

# MAKING OUR **MARK**



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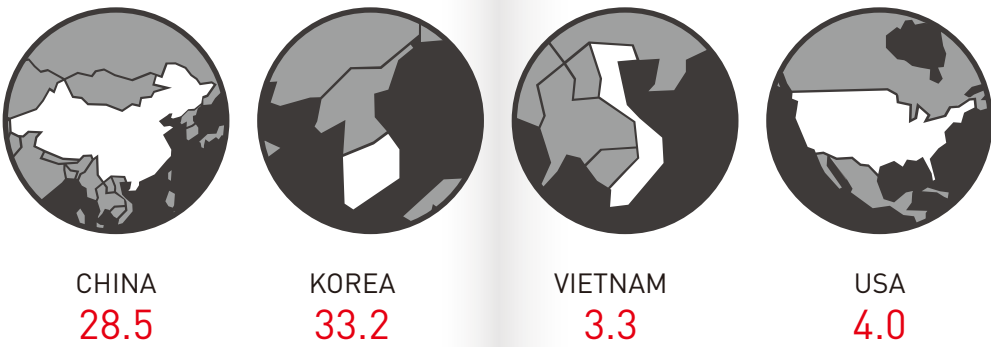
# MAKING OUR MARK

When Kumho Tire was founded in 1961, its daily production capacity was a mere 20 units. After more than half a century, however, the company now produces some of the world’s highest level of tires at nine factories in Korea and overseas. As we prepare for an even greater future, we do not forget Kumho’s earliest days and how the company has since left an indelible mark on the industry. Today, everybody at Kumho is poised to rekindle our success in the midst of challenging economic times globally, just as the company has overcome countless obstacles over the years.

# AT A GLANCE

Amid difficult economic conditions inside and outside the company, Kumho Tire worked hard in 2015 by focusing on a better future rather than on immediate achievements. In 2016, Kumho Tire will be concentrating on growth, united as single business entity on expanded & reorganized production facilities, more diversified distribution channels, and locally customized portfolios.

2015 SALES Consolidated basis [KRW 100 million]	2015 OPERATING PROFIT Consolidated basis [KRW 100 million]
30,404	1,360
EXPORTS [countries]	NO. OF EMPLOYEES Dec. 31, 2015 [persons]
180	11,057
	<div>Korea 5,039</div> <div>Overseas 6,018</div>
ANNUAL PRODUCTION CAPACITY [million units]	
69	



← AT A GLANCE

# MAKING OUR MARK

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# TAKING CONTROL

**We are investing in our future one step at a time.**

In September 2013, while the company was undergoing a workout program, Kumho Tire opened its Central R&D Center and has steadily been expanding its investment into R&D since then. At present, more than 600 professionals from Korea and around the world are working hard on the development of high value-added products and core technology. In addition, Kumho's technical partnership with the Yokohama Rubber Company will accelerate the reinforcement of Kumho's R&D capabilities. At the same time, the company will maintain an R&D-to-Sales ratio of over three percent for the next five years.

»	»	»
92.1 billion won	8.8 percent	625 people
2015 R&D Investment	2016-2020 average annual R&D investment expansion plan	2015 No. of Kumho's researchers in Korea and abroad





# CAREFUL PREPARATION

**It was difficult to forecast our future.**

In 2015, many factors—from the slow economic recovery in the U.S. and Europe to the sluggish economic growth of China—had a negative influence on the tire industry as a whole. The global tire market grew by only two percent and is expected to grow by another 4.1 percent until 2020. While lower growth continued throughout 2015, competition among global tire makers became even fiercer, as did increased uncertainty due to drastic changes in foreign exchange rates. Taken all together, this made it extremely challenging for Kumho to preemptively respond to market fluctuations.

» 2 percent	» 934.8 won per 100 JPY	» -6.1 percent
2015 growth rate of the global tire market	Average yen-won exchange rate in 2015 (the lowest in 8 years)	Change in average selling prices over the past 3 years



# DEMANDING SITUATIONS

**We overcame factory line production obstacles.**

In August and September 2015, operations at Kumho's Gwangju and Gokseong plants were halted for 39 days, leading to a serious problem with production. During this time, the plant operation rate at those two plants stood at 25 percent, with the company suffering sales losses of approximately KRW 150 billion. As a result, Kumho Tire recorded an operating loss for the first time in last six years, its first since the fourth quarter of 2009 when the company was about to enter into a workout program.

»	»	»
39 days	25 percent	150 billion won
Period when operations at Gwangju and Gokseong plants were halted	Plant operation rate at Gwangju and Gokseong while operations were partially stopped	Sales losses over a 39-day period

# MAKING A TURNAROUND



**We are remaining optimistic as we look ahead into the future.**

In July 2014, we resumed construction of our Georgia plant in the U.S., which will later serve as a bridgehead for targeting the North American market. Equipped with facilities to manufacture four million units a year, the opening ceremony for the Georgia plant is scheduled in early May of 2016, at which time it will improve Kumho’s profit and loss structure while also expanding its sales competitiveness in the North American market through increased sales of premium OE tires. In China, Kumho’s plan to move its Nanjing plant to a different location within the city will increase production capacity for high-inch tires.

» 4 million units	» 413 million USD	» 296/177 km
Annual tire production at the Georgia plant	Investment in the construction of the Georgia plant	Distance from Hyundai and Kia production plants



# THE POWER OF DRIVING



**We are determined to drive even more powerfully after a storm.**

In 2015, the business environment around Kumho Tire was less than favorable. However, just as the saying “After a storm comes a calm” goes, Kumho Tire is being reborn as an even stronger company today through bold investments and technological innovation. By actively responding to the ever-changing market environment, Kumho Tire will add new products to its existing portfolio. While fully trusting one another as a united whole, everyone at Kumho Tire is committed to making the company even stronger and more firmly established.

» 9 facilities	» 11,057 people	» 101 billion won
Kumho Tire production plants in Korea and overseas	Employees in Korea and overseas	2016 R&D investment



# CEO MESSAGE

>> CEO MESSAGE  
FINANCIAL HIGHLIGHTS  
NEWS HIGHLIGHTS

In 2016, Kumho Tire will take another step forward on its way to becoming a stronger, more profitable company by paying heed to our back to the founding spirit. We are planning to increase our sales competitiveness in the North American market with the completion of the company's Georgia plant in the U.S. and will continue to maintain technology leadership through our partnership with the Yokohama Rubber Company. Today, each and every Kumho employee is doing their utmost to ensure a brighter future for the company.



Greetings,  
It is my sincere pleasure to reach out to all of Kumho Tire's customers and shareholders at this time. However, I do feel a heavy sense of responsibility as the company's new CEO.

For the past few years, the internal and external business environment surrounding Kumho Tire has not been very favorable. Looking ahead to 2016, experts forecast that there will be a further decrease in the prices of oil and raw materials, while economic uncertainty in China and emerging markets will only become more worrisome. Our competitors are currently carrying out differentiated growth strategies by using their respective strengths for survival in the market. In response to this, Kumho Tire is also pursuing preemptive initiatives.

To achieve the company's sales goals, we will secure a driving force for mid- and long-term growth in key countries and car-producing markets in Korea and overseas. Kumho Tire is also improving its profit and loss structure through increased sales of high value-added products. Furthermore, we are reinforcing our sales competitiveness in the North American market with the completion of our Georgia plant, while continuously maintaining technology leadership through our technical partnership with the Yokohama Rubber Company.

For 2016, we devised a management policy to uphold our back to the founding spirit that will be coupled with our firm commitment to establish Kumho Tire in a new business environment. Today, we are poised to take the next step forward as a stronger, more profitable company by bolstering internal strengths and reinforcing the foundation for sound growth. In line with this aim, every Kumho Tire employee will seamlessly cooperate with one another to achieve management's goals as they prepare for a more prosperous future.

I humbly ask for your continued support for Kumho Tire and wish the very best to all of our customers and shareholders.

**Han-Seob, Lee**  
President and CEO, Kumho Tire Co., Inc.

# FINANCIAL HIGHLIGHTS

In the midst of difficulties inside and outside the company, Kumho Tire worked hard in 2015 to create a better tomorrow. The company made large-scale investments into facilities in the U.S. and China, while also reinforcing its R&D capabilities. Kumho Tire laid the foundation for new growth through its ceaseless efforts and patience, and is optimistic about what the future holds in store for it.

Although the global tire market showed modest recovery in 2015, it also witnessed slow growth. Automobile sales in the Chinese market, which was mired in a continued period of slow growth, showed signs of rebounding after the Chinese government lowered taxes on consumer purchases. However, there is still pressure to decrease tire prices because of the lower prices of oil and raw materials, while oversupply and fierce competition of the overall market have limited growth for tire makers. This trend is expected to continue into the future, with low growth rates of 2 to 4 percent expected until 2020 (source: LMC).

Over the last year, Kumho Tire had to overcome a number of difficulties in Korea and overseas. As a result, sales in 2015 decreased approximately KRW 400 billion compared to the previous year and operating profit also decreased by KRW 20 billion. In addition, the operating profit-to-sales ratio stood at 4.5 percent, lower than the company’s original goal. With operations at two domestic workplaces temporarily coming to a halt in the third quarter of 2015 and the company experiencing sluggish sales in China, Kumho Tire saw an operating loss for the first time in six years.

However, better things lie in store for Kumho Tire. The company has completed construction of its Georgia plant, with an annual production capacity of 4 million units, and it is now in full-scale operation. Kumho will expand sales and reinforce global competitiveness through localized production in the U.S., the world’s largest tire market. At the same time, OEM supply negotiations with the Yokohama Rubber Company are expected to improve Kumho Tire’s brand value, while the company will continue to enhance production efficiency in China, which has finally started to recover economically, by seamlessly preparing to move its Nanjing plant.

Key Figures			
Consolidated basis		[KRW million]	
	2013	2014	2015
Sales	3,698,542	3,437,869	3,040,407
Operating Profit	345,936	358,399	135,963
Operating Profit Margin	9.4%	10.4%	4.5%
Net Income	100,958	131,608	-67,466
Total Assets	4,733,933	4,804,662	5,219,977
Total Liabilities	3,595,732	3,478,670	3,959,180
Total Capital	1,138,201	1,325,993	1,260,796
Debt Ratio	315.9%	262.3%	314.0%

## 2015 MANAGEMENT PERFORMANCE BY REGION

**Korea** Kumho Tire leads the domestic OE and RE tire markets, with plants in Gwangju, Gokseong, and Pyeongtaek combining for a total annual production of 30 million units. It is also expanding its exports through worldwide distribution channels. In 2015, market conditions remained unfavorable because of a lower rate of plant operations, a contraction in the consumer market due to the Middle East Respiratory Syndrome, and heightened competition among tire companies. In addition, with rapidly changing foreign exchange rates, export profits fell. Nonetheless, Kumho Tire continued with its vigorous business activities. For example, it induced consumption through aggressive promotional initiatives and signed contracts to supply OE tires to the high-performance Dodge Viper and RE tires to Mercedes-Benz Korea.

**China** Through its plants in Nanjing, Tianjin, and Changchun, which combine for an annual production of 30 million units, Kumho Tire is gradually strengthening its competitiveness in China, one of the world’s most important tire markets. As a result of the contraction in automobile tire markets based on sluggish economic growth and increased competition, 2015 was not a very favorable year for Kumho Tire. However, after the Chinese government lowered the purchase tax in September, the automobile market showed clear signs of recovery, and with the upcoming move of the Nanjing plant, expectations are high for further growth. Additionally, when OEM supply negotiations are completed with the Yokohama Rubber Company, the operation rate of Kumho’s plants in China is expected to improve significantly.

**USA** In the North American market, Kumho Tire has annual sales of approximately KRW 700 billion. Going forward, the company will strengthen its market competitiveness through the Georgia plant, which has an annual production capacity of 4 million units. On top of that, many automakers’ production bases are located within a 500-mile radius of Kumho’s Georgia plant. For instance, Hyundai’s Alabama plant is 183 miles away and Kia’s Georgia plant is a mere 109 miles away. Thus, Kumho Tire is now able to better respond to changes in the OE market. As of March 2016, a total of 365 people had been hired at the Georgia plant.

Sales by Region					
Consolidated basis		[KRW million]			
Business Area	Product	Region	2013	2014	2015
Consolidated basis	Tires	Korea	1,077,346	1,031,391	974,041
		Europe	480,238	466,774	381,175
		North America	725,196	745,566	679,768
		Latin America	296,708	227,081	159,982
		Asia	689,285	548,067	517,325
		Others	390,242	374,966	292,375
		Total	3,659,015	3,393,645	3,004,667
	Non-tire products		39,527	44,024	35,740
	Total		3,698,542	3,437,869	3,040,407



# NEWS HIGHLIGHTS

CEO MESSAGE  
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>> NEWS HIGHLIGHTS

In 2015, Kumho Tire worked hard to promote its advanced technology and brand value across the world. Achieving top results from various evaluations and competitions, the company signed a wide range of partnerships to secure a driving force for future growth and made efforts to fulfill its social responsibility more actively than ever.

## 1 January

### PARTICIPATION IN THE TOKYO AUTO SALON

Kumho Tire took part in the Tokyo Auto Salon in 2015, which was held at Makuhari Messe for the seventh consecutive year. Under the concept of “Speed Accelerator,” which expresses Kumho’s confidence in high-speed driving, the company displayed a variety of product lineups, including its ultra-performance tire, the ECSTA PS91. Kumho Tire received an excellent response from the public by providing photo time opportunities with exclusively contracted racing models and the event’s mascot, Toro, as well as holding a cartoon portrait event.

## 2 February

### RECIPEINT OF A RED DOT DESIGN AWARD

Kumho’s ECSTA HS51 and CRUGEN HP91 sealant tires were each the recipient of a Red Dot Design Award in 2015. This made Kumho Tire the first Korean company to win the award for four consecutive years, more proof of its outstanding design capabilities. In fact, the side wall identity introduced with the ECSTA and CRUGEN in 2013 was praised, while the sealant tires were looked highly upon in terms of design after their practicality and safety had been singled out earlier.



## 3 March

### RECIPEINT OF A GOLDEN DRAGON AWARD IN VIETNAM

In 2015, Kumho Tire received a Golden Dragon Award, which is jointly handed out by the Vietnamese government and the local press, for the second time in two years. The Golden Dragon Awards are awarded to top foreign companies that have invested in Vietnam after comprehensively evaluating many factors, such as the quality of products and services, environmental protection, and social contribution activities. Going forward, the company will continue social contribution activities and support for Korean immigrants in communities throughout Vietnam.

## 4 April

### AUTO SHANGHAI 2015



At Auto Shanghai 2015, Kumho Tire displayed 10 different products at five exhibition zones under the theme of “Earning Customer Trust.” The company also signed a sponsorship agreement with the China Touring Car Championship (CTCC) to exclusively supply tires to the competition until 2018, while top actress Liu Yifei visited Kumho Tire’s exhibition booth.

## 5 May

### OEM SUPPLY NEGOTIATIONS WITH THE YOKOHAMA RUBBER COMPANY

Kumho Tire entered into OEM supply negotiations with the Yokohama Rubber Company in 2015. This was influenced by the fact that Kumho Tire currently runs four production facilities in China and has abundant management know-how on local production, distribution, and sales. The supply agreement is expected to further strengthen mutual partnership between Kumho Tire and the Yokohama Rubber Company, while also raising Kumho’s plant operation rate in China. Earlier, in May 2014, the two companies signed a strategic alliance agreement for R&D and entered into the joint development of future-oriented tires.



## 6 June

### KOREA’S FIRST RE TIRE SUPPLIER FOR MERCEDES-BENZ KOREA

Kumho Tire began supplying Mercedes-Benz Korea with four premium products (ECSTA LE SPORT, ECSTA PS91, Majesty SOLUS, and CRUGEN) in 2015. Mercedes-Benz’s 35 official service centers across Korea have all entered into sales agreements of Kumho products. As such, Mercedes-Benz customers are now able to install Kumho’s premium tires at reasonable prices and with top-quality services. At the same time, Kumho Tire has secured more customers of high-end imported cars.

## 7 July

### SUPPLYING OE TIRES FOR THE DODGE VIPER

Kumho Tire are supplying its ECSTA 720 for the 2016 Dodge Viper ACR. Dodge is a leading supercar maker in the U.S. Kumho’s ECSTA 720 features top-performance results during high-speed driving because of a specialized racing rubber material that is applied to it. Also, the stiffness of the outer block of the tire surface has been increased for more stable driving, while asymmetrical design technology was applied to secure a better grip force and stability of steering when cornering. Consequently, Kumho Tire has been recognized for its leading technological competence in the high-performance sports car market.

### KLPGA TOUR KUMHO TIRE LADIES OPEN

The annual KLPGA Tour Kumho Tire Ladies Open was held at Weihai Point Hotel & Golf Resort in China from July 3 to 5. Now in its third year, a total of 126 players (including 61 KLPGA players and 62 CLPGA players) competed for a purse totaling KRW 500 million. The event was sponsored by 53 companies, including Asiana Airlines and Kumho Tire, the title sponsor. The four-day event also captured the highest viewer ratings among all KLPGA competitions, with much attention drawn from major media outlets and golf enthusiasts in Korea and China.

## 8 August

### CONCERT WITH NEW EMPLOYEES

New employees were invited to enjoy a house concert at a concert hall located in Daehangno, Seoul. The performance allowed audience members to enjoy the music as they sat around the musicians without a barrier between the stage and seats. Kumho has invited its employees to this kind of concert over 450 times since 2002. In the future, this event will be continued as an opportunity to communicate Kumho Tire’s corporate culture, which greatly respects all of the arts, with its new employees.

## 9 September

### FRANKFURT MOTOR SHOW



Kumho Tire took part in the 2015 Frankfurt Motor Show (IAA 2015), one of the five biggest motor shows in the world. The company aimed to reinforce brand awareness in Europe by displaying specialized tires such as its WATTRUN (for ultra-light EVs), sealant tires, and run-flat tires. Also, Kumho exhibited its future-oriented technology through the display of its tires for Ssangyong’s SUV TIVOLI concept car (XAV, XLV).

## 10 October

### ECSTA RACING TEAM WINS 2015 CJ SUPER RACE

The ECSTA Racing Team won the final race of the Super 6000 Class at the CJ Hello Mobile Super Race Championship. The team became the overall winner of the championship just two years after its launch. The eight races were held at circuits in Korea, China, and Japan, with fierce competition in each class of race. Kumho Tire’s racing tires, which consistently displayed excellent performance results in various conditions, contributed to ECSTA Racing Team’s winning the championship. As a result, 2015 will be remembered as the best season for Kumho Tire proving its excellent technological prowess.

## 11 November

### RECIPIENT OF EVENT TECHNOLOGY AWARD



Kumho Tire won the Gold Prize at the 5<sup>th</sup> Event Technology Awards held in Las Vegas for Best Touch/Gesture Interactive ads in the U.S. The awards are given in 12 categories to companies that displayed achievements using new and creative methods in their global marketing event activities over the last year. Kumho Tire won the award for a screen installation at New York’s Times Square subway station.

## 12 December

### WINNING DESIGN AWARDS IN KOREA



At the 2015 Korea Good Design Awards, organized by the Ministry of Trade, Industry and Energy, Kumho’s sealant tires and SOLUS HA31 received an Excellence Award and the Grand Prize, respectively. Also, at the 2015 North America Design Awards, the ECSTA PS91 and KRA50 won the Grand Prize. This once again provided an opportunity for Kumho Tire to show off its design capabilities as a result of the efforts the company has continuously made for R&D in design.



The Road to

Technology Leadership



When founded in 1961, Kumho Tire produced just 20 units a day. Today, the company has become one of the world’s top 10 tire makers through constant changes and innovation. Reliability for customers and a passion for tire development have brought about technology leadership, which has ultimately led to the development of market-leading products such as Kumho’s Majesty SOLUS and ECOWING S.

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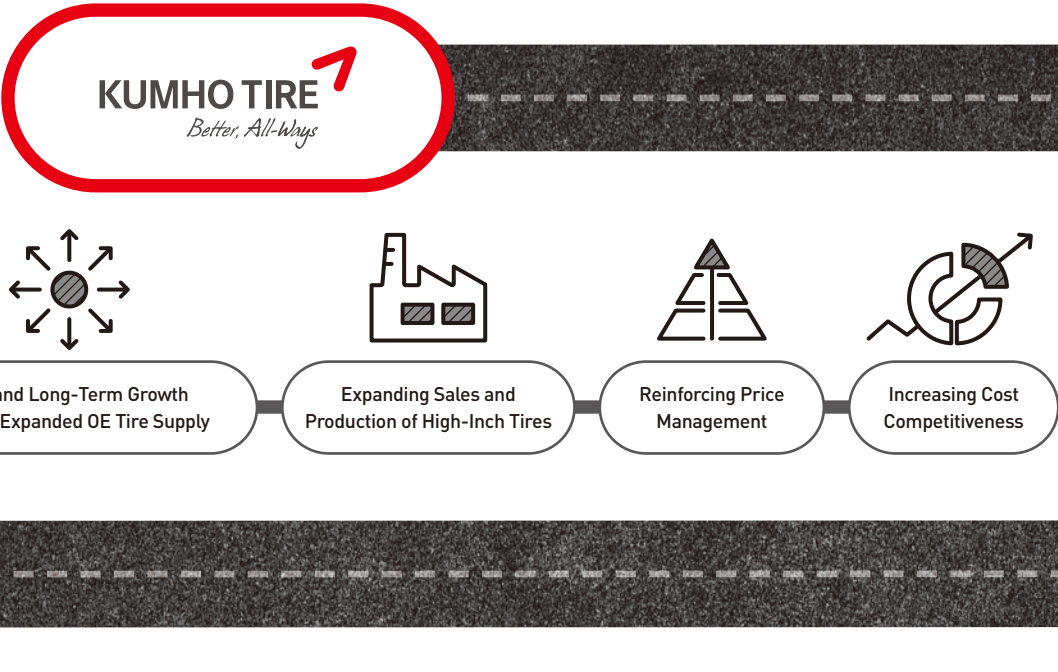
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# VISION AND STRATEGY

Kumho Tire’s management policy for 2016 is to pay heed to its back to the founding spirit. This is Kumho Tire’s goal in taking another step forward on its way to becoming a stronger, more profitable company by reinforcing internal strength and the foundation needed for growth. Today, Kumho is set to execute count-less tasks, such as achieving world-class manufacturing competitiveness and releasing new products based on reinforced R&D capabilities.

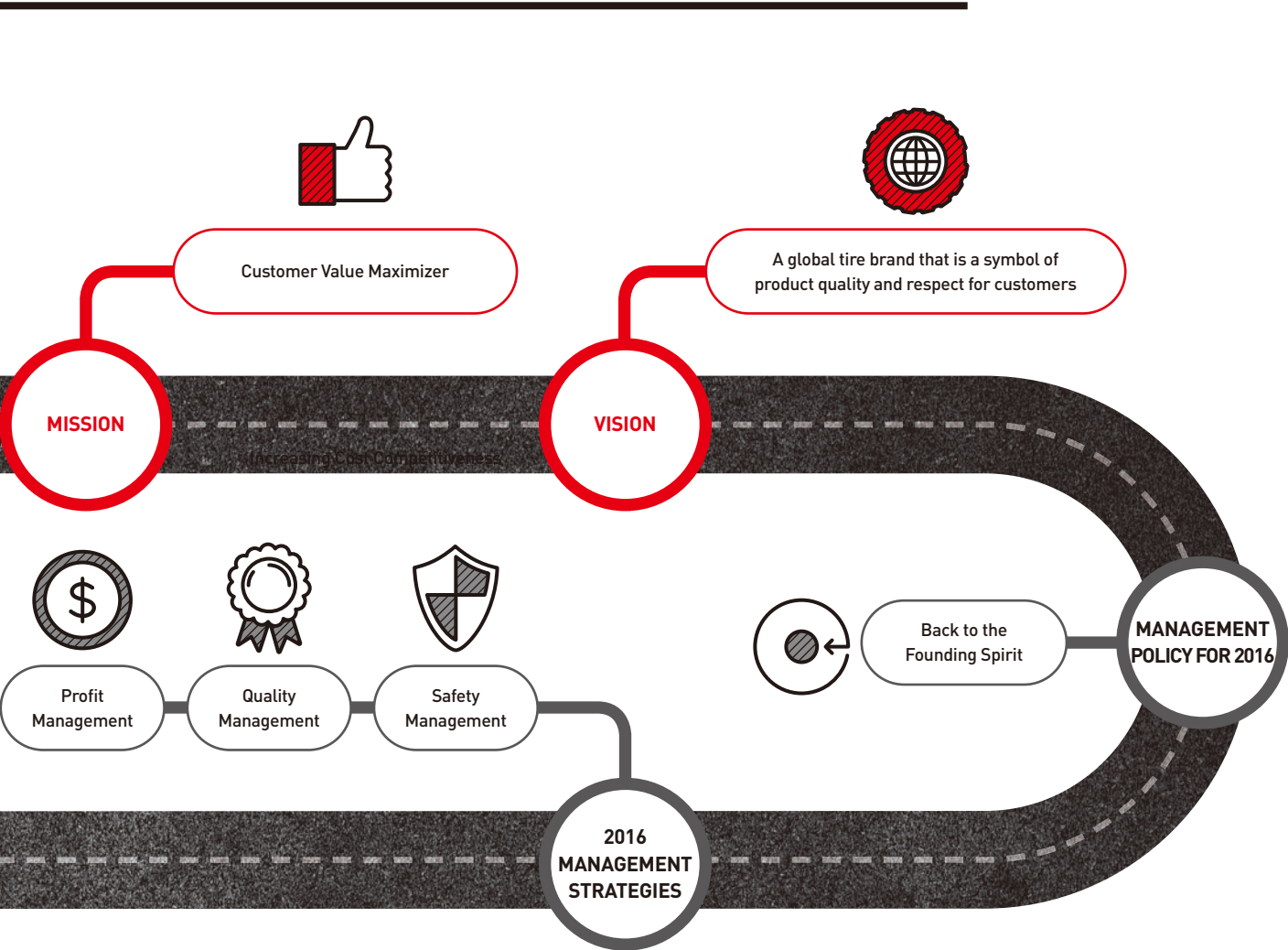


**MID- AND LONG-TERM GROWTH THROUGH EXPANDED OE TIRE SUPPLY**

Kumho Tire will lay the foundation for stable mid- and long-term revenue in North America, by diversifying its OE suppliers and gradually increasing the supply quantity. With the completion of the Georgia plant, the company is expected to increase annual supply up to 5 million units by 2020. In Europe, Kumho will secure increased volume through Volkswagen and OPEL to strengthen its status in the region, while also establishing a foundation for growing annual OE quantity supplied in China up to 10 million units by targeting local SUVs/MPVs.

**EXPANDING SALES AND PRODUCTION OF HIGH-INCH TIRES**

High-inch tires are high value-added products and there is great demand for them in the North American market. Thus, Kumho Tire has constantly worked hard to have a strong presence in the market. The newly completed Georgia plant will help achieve this goal. Furthermore, the company expects there to be positive gains from product marketing focusing on SUV/CUVs. In addition, Kumho will increase sales of high-inch tires by expanding the supply for Hyundai Motor’s Maxcruz, Kia’s Mohave, and SUVs for China’s SAIC-GM-Wuling. Kumho is also investing in production facilities in response to the diversification of distribution channels. Within one year, six molding machines, 21 vulcanizers, and six TUGs will be replaced, which will be followed by investment in remodeling three molding machines and building an additional 12 vulcanizers in China, too.



**REINFORCING PRICE MANAGEMENT**

Kumho Tire will carry out a two-part strategy that not only expands the size of the business but also increases the internal strength of the company. To begin, the company will increase the average selling price per unit by optimizing the portfolio of existing products. Profit and loss management for each tire specification will be regularly conducted to reduce or replace low-profit product lines and expand sales of high-profit products. In marketing, Kumho Tire is executing a variety of strategies such as reinforcement of its PGL<sup>price guideline</sup> management, Price Index Tracking management, and improving brand awareness through BIS<sup>brand identity system</sup> operation.

**INCREASING COST COMPETITIVENESS**

Increasing cost competitiveness is directly connected to corporate competitiveness. As a result, Kumho Tire seeks various ways to reduce material cost and puts these plans into action. Also, the company is doing its utmost to increase productivity based on a stable labor-management relationship. Old facilities at Kumho’s Gwangju and Gokseong plants will be replaced by automation systems, while the loss of raw materials in the production process will be minimized through an upgraded automatic tire production system. Furthermore, the company will diversify purchasing channels for raw materials which affect tire prices and will reduce the cost of raw materials through the simplification of rubber compounds.

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# BUSINESS REVIEW

In 2015, the global tire market showed mixed situations: the U.S. and European markets entered into a stable period, while emerging countries showed unstable movement. Aside from this, global tire makers spent a busy year in heated competition with one another. Kumho Tire will reinforce its status in the global market as it preemptively responds to rapidly changing business environments.

**KOREA**

**OE** In August 2015, the Korean government lowered the individual consumption tax on cars by 30 percent to stimulate domestic business condition. According to this measure, domestic car sales production volume increased by 18 percent to 509,269 units (source: Korea Automobile Manufacturers Association) over the same period of a year ago. As this measure has been extended until the first half of 2016, increased demand is expected once again, but the total number of cars sold is expected to decrease. Korea's all-time-high household debt is a burdensome element in sales of domestically produced cars despite the release of eco-friendly cars and potential demand to replace old cars. Also, after the Volkswagen emissions scandal, other imported cars are being marketed with an aggressive sales strategy focusing on eco-friendly cars that is proving to be very effective.

Kumho Tire is concentrating its capabilities on R&D and quality enhancement in order to respond to auto-makers' requests for reinforced product quality. It plans to secure more orders for tire specifications in high demand and car models with a high repurchase rate of the same type of tires. In addition, the company will effectively respond to foreign tire makers' aggressive marketing towards Korean automakers as it also responds to Hyundai-Kia's advancement into the global market.

**RE** In 2015, the topic of the domestic tire market was the continuous growth of the RE-Market for imported cars and the expansion of Economy-Market. In order to respond to this trend, Kumho Tire expanded its product lineup for its PS91, HP91, and Majesty SOLUS. As a result, sales of UHP<sup>ultra high performance</sup> products increased. In addition, despite adverse conditions of worsening competition and poor consumption, the company steadily recovered its market share in 2015 through continuous quality enhancement and customer-oriented business activities. While the unstable market situation is expected to continue, Kumho Tire will explore new markets by further expanding customer-oriented promotion and B2B partnerships.

**NORTH AMERICA**

**OE** As the North American market recovers, car sales are also expected to take a favorable turn. In fact, due to low oil prices and the growing demand for high-inch sized tires, sales of large-sized cars and luxury cars largely increased in 2015. Now that Kumho Tire has completed its Georgia plant and entered into full-scale production, it will secure cost competitiveness and improve supply capacity to gradually expand its share in the North American market.

**RE** While 80 percent of new cars sold in the North American market used 17-inch tires and above in 2015, imports of high-inch tires made in Southeast Asia drastically increased, causing market prices to drop. Kumho Tire has expanded its ability to supply high-inch tires with the completion of its Georgia plant and will be a leader in the high-profit market through aggressive price management.

**EUROPE**

**OE** According to continuing economic recovery trends, car sales are also increasing. What is notable is the increasing demand for green cars and low energy-consumption tires due to reinforced environmental regulations. The global tire industry is focusing on supplying low-weight green tires in response to such trends and expanding the application of tires that improve drivers' stability to new cars. In 2016, Kumho Tire will carry out a two-track strategy: expanding sales volume by targeting volume zone manufacturers of entry cars, sedans, SUVs, and family cars, while also pursuing qualitative growth by targeting premium automakers.

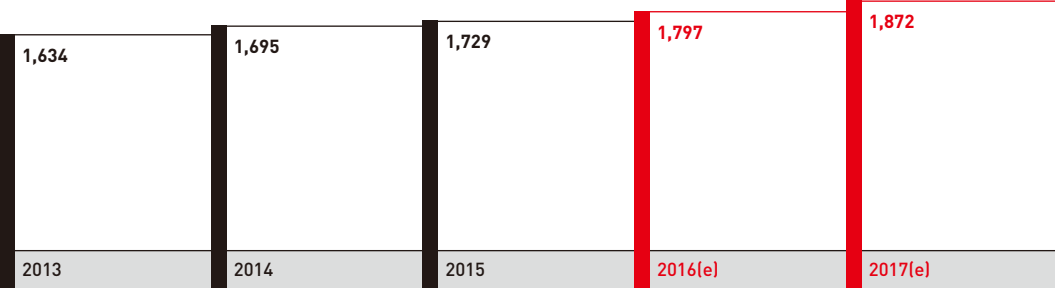
**RE** Increased demand for SUVs due to low oil prices, decreased demand for winter tires due to abnormal temperatures and fiercer price competition in the global market caused by economic problems in emerging countries and anti-dumping tariffs against Chinese tires are key factors that describe the RE tire market in 2015. Kumho Tire will rapidly respond to these market conditions. It will expand direct sales through warehouses in major countries where it conducts business and improve marketing networks. In addition, the company will improve profitability by adjusting unit prices in some regions and increase sales of four-season tires and summer tires as the demand for winter tires is forecasted to continuously decrease.

**OTHER REGIONS**

**OE** Because of an economic slowdown in emerging markets according to a drop in oil prices and raw materials as well as weak local currencies, demand for cars in other markets except Europe and the U.S. is forecasted to decrease. Only the Indian market is expected to expand due to low oil prices, low interest rates, and an increased release of new cars. Kumho Tire plans to target the ASEAN region by using its production facilities in Vietnam, and carry out the company's strategy to increase clients by improving price competitiveness.

**RE** Overall economic slowdown and decreased consumption power in emerging countries led to decreased sales volume. Also, rapidly changing foreign exchange rates and U.S. sanctions against Iran made sales volume lower, while the sales volume of PCRs with high profitability as high-inch tires was also sluggish. Kumho Tire will expand premium business partners, reinforce its product lineup, and concentrate on fostering hub countries with high market potential. In addition, it will enhance profitability by reinforcing price management through sales of high-inch tires and the management of contribution margin for each tire specification.

TRENDS AND PROSPECTS FOR GLOBAL TIRE DEMAND [Source: LMC] [million tires]





THE ROAD TO TECHNOLOGY LEADERSHIP

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The Georgia plant entered into full-scale operation after many efforts. For Kumho Tire, the Georgia plant has more meaning than the plant facility itself, with an annual production capacity of 4 million units. It will be the foundation for the company to take another step for rapid growth and become a global tire maker, while also overcoming difficulties in Korea and abroad after completing its workout process.

## NEW MILESTONE IN THE NORTH AMERICAN MARKET

In the North American market, which occupies 19.8 percent of the global tire market, Kumho Tire set another milestone by starting mass-production at its Georgia plant, where construction was resumed in July 2014. There are many production bases of international automakers located near the Georgia plant, including Hyundai Motor (296 km away) and Kia (177 km away), so it is easy to secure new OE supply channels while responding to changes in local markets more rapidly. Another great result is that Kumho prepared a bridgehead for targeting Europe and Latin America.

### KUMHO TIRE GEORGIA PLANT

Year of Establishment  
2016

Site area  
528,438 m<sup>2</sup>

Floor area  
81,001 m<sup>2</sup>

Number of employees  
365



### GWANGJU PLANT

Year of Establishment  
1974

Site area  
415,084 m<sup>2</sup>

Floor area  
294,539 m<sup>2</sup>

Number of employees  
1,873



### GOKSEONG PLANT

Year of Establishment  
1989

Site area  
527,298 m<sup>2</sup>

Floor area  
241,901 m<sup>2</sup>

Number of employees  
1,745



### PYEONGTAEK PLANT

Year of Establishment  
2003

Site area  
43,863 m<sup>2</sup>

Floor area  
26,104 m<sup>2</sup>

Number of employees  
138



### NANJING PCR PLANT

Year of Establishment  
1996

Site area  
187,900 m<sup>2</sup>

Floor area  
131,125 m<sup>2</sup>

Number of employees  
1,739



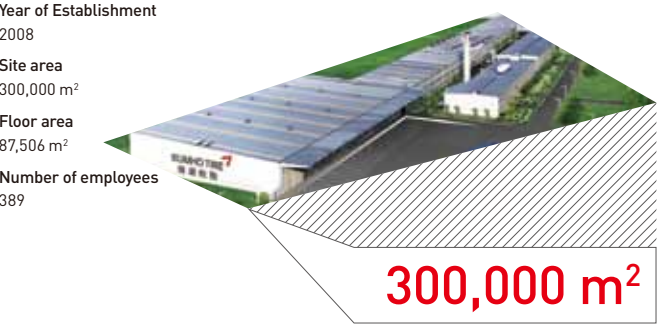
### NANJING TBR PLANT

Year of Establishment  
2008

Site area  
300,000 m<sup>2</sup>

Floor area  
87,506 m<sup>2</sup>

Number of employees  
389



### TIANJIN PLANT

Year of Establishment  
2006

Site area  
310,105 m<sup>2</sup>

Floor area  
99,991 m<sup>2</sup>

Number of employees  
1,501



### CHANGCHUN PLANT

Year of Establishment  
2007

Site area  
226,015 m<sup>2</sup>

Floor area  
81,800 m<sup>2</sup>

Number of employees  
662



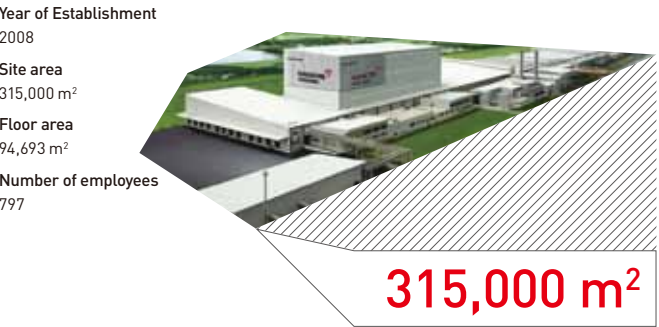
### VIETNAM PLANT

Year of Establishment  
2008

Site area  
315,000 m<sup>2</sup>

Floor area  
94,693 m<sup>2</sup>

Number of employees  
797



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RAPID GROWTH AS A GLOBAL COMPANY

Last year, the total number of vehicles sold in the U.S. stood at 1747 million, up 5.7 percent over the previous year, and the largest figure in 16 years. What led such high growth was small-sized trucks (9.72 million units sold), representing a 13 percent increase. Among these truck sales, pick-up trucks (2.54 million units sold) increased 9.7 percent over the previous year. The Georgia plant paid attention to this and will focus on the production of high-inch tires for small-sized trucks. As high-inch tires are classified as high value-added products, the production plan is expected to largely contribute to enhancing Kumho’s ability to respond to markets and increasing profitability. Also, the plant will mass-produce high-quality tires to supply automakers that have OE partnerships with Kumho Tire.

On top of these achievements, the Georgia plant has great symbolic value to Kumho Tire, which is taking another step forward as a leading global company. When the Georgia plant is fully operational, it will be the first production base for Kumho in a region outside Asia where an overseas production base will exceed domestic production for the first time. This has the effect of lowering uncertainties caused by tariffs, oil prices, and changing foreign exchange rates when exporting tires. Furthermore, it can enhance the company’s ability to respond to changes in the market and local trends.

2016 PLANS AND PROSPECTS

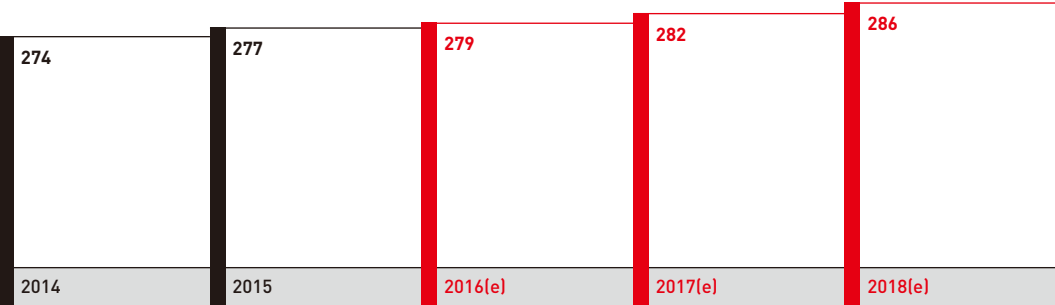
The Georgia plant is equipped with a production system for 4 million units a year. Currently, it is supplying products for Hyundai, Kia, and Chrysler. Supply will be expanded starting with Volkswagen at the end of 2016 and with other major carmakers such as BMW and GM. With an increasing number of cars sold in the U.S., Hyundai and Kia are also showing strong performance results. Accordingly, Kumho Tire is expected to achieve excellent results in the first year of the Georgia plant’s operation.

In the Chinese market, which is clearly recovering, Kumho Tire is preparing to take another big step for growth while it completes the movement of its Nanjing plant, which is scheduled for March 2017. The Nanjing plant, which is currently divided into a PCR<sup>passenger car radial</sup> plant and a TBR<sup>truck bus radial</sup> plant, will be integrated into one to improve efficiency, and Kumho Tire will work hard to produce world-class, high-quality tires with cutting-edge facilities and technology. Furthermore, it is expected that Kumho can expand its OE tire supply for global premium brands when the new Nanjing plant enters into operation.

PROSPECTS FOR THE NORTH AMERICAN TIRE MARKET

(Source: LMC)

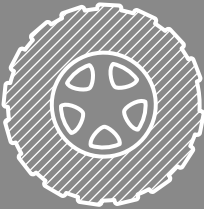
[million tires]



2015 Key Figures

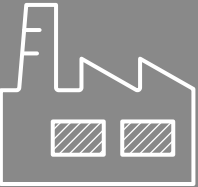
ANNUAL PRODUCTION SCALE OF THE GEORGIA PLANT  
[million tires]

4



DISTANCE FROM HYUNDAI MOTOR/KIA MOTORS PLANTS  
[km]

296/177



ANNUAL CAR SALES VOLUME IN THE U.S. MARKET  
[million units]

17



CAR SALES INCREASE IN THE U.S. MARKET OVER 2014  
[%]

5.7



NUMBER OF DOMESTIC EMPLOYEES  
[persons]

5,039



NUMBER OF OVERSEAS EMPLOYEES  
[persons]

6,018





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# TECHNOLOGY LEADERSHIP

Technology leadership is a source of pride for Kumho Tire, which has worked hard to make excellent products through technological innovation. The Central R&D Center in Yongin will be the foundation for taking another step for growth and pave the way for expanding OE partnerships with global automakers. Instead of simply relishing today’s achievements, Kumho Tire will take one step further to become a global technology leader through constant investments and efforts for a better tomorrow.

## OE PARTNERS

Kumho Tire maintains OE partnerships with various global automakers such as Chrysler, Mercedes-Benz, Volkswagen, and BMW. Also, the company has had its superior technology recognized as it increased the market share of its UHP tires in the U.S. the world’s largest premium tire market and Europe. Based on this, there were distinct achievements Kumho has made recently, including the company’s supplying of OE tires for the 2016 Dodge Viper ACR, an American sports car.

## CUSTOMER VALUE MAXIMIZER

While Kumho Tire grows as a global company, employees’ ceaseless efforts and enthusiasm as well as customers’ trust has been behind it. The company’s move to provide better products for customers has also led the company to be recognized by various evaluations as the leading tire company in Korea. In 2015, Kumho Tire 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. for the eighth consecutive year. The company was also ranked No. 1 for 11 consecutive years in the automotive tire category by the Korea Customer Satisfaction Index (KCSI) by Korea Management Association Consulting.

## GLOBAL OE PARTNERS

- DAIMLER
- VOLKSWAGEN
- BMW
- FCA
- RENAULT
- HYUNDAI-KIA

## KOREAN AWARDS RECEIVED IN 2015

- Korea Best Brand Award in the tire category by Forbes Korea (2012-2015)
- TIRE PRO, Grand Prize in the tire store category at the 2015 Best-Loved Brand of Korea Awards by Chosun Biz
- Ranked No. 1 as a Brand Star in the tire category by Brandstock Corp. (2008-2015)
- Ranked No. 1 in the tire category at the National Brand Awards by Joongang Ilbo Economist (2012-2015)
- Ranked No. 1 in the automotive tire category by the Korea Management Association Consulting’s Korean Customer Satisfaction Index (KCSI) (2005-2015)
- TIRE PRO ranked No. 1 in the tire store category by Korea Management Association Consulting’s Korea Sales Service Satisfaction Index (KSSI) (2014-2015)
- Ranked No. 1 in the automotive tire category by the Korea Management Association’s Korean Net Promoter Score (KNPS) (2008-2015)
- Good Design Award (Korea) for the sealant tire and SOLUS HA31

## FOREIGN AWARDS RECEIVED IN 2015

- Red Dot Design Award in the product design category for the ECSTA HS51, CRUGEN HP91, and the sealant tire (2012-2015)
- Golden Dragon Award/Ranked No. 1 in the tire category (2014-2015)
- Green Good Design Award (U.S) for the ECOWING S, ECOWING ES01, WATTRUN VA31
- A’ Design Award for the MAXPLO, MAXTREME, CRUGEN HP91, ECSTA HS51
- Good Design Award (U.S.) for the ECSTA PS91, KRA50
- Gold Prize in the Best Touch/Gesture Interactive category at Event Technology Awards

## MOTOR SPORTS

In the world of motor sports, one thousandth of a second can make all the difference when it comes to winning or losing. Therefore, the finest difference in product quality may directly change the result. 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 changing 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 proven its technological prowess by officially supplying tires for some of the most renowned racing competitions around the world. In fact, Kumho Tire has supplied tires for the Auto GP World Series for three consecutive years, while also gaining a foothold to enter F1 as the company succeeded in the development of F1 tire specifications. Furthermore, the Audi R8 LMS ULTRA, equipped with Kumho tires, won SP9, the highest class of Germany’s VLN series, proving Kumho’s technological prowess once again.

Kumho Tire will increase its influence with global motor sports competitions through technological prowess based on passion and tenacity, and continue to work hard to produce the world’s best racing tires.

## ECSTA RACING TEAM

Launched in March 2014, the ECSTA Racing Team reached the top in just two years when the team won the 2015 CJ SUPERRACE, Korea’s leading car racing competition. The driving forces for the success were the technological prowess of Kumho Tire—the first Korean company that owns technology for manufacturing F1 tires—and strong teamwork that has been formed over a short period. Kumho Tire was able to prove its technical excellence once again by winning a racing championship that tests the limit of automobiles and tires.

## PARTICIPATION IN MAJOR MOTOR SPORTS GLOBALLY



- China: China Touring Car Championship / China Formula Grand Prix
- United Kingdom: BMW Challenge
- France: French Autocross
- Netherlands: Masters of F3
- Australia: Australia Rally Championship(ARC), Australia F3, V8 Touring

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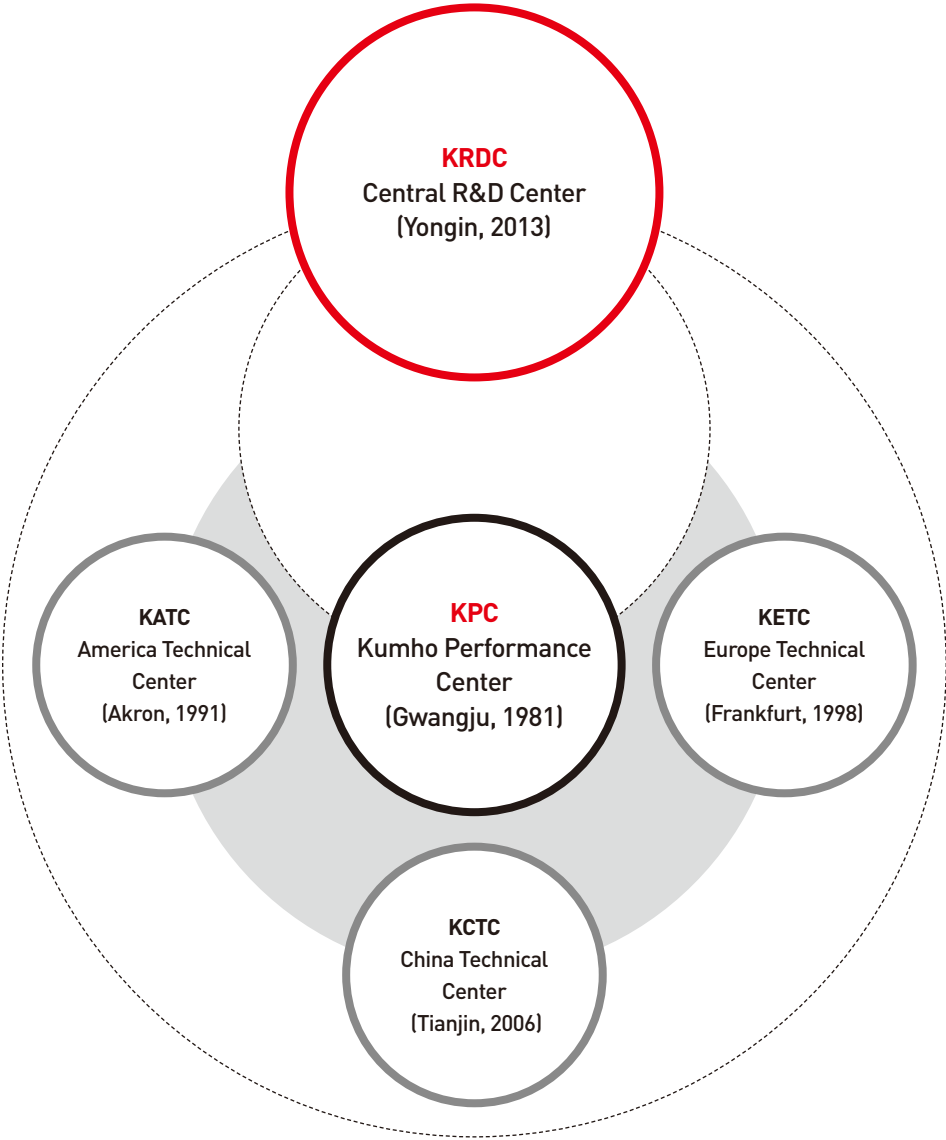
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# RESEARCH AND DEVELOPMENT

Among global tire makers, heated competition has played a leading role in the market by securing a higher level of technology that is becoming fiercer every year. Kumho Tire does not simply relish its past achievements but tries to grow to the next level through cooperation with its Central R&D Center and overseas technical centers.



## GLOBAL R&D NETWORK

With the Central R&D Center in Yongin, Gyeonggi-do at the center, Kumho Tire established a global R&D network that connects major markets across the world: the Kumho Performance Center in Gwangju, the Kumho America Technical Center, the Kumho Europe Technical Center, and the Kumho China Technical Center. Each technical center has various equipment for experiments and excellent human resources, and has worked hard to develop products that reflect the characteristics of each local market, while focusing on subdivided research areas. As a result, they concentrated on driving performance in Korea in response to the increasing release of high-performance vehicles, while reinforcing durability and abrasion resistance in China, where mileage is high and road conditions are relatively unstable. Also, there was increasing demand for snow tires in the U.S. due to unusual weather that often occurred recently and in Europe, the safety-first trendsetter in the market, which led to R&D focusing on braking force and handling performance.

## R&D PERFORMANCE IN THE PRESENT PROGRESSIVE FORM

Kumho Tire had its technological prowess recognized earlier when it became the first Korean company to develop radial tires for cars in 1973 and tires for fighter planes in 1975, and when it released run-flat tires in 1999. 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.

Recently, the automobile tire industry's paradigm changed, focusing on the environment and safety. Accordingly, Kumho is developing new products in order to preoccupy the market. In 2014, the company launched WATTRUN, Korea's first tire produced specifically for electric vehicles after over two years of R&D. Another product released in the same year was a sealant tire, which considers both the environment and drivers' safety by applying innovative technology of self-sealing when a substance penetrates the tire.

In order to provide a comfortable, pleasant driving environment for consumers, Kumho Tire released sound-reducing tires 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 has resulted in an eight percent improvement in sound absorption in comparison to the company's existing premium products.

## A TECHNICAL PARTNERSHIP WITH THE YOKOHAMA RUBBER COMPANY

Kumho tire made an agreement with the Yokohama Rubber Company in 2014 for cooperation with R&D. Both companies have been continuously carrying out their technology relationship and joint development on future technology. This technical partnership is expected to grow technological prowess one step further for both companies.



# The Road to

# Customer Satisfaction



In the global business environment, with increasingly fierce competition, maintaining consistent brand value is one of the most important tasks for a company. Kumho Tire actively uses a variety of sports and culture marketing in order to promote its top-notch technology and customer-oriented corporate philosophy in the global market.



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# SPORTS MARKETING

Kumho Tire studies popular sports in each region and conducts marketing in various fields of sports including golf, basketball, baseball, and football. Focusing on Europe and the U.S., which lead the global tire market, the company is gradually expanding its sports marketing into China, Australia, and South America.



Kumho Tire has worked on various marketing initiatives under an official sponsorship agreement with the NBA signed in 2014, as basketball is considered one of the four major sports in North America. Kumho Tire’s logo was shown via basketball courts, players’ uniforms, and electronic boards. Also, interactive screens were installed at some of New York’s subway stations and achieved the effect of exposing the brand 460 million times. In 2015, TV audiences of the NBA final surpassed 20 million in the U.S. alone. With such a hit, Kumho Tire’s brand value was also enhanced.

In Europe, starting with the sponsorship agreement with Manchester United, the U.K.’s internationally renowned football team, Kumho Tire is working on partnerships with Germany’s Hamburg SV, FC Schalke 04, and Hertha BSC. In addition, the company started advertising at soccer fields for the games of well-known teams of Spain’s Primera División, such as Real Madrid, AT Madrid, and FC Barcelona, in 2015.

Kumho Tire hosts 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, the company is planning to carry out even more aggressive marketing activities there.

In addition, the company is investing in professional baseball, one of the most popular sports in Korea. Kumho Tire has maintained a sponsorship agreement with the Kia Tigers, a renowned professional Korean baseball team, and showed the company’s logo on players’ uniforms, advertisements on electronic boards, promotions via tickets, and summer festivals. It also showed advertisements at Sajik Baseball Stadium, Lotte Giants’ home field in Busan.

Sponsorship	
Korea	<ul style="list-style-type: none"><li>· Sponsor for the Kia Tigers uniforms</li><li>· Advertisements at Lotte Giants’ home field</li><li>· Sponsor for the professional golfer Chang Hana</li></ul>
China	<ul style="list-style-type: none"><li>· Sponsor for the professional golfer Peng Shanshan</li><li>· Sponsor for the KLPGA Kumho Tire Ladies Open</li></ul>
USA	<ul style="list-style-type: none"><li>· Official NBA tire sponsor</li></ul>
Spain	<ul style="list-style-type: none"><li>· Sponsor with advertisements for major teams of the Primera División (except Real Madrid)</li></ul>
Netherlands	<ul style="list-style-type: none"><li>· Sponsor for the football team ADO Den Haag</li></ul>
Australia	<ul style="list-style-type: none"><li>· Sponsor for NRL’s Dragons</li><li>· Sponsor for Australian PGA Partnership</li></ul>
Colombia	<ul style="list-style-type: none"><li>· Sponsor for the football team Millionarios</li><li>· Sponsor for the football team Nacional</li></ul>
Germany	<ul style="list-style-type: none"><li>· Sponsor for Bundesliga’s FC Schalke 04</li><li>· Sponsor for Bundesliga’s Hertha BSC</li></ul>



# GLOBAL MARKETING

Kumho Tire adds special value to its products and gains customers’ trust through marketing strategies that consider regional characteristics and cultural differences. The company is gaining a stronger foothold not only in the U.S. and Europe, which leads the tire market, but also around the world.



**USA**

**NBA Sponsorship** In response to economic recovery in the U.S., the world’s largest tire market, and increased production capacity due to the completion of our Georgia plant, Kumho Tire is carrying out large-scale marketing there. In 2014, Kumho Tire became the first Korean company that signed an official sponsorship agreement with the NBA D-League. 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.



**CHINA**

**Auto Shanghai 2015** Kumho Tire presented 10 hit products in the Chinese market in 2105, such as the ECSTA PS91, HS81, SOLUS HS61, and WINTERCRAFT WI61 at Auto Shanghai, one of the largest motor shows in Asia. On the first day of the show, top actress Liu Yifei visited Kumho Tire’s exhibition booth and brought much attention. The company also held a signing ceremony for a sponsorship agreement with the China Touring Car Championship (CTCC), China’s largest scale competition. By organizing various events like these, Kumho Tire has become a more familiar tire brand to Chinese customers.



**EU**

**Frankfurt Motor Show** Kumho Tire participated in the Frankfurt Motor Show, one of the top five motor shows in the world, and displayed various products to boast the company’s technological prowess while largely enhancing brand awareness by installing billboards on the roads around the exhibition venue, the entrance to it, and around the hall. Kumho Tire’s technological prowess was also widely promoted through WATTRUN (tires exclusively for electric vehicles), which were completed after over two years of R&D, Kumho’s sealant tire (that prevents air leakage through self-sealing when a tire is punctured), and concept tires for SsangYong Motor’s SUV concept cars (XAV, XLV).



**AUSTRALIA**

**Expansion of Platinum Shops** Since founding its Australian subsidiary in 1988, Kumho Tire has established a strong distribution network. Recently, Kumho Tire has built a stable retail channel by expanding platinum shops, a group of dealers with high brand loyalty. As of 2015, a total of 67 platinum shops were open and the company will increase the number up to 90 in 2016, establishing a foothold for growing influence in the market. Also, to improve service quality, Kumho Tire is localizing its domestic sales knowhow for the Australian market, and operates separate training programs and conferences for dealers.



**GEM(Global Emerging Markets)**

**Focused Marketing for Strategic Countries** Kumho Tire’s 10 branches located across the world are actively engaged in marketing toward 66 countries with high growth potential to increase sales there. The company is strategically targeting Mexico, Columbia, Iran, Saudi Arabia, and Malaysia to focus on overcoming a sense of difference caused by regional characteristics while gaining trust from local markets. In 2013, the company started to run support programs for overseas distribution channels and will improve brand awareness in each region by opening 60 places within the distribution network in 2016.

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# BRAND PORTFOLIO

Kumho Tire develops a wide range of products considering vehicle characteristics and driving environment so that customers can drive with safety and convenience in any circumstances. The company is gaining trust by providing what customers really want, from UHP tires to eco-friendly tires that take into account sustainable growth.



ecowing

ECOWING

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

WATTRUN

WATTRUN

Low-weight, high-power tires exclusively for electric vehicles. They can support high-weight, high-power vehicles.

SENSE

SENSE

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

ECOWING ES01(KH27), ECOWING S(KH50)

WATTRUN VA31(VA31)

SENSE KR26(KR26), SENSE SUV(KL26)

ROAD VENTURE

ROAD VENTURE

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

PorTran

PORTRAN

Multi-functional tires optimized for light commercial vehicles (LCVs)

WinterCRAFT

WINTER CRAFT

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

ROAD VENTURE AT51(AT51), ROAD VENTURE MT(KL71)

PORTRAN KC53(KC53), PORTRAN KC55(KC55)

WINTERCRAFT KW27(KW27), WINTERCRAFT WP51(WP51), WINTERCRAFT ICE WI31(WI31)

SOLUS

SOLUS

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

MAJESTY SOLUS(KU50), SOLUS TA31(TA31)

ECSTA

ECSTA

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

ECSTA PS91(PS91), ECSTA V720(V720), ECSTA LE SPORT(KU39), ECSTA HS51(HS51), ECSTA 4X II (KU22)

CRUGEN

CRUGEN

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

CRUGEN HP91(HP91), CRUGEN PREMIUM(KL33), CRUGEN HT51(HT51)





# The Road to



As a leading global company, Kumho Tire works hard for eco-friendly business activities and always fulfills its corporate responsibility. The company keeps a wide range of communication channels open so that what customers want can be reflected in product development while pursuing social contribution in many areas such as the Pink Ribbon Campaign and support for child education.

# Win-Win Partnerships

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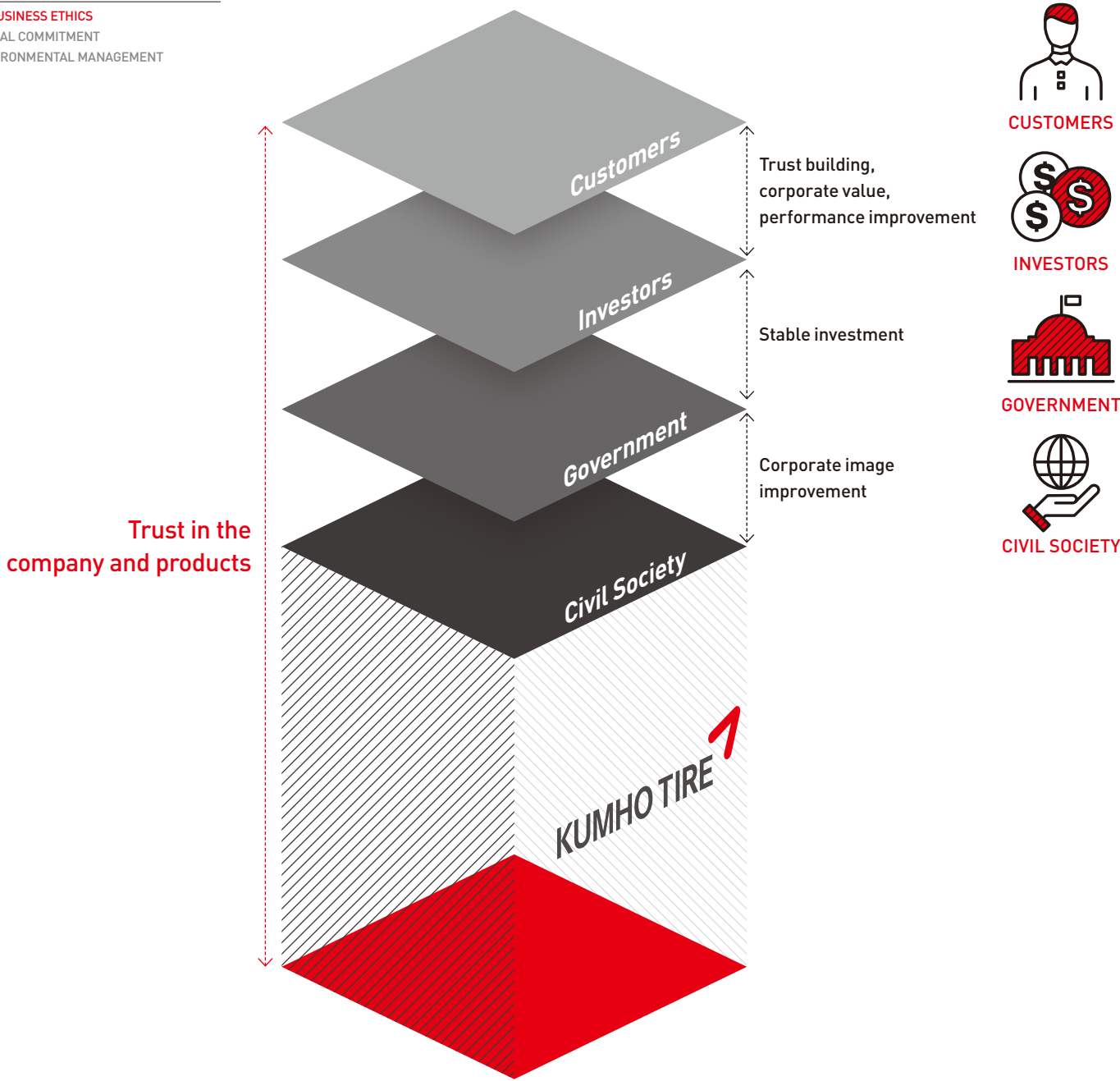
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# BUSINESS ETHICS

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 tirelessly to meet its corporate social responsibilities and contributes to realizing a fair society for everyone through well-crafted business activities based on fair business principles.



As it believes that only ethical companies can make a better tomorrow for everyone, Kumho Tire is hard at work to be a healthy, and reliable company that keeps its promises and fulfills its social responsibilities. To ensure this is always done properly, the company established its own code of ethics with detailed rules and regulations. Kumho Tire also has units and programs to effectively conduct ethical management and constantly holds training programs for its employees.

In 2014, the company held an ethical management conference with heads and executives from a total of 78 business partner companies in order to grow together based on mutual trust among stakeholders of the company. It was an opportunity to confirm the business principle that they would do their utmost for customer satisfaction and build future-oriented partnerships based on mutual respect and trust.

Also, Kumho Tire carries out socially beneficial practices in various ways around the world with the active participation of all employees. Under the recognition that business partners’ competitiveness is directly connected to Kumho’s competitiveness, the company earnestly invests in win-win management, so Kumho Tire helps business partners grow by 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

Kumho Tire has constantly sought for win-win partnerships to grow together with business partners based on strong mutual trust. 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. Currently, the company puts many win-win strategies into practice through several programs and a safety management campaign. There are also 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 provided some selected partners with management training-in 2015. In total, 11 companies were selected as excellent partners. As a result of this effort, Kumho Tire recorded 83.1 points (a 1.7-point increase over the previous year) in the satisfaction survey with 149 business partners, while their satisfaction with win-win & ethical management was 84.4, the highest total of all detailed criteria.

Kumho Tire also supports training programs for employees of business partners. The company attended the International Machinery Fair held in May 2015, seeking ways to reinforce business partners’ competitiveness and conducted a variety of programs to maximize sales, such as training for customer management and software utilization.



THE ROAD TO TECHNOLOGY LEADERSHIP

VISION AND STRATEGY

BUSINESS REVIEW

ISSUE SECTION

TECHNOLOGY LEADERSHIP

RESEARCH AND DEVELOPMENT

THE ROAD TO CUSTOMER SATISFACTION

SPORTS MARKETING

GLOBAL MARKETING

BRAND PORTFOLIO

THE ROAD TO WIN-WIN PARTNERSHIPS

BUSINESS ETHICS

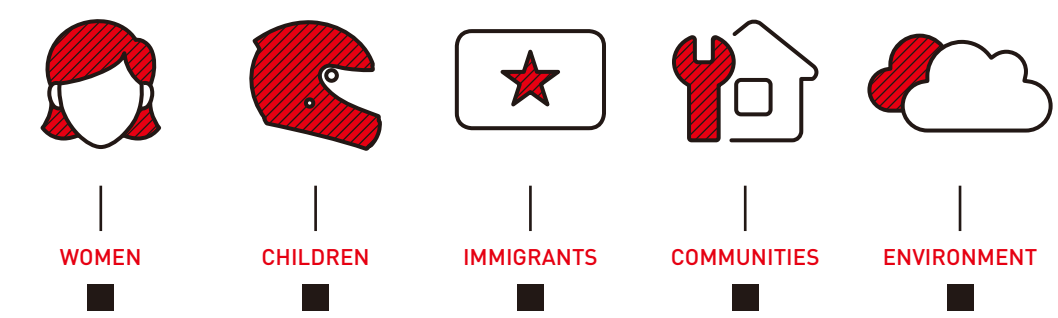
>> SOCIAL COMMITMENT

ENVIRONMENTAL MANAGEMENT

# SOCIAL COMMITMENT

In order to fulfill corporate social responsibility and to contribute to society, Kumho Tire is expanding CSR activities in many areas. The company continuously carries out campaigns that are in harmony with its corporate characteristics and induces employees’ voluntary participation to realize the Kumho Asiana Group’s slogan: A beautiful corporation.

FOR



**FOR WOMEN**

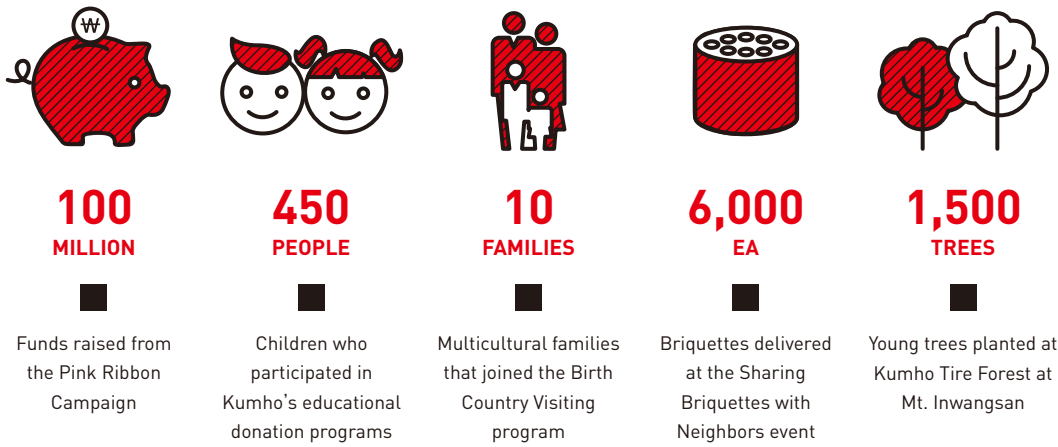
Kumho Tire has been a sponsor of the Pink Ribbon Campaign in order to raise awareness of women’s self-diagnosis and early detection of cancer since June 2012 under an agreement with the Korea Breast Cancer Foundation. The company conducted fundraising activities at TIRE PRO stores and dealer shops, and delivered KRW 100 million to the foundation including donations from customers. Earlier, in October, over 200 people (employees and their family members) joined the Pink Ribbon Love Marathon. Moreover, Kumho Tyres Australia participated in the Pink Fitters Day event—which influenced the launch of the Pink Ribbon Campaign in Korea—for six consecutive years.

**FOR CHILDREN**

Kumho Tire has been running a donation program for motor sports training for young students since 2012. In 2015, exciting events such as Pit Walk and Taxi Time were held at racetracks in Inje, Gangwon-do, Yeongam and Jeollanam-do, where Super Race events took place, giving people a chance to meet professional racers. As a result, Kumho Tire won a prize at the Ministry of Education’s Korea Educational Donation Awards. In addition, a Future Belongs to Children fund will be established to support a special school located in China by 2017.

**FOR IMMIGRANTS**

Kumho Tire runs a program for multicultural families to visit Vietnam for both economic development and friendship promotion. In 2012, the company began supporting the Association of Vietnamese Communities in



Korea and has lent a helping hand in many ways, including monetary support for office expenditures, opening Korean language school, and sponsoring Vietnamese culture festival. When workers get injured at Kumho Tire’s production plant in a Vietnam, the company covers all their medical bills and even sends them to Korea for rehabilitation, if necessary.

**FOR COMMUNITIES**

In order to reduce the hardship for economically distressed and socially challenged people in society, Kumho Tire provides community services every year. Since 2007, the company has voluntarily repaired houses for low-income families on an annual basis. Kumho Tire also helps local senior citizens who live alone through its Sharing Gimjang Kimchi with Neighbors and Sharing Briquettes with Neighbors events at the end of every year. Also, it has conducted Love Your Neighbors campaign since 2002 to provide food and supplies for ancestral rites on traditional holidays to senior citizens who live alone and at senior welfare centers.

**FOR ENVIRONMENT**

In order to reduce air pollution and provide pleasant resting areas for citizens, Kumho Tire founded the “Beautiful Kumho Tire Forest” at Mt. Inwangsan, Seoul. In April 2015, the company’s 400 employees planted 1,500 trees, which are expected to absorb 195 tons of carbon dioxide over the next 30 years. Additionally, Kumho Tire will expand social contribution activities with citizens’ participation and further contribute to urban greening activities based on its experience with a variety of environmental campaigns, such as making family flower pots in association with Seoul City and participating in the Seoul Garden Show.

THE ROAD TO TECHNOLOGY LEADERSHIP

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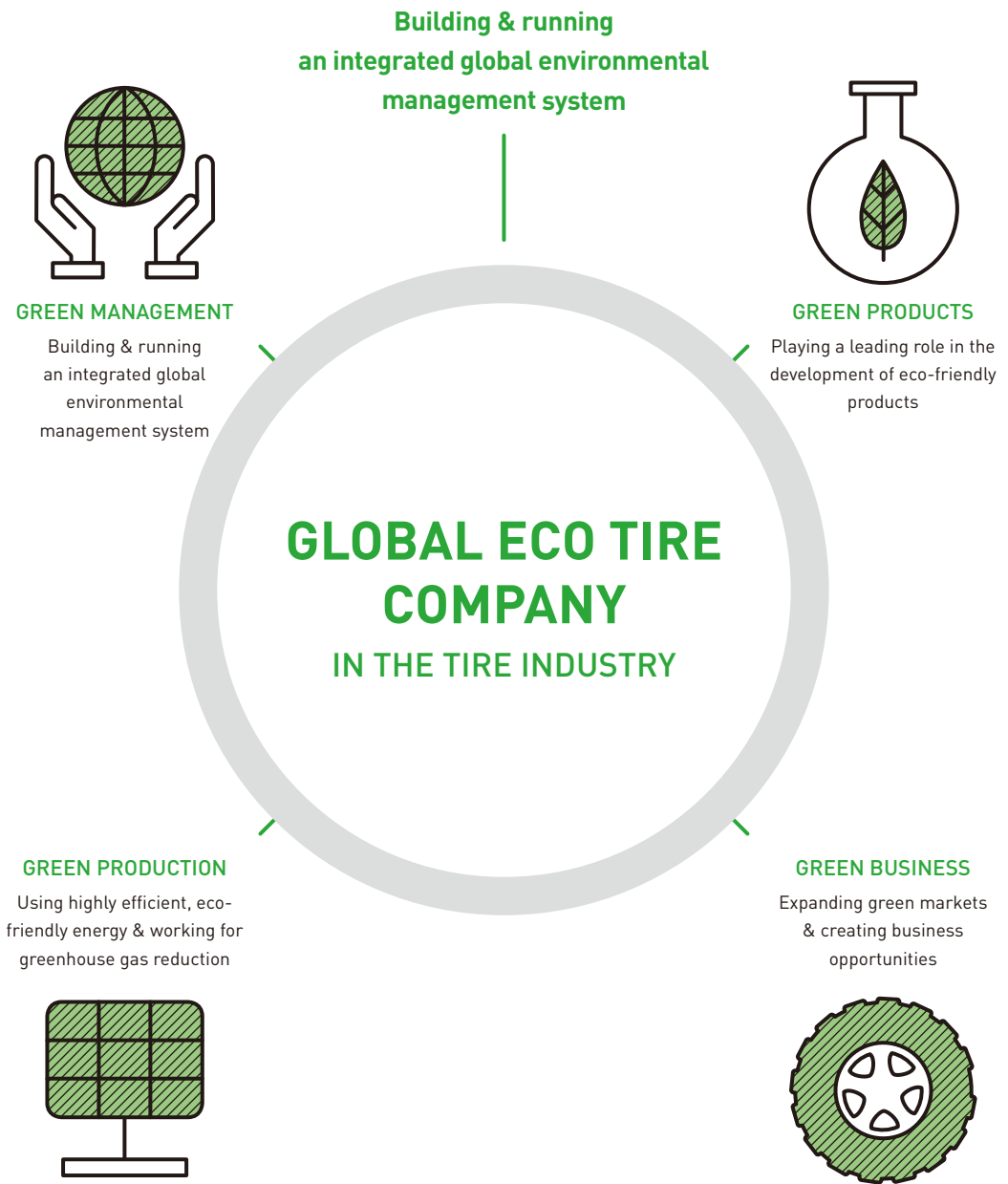
BUSINESS ETHICS

SOCIAL COMMITMENT

>> ENVIRONMENTAL MANAGEMENT

# ENVIRONMENTAL MANAGEMENT

In order to create a society where companies, people, and the environment can coexist and sustainably grow, Kumho Tire practices eco-friendly management in all areas of its business, ranging from R&D to sales. In doing so, the company will constantly grow as one of the world's highest level of eco-friendly companies and to hand down unpolluted nature to future generations.



## GREEN MANAGEMENT: GLOBAL ENVIRONMENTAL MANAGEMENT SYSTEM

Since receiving the ISO 14001 (Environmental management systems—Requirements with guidance for use) certificate for the first time in the Korean tire industry, Kumho Tire has been pursuing eco-friendly management at all of its business sites while the certificate's more stringent requirements went into effect. In order to respond to environmental issues that are becoming increasingly important, the company refurbishes organizations and actively invests in facilities to satisfy in-house standards that are much higher than legal requirements. Also, it concentrates company-wide capabilities to conduct regular activities to protect the environment and firmly establishes this mentality within the public.

## GREEN PRODUCTS: DEVELOPMENT OF ECO-FRIENDLY PRODUCTS

Kumho Tire tries to reduce environmental pollution by continuously releasing eco-friendly products based on exclusive designed technology. To better respond to rigorous environmental regulations in many countries around the world, the company adopted a tire labelling system (energy efficiency level system) in 2013 and invested a significant effort in the improvement of products that meet each country's certificate standards. 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 has also taken the initiative in using 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. Furthermore, Kumho Tire is concentrating on the reduction of its climate impact and risk management by adopting an emissions trading management system and K-GEMS (Kumhotire Greenhouse gases Emission Management System) to actively respond to global issues such as climate change and greenhouse gas policies.

## GREEN BUSINESS: GREEN MARKETS & BUSINESS OPPORTUNITIES

With consumers' interest and demand for eco-friendly products growing, green markets are continuously expanding. Kumho Tire has contributed to the expansion of green markets by developing green products such as ECOWING (with high energy efficiency) and WATTRUN (exclusively for electric vehicles), the first of their kind in the industry. To preemptively respond to emissions trading, which went into effect in 2015, the company is doing its utmost to create opportunities via emissions trading by connecting its investments in change to eco-friendly fuels and in highly efficient reduction of energy consumption with management, as well as investment strategies for emissions trading.



# CONSOLIDATED FINANCIAL STATEMENTS

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## 01 Independent auditors' report

The Stockholders and Board of Directors  
Kumho Tire Co., Inc.

We have audited the accompanying consolidated financial statements 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, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated 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 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, 2015 and 2014, and the results of its financial performance and cash flows for the years then ended in conformity with Korean International Financial Reporting Standards.

March 16, 2016

This audit report is effective as at March 16, 2016, 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 companying consolidated financial statements and may result in modifications to this report.

02 Consolidated statements of financial position

as at December 31, 2015 and 2014 [Korean won in millions]

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	₩ 243,881	₩ 197,113
Financial deposits	173,689	252,923
Available-for-sale financial assets	2	-
Trade receivables, net	590,789	608,448
Loans and other receivables, net	28,572	19,863
Inventories, net	543,154	577,413
Other current financial assets	51,420	46,072
	1,631,507	1,701,832
Non-current assets		
Financial deposits	237	247
Available-for-sale financial assets	103,025	108,456
Long-term loans receivables	1,107	296
Property, plant and equipment, net	2,997,569	2,509,670
Intangible assets, net	34,715	41,580
Investment properties	251,801	258,041
Deferred income tax assets	160,986	151,015
Other non-current assets	39,030	33,525
	3,588,470	3,102,830
Total assets	₩ 5,219,977	₩ 4,804,662



02 Consolidated statements of financial position

as at December 31, 2015 and 2014

[Korean won in millions]

	2015	2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	₩ 372,064	₩ 442,008
Short-term borrowings	1,217,418	869,326
Current portion of long-term borrowings	480,057	27,995
Other payables	359,991	290,561
Other current liabilities	30,811	26,971
Current income tax liabilities	6,301	43,584
	2,466,642	1,700,445
<b>Non-current liabilities</b>		
Long-term borrowings	1,083,073	1,524,285
Defined benefit liability	149,768	133,357
Other employee benefits	22,837	17,514
Product warranty provision	30,321	48,511
Other non-current liabilities	109,263	13,276
Deferred income tax liabilities	16,909	20,204
Derivative liability	1,877	1,856
Provision for litigation	78,490	19,221
	1,492,538	1,778,224
<b>Total liabilities</b>	<b>3,959,180</b>	<b>3,478,669</b>
<b>Equity</b>		
Issued capital	789,966	789,966
Share premium	246,693	246,693
Other components of equity	-19,538	-19,538
Accumulated other comprehensive income	40,933	34,773
Retained earnings	84,812	157,130
Non-controlling interests	117,931	116,969
<b>Total equity</b>	<b>1,260,797</b>	<b>1,325,993</b>
<b>Total liabilities and equity</b>	<b>₩ 5,219,977</b>	<b>₩ 4,804,662</b>

03 Consolidated statements of comprehensive income

for the years ended December 31, 2015 and 2014

[Korean won in millions, except per share amounts]

	2015	2014
<b>Sales</b>	<b>₩ 3,040,407</b>	<b>₩ 3,437,869</b>
Cost of sales	-2,265,092	-2,425,489
<b>Gross profit</b>	<b>775,315</b>	<b>1,012,380</b>
Selling and administrative expenses	-639,352	-653,981
<b>Operating profit</b>	<b>135,963</b>	<b>358,399</b>
Other income	95,169	92,629
Other expense	-165,243	-139,539
Finance income	18,920	19,717
Finance costs	-150,289	-157,820
<b>Profit (loss) before income tax</b>	<b>-65,480</b>	<b>173,386</b>
provision for income taxes	-1,985	-41,777
<b>Profit (loss) for the year</b>	<b>-67,465</b>	<b>131,609</b>
<b>Other comprehensive income (loss), net of tax effect</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Gain (loss) on valuation of available-for-sale financial assets	-99	112
Exchange differences on translation of foreign operations	6,703	8,686
Loss on valuation of derivatives	-16	-1,448
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Re-measurement loss in defined benefit liability	-2,952	-7,970
<b>Total comprehensive income (loss) for the year, net of tax</b>	<b>₩ -63,829</b>	<b>₩ 130,990</b>
<b>Profit (loss) for the year attributable to:</b>		
Equity holders of the parent	₩ -69,366	₩ 129,550
Non-controlling interests	1,901	2,059
	₩ -67,465	₩ 131,609
<b>Total comprehensive income for the year attributable to:</b>		
Equity holders of the parent	₩ -66,159	₩ 129,788
Non-controlling interests	2,330	1,202
	₩ -63,829	₩ 130,990
<b>Earnings per share attributable to the equity holders of the parent</b>		
Basic earnings (loss) per share	₩ -439	₩ 860
Diluted earnings (loee) per share	₩ -439	₩ 853

04 Consolidated statements of changes in equity

for the years ended December 31, 2015 and 2014

[Korean won in millions]

	Issued capital		Share premium		Other components of equity	
As at January 1, 2014	₩	739,056	₩	235,595	₩	-19,538
Profit for the year		-		-		-
Other comprehensive income:						
Gain on valuation of available-for-sale financial assets		-		-		-
Re-measurement loss in defined benefit liability		-		-		-
Exchange differences on translation of foreign operations		-		-		-
Loss on valuation of derivatives		-		-		-
Total comprehensive income		-		-		-
Exercise of convertible bonds		50,413		10,308		-
Debt-for-equity swap		497		790		-
Dividend distributions in subsidiaries		-		-		-
As at December 31, 2014	₩	789,966	₩	246,693	₩	-19,538
As at January 1, 2015	₩	789,966	₩	246,693	₩	-19,538
Profit (loss) for the year		-		-		-
Other comprehensive income:						
Loss on valuation of available-for-sale financial assets		-		-		-
Re-measurement loss in defined benefit liability		-		-		-
Exchange differences on translation of foreign operations		-		-		-
Loss on valuation of derivatives		-		-		-
Total comprehensive income (loss)		-		-		-
Dividend distributions in subsidiaries		-		-		-
As at December 31, 2015	₩	789,966	₩	246,693	₩	-19,538

Attributable to equity holders of the parent					
Accumulated other comprehensive income		Retained earnings		Total	Non-controlling interests
					Total equity
₩	26,566	₩	35,550	₩	1,017,229
	-		129,550		129,550
	113		-		113
	-		-7,970		-7,970
	8,094		-		8,094
	-		-		-
	8,207		121,580		129,787
	-		-		60,721
	-		-		1,287
	-		-		-
₩	34,773	₩	157,130	₩	1,209,024
₩	34,773	₩	157,130	₩	1,209,024
	-		-69,366		-69,366
	-99		-		-99
	-		-2,952		-2,952
	6,259		-		6,259
	-		-		-
	6,160		-72,318		-66,158
	-		-		-
₩	40,933	₩	84,812	₩	1,142,866



05 Consolidated statements of cash flows

for the years ended December 31, 2015 and 2014

[Korean won in millions]

	2015	2014
Operating activities		
Profit (loss) for the year	₩ -67,465	₩ 131,609
Non-cash adjustment to reconcile profit for the year to net cash flows	467,754	462,395
Changes in operating assets and liabilities	-32,332	46,502
	367,957	640,506
Interest received	2,198	16,797
Interest paid	-93,521	-104,345
Dividends paid	-1,367	-5,206
Income tax paid	-50,226	-47,912
Net cash flows provided by operating activities	225,041	499,840
Investing activities		
Decrease in financial deposits	158,380	3,000
Decrease in loans and other receivables	65	103
Decrease in other investment assets	99	147
Proceeds from disposal of property, plant and equipment	4,070	12,191
Decrease in investment properties	3,005	-
Decrease in other non-current assets	1,822	215
Increase in financial deposits	-70,708	-20,209
Increase in loans and other receivables	-211	-107
Acquisition of property, plant and equipment	-675,758	-282,816
Acquisition of intangible assets	-321	-1,013
Increase in other non-current assets	-2,159	-4,113
Increase in other investment assets	-14	-10
Net cash flows used in investing activities	-581,730	-292,612

05 Consolidated statements of cash flows

for the years ended December 31, 2015 and 2014

[Korean won in millions]

	2015	2014
Financing activities		
Proceeds from short-term borrowings	1,189,032	628,349
Proceeds from long-term borrowings	4,322	179,472
Increase in government grants	97,605	-
Repayment of short-term borrowings	-867,249	-706,519
Repayment of current portion of long-term borrowings	-28,028	-272,707
Early repayment of long-term borrowings	-5,005	-1,500
Others	-	-263
Net cash flows provided by (used in) financing activities	390,677	-173,168
Net foreign exchange differences	9,207	-451
Net increase in cash and cash equivalents	43,195	33,609
Effects of differences in foreign exchange rates changes on cash and cash equivalents	3,573	-12
Cash and cash equivalents at January 1	197,113	163,516
Cash and cash equivalents at December 31	₩ 243,881	₩ 197,113

# SEPARATE FINANCIAL STATEMENTS

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## 01 Independent auditors’ report

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The Stockholders and Board of Directors  
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, 2015 and 2014, 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, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

**March 16, 2016**

This audit report is effective as at March 16, 2016, 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.

02 Separate statements of financial position

as at December 31, 2015 and 2014

[Korean won in millions]

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	₩ 80,532	₩ 69,627
Financial deposits	3,000	156,950
Available-for-sale financial assets	2	-
Trade receivables, net	652,647	681,100
Loans and other receivables, net	98,634	51,059
Inventories, net	192,469	185,540
Other current assets	23,807	29,257
	1,051,091	1,173,533
Non-current assets		
Financial deposits	31	32
Available-for-sale financial assets	103,025	108,456
Investments in subsidiaries	626,757	626,040
Long-term loans receivables	123,304	139,612
Property, plant and equipment, net	1,211,449	1,166,066
Intangible assets, net	12,733	18,801
Investment property, net	4,798	8,415
Deferred income tax assets	142,062	130,784
Other non-current assets	47,341	42,373
	2,271,500	2,240,579
Total assets	₩ 3,322,591	₩ 3,414,112

02 Separate statements of financial position

as at December 31, 2015 and 2014[cont'd] [Korean won in millions]

	2015	2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	₩ 187,618	₩ 228,310
Short-term borrowings	506,621	533,571
Current portion of long-term borrowings	461,261	3,918
Other payables	162,615	163,005
Current income tax liabilities	264	39,454
Financial guarantee liabilities	355	998
Other current liabilities	17,719	16,236
	1,336,453	985,492
<b>Non-current liabilities</b>		
Long-term borrowings	323,244	783,374
Defined benefit liability	149,768	133,357
Other employee benefits	22,639	17,243
Financial guarantee liabilities	29,369	23,911
Product warranty provision	17,096	36,643
Provision for litigation	78,490	19,221
	620,606	1,013,749
<b>Total liabilities</b>	<b>1,957,059</b>	<b>1,999,241</b>
<b>Equity</b>		
Issued capital	789,966	789,966
Share premium	223,735	223,736
Other components of equity	-16,618	-16,618
Accumulated other comprehensive income	95	194
Retained earnings	368,354	417,593
<b>Total equity</b>	<b>1,365,532</b>	<b>1,414,871</b>
<b>Total liabilities and equity</b>	<b>₩ 3,322,591</b>	<b>₩ 3,414,112</b>

03 Separate statements of comprehensive income

for the years ended December 31, 2015 and 2014 [Korean won in millions, except per share amounts]

	2015	2014
<b>Sales</b>	<b>₩ 2,396,367</b>	<b>₩ 2,755,119</b>
Cost of sales	-2,011,086	-2,106,582
<b>Gross profit</b>	<b>385,281</b>	<b>648,537</b>
Selling and administrative expenses	-346,153	-376,253
<b>Operating profit</b>	<b>39,128</b>	<b>272,284</b>
Other income	80,605	78,684
Other expense	-132,465	-114,834
Finance income	19,706	20,144
Finance costs	-59,851	-93,970
<b>Profit (loss) before income tax</b>	<b>-52,877</b>	<b>162,308</b>
Income tax expenses	6,590	-39,421
<b>Profit (loss) for the year</b>	<b>-46,287</b>	<b>122,887</b>
<b>Other comprehensive income</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Gain (loss) on valuation of available-for-sale financial assets	-99	113
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Re-measurement loss in defined benefit liability	-2,952	-7,970
<b>Total comprehensive income (loss) for the year, net of tax</b>	<b>₩ -49,338</b>	<b>₩ 115,030</b>
<b>Earnings (loss) per share atributable to the equity holders of the Company</b>		
Basic earnings (loss) per share (Korean won in units)	₩ -293	₩ 816
Diluted earnings (loss) per share (Korean won in units)	₩ -293	₩ 811



04 Separate statements of changes in equity

for the years ended December 31, 2015 and 2014

[Korean won in millions]

	Attributable to equity holders of the parent	
	Issued capital	Share premium
As at January 1, 2014	₩ 739,056	₩ 212,637
Profit for the year	-	-
Other comprehensive income:		
Gain on valuation of available-for-sale financial assets	-	-
Re-measurement loss on defined benefit liability	-	-
Total comprehensive income	-	-
Debt-for-equity swap	497	790
Exercise of convertible bonds	50,413	10,308
As at December 31, 2014	₩ 789,966	₩ 223,735
As at January 1, 2015	₩ 789,966	₩ 223,735
Loss for the year	-	-
Other comprehensive income:		
Loss on valuation of available-for-sale financial assets	-	-
Re-measurement loss on defined benefit liability	-	-
Total comprehensive (loss)	-	-
As at December 31, 2015	₩ 789,966	₩ 223,735

Attributable to equity holders of the parent		Total
Other components of equity	Accumulated other comprehensive income	
₩ -16,618	₩ 81	₩ 302,676
-	-	122,887
-	113	-
-	-	-7,970
-	113	114,917
-	-	-
-	-	-
₩ -16,618	₩ 194	₩ 417,593
-	-	-46,287
-	-99	-
-	-	-2,952
-	-99	-49,239
₩ -16,618	₩ 95	₩ 368,354

05 Separate statements of cash flows

for the years ended December 31, 2015 and 2014 [Korean won in millions]

	2015	2014
Operating activities		
Profit (loss) for the year	₩ -46,287	₩ 122,887
Non-cash adjustment to reconcile profit for the year to net cash flows	233,889	277,857
Changes in operating assets and liabilities	-33,287	39,071
	154,315	439,815
Interest received	1,233	11,540
Interest paid	-45,508	-49,511
Income tax paid	-47,118	-43,531
Net cash flows provided by operating activities	62,922	358,313
Investing activities		
Proceeds from disposal of property, plant and equipment	2,824	3,775
Decrease in investment properties	3,005	-
Decrease in financial deposits	153,951	-
Decrease in loans and other receivables	112,314	91
Decrease in other non-current assets	10	210
Proceeds from disposal of available-for-sale financial assets	1,418	18
Increase in financial deposits	-	-16,509
Increase in loans and other receivables	-126,246	-3,653
Increase in investments in subsidiaries	-717	-112,149
Increase in available-for-sale financial assets	-12	-10
Acquisition of property, plant and equipment	-161,795	-140,976
Acquisition of intangible assets	-318	-369
Increase in other non-current assets	-1,241	-3,282
Net cash flows used in investing activities	-16,807	-272,854

05 Separate statements of cash flows

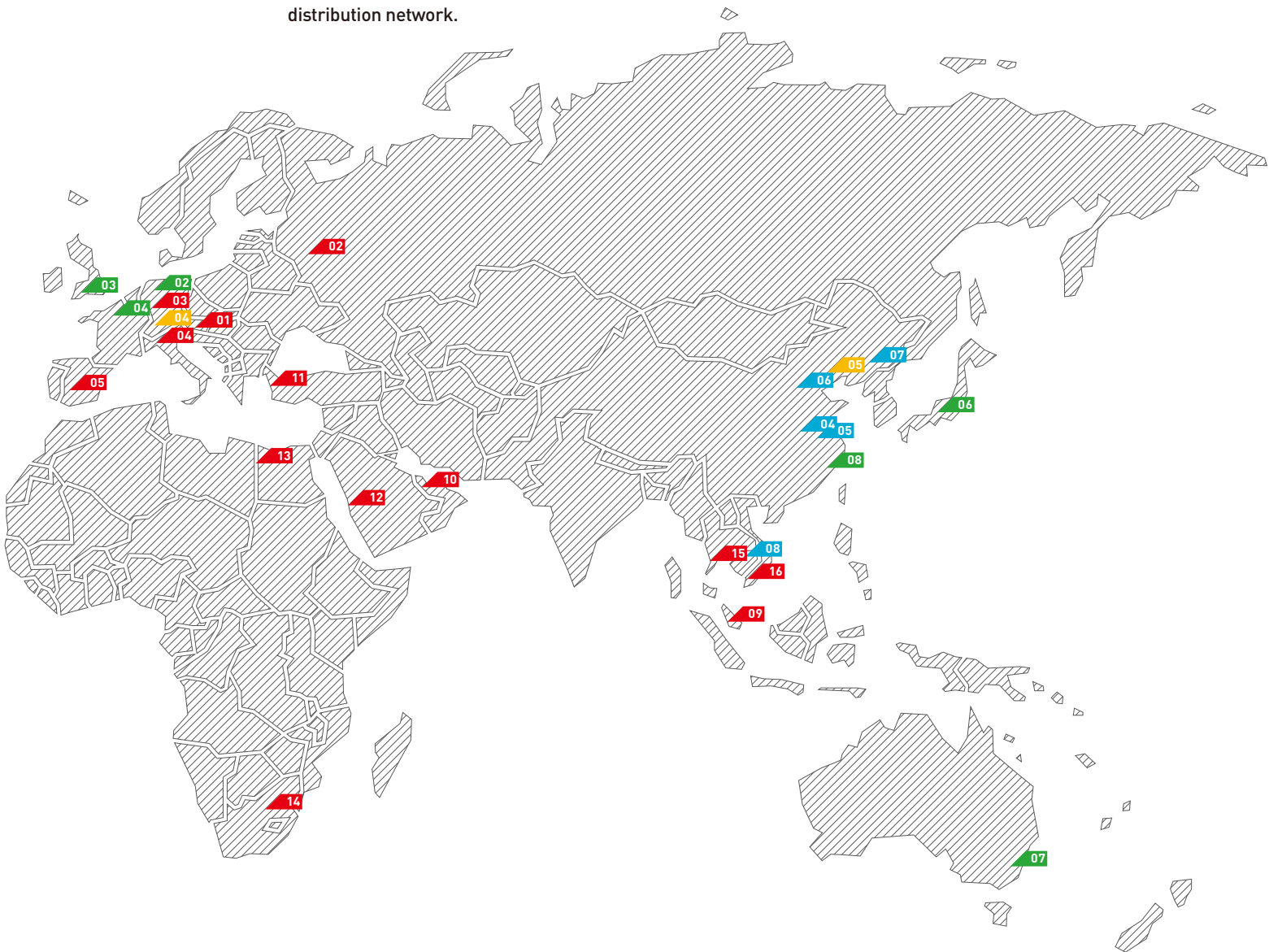
for the years ended December 31, 2015 and 2014 [Korean won in millions]

	2015	2014
Financing activities		
Proceeds from short-term borrowings	242,351	78,906
Repayment of short-term borrowings	-274,211	-106,753
Repayment of long-term borrowings	-3,005	-
Repayment of current portion of long-term borrowings	-3,918	-70,878
Others	-	-263
Net cash flows provided by (used in) financing activities	-38,783	-98,988
Net increase (decrease) in cash and cash equivalents	7,332	-13,529
Net foreign exchange differences	3,573	696
Cash and cash equivalents at January 1	69,627	82,460
Cash and cash equivalents at December 31	₩ 80,532	₩ 69,627

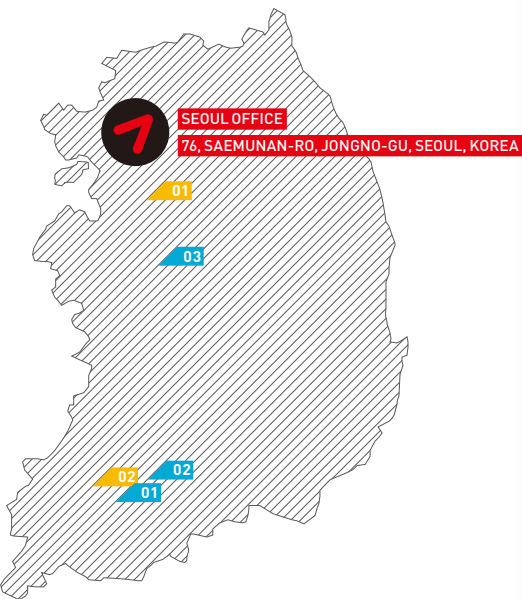
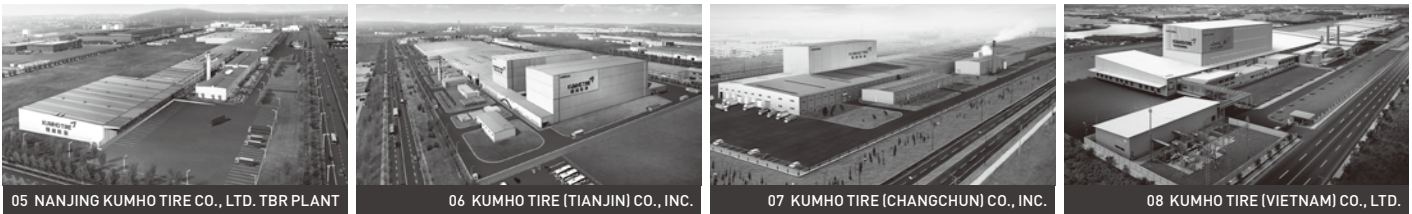


# GLOBAL NETWORK

With its head office in Seoul, Kumho Tire operates nine overseas sales corporations and 16 branches/offices. The company exports over USD 1.8 billion worth of products a year to roughly 180 countries around the world. All plants and R&D centers are efficiently connected with one another to research and develop best tires. Going forward, Kumho Tire will continue to grow through active marketing and an expanded distribution network.



PLANTS	R&D CENTERS	OVERSEAS SALES CORPORATIONS
<b>01 GWANGJU PLANT</b> 658, EODEUNG-DAERO, GWANGSAN-GU, GWANGJU	<b>01 YONGIN CENTRAL R&amp;D CENTER</b> 215-21, SAEUN-RO, GIHRUNG-GU, YONGIN-SI, GYEONGGI-DO	<b>01 KUMHO TIRE U.S.A., INC.</b> 133 PEACHTREE STREET NE, SUITE 2800, ATLANTA, GA 30303, USA TEL. 1-800-445-8646 / FAX. 1-678-916-3280
<b>02 GOKSEONG PLANT</b> 85-63, GEUMHO-GIL, IP-MYEON, GOKSEONG-GUN, JELLANAM-DO	<b>02 GWANGJU PERFORMANCE CENTRE</b> 658, EODEUNG-DAERO, GWANGSAN-GU, GWANGJU	<b>02 KUMHO TIRE EUROPE GMBH</b> BRÜSSELER PLATZ 1, 63067 OFFENBACH AM MAIN, GERMANY TEL. 49-69 943318 0 / FAX. 49-69 490-069
<b>03 PYEONGTAEK PLANT</b> 87, PYEONGTAEK-RO 156BEON-GIL, POSEUNG-EUP, PYEONGTAEK-SI, GYEONGGI-DO	<b>03 KATC (U.S.A.)</b> KUMHO TIRE AMERICA TECHNICAL CENTER 711 KUMHO DRIVE AKRON, OHIO 44333, USA	<b>03 KUMHO TYRE (U.K.) LTD.</b> 3310 HUNTER BOULEVARD, MAGNA PARK LUTTERWORTH, LEICESTERSHIRE LE17 4XN, UK TEL. 44-020 8915-0627 5 / FAX. 44-020 8661-2771
<b>04 NANJING KUMHO TIRE CO., LTD.</b> 418 HEYAN ROAD, NANJING, JIANGSU, CHINA	<b>04 KETC (GERMANY)</b> KUMHO TIRE EUROPE TECHNICAL CENTER STARKENBURG STRASSE 10, 64546, MOERFELDEN-WALLDORF, GERMANY	<b>04 KUMHO TIRE FRANCES S.A.S</b> BAT LE ART'VAL PARIS NORD 2 9 RUE DES TROIS SOEURS BP 42030 95912 VILLEPINTE ROISSY C.D.G. CEDEX, FRANCE TEL. 33-01 4938-0538 / FAX. 33-01 4938-0895
<b>05 NANJING KUMHO TIRE CO., LTD. TBR PLANT</b> NO.1 XINJINHULU, GAOXINQU, NANJING, JIANGSU, CHINA	<b>05 KCTC (CHINA)</b> NO.49 XINYE 3 STREET, THE WEST ZONE OF TEDA, TIANJIN, CHINA	<b>05 KUMHO TIRE CANADA, INC.</b> UNIT B, 6430 KENNEDY RD. MISSISSAUGA, ON L5T 2Z5, CANADA TEL. 1-604 241-4142 / FAX. 1-604 241-5591
<b>06 KUMHO TIRE (TIANJIN) CO., INC.</b> NO. 333 ZHONGNAN, 2ST. TEDA, TIANJIN, CHINA		<b>06 KUMHO TIRE JAPAN, INC.</b> DAISAN NAGAOKA BLDG 6F, 2-13-4 HATCHOBORI, CHUO-KU TOKYO, JAPAN TEL. 81-3 3553-4060 / FAX. 81-3 3553-4070
<b>07 KUMHO TIRE (CHANGCHUN) CO., INC.</b> NO. 677 JINHU ROAD, CHANGCHUN, CHINA		<b>07 KUMHO TYRE AUSTRALIA PTY., LTD</b> LEVEL 2, UNIT 214 VERSATILE, 29-31 LEXINGTON DRIVE BELLA VISTA NSW 2153 P.O. BOX 6199 BAULKHAM HILLS NSW 2153, AUSTRALIA TEL. 61-2 9912-9800 / FAX. 61-2 9912-9830
<b>08 KUMHO TIRE (VIETNAM) CO., LTD.</b> GCN, MY PHUOC3, INDUSTRIAL PARK, BEN CAT DIST., BINH DUONG PROVINCE, VIETNAM		<b>08 KUMHO TIRE CHINA CO., INC.</b> 0-31F, BLK A, NO 391 GUIPING RD., NEW CAOHEJING INTERNATIONAL BUSINESS CENTER, XUHUI DISTRICT, SHANGHAI, CHINA TEL. 86-21 6139-1100 / FAX. 86-21 6139-1416
<b>09 KUMHO TIRE GEORGIA INC.</b> 3051 KUMHO PARKWAY, MACON, GA 31216, USA		<b>09 KUMHO TIRE DE MEXICO, SA DE CV</b> RADIATAS 26, PISO 3, DESP. A, BOSQUES DE LAS LOMAS, MEXICO DF, MEXICO TEL. 52-55 5251-7617,5581



OVERSEAS BRANCHES & OFFICES

01 VIENNA  
HELMUT-QUALTINGER GASSE 2, 1030, WIEN, AUSTRIA  
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02 MOSCOW  
OFFICE 603, ENTRANCE 3, WORLD TRADE CENTER  
KRASNOPRESNENSKAYA NAB.12,123610 MOSCOW, RUSSIA  
TEL/FAX. 7|495-258-1133

03 NORTHERN EUROPE  
BRÜSSELER PLATZ 1, 63067 OFFENBACH AM MAIN, GERMANY  
TEL. 49-69|943318|0 / FAX. 49-69|490-069

04 MILANO  
VIA TORINO 25 CENTRO DIREZIONALE SUMMIT A-1 20063  
CERNUSCO SUL NAVIGLIO (MI), ITALY  
TEL. 39-02|9210-6688 / FAX. 39-02|9210-7523

05 MADRID  
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8 28232 LAS ROZAS, MADRID, SPAIN  
TEL. +34 -91-636-6621 / FAX. +34-91-640-5373

06 PANAMA  
EDIF. PLAZA OBARRIO OFICINA 304 AVE. SAMUEL LEWIS Y  
CALLE SANTA RITA, PANAMA, REP. DE PANAMA  
TEL. 507|209-6750|11 / FAX. 507|209-6754

07 SAO PAULO  
RUA. FLORIDA 1758, CJ32, CEP: 04565-001, SAO PAULO, SP, BRAZIL  
TEL. 55-11|5102-2633|2846 / FAX. 55-11|5102-2852

08 SANTIAGO  
AVE. NUEVA TAJAMAR 481, OFICINA 905, TORRE SUR, WORLD  
TRADE CENTER, LAS CONDES, SANTIAGO, CHILE  
TEL. 56-2|657-2130|11 / FAX. 56-2|657-2133

09 KUALA LUMPUR  
29-7, MENARA 1 MK, KOMPLEKS 1 MONT' KIARA, NO.1, JALAN  
KIARA, MONT' KIARA, 50480 KUALA LUMPUR, MALAYSIA  
TEL. 603-6211-5213 / FAX. 603-6211-2314

10 DUBAI  
OFFICE NO 339, OFFICE TOWER 4, AL GHURAIR CENTRE DEIRA,  
DUBIA, UNITED ARAB EMIRATES  
TEL. 971-4|299-9765 / FAX. 971-4|299-9525

11 ISTANBUL  
4.LEVENT KONAKLAR MAH. SELVILI SOKAK NO:1/2 D37-1  
BESIKTAS ISTANBUL, TURKEY  
TEL. 90-212-263-6618 / FAX. 90-212-263-6628

12 JEDDAH  
OFFICE NO. 308, AL HAYAT PLAZA, AL RAWDA STREET, JEDDAH  
21421, SAUDI ARABIA  
TEL. 966-12-664-1791 / FAX. 966-12-664-1797

13 CAIRO  
FLAT NO. 183-B, 18TH FLOOR GHADET EL-MAADI TOWER, NILE  
CORNISHE CAIRO, EGYPT  
TEL. 20-2|2525-6128 / FAX. 20-2|2528-1353

14 JOHANNESBURG  
UNIT A BLOCK 1, CEDAR OFFICE, STINKWOOD ROAD,  
BRODACRES, FOURWAYS, 2021, SOUTH AFRICA.  
TEL. 27-11|462-8559 / FAX. 27-11|462-2562

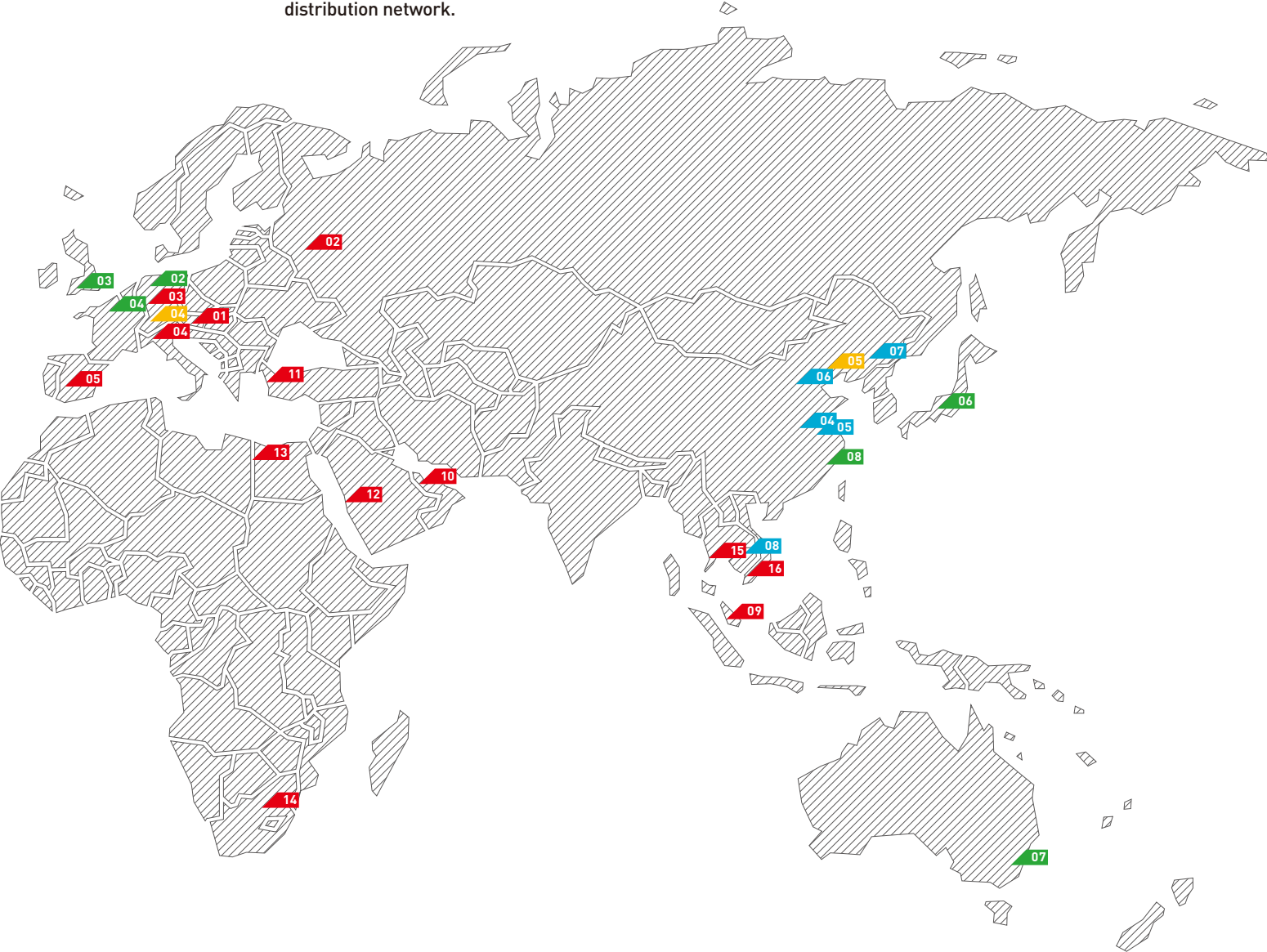
15 BANGKOK  
55 WAVE PLACE BUILDING, 9TH FLOOR, UNIT 9.08, WIRELESS  
ROAD, PATHUMWAN, BANGKOK 10330, THAILAND  
TEL. 66-2|253-3911-2 / FAX. 66-2|253-3913

16 HO CHI MINH  
SUITE 103, KUMHO ASIANA PLAZA, 39 LE DUAN DIST 1,  
HO CHI MINH CITY, VIETNAM  
TEL. 84-8|3829-5058 / FAX 84-8|3829-5383



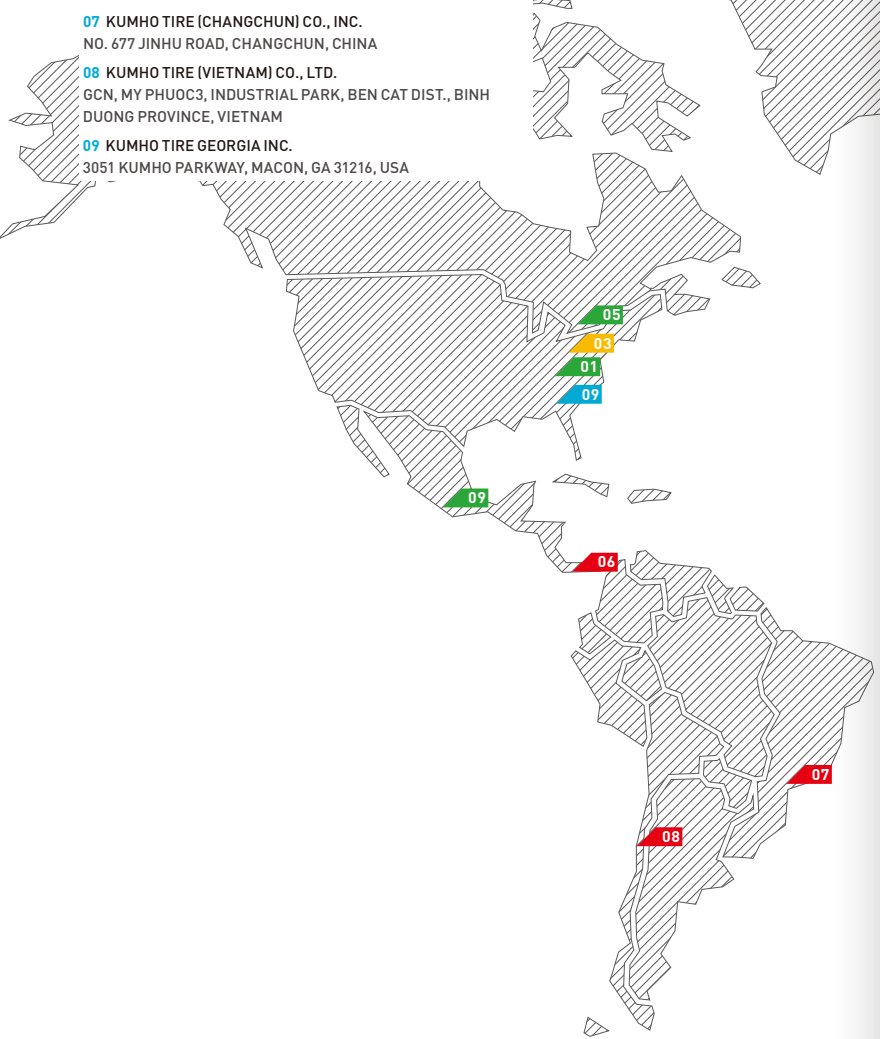
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09 KUMHO TIRE GEORGIA INC. 3051 KUMHO PARKWAY, MACON, GA 31216, USA	



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