiercer competition than ever, Kumho signed a technical partnership agreement with the Yokohama Rubber Company, the world's 8th largest tire maker, in 2014. The two companies will share overall technology, including fundamental technology.

Based on this strategic alliance, Kumho Tire is planning to in-crease its R&D expenditures up to 5 percent of annual sales as it maximizes investment efficiency by actively utilizing the two com-panies' infrastructure and potential.



# WE ARE **PASSIONATE** ABOUT BUSINESS

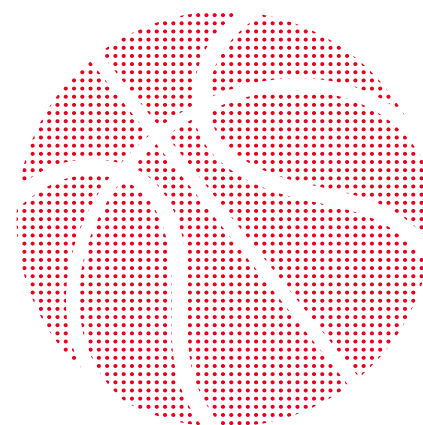
*Kumho Tire established a foundation for sustainable growth while accumulating R&D abilities through ceaseless hard work. Furthermore, the company is involved in a variety of global marketing initiatives, ranging from customized marketing activities for local cultures and situations to sports marketing. Kumho Tire increases contact points with customers in order to realize the highest customer satisfaction with its technological prowess.*

***Our passion for customer satisfaction will never stop.***

**AVERAGE AUDIENCE FOR  
EACH NBA GAME**

*20,000 persons*

Sponsored by Kumho Tire, the National Basketball Association (NBA) is one of the four major sports leagues in the U.S., with 20,000 people, on average, attending each game, and aired through TV and the Internet in over 200 countries.





# WE ARE PASSION ABOUT B

Kumho Tire established a foundation for sustainable growth through ceaseless hard work. Furthermore, the company is investing in various marketing activities ranging from customized marketing activities for local markets to global marketing. Kumho Tire increases contact points with customers in order to enhance its technological prowess.

*Our passion for customer satisfaction will never*

26 SPORTS  
MARKETING

28 GLOBAL  
MARKETING

30 BRAND  
PORTFOLIO



NBA OFFICIAL TIRE  
SPONSORSHIP



TV COMMERCIAL WITH  
LEE MIN-HO AND  
LIU YIFEI IN CHINA



# SPORTS MARKETING

As Kumho Tire has a presence in the global market, delivering a consistent brand image is extremely important for the company, and is essential in reinforcing brand competitiveness. This is why it pays special attention to the field of sports, as it extends beyond language barriers and is inclusive of cultural diversity. As such, the company communicates with its customers through a wide range of sports marketing activities, which have increased brand awareness and strengthened Kumho Tire’s brand image.



In Europe and North America, the world’s major tire markets, Kumho has maximized its sports marketing effect with region-specific sports and specialized marketing strategies. In other regions, the company conducts specialized sports marketing to draw closer to customers. Today, Kumho Tire remains close to its customers through various forms of media.

In Europe, Kumho Tire has conducted efficient marketing strategies through sponsorship agreements with renowned football teams. Starting with the sponsorship agreement with Manchester United, the U.K.’s internationally renowned football team, this marked the first time a Korean company had ever signed a sponsorship agreement with Manchester United. In addition, Kumho Tire now has had advertisements at football fields throughout the Primera División in Spain. Also, the company signed a sponsorship agreement with a Dutch football club, ADO Den Haag, diversifying the regions of its marketing efforts.

In North America, Kumho Tire sponsored the NBA’s Los Angeles Lakers for three seasons, and has signed a sponsorship agreement with the NBA through to 2016, making the company an official sponsor for the entire basketball league. Over this time, the company will be introduced to people throughout North America through TV channels such as TNT, ESPN, and ABC, solidifying its brand status in the world’s largest premium tire market.

The company now also holds the annual KLPGA Tour Kumho Tire Ladies Open in China, expanding its influence in the market and reinforcing its premium brand image by sponsoring the star golfer Feng Shanshan. With the Chinese market expected to surpass the North American market in the future, these marketing activities will largely contribute to stronger sales there.

Furthermore, the company is actively carrying out programs for better communication with domestic customers through baseball. Kumho Tire has maintained a sponsorship agreement with the Kia Tigers, a professional Korean baseball team, since 2013, and raised its image with Korean customers by showing advertisements at Lotte Giants’ home field in Busan in 2014. Kumho is poised to deliver pleasure to customers through sports marketing in various ways while continuing to grow as a company even more respected by customers.

## SPONSORSHIP

Korea	·Official sponsor for the Kia Tigers	Netherlands	·Sponsor for ADO Den Haag
	·Advertisements at the Lotte Giants’ home stadium	Australia	·Sponsor for NRL’s Dragons
	·Sponsor of golfer Chang Hana		·Sponsor for the Australian PGA Partnership <small>scheduled from 2015</small>
China	·Sponsorship for the professional golfer Peng Shanshan	Columbia	·Sponsor for the football team Millionarios
	·Sponsorship of the KLPGA Kumho Tire Ladies Open		·Sponsor for the football team Nacional
USA	·Official NBA tire sponsor	Germany	·Sponsor for Bundesliga’s FC Schalke 04 <small>scheduled from 2015</small>
Spain	·Advertisements at soccer fields for the Primera División		·Sponsor for Bundesliga’s Hertha BSC <small>scheduled from 2015</small>



# GLOBAL MARKETING

*Kumho Tire has prepared for the future even in the midst of an unstable business environment and fierce competition, and is today advancing forward based on top-product quality products in step with the recovery trend in major tire markets, such as the U.S. and Europe. The driving force is Kumho Tire’s distinguished marketing strategy, which fully displays the company’s potential. Kumho Tire provides special value to customers through region and culture-specific marketing and has earned their trust to bring about the highest customer satisfaction.*

>> RUSSIA

Preparation for Mid- and Long-term Growth

Kumho Tire became the 3rd largest imported brand of tires through a variety of marketing activities customized to local regions, and is now preparing for investment in distribution through Kumho Platinum. At the same time it is diversifying sales routes to expand future sales. Also, as it responds to foreign exchange rate risks which started from the 4th quarter in 2014, the company is actively responding to the business environment so that the company can continue its growth without being influenced by any external crisis.

>> EU

Participation in Reifen Essen

Kumho Tire participated in 2014 Reifen Essen, one of the world’s largest tire fairs and displayed Korea’s first sealant tires and RFID tires. The company then conducted a product seminar with KETC to improve its product competitiveness. It also introduced new products (PS91, HA31, HS51, WP51, Wi31) and promoted Kumho’s technological prowess at the event.

>> CHINA

Reinforcement of Product & Brand Competitiveness

Kumho Tire is working hard to secure brand competitiveness in China, which will soon be the world’s largest tire market. With the successful launching of new products (HS81, HS61, HS21), it expanded a major product line, from All Season to Comfort Summer, and secured competitiveness in the RE tire market for European cars. In the OE tire market, Kumho Tire established a stable foundation for sales as it expanded delivery for car makers and new OE tire sourcing surpassing the goal of 5 million units. Based on such achievements, Kumho Tire has proven its brand power, as it was ranked 6th in the 2014 JD Power evaluation, four places up from the previous year.

>> WE ARE THOROUGHLY PREPARED

Financial Highlights

Business Review

Issue Section

>> WE FOCUS ON TECHNOLOGY

Technology Leadership

Research and Development

>> WE ARE PASSIONATE ABOUT BUSINESS

Sports Marketing

> Global Marketing

Brand Portfolio

>> WE INSPIRE YOUR FUTURE

Business Ethics

Social Commitment

Environmental Management

News Highlights

>> US

NBA Sponsorship

In order to expand the company’s influence in the U.S., the world’s largest tire market, Kumho Tire signed a sponsorship agreement with the NBA in 2014, the first time a Korean tire company had signed an official sponsorship with the organization, and which will span until 2016. The company is now conducting a variety of activities with the title “Official Tire of the NBA” and will improve brand awareness in the U.S. with many new promotions in association with social media.

Associate Dealer Program

Kumho Tire established an integrated foundation for brand competitiveness that connects consumers, retail stores, and wholesale stores through the Premium Fuel Program, the most influential associate dealer program in the American market, improving its services to business partners.

>> AUSTRALIA

EXPANSION OF PLATINUM SHOPS

In the Australian market, Kumho Tire has established a stable retail channel by expanding platinum shops, a group of dealers with high brand loyalty. A total of 45 platinum shops were opened by 2014, and the company will open another 22 shops in 2015, establishing a foothold for rapid growth once again. Also, to improve service quality, Kumho Tire is localizing its domestic sales know-how for the Australian market, and operates separate training programs and conferences for dealers.

>> GEM

Focused Marketing for Strategic Countries

Kumho Tire selected five countries with high growth potential—Mexico, Columbia, Iran, Saudi Arabia, and Malaysia—and actively supports marketing activities to increase sales there. Additionally, to improve brand awareness in each region, the company started to run support programs for overseas distribution channels (e.g. Platinum Shop, Associate Dealer) in 2013.

# BRAND PORTFOLIO

The purposes and needs of tires are being expanded in step with the development of vehicles, from safety to performance. Kumho Tire offers a wide variety of tires that meet customer needs as it closely observes vehicles in use and conducts research and tests with diverse driving conditions. Ranging from UHP tires and eco-friendly tires to EV tires, the company produces goods that customers want and that can contribute to the future.



CRUGEN

CRUGEN

Premium tires for SUVs that provide the most comfortable ride and great handling performance on paved roads

KL33



ROAD VENTURE

ROAD VENTURE

Authentic on/off-road all-terrain tires for SUVs

KL71 / KL78



WINTERCRAFT

WinterCRAFT

Premium winter tires that offer safe driving on snowy and icy roads

KW27



I'ZEN

I'ZEN

Winter tires that provide safe driving on snowy and icy roads

KW17 / KC15



SOLUS

SOLUS

Premium comfort tires that offer more quietness and a comfortable ride than ordinary tires

KU50 / KU26 / KH20



ECSTA

ECSTA

UHP sports tires developed from formula technology, the ECSTA series provides stable handling performance with high-speed driving.

PS91 / V720 / KU39 / KU27 / KU36 / KU22 / KL17



ECOWING

ecowing

Fuel-efficient tire made with highly advanced, eco-friendly technology and new compound materials

KH50



CITY VENTURE

CITY VENTURE

High-performance SUV tires for urban settings

KL51



SENSE

SENSE

Economy tires that offer satisfactory performance at a relatively low price for everyday drivers

KR26



# WE INSPIRE YOUR FUTURE

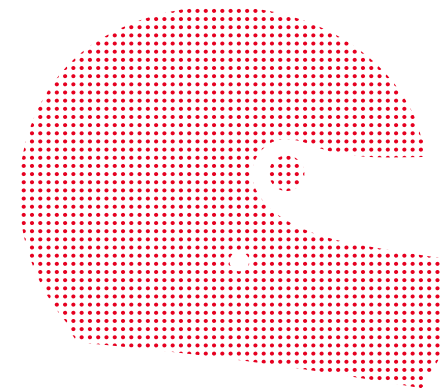
*Kumho Tire dreams of a better tomorrow together with everyone. The company focuses on its main area of business in order to establish a virtuous circle in which stakeholders can share profits made by the company. At the same time, it has worked hard to ensure a better society by focusing on the disadvantaged and environmental issues. Kumho Tire's sustainability and growth are only made possible when it is based on a healthy society and environment.*

***A better tomorrow for everyone starts with Kumho Tire.***

## NUMBER OF CHILDREN WHO JOINED 2014 PROGRAMS

# 186 persons

Kumho Tire began running educational programs for elementary, middle, and high school students on motor sports in 2013. In 2014, a total of 186 children participated in four programs at racetracks in Yeongam and Taebaek.



TIRES





WE  
INSPIRE  
YOUR FUTURE

Kumho Tire dreams of a better tomorrow together with all stakeholders of business in order to establish a virtuous circle in the business community. At the same time, it has worked hard to address social and environmental issues. Kumho Tire's sustainability vision is to contribute to a healthy society and environment.

*A better tomorrow for everyone starts with Kumho Tire.*

34 BUSINESS  
ETHICS

36 SOCIAL  
COMMITMENT

38 ENVIRONMENTAL  
MANAGEMENT

40 NEWS  
HIGHLIGHTS



KUMHO TIRE'S  
EDUCATIONAL PROGRAMS  
ON MOTOR SPORTS

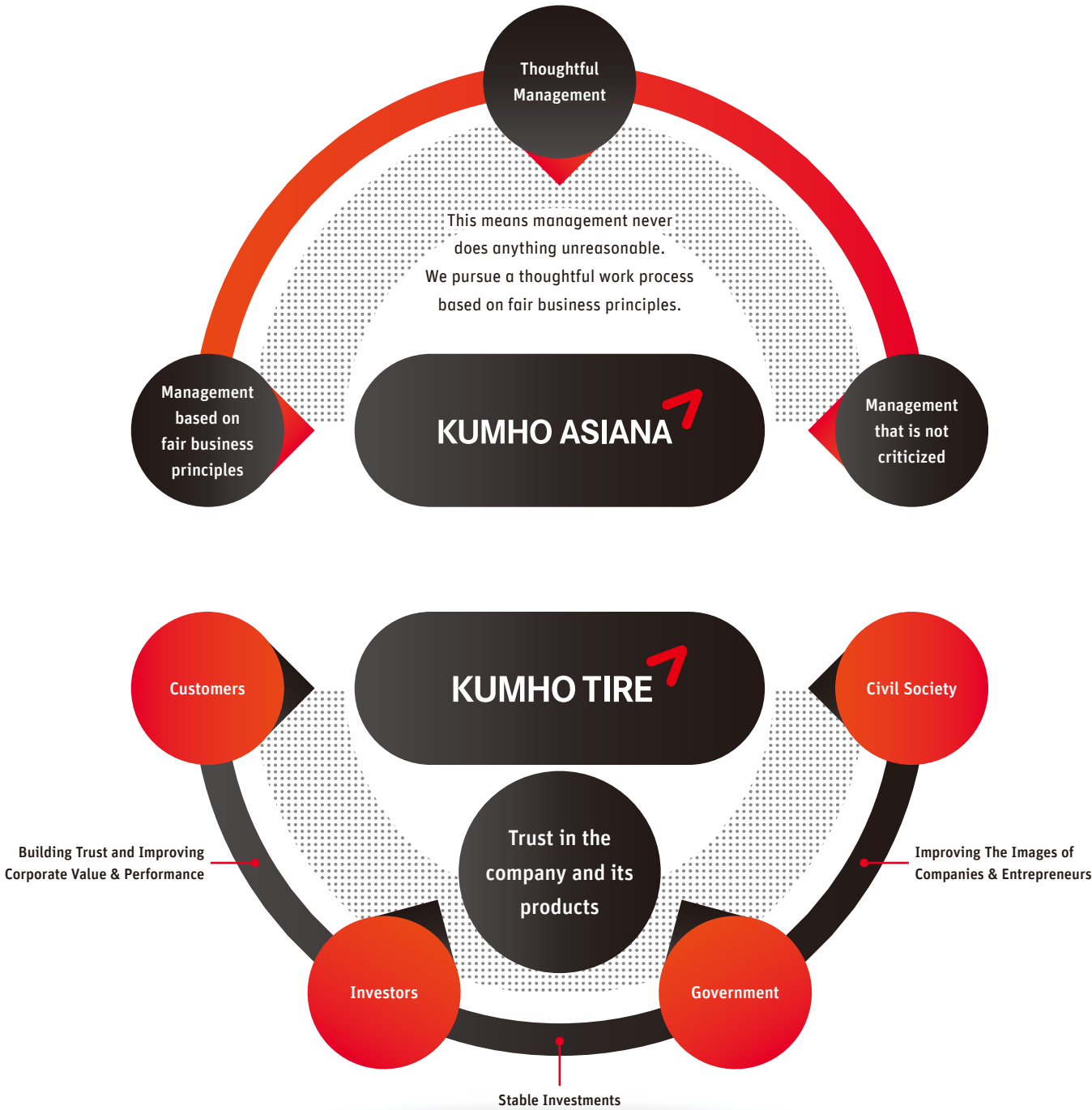


WATTRUN, KOREA'S FIRST TIRES  
EXCLUSIVELY FOR EVS



# BUSINESS ETHICS

Kumho Tire’s ethical management goes beyond merely fulfilling its legal obligations. It also reflects the ethical standards of specific societies in its decision-making process and overall business activities. For this, Kumho Tire works hard to meet its corporate social responsibilities and contributes to realizing a better society for everyone through well-crafted business activities based on fair business principles.



## SATISFACTON SURVEY ON BUSINESS PARTNERS

81.4 points

## WIN-WIN MANAGEMENT FOR BUSINESS PARTNERS

- 2014 Awards ceremony for excellent business partners
- Awards ceremony for business partners' suggestions in the 1st half of 2014
- Ethical management conference

As it believes that only ethical companies can make a better tomorrow for everyone, Kumho Tire works hard to be a healthy, reliable company that keeps its promises and fulfills its social roles and responsibilities. To ensure this is always done properly, the company established its own code of ethics, and regularly conducts ethics training for its employees. Furthermore, Kumho supports programs to expand ethical management to business partners. In 2014, the company held an ethical management conference with a total of 77 business partner companies in order to share awareness about ethical management.

In addition, Kumho Tire communicates with local communities through social contribution activities and carries out socially beneficial practices around the world by taking the initiative in global CSR activities, which become even more meaningful with the active participation of employees. Under the recognition that business partners’ competitiveness is directly connected to Kumho’s competitiveness, the company earnestly invests in win-win management as it helps business partners grow, helping train their employees and jointly developing technologies. Kumho Tire will grow together with stakeholders and create a better tomorrow through ethical management in the truest sense.

### >> WIN-WIN MANAGEMENT

By keeping in mind the true meaning of a win-win partnership, Kumho Tire puts companionship into practice so that companies can grow further together. In 2013, Kumho Tire and its business partners held a win-win management agreement ceremony and determined cooperation initiatives based on mutual trust and respect. There are now various programs underway for practical support.

Through annual evaluations, the Awards for Excellent Business Partners program gives leading partners priority rights for joint R&D projects, and provides some selected partners with management training. In 2014, 16 companies were selected as excellent partners. Kumho’s Suggestions Program provides incentives by evaluating new ideas from business partners, contributing to competitiveness as well as work efficiency. This year, three excellent suggestions out of 25 were singled out. Such efforts proved beneficial, as seen with the 81.4 points (a 6.5-point increase over 2013) that the company recorded in the satisfaction survey with business partners.

The company is also actively supporting business partner employees. In 2014, a total of 11 training programs were conducted for partner companies in Gwangju and Jeollanam-do, and lectures on consortiums were held nine times in association with universities. Kumho jointly participated in trade fairs with business partners to provide opportunities to experience the company’s cutting-edge industrial technology firsthand.

# SOCIAL COMMITMENT

*In order to realize the Kumho Asiana Group’s slogan—Beautiful Company—Kumho Tire concentrates its company-wide capabilities on CSR activities, as the public expects corporations to contribute to the country and society beyond just making profits. Kumho Tire will continue to maintain stakeholder trust by continuously conducting a variety of CSR activities, based on which the company will do its utmost for sustainable growth.*

>> STRATEGIC DIRECTION

Kumho Tire works hard in order to realize the value system—Beautiful Company—which the Kumho Asiana Group declared in 2006 on its 60th anniversary. As people’s awareness about corporate social responsibility increases, Kumho Tire’s CSR activities are also changing, from simple material support to volunteering and from passive monetary donations to active win-win programs. To this end, the company established detailed rules for volunteering to encourage employees to participate in CSR initiatives, and give practical help to beneficiaries through their professional activities related to their work.

## MAJOR SOCIAL CONTRIBUTION PROGRAMS



Stores participating  
in the Pink Ribbon Campaign in 2014

490 stores



Support for  
the AVCK

Since 2012



Local children who participated  
in 2014 programs

186 persons



number of beneficiaries of  
communitiy volunteer work

4,555 persons

PINK RIBBON CAMPAIGN

With the increasing number of female drivers, Kumho Tire has sponsored the Pink Ribbon Campaign in order to raise awareness about health and safety since 2012 under the agreement with the Korea Breast Cancer Foundation. To promote voluntary donations from customers, the company conducted fundraising activities at 490 TIRE PRO stores in 2014, and delivered almost KRW 100 million to the foundation. Moreover, Kumho Tyres Australia has continuously participated in the Pink Fitters Day event, taking the initiative in overseas CSR activities.

What is the pink ribbon?

It originated from the use of the silk handkerchiefs and pink ribbons instead of the tight corsets for breasts. This refers to women's beauty, health, and freedom.

SUPPORT FOR the AVCK

Kumho Tire gives special attention to multicultural families in Korea and wants to help bring about a society in which diverse races live in harmony. To help achieve this, the company has supported the Association of Vietnamese Communities in Korea since 2012. Besides monetary support, including office expenditures, Kumho Tire provides a helping hand in many ways. For example, it has opened a Korean language school, and has sponsored a Vietnamese culture festival for three years in a row so that Vietnamese people can easily adapt themselves to life in Korea. In April 2014, when the first MOU was finalized, the company signed a second MOU and promised even more support. When workers are injured on the job at Kumho Tire’s production plant in Vietnam, the company covers all their medical bills and will even send them to Korea for rehabilitation, if necessary.

DONATIONS FOR MOTOR SPORTS TRAINING

Excellent talents are the basis of a country and the driving force for industries. Kumho Tire runs a donation program for a motor sports training initiative so that young students can have a wider range of career choices in the future. The program consists of activities that enable them to better understand motor sports, with participating students receiving information on related jobs through firsthand experiences. In 2014, the program was held four times at racetracks in Yeongam and Taebaek, with the participation of 186 local elementary, middle, and high school students.

COMMUNITIY VOLUNTEERING

Kumho Tire shows its commitment to people in need through continuous CSR activities in local communities where its head office, R&D centers, and plants are located. Since 2007, the company has voluntarily repaired houses for low-income families every year. Additionally, the company also helps financially distressed people at the end of every year through its Sharing Gimjang Kimchi with Neighbors event for senior citizens who live alone. On holidays like New Year’s Day and Chuseok, Kumho Tire delivers food (also for ancestral rites) to lower-income class men and women. It also supports local welfare foundations and groups with everyday use products, and conducts volunteer activities with the participation of employees.

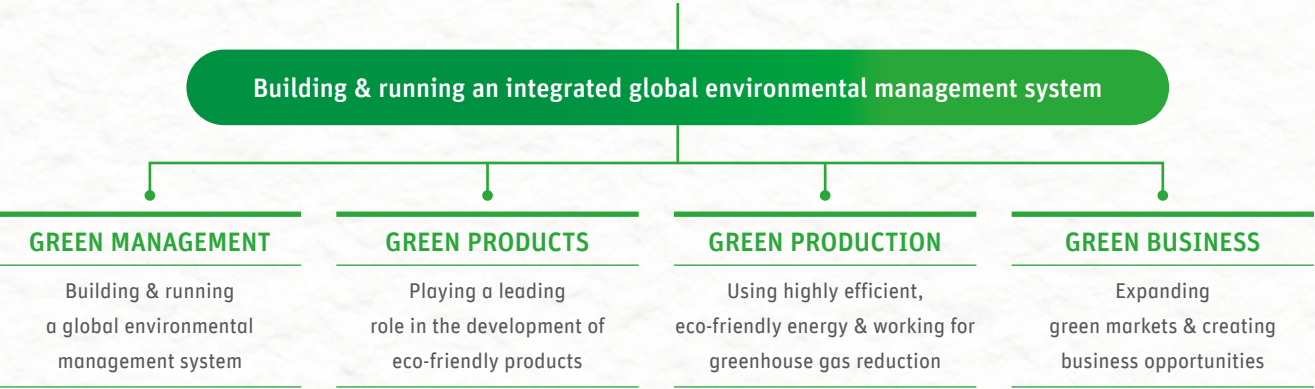


# ENVIRONMENTAL MANAGEMENT

For sustainable growth, we need to bring about a society where companies, people, and the environment can coexist. People are the driving force for growth and the environment is the basis for this growth. Kumho Tire has established a system for future generations and pursues environmentally-oriented management in all areas of its business, ranging from R&D to production and marketing. Kumho Tire’s move towards a better tomorrow never stops.



## GLOBAL ECO TIRE COMPANY IN THE TIRE INDUSTRY



- >> GREEN MANAGEMENT: GLOBAL ENVIRONMENTAL MANAGEMENT SYSTEM
- Kumho Tire conducts environmental management based on the PDCA (Plan-Do-Check-Action) process, and was recognized for its environmental management system that meets the highest international standards by receiving the ISO 14001 certificate. The company also adopted the Kumho Tire Environment Safety & Health management system (KESH), and shares plans and performance results with related departments in real time. In order to respond to rapidly changing environmental issues, Kumho Tire reorganizes organizations and procedures, and actively invests in facilities to satisfy in-house standards that are much higher than legal requirements. At each workplace, employees conduct regular activities to protect the environment.
- >> GREEN PRODUCTS: DEVELOPMENT OF ECO-FRIENDLY PRODUCTS
- Kumho Tire contributes to reducing its environmental impact by continuously releasing eco-friendly products based on exclusive design technology. The company developed ECOWING (tires with energy efficiency level 1) and WATTRUN (tires exclusively for electric vehicles) for the first time in the Korean tire industry. Furthermore, the company is taking the initiative in eco-friendly trends within the tire industry through its advanced technology. In addition, it excludes hazardous chemical substances by thoroughly examining raw materials and works hard to remove harmful elements to the environment.
- >> GREEN PRODUCTION: ECO-FRIENDLY ENERGY & GREENHOUSE GAS REDUCTION
- In order to increase efficiency by calculating optimum energy use, Kumho Tire is working to establish a factory energy management system (FEMS) at all its plants in Korea. The company also actively uses eco-friendly energy such as solar power generation at its Gokseong plant and the Central R&D Center in Yongin, as well as LED lights that have been installed at all plants. It also adopted a climate change response system in order to flexibly respond to climate change and to ensure a clean production system. As a result, for the first time in the industry, Kumho Tire received a certificate for greenhouse gas reduction from the Korean government in 2012 and surpassed its reduction goal in 2014.
- >> GREEN BUSINESS: GREEN MARKETS & BUSINESS OPPORTUNITIES
- Kumho Tire constantly develops eco-friendly products to meet the demand of the future market, and became the first tire company to acquire certificates such as Eco-Label, Carbon Labelling, and LCI from the Korea Environmental Industry and Technology Institute. In order to explore different eco-friendly business models, Kumho Tire signed an MOU for the expansion of electric vehicle distribution with the Ministry of Environment and other industry associations WATTRUN realized high rigidity and a light weight at the same time, improving both performance and energy efficiency, so its demand is expected to continuously increase.



# NEWS HIGHLIGHTS

JANUARY1

RELEASE OF THE SEALANT TIRE

Kumho Tire became the first company in the Korean tire industry to release a sealant tire, gaining the attention of the public. The sealant tire is a new concept of product that helps normal driving through self-sealing when a foreign substance penetrates the tire, and is expected to largely contribute to drivers' safety.

FEBRUARY2

TECHNICAL PARTERSHIP WITH THE YOKOHAMA RUBBER COMPANY

In order to reinforce global competitiveness, Kumho Tire signed the contract for strategic technology alliance with the Yokohama Rubber Company. The two partners will raise product capability and technological prowess by mutually introducing knowhow with comparative advantages, including manufacturing technology and quality management methods.

MARCH3

LAUNCH OF ECSTA RACING TEAM

Under the naming sponsorship agreement, Kumho Tire launched the ECSTA Racing Team, which is made up of coach and driver Kim Jin-pyo, driver Jeong Ui-cheol, and driver Ide Ryuji (Japanese). Based on Kumho Tire's technological prowess and knowhow, the ECSTA Racing Team is determined to become one of the top racing teams in Korea and contribute to domestic motor sports through vigorous activities.



APRIL4

RELEASE OF SOLUS TA31

Kumho Tire released the four-season premium tire SOLUS TA31, which maximized performance as well as low-noise and wear resistance, and followed in the successful wake of the SOLUS product group. The company will provide a wide array of choices for customers through SOLUS TA31 through its excellent performance, various specifications, and popularity as it accelerates its advancement into the global market.

JUNE6

JOINT R&D WITH THE YOKOHAMA RUBBER COMPANY

In order to reinforce technological prowess and secure sales competitiveness in the future market, Kumho Tire signed a cooperative R&D agreement with the Yokohama Rubber Company. Both companies agreed to jointly research and develop future tires such as ultra-light weight tires and other new tire concepts not previously explored, as they expect these efforts to play a leading role in future markets. Founded in 1917, the Yokohama Rubber Company is specialized in manufacturing tires, with its head office located in Japan. It has 14 tire plants in eight countries around the world, employing about 20,000 employees.



MAY5

LAUNCH OF NEW EMERGENCY EVACUATION GUIDE FOR CGV

Kumho Tire has produced an emergency evacuation guide for CGV movie theaters across Korea. Kumho Tire most recently released a video guide titled Monster in which the company's characters 'TTORHO' and 'RORO' appear. Monster delivers its message for safe escape in an entertaining way through an eye-catching method that makes it almost both a game and an interesting story.

JULY7

RESUMPTION OF CONSTRUCTION ON THE GEORGIA PLANT

Kumho Tire will resume construction on its Georgia plant in the U.S. by investing USD 413 million with the aim of completing construction in 2016. The Georgia plant will have an annual production capacity of 4 million units and be used as a foothold to target North America, the world's largest tire market. Based on this, Kumho Tire will expand the sales of high value-added products, including UHP tires and OE tire business.



AUGUST8

PINK RIBBON CAMPAIGN

To support female drivers' safety and health, Kumho Tire has continued its Pink Ribbon campaign since 2012. In October 2014, the Pink Ribbon Marathon Race was held, and over 200 employees participated in it, making the event even more meaningful. The company then donated KRW 100 million to the Korea Breast Cancer Foundation. Since 2010, Kumho has also participated in the Pink Fitters Day event, a breast health campaign held in Australia for five years in a row, promoting the company's interest in that matter beyond the boundary of countries and regions.



SEPTEMBER9

ADVERTISING SPONSORSHIP FOR PREMIER LIGA

In order to reinforce brand competitiveness in Europe, Kumho Tire signed an advertising sponsorship agreement with Spanish Primera División, one of the four major football leagues in the world. The company will show its ads at the fields for a total of 17 teams including Atlético Madrid, the winner of the 2013/14 season, and the world-famous FC Barcelona. Through this, Kumho Tire will largely increase brand awareness in the European market.



OCTOBER10

AN EXCELLENT BUSINESS PARTNER FOR RENAULT-NISSAN

For the first time as a Korean tire company, Kumho Tire was selected as an excellent business partner in the product quality category at the 2014 awards ceremony for Renault-Nissan's excellent business partners.

DEVELOPMENT OF LOW-NOISE TIRES

Kumho Tire developed Korea's first low tire cavity noise product with an almost eight percent improvement in sound absorption in comparison to the company's existing products. A K-Silent System, in which sound-absorbing materials are attached inside the tread, was also applied to the low-noise tire.

NOVEMBER11

OE TIRES FOR BMW 3 SERIES

Kumho Tire came now supplies OE tires for the BMW 3 series. Equipped with Kumho Tire's UHP tire ECSTA HM, the BMW 3 series is hugely popular and has annual sales of roughly 500,000 cars around the world. ECSTA HM proved its performance as it was rated with the "highly recommended" grade among 14 global manufacturers at a quality test conducted by the German automotive magazine Autobild in 2010.

DECEMBER12

SHARING GIMJANG KIMCHI WITH NEIGHBORS

At the end of the year, Kumho Tire held the 2014 Sharing Gimjang Kimchi with Neighbors event and donated kimchi and rice to Daniel School in Seoul, an educational institute for intellectually disabled children. The same kind of event was also held at Kumho Tire plants in Gwangju and Gokseong.



CONSOLIDATED FINANCIAL STATEMENTS

43	INDEPENDENT AUDITORS' REPORT
45	CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
47	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
48	CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
50	CONSOLIDATED STATEMENTS OF CASH FLOWS

01 INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
KUMHO TIRE CO., INC.

We have audited the accompanying consolidated financial statements of of KUMHO TIRE CO., INC. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards (KIFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KUMHO TIRE CO., INC. and its subsidiaries as at December 31, 2014 and 2013, and the results of its financial performance and cash flows for the years then ended in conformity with Korean International Financial Reporting Standards (KIFRS).

**Other Matter**

The consolidated financial statements of KUMHO TIRES CO., INC. and its subsidiaries for the year ended December 31, 2013 were audited in accordance with previous auditing standards generally accepted in the Republic of Korea.

March 13, 2015

This audit report is effective as of March 13, 2015, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

O2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Korean won in millions	
		as at December 31, 2014 and 2013	
	2014	2013	
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	₩ 197,113	₩ 163,516	
Financial deposits	252,923	252,541	
Available-for-sale financial assets	-	10	
Trade receivables	608,448	651,857	
Loans and other receivables	19,863	22,019	
Inventories	577,413	603,258	
Other current financial assets	46,072	37,414	
	1,701,832	1,730,615	
<b>Non-current assets</b>			
Financial deposits	247	266	
Available-for-sale financial assets	108,456	135,358	
Long-term loans receivables	296	267	
Property, plant and equipment	2,509,670	2,394,752	
Intangible assets	41,580	46,852	
Investment properties	258,041	260,708	
Deferred income tax assets	151,015	133,178	
Other non-current assets	33,525	31,937	
	3,102,830	3,003,318	
<b>Total assets</b>	<b>₩ 4,804,662</b>	<b>₩ 4,733,933</b>	



O2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Korean won in millions			
as at December 31, 2014 and 2013			
	2014		2013
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	₩	442,008	₩ 400,047
Short-term borrowings		869,326	1,064,136
Current portion of convertible bonds		-	54,903
Current portion of long-term borrowings		27,995	1,449,898
Other payables		309,782	299,298
Other current liabilities		26,971	36,447
Current income tax liabilities		43,584	33,124
		1,719,666	3,337,853
<b>Non-current liabilities</b>			
Long-term borrowings		1,524,285	27,199
Defined benefit liability		133,357	130,289
Other employee benefits		17,514	18,381
Product warranty provision		48,511	47,582
Deferred income tax liabilities		20,204	19,977
Other non-current liabilities		13,276	14,452
Derivative liability		1,856	-
		1,759,003	257,880
<b>Total Liabilities</b>		<b>3,478,669</b>	<b>3,595,733</b>
<b>Equity</b>			
Issued capital		789,966	739,056
Share premium		246,693	235,594
Other components of equity		- 19,538	-19,538
Accumulated other comprehensive income		34,773	26,566
Retained earnings		157,130	35,549
Non-controlling interests		116,969	120,973
<b>Total equity</b>		<b>1,325,993</b>	<b>1,138,200</b>
<b>Total liabilities and equity</b>	<b>₩</b>	<b>4,804,662</b>	<b>₩ 4,733,933</b>

O3 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Korean won in millions, except per share amounts			
for the years ended December 31, 2014 and 2013			
	2014		2013
<b>Sales</b>	<b>₩</b>	<b>3,437,869</b>	<b>₩ 3,698,542</b>
Cost of sales		-2,425,489	-2,719,712
<b>Gross profit</b>		<b>1,012,380</b>	<b>978,830</b>
Selling and administrative expenses		-653,981	-632,894
<b>Operating profit</b>		<b>358,399</b>	<b>345,936</b>
Other income		92,629	107,331
Other expense		-139,539	-164,036
Finance income		19,717	33,096
Finance costs		-157,820	-174,073
<b>Profit before income tax</b>		<b>173,386</b>	<b>148,254</b>
provision for income taxes		-41,777	-47,297
<b>Profit for the year</b>		<b>131,609</b>	<b>100,958</b>
<b>Other comprehensive income, net of tax effect</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain on valuation of available-for-sale financial assets		112	146
Exchange differences on translation of foreign operations		8,686	580
Losses on valuation of derivatives		-1,448	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) in defined benefit liability		-7,970	2,719
<b>Total comprehensive income for the year, net of tax</b>	<b>₩</b>	<b>130,990</b>	<b>₩ 104,404</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the parent	₩	129,550	₩ 95,441
Non-controlling interests		2,058	5,517
	<b>₩</b>	<b>131,608</b>	<b>₩ 100,958</b>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the parent	₩	129,788	₩ 98,344
Non-controlling interests		1,202	6,060
	<b>₩</b>	<b>130,990</b>	<b>₩ 104,404</b>
<b>Earnings per share attributable to the equity holders of the parent</b>			
Basic earnings per share	₩	860	₩ 695
Diluted earnings per share	₩	853	₩ 684

04 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Korean won in millions

for the years ended December 31, 2014 and 2013

	Attributable to equity holders of the parent															
	Issued capital		Share premium		Other components of equity		Accumulated other comprehensive income		Retained earnings (accumulated deficit)		Total		Non-controlling interests		Total equity	
As at January 1, 2013	₩	631,288	₩	234,831	₩	-19,538	₩	26,382	₩	-62,610	₩	810,353	₩	119,771	₩	930,124
Profit for the year		-		-		-		-		95,441		95,441		5,517		100,958
Other comprehensive income:																
Gain on valuation of available-for-sale financial assets		-		-		-		147		-		147		-		147
Re-measurement gains in defined benefit liability		-		-		-		-		2,719		2,719		-		2,719
Exchange differences on translation of foreign operations		-		-		-		37		-		37		542		579
Total comprehensive income		-		-		-		184		98,160		98,344		6,059		104,403
Exercise of convertible bonds		107,768		763		-		-		-		108,531		-		108,531
Dividend distributions in subsidiaries		-		-		-		-		-		-		-4,858		-4,858
As at December 31, 2013	₩	739,056	₩	235,594	₩	-19,538	₩	26,566	₩	35,550	₩	1,017,228	₩	120,972	₩	1,138,199
As at January 1, 2014	₩	739,056	₩	235,594	₩	-19,538	₩	26,566	₩	35,550	₩	1,017,228	₩	120,972	₩	1,138,199
Profit for the year		-		-		-		-		129,551		129,551		2,058		131,608
Other comprehensive income:																
Gain on valuation of available-for-sale financial assets		-		-		-		112		-		112		-		112
Re-measurement losses in defined benefit liability		-		-		-		-		-7,970		-7,970		-		-7,970
Exchange differences on translation of foreign operations		-		-		-		8,094		-		8,094		591		8,686
Losses on valuation of derivatives		-		-		-		-		-		-		-1,448		-1,448
Total comprehensive income		-		-		-		8,207		121,581		129,788		1,202		130,990
Exercise of convertible bonds		50,413		10,308		-		-		-		60,721		-		60,721
Debt-for-equity swap		497		791		-		-		-		1,288		-		1,288
Dividend distributions in subsidiaries		-		-		-		-		-		-		-5,206		-5,206
As at December 31, 2014	₩	789,966	₩	246,692	₩	-19,538	₩	34,773	₩	157,131	₩	1,209,024	₩	116,967	₩	1,325,991



05 CONSOLIDATED STATEMENTS OF CASH FLOWS

Korean won in millions

for the years ended December 31, 2014 and 2013

	2014	2013
<strong>Operating activities</strong>		
Profit for the year	131,608	100,958
Non-cash adjustment to reconcile profit for the year to net cash flows	462,395	498,279
Changes in operating assets and liabilities	46,502	18,698
	640,505	617,935
Interest received	16,797	10,508
Interest paid	-104,345	-126,100
Dividends paid	-5,206	-4,858
Income tax paid	-47,912	-23,955
<strong>Net cash flows from operating activities</strong>	<strong>499,839</strong>	<strong>473,530</strong>
<strong>Investing activities</strong>		
Decrease in financial deposits	3,000	34,561
Decrease in loans and other receivables	103	6,615
Decrease in other investment assets	147	-
Proceeds from disposal of property, plant and equipment	12,191	10,509
Decrease in other non-current assets	215	643
Increase in financial deposits	-20,209	-139,024
Increase in loans and other receivables	-107	-46
Increase in other investment assets	-282,816	-244,824
Acquisition of property, plant and equipment	-1,013	-767
Acquisition of intangible assets	-4,113	-2,556
Increase in other non-current assets	-10	-42
<strong>Net cash flows used in investing activities</strong>	<strong>-292,612</strong>	<strong>-334,931</strong>

05 CONSOLIDATED STATEMENTS OF CASH FLOWS

Korean won in millions

for the years ended December 31, 2014 and 2013

	2014	2013
<strong>Financing activities</strong>		
Proceeds from short-term borrowings	628,349	797,679
Proceeds from long-term borrowings	179,472	271
Repayment of short-term borrowings	-706,519	-829,109
Repayment of current portion of long-term borrowings	-272,707	-66,777
Early repayment of long-term borrowings	-1,500	-27,805
Others	-263	-548
<strong>Net cash flows used in financing activities</strong>	<strong>-173,168</strong>	<strong>- 126,289</strong>
Net foreign exchange differences	-450	5,191
Net increase in cash and cash equivalents	33,609	17,501
Effects of differences in foreign exchange rates changes on cash and cash equivalents	-12	-1,429
Cash and cash equivalents at January 1	163,516	147,444
<strong>Cash and cash equivalents at December 31</strong>	<strong>197,113</strong>	<strong>163,516</strong>

# SEPARATE FINANCIAL STATEMENTS

53	INDEPENDENT AUDITORS' REPORT
55	SEPARATE STATEMENTS OF FINANCIAL POSITION
57	SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
58	SEPARATE STATEMENTS OF CHANGES IN EQUITY
60	SEPARATE STATEMENTS OF CASH FLOWS

## 01 INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
KUMHO TIRE CO., INC.

We have audited the accompanying separate financial statements of KUMHO TIRE CO., INC. (the Company), which comprise the separate statements of financial position as at December 31, 2014 and 2013, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards (KIFRS), and for such internal control as management determines is necessary to enable the preparation of separate statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of KUMHO TIRE CO., INC. as at December 31, 2014 and 2013, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Consolidated financial statements presented separately

Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements which state that KUMHO TIRE CO., INC. is the parent company of its subsidiaries (collectively referred to as the Group) and that the consolidated financial statements of the Group prepared in accordance with KIFRS have been issued separately. We have audited the consolidated financial statements of the Group as at and for the year ended December 31, 2014 and 2013, and we expressed an unqualified opinion thereon in our auditors’ report dated March 13, 2015.

Other Matter

The financial statements of KUMHO TIRES CO., INC. for the year ended December 31, 2013 were audited in accordance with previous auditing standards generally accepted in the Republic of Korea.

March 13, 2015

This audit report is effective as at March 13, 2015, the independent auditors' report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the auditors' report date to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

O2 SEPARATE STATEMENTS OF FINANCIAL POSITION

Korean won in millions			
as at December 31, 2014 and 2013			
	2014		2013
Assets			
Current assets			
Cash and cash equivalents	₩	69,627	₩ 82,461
Financial deposits		156,950	140,441
Available-for-sale financial assets		-	10
Trade receivables		681,100	732,084
Loans and other receivables		51,059	53,969
Inventories		185,540	202,953
Other current assets		29,257	49,605
		1,173,533	1,261,523
Non-current assets			
Financial deposits		32	32
Available-for-sale financial assets		108,456	135,358
Investments in subsidiaries		626,040	513,891
Long-term loans receivables		139,612	130,382
Property, plant and equipment		1,166,066	1,118,078
Intangible assets		18,801	23,893
Investment properties		8,416	8,461
Deferred income tax assets		130,784	116,000
Other non-current assets		42,373	17,074
		2,240,580	2,063,169
Total assets	₩	3,414,113	₩ 3,324,692

O2 SEPARATE STATEMENTS OF FINANCIAL POSITION

Korean won in millions			
as at December 31, 2014 and 2013			
	2014		2013
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables	₩	228,310	₩ 225,992
Short-term borrowings		533,571	578,154
Current portion of convertible bonds		-	54,903
Current portion of long-term borrowings		3,918	808,990
Other payables		182,226	170,015
Current income tax liabilities		39,455	30,661
Financial guarantee liabilities		999	4,105
Other current liabilities		16,236	25,953
		1,004,715	1,898,773
<b>Non-current liabilities</b>			
Long-term borrowings		783,373	-
Defined benefit liability		133,357	130,116
Other employee benefits		17,243	18,135
Financial guarantee liabilities		23,912	1,560
Product warranty provision		36,643	38,277
		994,528	188,088
<b>Total liabilities</b>		<b>1,999,243</b>	<b>2,086,861</b>
<b>Equity</b>			
Issued capital		789,966	739,056
Share premium		223,735	212,637
Other components of equity		-16,618	-16,618
Accumulated other comprehensive income		194	81
Retained earnings		417,593	302,675
<b>Total equity</b>		<b>1,414,870</b>	<b>1,237,831</b>
<b>Total liabilities and equity</b>	₩	<b>3,414,113</b>	₩ 3,324,692

O3 SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

Korean won in millions, except per share amounts			
for the years ended December 31, 2014 and 2013			
	2014		2013
<b>Sales</b>	₩	<b>2,755,119</b>	₩ 2,914,257
Cost of sales		-2,106,582	-2,327,935
<b>Gross profit</b>		<b>648,537</b>	<b>586,322</b>
Selling and administrative expenses		-376,253	-348,067
<b>Operating profit</b>		<b>272,284</b>	<b>238,255</b>
Other income		78,684	90,795
Other expense		-114,834	-146,661
Finance income		20,144	21,463
Finance costs		-93,970	-106,349
<b>Profit before income tax</b>		<b>162,308</b>	<b>97,503</b>
Provision for income taxes		-39,421	-33,624
<b>Profit for the year</b>		<b>122,887</b>	<b>63,879</b>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains on valuation of available-for-sale financial assets		113	147
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) in defined benefit liability		-7,970	2,719
<b>Total comprehensive income for the year, net of tax</b>	₩	<b>115,030</b>	₩ 66,745
Earnings per share attributable to the equity holders of the Company			
Basic earnings per share	₩	816	₩ 465
Diluted earnings per share	₩	811	₩ 465



04 SEPARATE STATEMENTS OF CHANGES IN EQUITY

Korean won in millions

for the years ended December 31, 2014 and 2013

	Issued capital		Share premium	
As at January 1, 2013	₩	631,288	₩	11,874
Profit for the year		-		-
Other comprehensive income:				
Gains on valuation of available-for-sale financial assets		-		-
Re-measurement gains in defined benefit liability		-		-
Total comprehensive income		-		-
Exercise of convertible bonds		107,768		763
At December 31, 2013	₩	739,056	₩	212,637
As at January 1, 2014	₩	739,056	₩	212,637
Profit for the year		-		-
Other comprehensive income:				
Gains on valuation of available-for-sale financial assets		-		-
Re-measurement losses in defined benefit liability		-		-
Total comprehensive income		-		-
Debt-for-equity swap		497		791
Exercise of convertible bonds		50,413		10,308
At December 31, 2014	₩	789,966	₩	223,736

Other components of equity		Accumulated other comprehensive income(loss)		Retained earnings (accumulated deficit)		Total
₩	-16,618	₩	-66	₩	236,078	₩ 1,062,555
	-		-		63,879	63,879
	-		147		-	147
	-		-		2,719	2,719
	-		147		66,598	66,745
	-		-		-	108,531
₩	-16,618	₩	81	₩	302,676	₩ 1,237,831
₩	-16,618	₩	81	₩	302,676	₩ 1,237,831
	-		-		122,887	122,887
	-		113		-	113
	-		-		-7,970	-7,970
	-		113		114,917	115,030
	-		-		-	1,288
	-		-		-	60,721
₩	-16,618	₩	194	₩	417,593	₩ 1,414,870

05 SEPARATE STATEMENTS OF CASH FLOWS

Korean won in millions

for the years ended December 31, 2014 and 2013

	2014		2013	
Operating activities				
Profit for the year	₩	122,887	₩	63,879
Non-cash adjustment to reconcile profit for the year to net cash flows		277,858		301,084
Changes in operating assets and liabilities		39,071		99,849
		439,816		464,812
Interest received		11,540		4,031
Interest paid		-49,512		-54,420
Income tax paid		-43,531		-19,635
Net cash flows from operating activities		358,313		394,788
Investing activities				
Proceeds from disposal of property, plant, and equipment		3,775		5,745
Proceeds from disposal of available-for-sale financial assets		18		16
Decrease in loans and other receivables		91		72
Decrease in other non-current assets		210		534
Decrease in financial deposits		-		30,041
Increase in loans and other receivables		-3,653		-46
Increase in available-for-sale financial assets		-10		-25
Increase in investments in subsidiaries		-112,149		-
Acquisition of property, plant and equipment		-140,976		-157,596
Acquisition of intangible assets		-369		-566
Increase in financial deposits		-16,509		-134,965
Increase in other non-current assets		-3,282		-2,133
Net cash flows used in investing activities	₩	-272,854	₩	-258,923

05 SEPARATE STATEMENTS OF CASH FLOWS

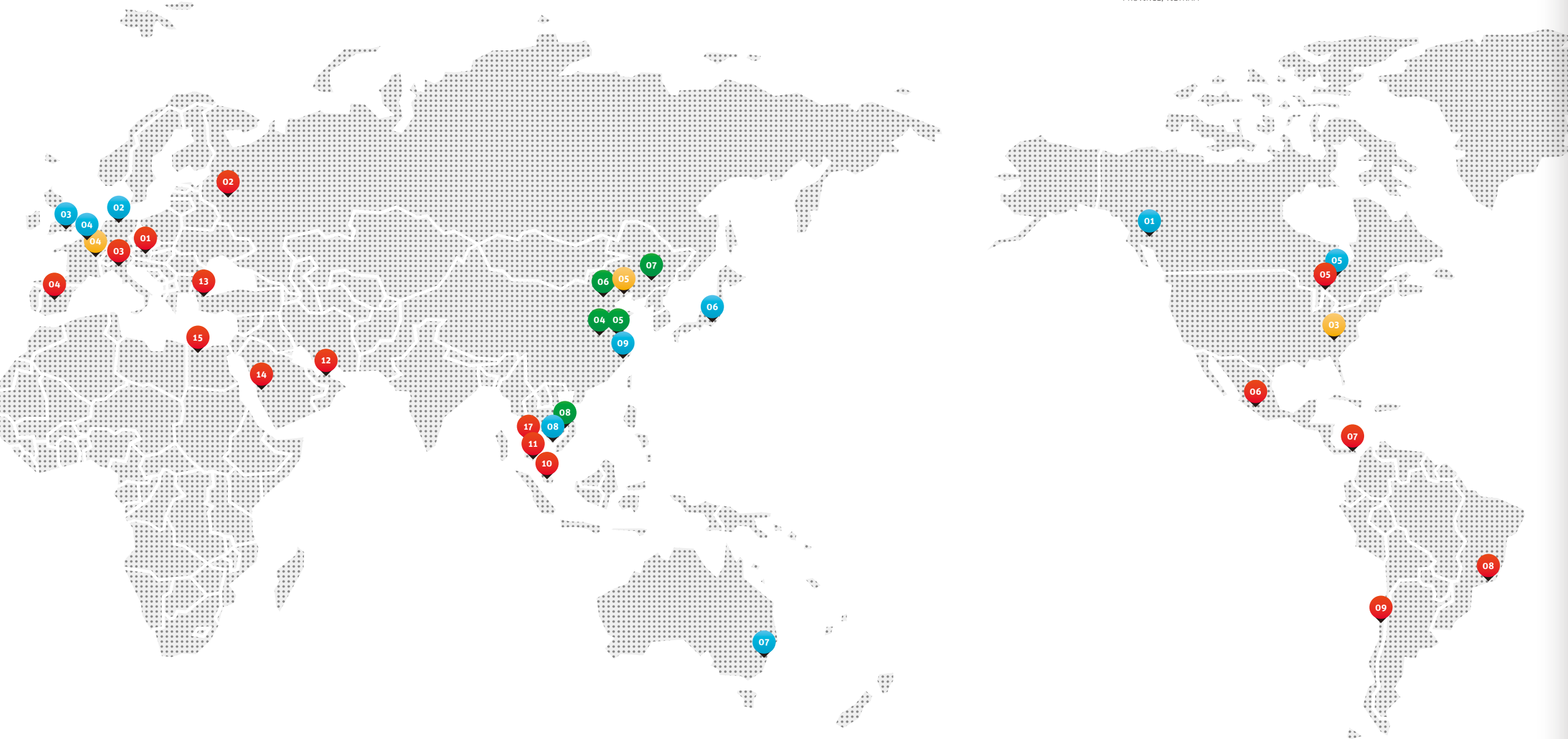
Korean won in millions

for the years ended December 31, 2014 and 2013

	2014		2013	
Financing activities				
Proceeds from short-term borrowings		78,906		80,457
Repayment of short-term borrowings		-106,753		-207,963
Repayment of long-term borrowings		-		-1,231
Repayment of current portion of long-term borrowings		-70,878		-
Others		-263		-548
Net cash flows from used in financing activities		-98,988		-129,285
Net increase (decrease) in cash and cash equivalents		-13,529		6,580
Net foreign exchange differences		695		-1,429
Cash and cash equivalents at January 1		82,461		77,310
Cash and cash equivalents at December 31	₩	69,627	₩	82,461



# GLOBAL NETWORK



## >> GLOBAL NETWORK

### >> PLANTS

- 01 GWANGJU PLANT**  
658, EODEUNG-DAERO, GWANGSAN-GU, GWANGJU
- 02 GOOKSUNG PLANT**  
85-63, GEUMHO-GIL, IP-MYEON, GOKSEONG-GUN, JEOLLANAM-DO
- 03 PYUNGTEAK PLANT**  
87, PYEONGTAEKHANG-RO 156BEON-GIL, POSEUNG-EUP, PYEONGTAEK-SI, GYEONGGI-DO
- 04 NANJING KUMHO TIRE CO., LTD.**  
418 HEYAN ROAD, NANJING, JIANGSU, CHINA
- 05 NANJING KUMHO TIRE CO., LTD. TBR PLANT**  
NO.1 XINJINHULU, GAOXINQU, NANJING, JIANGSU, CHINA
- 06 KUMHO TIRE (TIANJIN) CO., INC.**  
NO. 333 ZHONGNAN, 2ST. TEDA, TIANJIN, CHINA
- 07 KUMHO TIRE (CHANGCHUN) CO., INC.**  
NO. 677 JINHU ROAD, CHANGCHUN, CHINA
- 08 KUMHO TIRE (VIETNAM) CO., LTD.**  
GCN, MY PHUOC3, INDUSTRIAL PARK, BEN CAT DIST., BINH DUONG PROVINCE, VIETNAM

### >> R&D CENTERS

- 01 YONGIN CENTRAL R&D CENTER**  
215-21, SAEUN-RO, GIHEUNG-GU, YONGIN-SI,
- 02 GWANGJU PERFORMANCE CENTRE**  
658, EODEUNG-DAERO, GWANGSAN-GU, GWANGJU
- 03 KATC (U.S.A.)**  
KUMHO TIRE AMERICA TECHNICAL CENTER 711 AKRON, OHIO 44333, USA
- 04 KECT (GERMANY)**  
KUMHO TIRE EUROPE TECHNICAL CENTER STRASSE 10, 64546, MOERFELDEN-WALLDORF
- 05 KCTC (CHINA)**  
NO.49 XINYE 3 STREET, THE WEST ZONE OF TIANJIN

**IR CONTACTS**

Kim, Sung Hwan  
Deputy General Manager  
Investor Relations Team Head  
shkim2@kumhotire.com

Yun, Yong Jin  
General Manager  
Investor Relations Team  
yjyun2@kumhotire.com



76, Saemunan-ro, Jongno-gu, Seoul, Korea

T 02. 6303. 8114 F 02. 6303. 8297

[www.kumhotire.co.kr](http://www.kumhotire.co.kr)