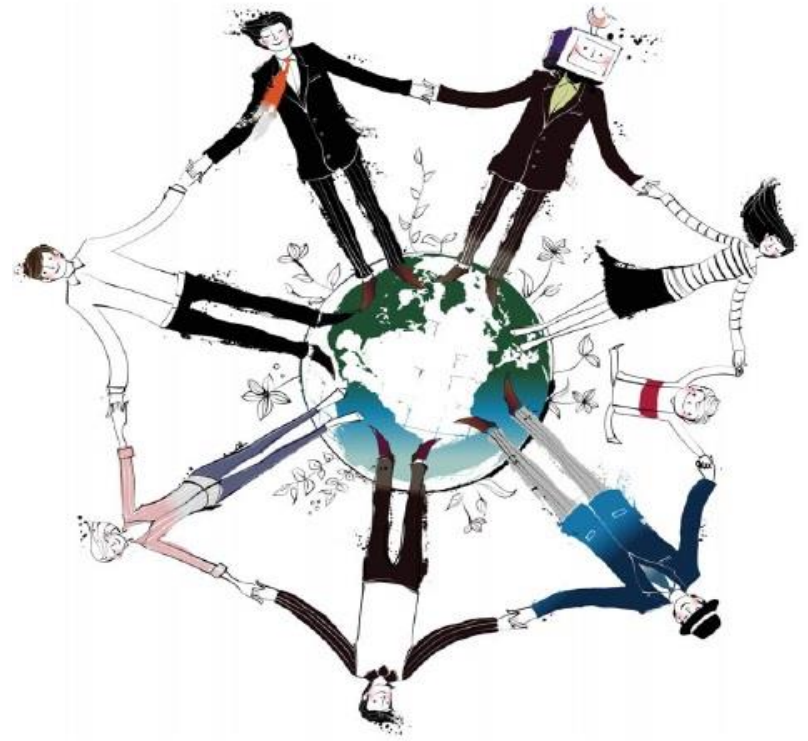


# INVESTOR RELATIONS

FEBRUARY, 2014  
(ENGLISH)



- INTRODUCTION
- MARKET ENVIRONMENT
- STRATEGY
- VALUE MANAGEMENT
- APPENDIX



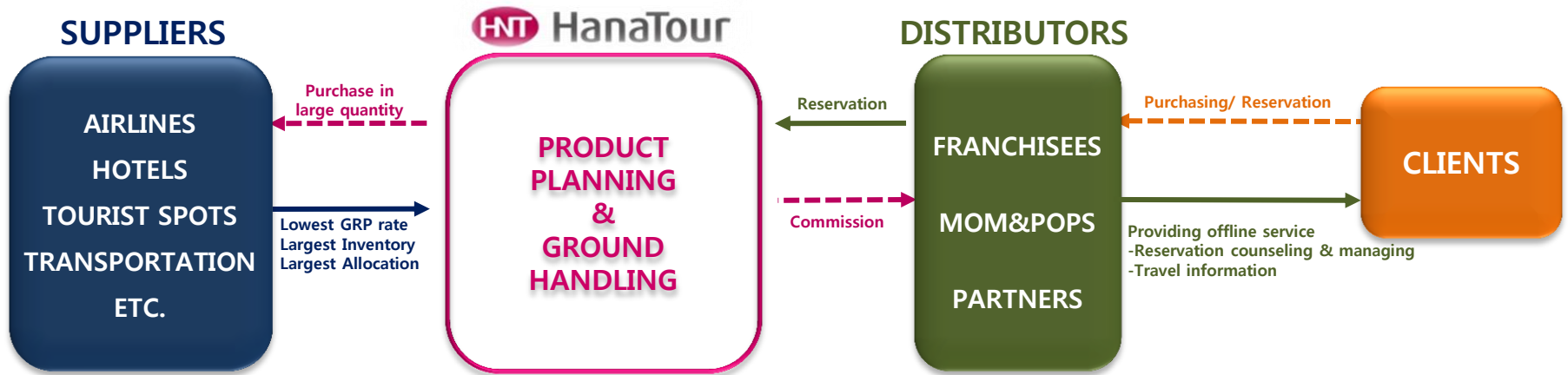
# INTRODUCTION



# BUSINESS MODEL & CORE COMPETITIVENESS



## Travel Wholesale Business



### KEY 1. VOLUME

- 1) "Everyday & Every Destination" Departure Guarantee
- 2) Product Diversity
- 3) Higher Margin through Economy of Scale

### KEY 2. DISTRIBUTION CHANNELS

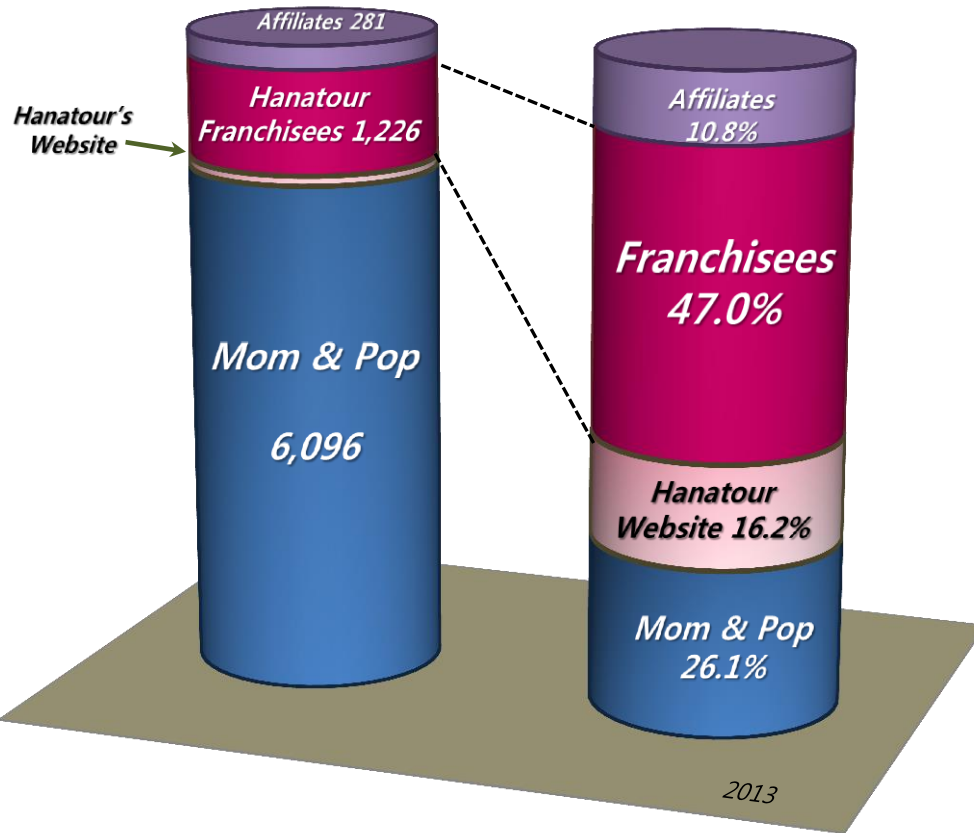
B2C – "L"Tour's 100 outlets  
 vs.  
 B2B – Hanatour's 8,000 channels

# DISTRIBUTION CHANNELS



## Number of Agents

## Revenue Contribution



### ■ Identical revenue structure between Channels

**No difference in margin between the channels**  
- 9% commission rate based on package price

(For sales through "hanatour.com" which has a unique B2B2C system, agents receive 7% commission  
- 2%p margin improvement for Hanatour)

### ■ Competitiveness of Hanatour Franchisees

- 1) **Hanatour Brand Exposure**  
- Low cost & High efficiency
- 2) **Loyalty & Specialized sales-skilled agent**  
- Customer satisfaction improvement
- 3) **Advanced education and Promotion support**  
- Win-Win strategy

# REVENUE STRUCTURE



		Gross Sales	Cost Of sales*	Sales income	Agent commission**	
<b>Package</b>		<b>100</b>	<b>80</b>	<b>20</b>	<b>Offline</b>	<b>9</b>
					<b>Online</b>	<b>7</b>
<b>FIT</b> (Frequent Independent Travel)	<b>Hotel</b>	<b>100</b>	<b>83</b>	<b>17</b>	<b>Offline</b>	<b>10</b>
					<b>Online</b>	<b>4</b>
	<b>Others***</b>	<b>100</b>	<b>80</b>	<b>20</b>	<b>Offline</b>	<b>9</b>
					<b>Online</b>	<b>9</b>
<b>Air ticket</b>	<b>100</b>	<b>100</b>	<b>0</b>			

\* Major cost consists of air and destination management fees

\*\* Agent commission in percentage of sales price. Included in revenue and deducted as OPEX.

\*\*\* Others – Local Activities( Half & Full Day Tours), Rent-a-car, Pass, Insurance, etc.

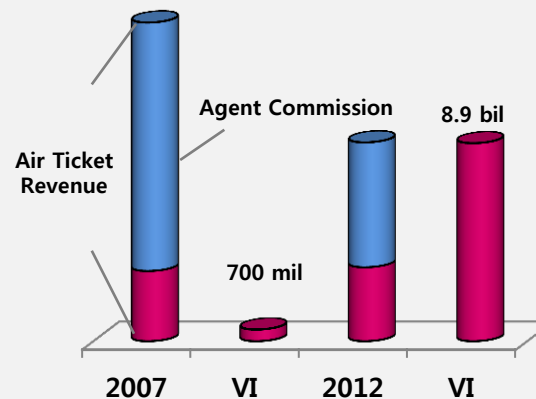
## Air ticket – No sales income

- Before – Commission revenue from Airlines(7~9%) but, most of revenue shared with Agencies (1.5% left)

- Present – Zero commission from 2010

but, additional revenue – Volume Incentives (aver. 1~2% depending on M/S, sales growth and ticket classes)

∴ more beneficial towards M/S gain and Margin improvement



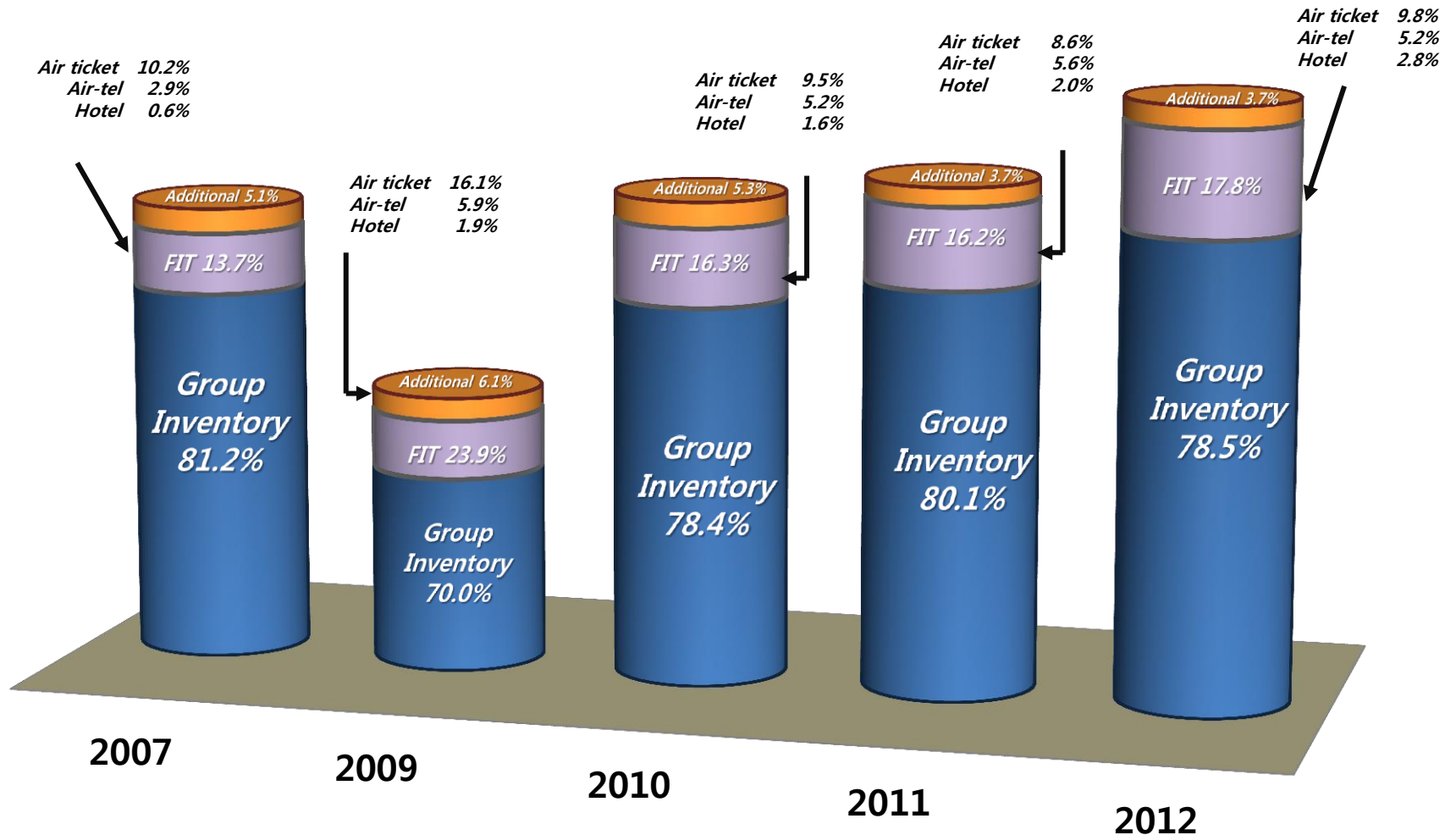
Unit: Million KRW

	2007	2012
Air Ticket Revenue	19,164	11,955
Agent Commission	14,942	7,507
Net Revenue	4,222	4,448
<b>Volume Incentives</b>	<b>700</b>	<b>11,908</b>
Total Revenue	4,922	16,356

# SALES BREAKDOWN



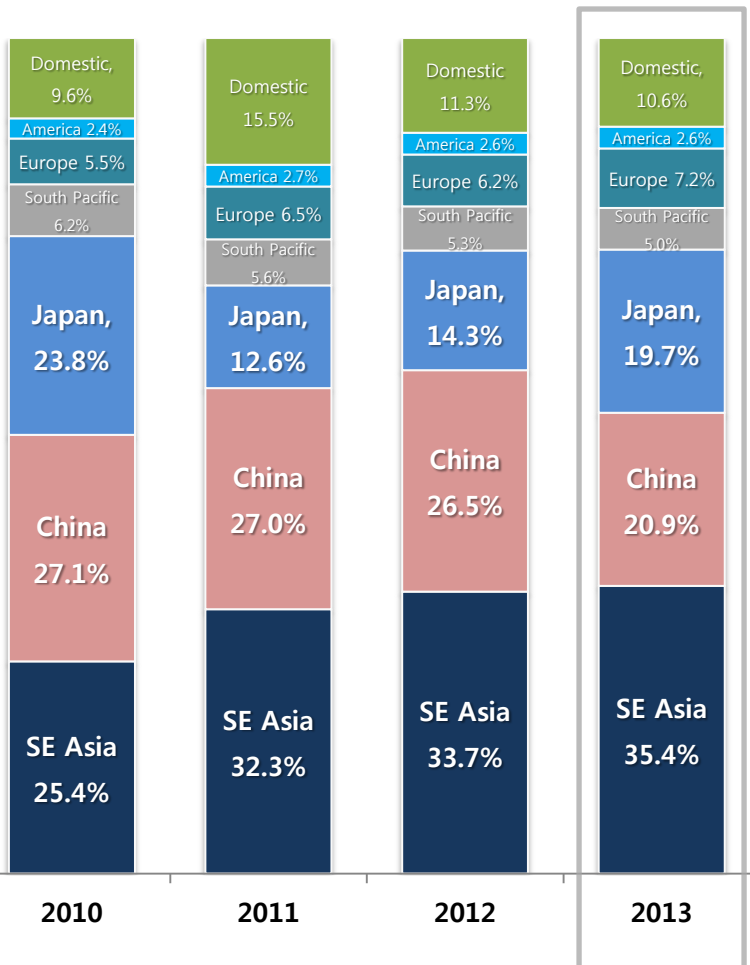
**STABLE PRODUCT PORTFOLIO TO MEET CHANGING MARKET ENVIRONMENTS**



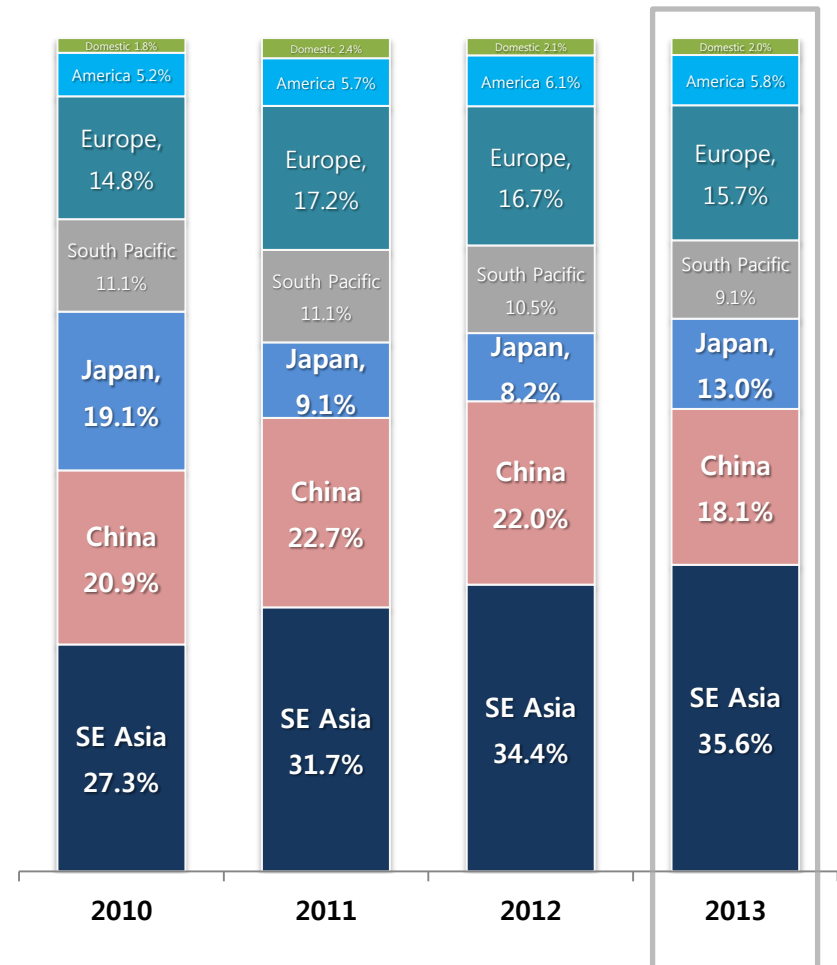
# DESTINATION BREAKDOWN



## Volume Portion



## Revenue Portion





# GROWTH & MARKET SHARE



## CONTINUOUS GROWTH OF HANATOUR'S M/S

[Unit: 1,000 PAX, %]

[Base: number of passengers]

DESCRIPTION	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14 (T)	05~12 CAGR	
<b>DEPARTURES</b>	<i>Korean Outbound</i>	9,209	10,671	12,295	10,973	8,495	11,419	11,559	12,474	13,525	14,800	N/A
	<i>HNT</i>	793	1,308	1,685	1,480	1,188	1,790	1,942	2,274	2,631	3,120	N/A
<b>GROWTH</b>	<i>Korean Outbound</i>	15.0%	15.9%	15.2%	-10.8%	-22.6%	34.4%	1.2%	7.9%	8.4%	8.6%	4.4%
	<i>HNT (PKG &amp; Air)</i>	23.9%	65.0%	28.8%	-12.1%	-19.7%	50.6%	8.5%	17.1%	15.7%	17.2%	16.2%
	<i>HNT PKGs</i>	41.0%	56.1%	42.8%	-11.8%	-29.7%	66.8%	5.4%	14.6%	14.7%	15.0%	15.8%
<b>M/S</b>	<i>HNT</i>	8.6%	12.3%	13.7%	13.5%	14.0%	15.7%	16.8%	18.2%	19.6% (e)	21.1%	N/A
	<i>Modetour</i>	4.3%	6.1%	7.1%	7.3%	7.1%	8.9%	9.6%	10.1%	10.4% (e)	11.0%	N/A

(Source: Hanatour, KATA, KTO, KTA)

# DOMESTIC NETWORK



## 19 DOMESTIC NETWORKS – DIVERSIFIED & SPECIALIZED

<p><b>HNT HanaTour ITC</b></p> <p>Inbound travel agency 100% owned www.hanatourintl.com</p>	<p><b>HNT HanaTourist</b></p> <p>Hanatur's specialized reservation center 30.23% owned www.hanatourist.co.kr</p>	<p><b>HNT HanaTourYouth</b></p> <p>Student travel and ESL 100% owned www.hanayouth.com</p>	<p><b>HNT HanaTourJeju</b></p> <p>Je-ju island travel agency 77.35% owned www.jejuhanatur.co.kr</p>	<p><b>Hotel &amp; Air.com</b></p> <p>Hotel &amp; Air supply 50% owned www.hotelnair.com</p>
<p><b>HNT HanaTour Business</b></p> <p>Corporation Market 100% owned www.hanatourmall.co.kr</p>	<p><b>CJ Worldis</b></p> <p>Free individual travel &amp; CJ Home-shopping 50% owned www.cjworldis.com</p>	<p><b>WEB*TOUR</b></p> <p>Online retail travel agency 80.12% owned www.webtour.com</p>	<p><b>TMK Tourmarketing</b></p> <p>Cruise &amp; Rent-a-car &amp; Passes GSA 70% owned www.tourmktg.co.kr</p>	<p><b>TRAVEL00</b></p> <p>Public officials abroad 50% owned www.travel00.co.kr</p>
<p><b>HANA &amp; MEDIA</b></p> <p>Travel publishing &amp; media agency 51% owned</p>	<p><b>HNT KOREA TRAVEL NETWORK</b></p> <p>Specialized tour for pilgrimage 60% owned www.koreaatx.co.kr</p>	<p><b>HNT help your travel HTSHOP.com</b></p> <p>Online travel shopping mall 100% owned www.htshop.com</p>	<p><b>H&amp;t Marketing</b></p> <p>Advertising &amp; Marketing 80% owned</p>	<p><b>Tourtips</b></p> <p>Travel Information 100% owned</p>
<p><b>Tmark Hotel MYEONGDONG</b></p> <p>Hotel Management 100% Owned</p>				
<p><b>주 남강여행사</b></p> <p>Corporation market Hanatur Business 100% owned www.nextour.co.kr</p>	<p><b>nextour</b></p> <p>Online retail travel agency Webtour 100% owned www.nextour.co.kr</p>	<p><b>CENTERMARK Hotel / Seoul</b></p> <p>Business Hotel(3 star) Hanatur ITC 50% owned www.centermarkhotel.com</p>		



# OVERSEAS NETWORK



## 8 OVERSEAS SUBSIDIARIES & 17 GLOBAL OFFICES

HanaTour EUROPE (70%)	HanaTour U.S.A (100%)
HanaTour CHINA (100%)	HanaTour HONGKONG (100%)
HanaTour SINGAPORE (100%)	HanaTour TAIWAN (100%)
HanaTour JAPAN (70%)	HanaTour AUSTRALIA (100%)



Bangkok	Cebu	Ho Chi Minh
Manila	Bali	Tsingtao
Shanghai	Osaka	Phuket
Palau	Auckland	Sapporo
Fukuoka	Guam	Hawaii
Saipan	New York	

- ▶ Achieving economies of scale based on the existing outbound business coming from HQ
- ▶ expanding business territories into inbound to global-bound
- ▶ Securing global inventories at competitive price, and providing them on HanaTour's own Global Distribution System, MAIDAS

# MARKET ENVIRONMENT



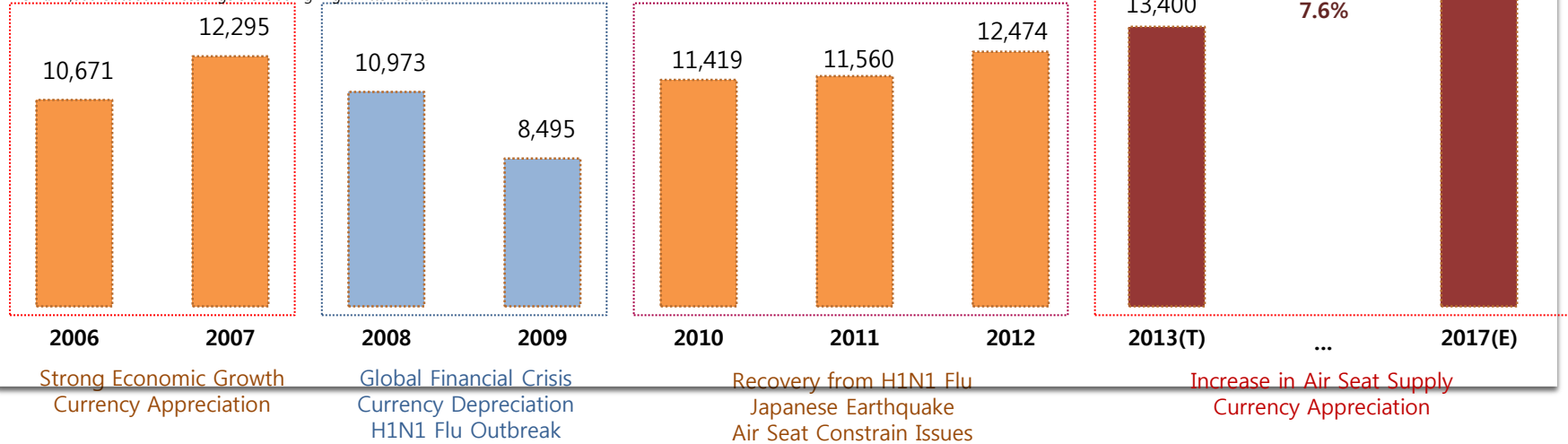
# MARKET ENVIRONMENT



## 1. "CONTINUOUS GROWTH OF OUTBOUND MARKET"

### KOREAN OUTBOUND MARKET OUTLOOK

Unit: 1,000 Outbound Passengers excluding Flight Attendants



### GROWTH FACTORS

#### AIR SUPPLY INCREASE

- Increasing LCC (5 Korean LCC- JIN AIR, JEJU AIR, EASTAR JET, AIR BUSAN, TWAY AIR)
- Japan entering LCC – Peach Air, Air Asia Japan, Jet-star Japan

#### MARKET CONSOLIDATION

- Air Ticket - No Commission
- Small agencies depend more on big travel companies.
- More buying power through 'Hotelnair.com' a joint venture company with Mode

#### LACK OF DOMESTIC ATTRACTIONS & DESTINATIONS

- Taiwan and UK with similar infrastructure have departure rate of 40% and 118% respectively

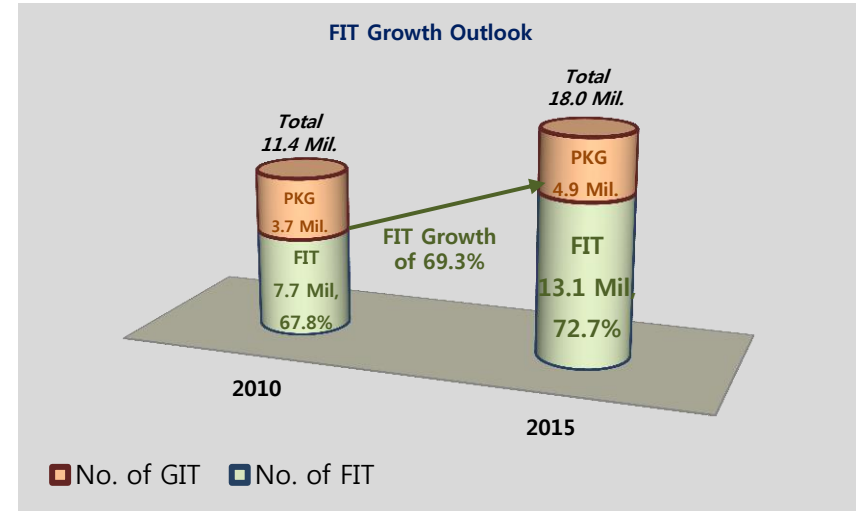
# MARKET ENVIRONMENT



## 2. "CONTINUOUS GROWTH OF FIT MARKET"

### ➤ Yearly Growth of 10% until 2015

- 13.1 Million FIT
- 72.7% of Total Outbound

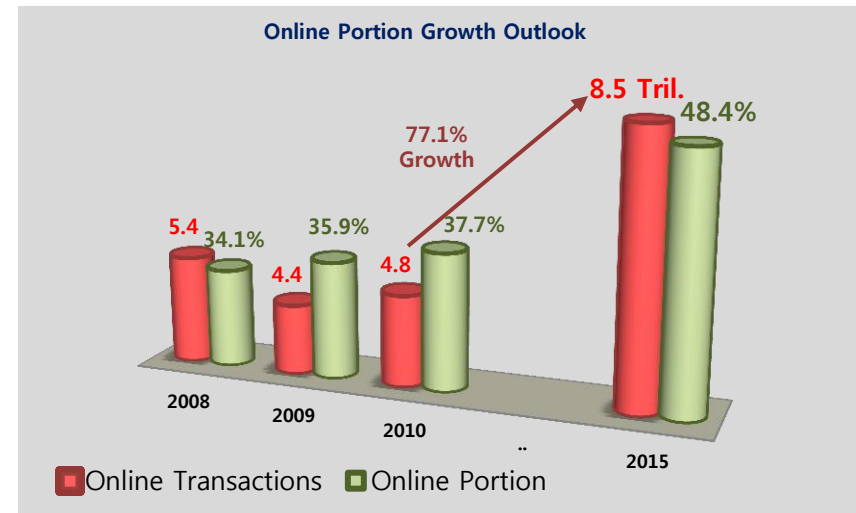


[Source: KTO and HanaTour Internal Data]

## 3. "INCREASING ONLINE SALES"

### ➤ Yearly Growth of 12% until 2015

- KRW 8.5 Trillion in Transaction
- 48.4% of Total Transactions



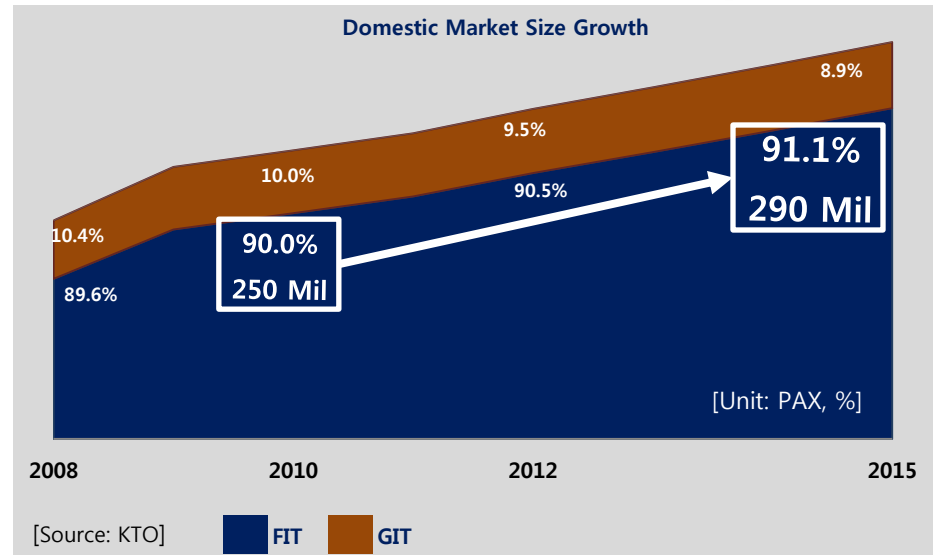
[Source: Statistics Korea and HanaTour Internal Data]

# MARKET ENVIRONMENT



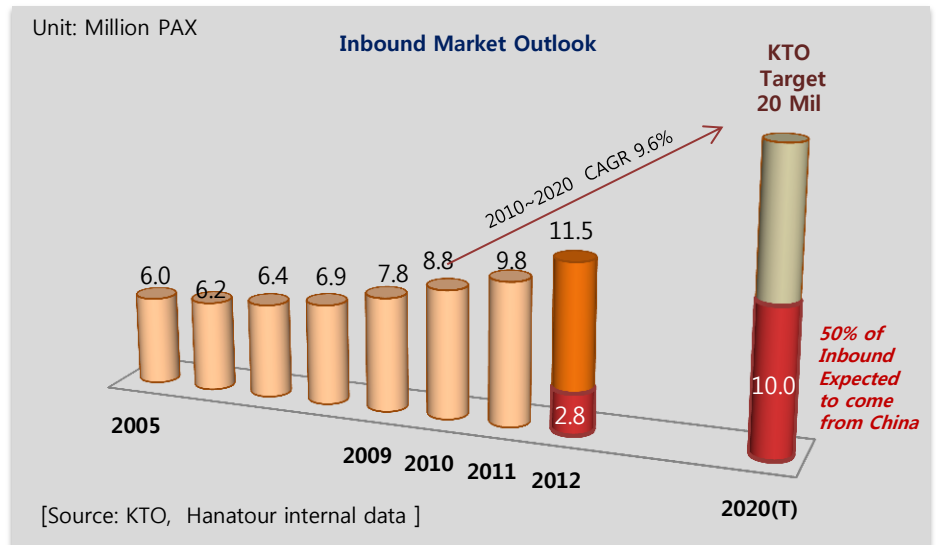
## 4. "GROWING DOMESTIC MARKET"

- 290 Mil. Domestic Travelers in 2015
- *Government's Stimulation and Development of Infrastructure to Boost Domestic Market*
- *FIT-oriented Market a Blue Ocean for Major Travel Companies*



## 5. "GROWING INBOUND MARKET"

- *Government-led Development*
- *Developing Incheon Airport as a Hub of Northeast Asia*
- *Increasing Government-Certified Accommodation Facilities ('08 350 → '12 600)*
- *Targeting to Increase Foreign Visitors to 20 Million by 2020*





# STRATEGY





# OUTBOUND STRATEGY

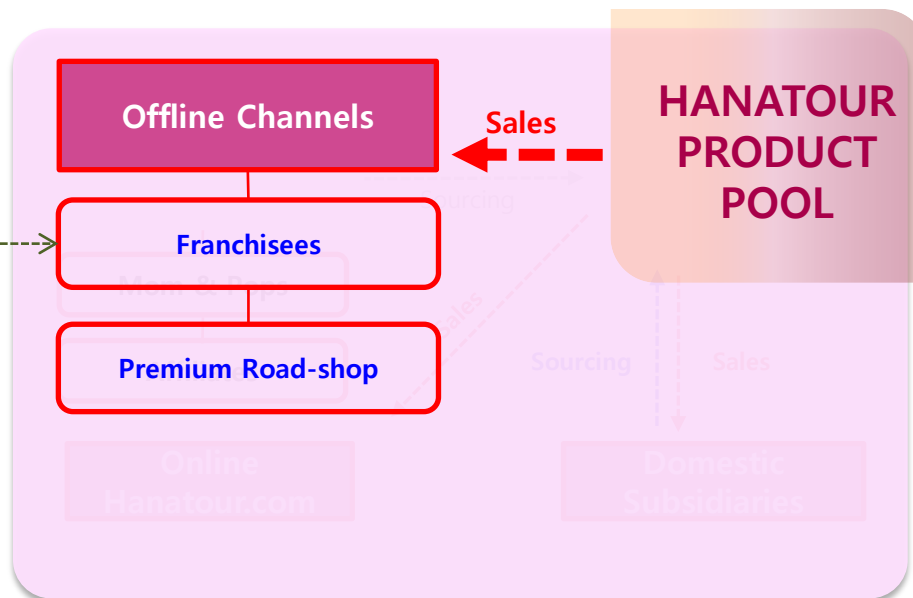
## Package & Ordered tour



### 1. Expanding Distribution Channels and bringing up franchisees specialized in specific areas

- 1) Enhancing Franchisee sales by increasing support (HanaTour's portion of franchisee's revenue is 50% currently; targeting above 70%)
- 2) Fostering franchisees specialized in specific product groups

### 2. Diversifying Product Mix and providing them on broad spectrum of market



<b>ZEUS World</b>	Ultra Luxury
<b>HanaPack Classic</b>	High-end
<b>HanaPack Casual</b>	Mid-to-High
<b>E-SavePack</b>	Low-end

# FIT/ONLINE STRATEGY



## STRENGTHEN SOURCING/DISTRIBUTING SYSTEMS TO PROVIDE BEST RATES AND SERVICE

### - HNT'S FIT SOURCING SYSTEMS -

#### AIR

- HNT's own GDS
- Interface with LCCs
- Group Inventory from PKG department

Air Tickets

LCC Tickets

Group Tickets

**HGRS**

Hanatur Global  
Reservation System

#### CONTENTS

- Sourcing high quality contents through network
- Mobile and PC platform

GetAbout Series  
(Mobile Platform)

tourtips.com  
(HNT's Tripadvisor)

Sticker  
(Movie Contents)

**CMS**

Contents  
Management  
System

#### FIT Products

- Direct and indirect sourced rooms to secure best rates
- Direct relationship with partners/suppliers

Hotel Rooms  
(Direct/Indirect)

Rent-a-Car

Passes

Other FITs

**MAIDAS**

Multi Articles in the  
Direct Access System)

**HNT  
PRODUCT  
POOL**



**HanaFree**

### - HNT'S FIT SALES SYSTEM -

- HNT's Dynamic Reservation System enabling a one-stop service
- Browsing access to all of HNT's Air, FIT, Contents inventory

- Discount-as-you-add service to provide more discounts to multi-purchasing customers
- The only available dynamic service in Korea

# Hotel Business



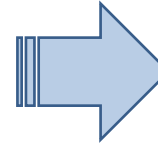
## HOTEL S.C.M. MANAGEMENT APPROACH TO CONSOLIDATE INBOUND MARKET



**1,000 ROOMS  
DIRECTLY OWNED**



**4,000 ROOMS  
INDIRECTLY OWNED\***  
*(\* Outsourced management)*



**BY 2020**  
**5,000 ROOMS  
IN OPERATION WORLDWIDE**  
**TARGETING  
CHINESE TRAVELERS**

1. *Fragmented inbound market due to lack of hotel rooms*
2. *HNT to strengthen bargaining power first by entering hotel business directly*
3. *Stay asset-light by using leasing-and-refurbishing method*
4. *Easier expansion by entering hotel-management business*

### CURRENT HNT HOTEL PROJECTS

#### CENTERMARK SEOUL

- Located in Insadong
- 250 Rooms
- Opened in Nov. 2012

#### T MARK MYEONGDONG

- Located near Myeongdong
- Approx. 280 rooms
- Opened in 14<sup>th</sup> October 2013

#### OVERSEAS

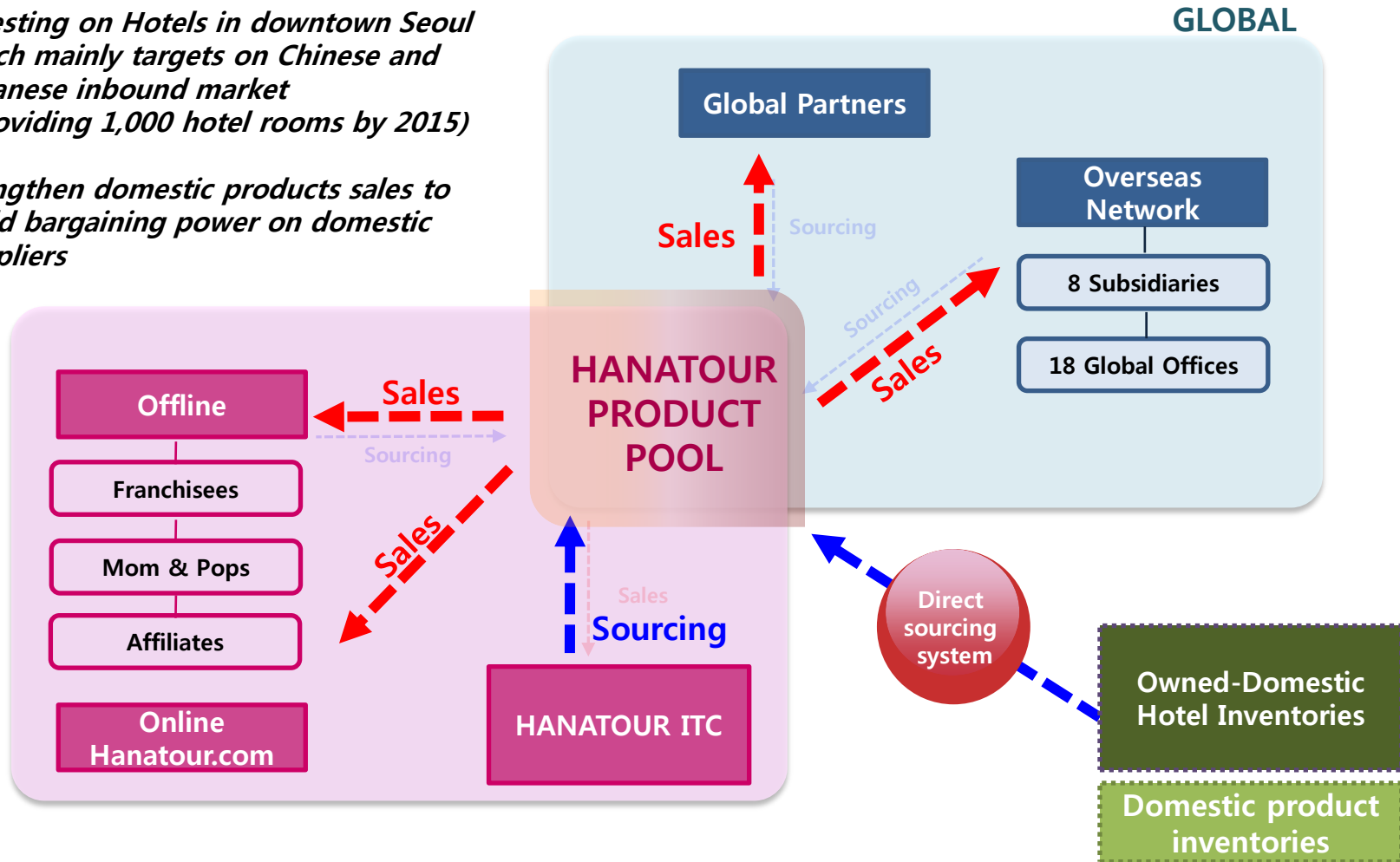
- Hotel Management company planned in Japan
- 3-star Hotel business in Shanghai

# DOMESTIC/INBOUND STRATEGY



## STRENGTHEN DOMESTIC BARGAINING POWER FOR INBOUND BUSINESS

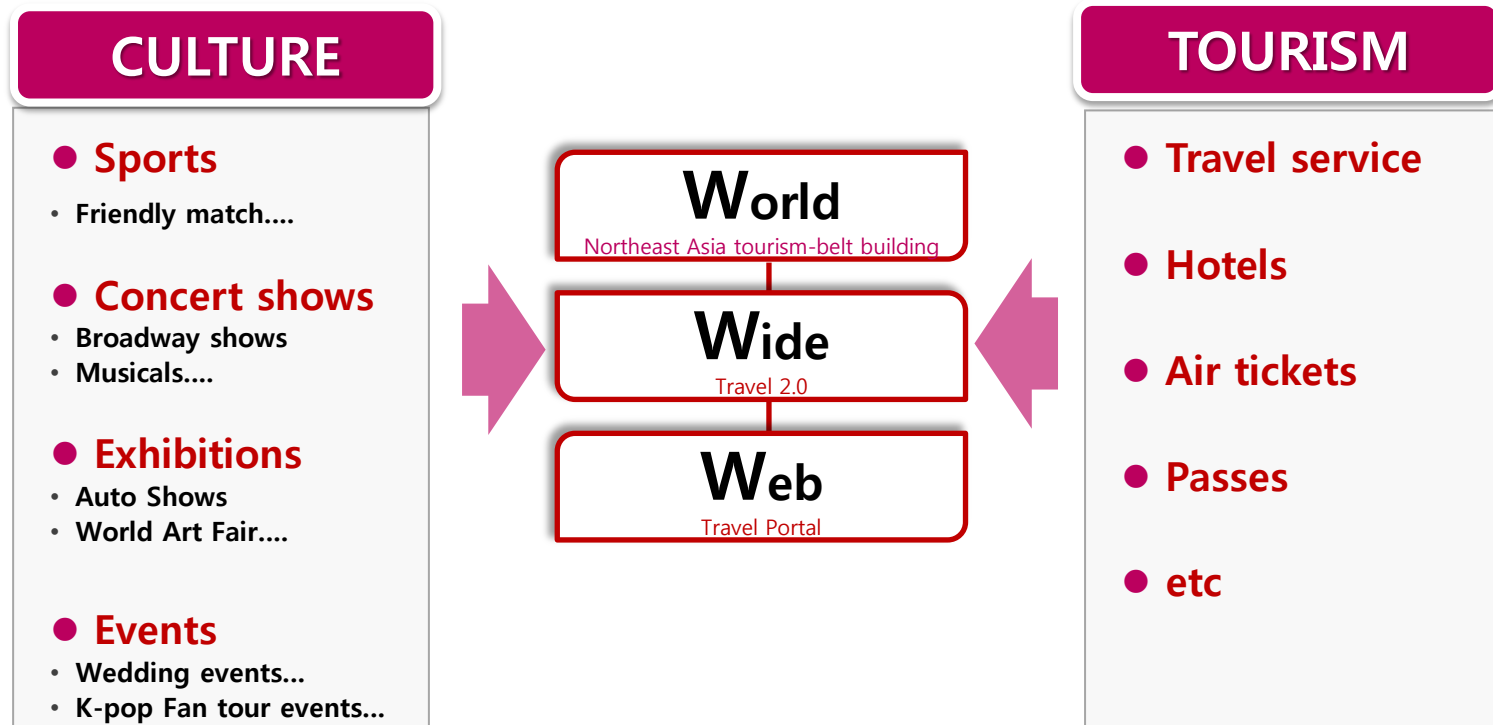
1. Investing on Hotels in downtown Seoul which mainly targets on Chinese and Japanese inbound market (providing 1,000 hotel rooms by 2015)
2. Strengthen domestic products sales to build bargaining power on domestic suppliers



# 2020 HANATOUR VISION



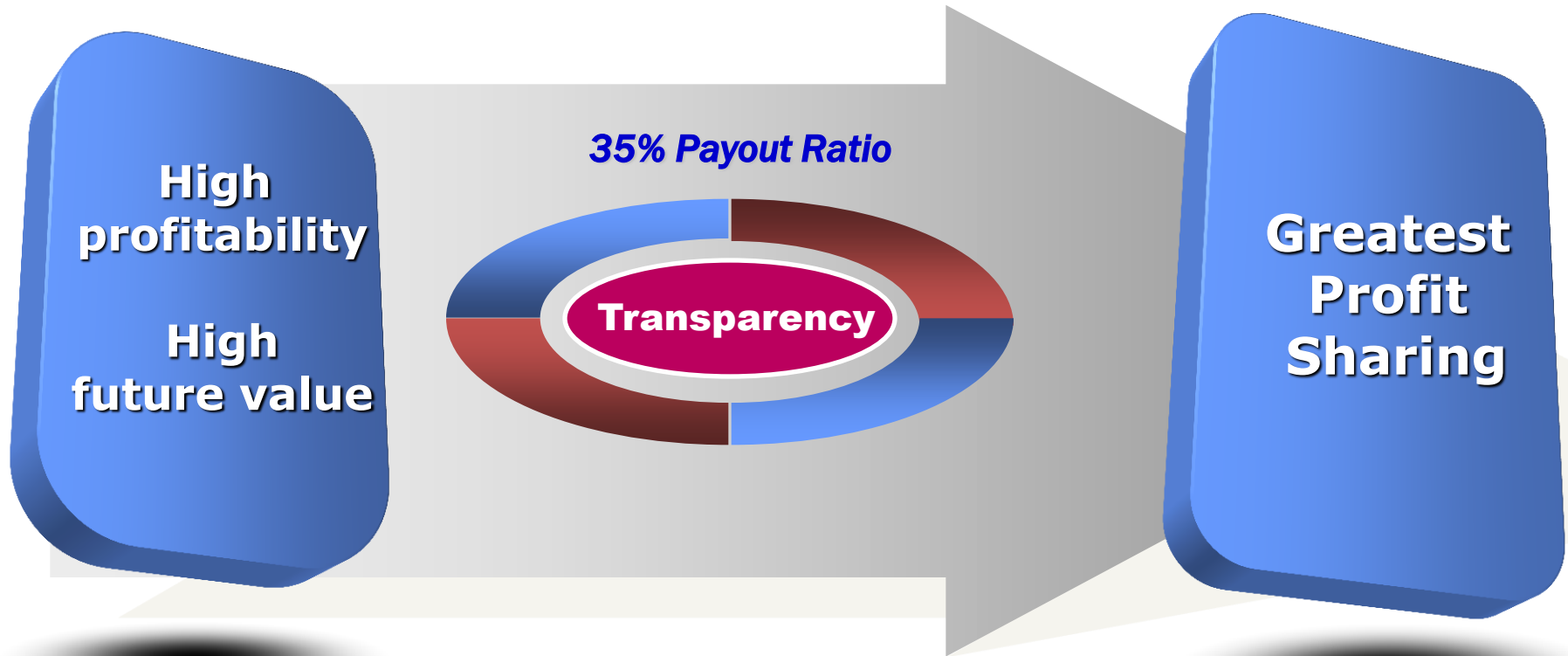
## GLOBAL NO.1 CULTURE & TOURISM GROUP



# VALUE MANAGEMENT



# VALUE MANAGEMENT





# APPENDIX





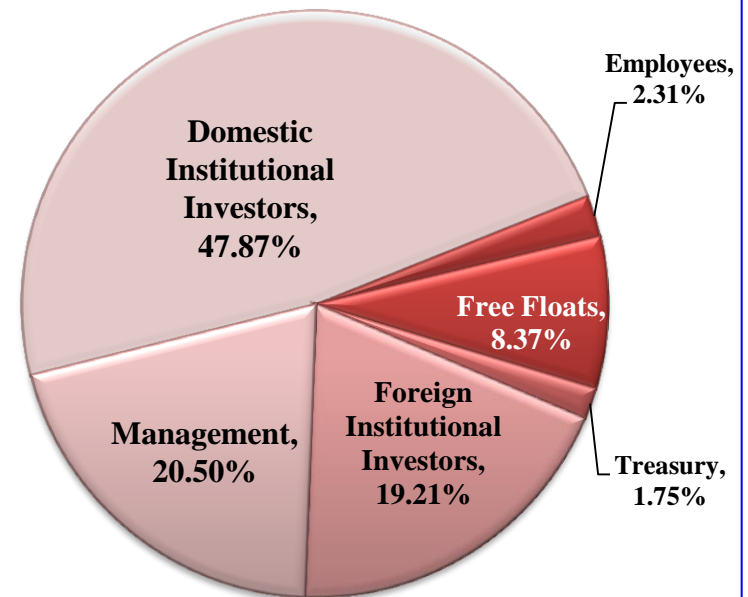
# OVERVIEW



## COMPANY PROFILE

<b>Date of establishment</b>	<b>November, 1993</b>
<b>CEO, Chairman</b>	<b>Sang Hwan, Park</b>
<b>CEO, President</b>	<b>Hyun Syuk, Choi</b>
<b>Total number of employees</b>	<b>2,185 (Dec. 2013)</b>
<b>Paid-in capital</b>	<b>KRW 5.8 bn (Mar. 2013)</b>
<b>Outstanding Shares</b>	<b>11,616,185 (Mar. 2013)</b>
<b>Networks</b>	<b>Domestic : 19 Overseas : 25</b>

## SHAREHOLDERS BREAKDOWN



**Based on  
Jun. 30, 2013**

# BUSINESS PERFORMANCE



											(KRW bn, %)	
Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13 1~3Q	FY13 1H~3Q (consolidated)	
<b>Growth</b>	<i>Sales Income</i>	80	111	166	199	173	124	218	226	259	228.5	269.5
	<i>Growth(%)</i>	37	39	50	20	-13	-28	76	3.8	14.5	18.4	17.2
<b>Profitability</b>	<i>Operating Income</i>	11.8	17.7	30.2	36.1	9.8	0.4	27.2	22.1	34.7	31.3	34.3
	<i>Income Before Income Taxes</i>	15.6	23.2	33.9	39.9	8.2	-3.0	32.7	24.8	39.6	35.6	39.7
	<i>Net Income</i>	10.6	16.6	23.3	26.9	5.0	-4.8	24.1	19.5	30.0	27.4	29.7
	<i>ROE(%)</i>	44.1	47.3	34.6	28.0	5.3	-5.4	23.9	18.6	22.7	6.6	16.4
<b>Stability</b>	<i>Current Ratio(%)</i>	150.0	104.5	150.2	151.7	142.3	147.6	143.0	125.0	133.4	136.5	150.3
	<i>Debt Ratio(%)</i>	0	0	0	0	0	0	0	0	0	0	0

※ From 2011 K-IFRS Based

# PRO-FORMA INCOME STATEMENT



(KRW bn)

Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY12 (consolidated)	FY13 1~3Q	FY13 1~3Q (consolidated)
<i>Gross Sales</i>												
<i>(Package)</i>		515.2	802.9	1,133.4	1,022.2	650.3	1,267.0	1,452.9	1,622.7		1405.6	
<i>(Air-Ticket)</i>	187.4	221.2	233.1	272.9	196.5	238.0	377.9	462.5	566.7		424.9	
<i>Sales Income</i>	79.8	111.0	166.3	199.3	172.8	123.9	218.1	226.0	259.2	307.9	228.5	269.5
<i>Operating Expense</i>	68.0	93.3	136.1	163.4	163.0	123.5	190.9	204.8	224.5	268.3	197.1	235.2
<i>Operating Income</i>	11.8	17.7	30.2	35.9	9.8	0.4	27.2	22.1	34.7	39.6	31.3	34.3
<i>OPM(%)</i>	14.8	16.0	18.2	18.0	5.7	0.3	12.5	9.8	13.4	12.9	13.7	12.7
<i>Income Before Income Taxes</i>	15.6	23.2	33.9	39.9	8.2	-3.0	32.7	24.8	39.6	49.9	35.6	39.7
<i>Net Income</i>	10.6	16.6	23.3	26.9	5.0	-4.8	24.1	19.5	30.0	37.4	27.4	29.7

※ From 2011 K-IFRS Based

# PRO-FORMA BALANCE STATEMENT



(KRW bn)

Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY12 (consolidated)	FY13 1~3Q	FY13 1~3Q (consolidated)
<b>Current Assets</b>	43.8	45.8	136.2	127.2	90.8	105.2	156.3	164.6	196.3	281.4	216.5	281.5
<b>Non-Current Assets</b>	14.0	40.8	47.6	57.1	63.4	57.1	64.0	83.0	104.0	71.0	112.4	96.9
<b>Total Assets</b>	57.8	86.6	183.9	184.3	154.2	162.3	220.3	247.6	300.3	352.4	328.9	378.4
<b>Current Liabilities</b>	29.2	43.8	90.7	83.9	63.8	71.2	109.3	136.2	147.1	169.5	158.7	187.3
<b>Non-Current Liabilities</b>	0.4	0.5	0.5	1.0	1.0	0.1	0.2	-	0.4	3.1	0.5	5.1
<b>Total Liabilities</b>	29.6	44.3	91.2	84.9	64.8	71.3	109.5	136.2	147.5	172.6	159.1	192.4
<b>Capital Stock</b>	5.2	5.2	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
<b>Retained Earnings</b>	27.4	39.6	55.7	63.4	44.9	20.5	38.1	46.0	66.2	76.0	82.2	92.7
<b>Other Capital</b>	-4.4	-2.5	31.2	30.3	36.8	62.5	64.7	79.6	80.9	97.9	81.8	-0.4
<b>Total Stockholders' Equity</b>	28.2	42.3	92.6	99.4	89.4	90.9	110.8	111.5	152.8	179.8	161.8	186.0
<b>Total Liabilities and Stockholders' Equity</b>	57.8	86.6	183.9	184.3	154.2	162.3	220.3	247.6	300.3	352.4	329.0	378.4

※ From 2011 K-IFRS Based 28

# PRO-FORMA CASH FLOW



(KRW bn)

Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY12 (consolidated)	FY13 1~3Q	FY13 1~3Q (consolidated)
<b>1. Cash Flows from Operating Activities</b>	16.1	18.8	67.5	38.0	8.6	11.4	63.1	47.7	37.7	39.2	21.8	38.1
<b>2. Cash Flows from Investing Activities</b>	- 10.5	-15.7	-26.0	-29.5	-6.3	13.4	-28.2	-27.3	-46.0	-44.1	-17.3	-28.0
<b>3. Cash Flows from Financing Activities</b>	- 3.2	1.1	18.7	-33.5	-30.7	-6.1	-7.7	-18.9	9.8	7.6	-10.9	-14.7
<b>4. Increase (Decrease) in Cash (1+2+3)</b>	2.4	4.2	60.1	-25.0	-28.4	18.8	27.2	1.5	1.5	2.6	-6.5	-4.7
<b>5. Cash at the Beginning of the Fiscal Period</b>	5.3	7.7	11.9	72.0	47.1	18.7	37.5	64.7	66.2	91.2	67.6	93.0
<b>6. Cash at the End of the Fiscal Period</b>	7.7	11.9	72.0	47.1	18.7	37.5	64.7	66.2	67.6	93.0	61.0	85.4

※ From 2011 K-IFRS Based

# GROWTH



Description		FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13 1~3Q	FY13 1~3Q (consolidated)
<b>Growth (%)</b>	<b>Sales Income</b>	36.5	39.2	49.5	19.8	-13.3	-28.3	76.0	3.8	14.5	18.4	17.2
	<b>Income Before Income Taxes</b>	52.1	48.7	46.1	17.8	-79.5	-136.6	N/A	-19.1	59.9	19.1	12.6
	<b>Net Income</b>	51.1	56.8	40.3	15.3	-81.3	-196.2	N/A	-11.6	53.5	21.2	10.5
	<b>Income Before Income Taxes Margin</b>	19.6	21.0	20.4	20.0	4.7	N/A	15.0	11.0	15.3	15.7	14.2
	<b>ROA</b>	21.5	23.1	17.2	14.6	3.0	-3.1	11.1	7.9	10.0	3.4	8.1
	<b>ROE</b>	44.1	47.3	34.6	28.0	5.3	-5.4	23.9	17.7	22.7	6.6	16.4
<b>Investment</b>	<b>EPS (KRW)</b>	1,092	1,632	2,160	2,352	445	-416	2,193	1,789	2,714	965	2,416
	<b>BPS (KRW)</b>	3,409	3,333	8,009	8,557	7,698	7,828	9,537	9,322	13,158	15,732	16,594
	<b>Pay-Out Ratio(%)</b>	33.3	36.9	35.3	38.9	166.7	N/A	38.8	50.1	37.1	N/A	N/A
	<b>Net-Cash (KRW bn)</b>	7.7	11.9	72.0	47.0	18.7	37.5	64.7	66.2	67.6	61.0	85.4

※ From 2011 K-IFRS Based

# AWARDS LIST



- ❖ Mar. 2013, 1st Place for 9 consecutive years in tourism field in “2009 Brand Power of Korean Industry ” selected by KMAC
- ❖ Mar. 2012, 1st Place for 9 consecutive years in tourism field in “2012 Korean Brand Star ” selected by KMA Brand Stock
- ❖ Nov. 2012, 1st Place for 7 consecutive years in tourism field in “Super Brand” selected by Ministry of Trade, Industry and Energy
- ❖ Dec. 2011, the Korea Economic Daily “Hankyung IR Awards 2011”
- ❖ Oct.2010, Awarded ‘The 8<sup>th</sup> investor Value Awards’ chosen by Moneytoday
- ❖ Sep. 2008, 1st ranked in tourism field in “Korea Standard-Service Quality Index” by Korean standards association for 2 consecutive years
- ❖ Jun. 2008, Awarded “Company with Excellent Corporate Structure’ hosted by Corporate Structure Improvement Support Center
- ❖ Jun. 2007, Awarded ‘The 3<sup>rd</sup> investor value awards’ chosen by Moneytoday
- ❖ Jan.2007, Ministry of Culture and Tourism “The Biggest outbound travel company for 9 consecutive years”
- ❖ Nov. 2006, Korea Investor Relations Association “Korea IR Awards of the year 2006 –1<sup>st</sup> award of KOSDAQ Category”
- ❖ Nov. 2006, Ministry of Commerce, Industry and Energy “Korean Standard-Service Quality Index 1<sup>st</sup> award”
- ❖ Nov. 2006, The Korea Economic Daily “Hankyung IR Awards 2006”
- ❖ Jul.2006, The Korea Economic Daily “Hankyung Customer Awards 2006 - Travel Company Category
- ❖ Jun. 2006, Money Today “The 2<sup>nd</sup> Investor Value Awards”

***THANK YOU***

