

Hankook growth predicated on economies of scale

CANCUN, Mexico (March 6, 2013) — Hankook Tire Co. Ltd.'s long-stated goal of becoming the world's No. 5 tire maker isn't fueled by an "imperialistic" drive for size, but in achieving sufficient economy of scale for long-term success, the company's president told those attending the firm's recent North American dealers meeting.

Having the proper economy of scale is "crucial" to the company's continued growth and profits, Hyun Bum Cho, president and chief marketing officer, told a crowd of about 200 dealers, distributors and spouses at Hankook Tire America Corp.'s annual "Partner's Day" event at the Ritz Carlton Hotel in Cancun.

Mr. Cho, who's also a major stockholder and considered one of South Korea's 200 wealthiest individuals, made a surprise appearance at the Feb. 18-20 event, which is open to Hankook's largest dealers.

Hankook has invested more than \$2 billion in new tire capacity the past seven years — including new plants in China, Hungary and Indonesia — a commitment that should yield an expansion of global manufacturing capacities of 5 to 6 percent annually. Mr. Cho noted growth of this magnitude is above global market growth projections.

Hankook wrested No. 7 away from Yokohama Rubber Co. Ltd. this year with fiscal 2012 sales of \$6.3 billion. YRC, the No. 7 tire maker for the past few decades, reported fiscal 2012 tire division sales of \$5.8 billion.

Ahead of Hankook on the global league of tire makers are Sumitomo Rubber Industries Ltd. and Pirelli & C. S.p.A., with sales of \$7.3 billion and \$7.8 billion, respectively. Both, however, also have been investing heavily in new capacity and have ambitious growth plans as well.

An important cog in the firm's growth could be a U.S. plant, which is being considered. Mr. Cho put the certainty of the U.S. plant's being built at "more than 80 percent."

Hankook officials declined to be more specific as to the timing of the decision, saying only the project — disclosed at last year's Specialty Equipment Market Association Show — is moving forward.

In North America, Mr. Cho said Hankook envisions doubling its presence to a 10- to 12-percent market share in the coming years.

Hankook has plants in China, Hungary, Indonesia and its home base in South Korea.