

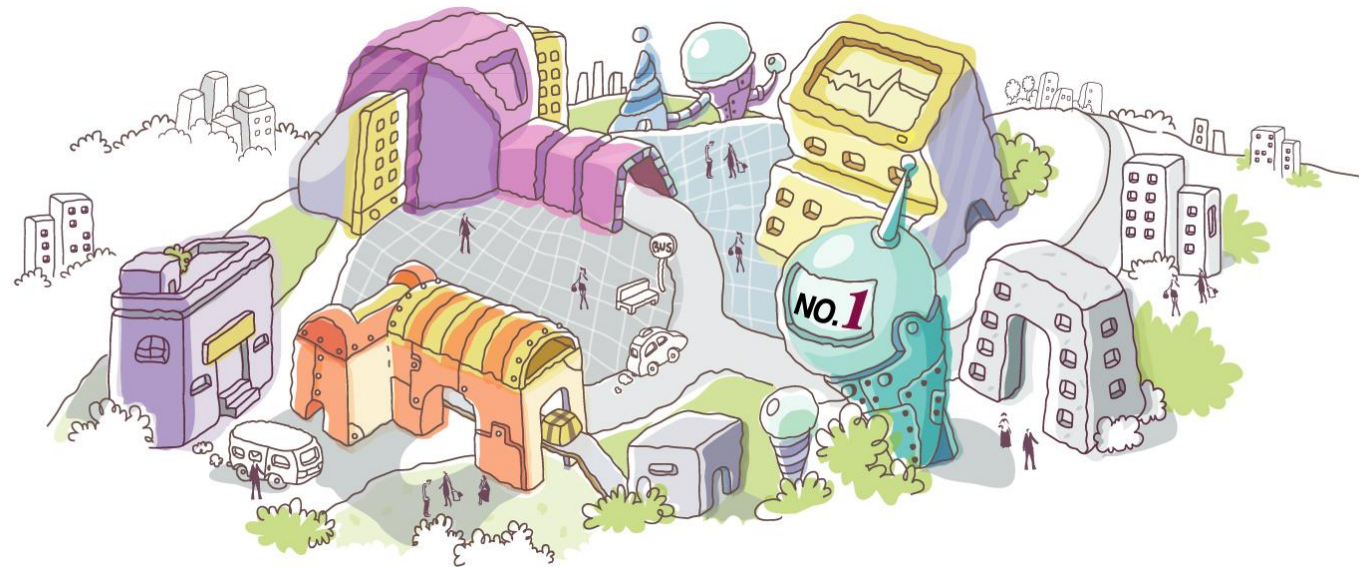


# INVESTOR RELATIONS

Feb. 2012  
(ENGLISH)



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



# INTRODUCTION



# INTRODUCTION



## Korea's No.1 "Travel Corporation" Leading market trend in the industry

### STRENGTHS

#### BRAND AWARENESS

*Ranked in 46<sup>th</sup> place at '2010 Korea Top 100 Brand' by Brand Stock  
Ranked top in Travel Agency category for 7 consecutive years  
at 2010 K-BPI (Korea Brand Power Index) by KMAC*

#### ECONOMY OF SCALE

*2011 M/S:  
16.8% Hanatour vs. 9.5% Modetour*

#### VARIOUS DISTRIBUTION CHANNELS

*1,170 Franchisees, 7,000 Mom & Pops, 200 Affiliates.*

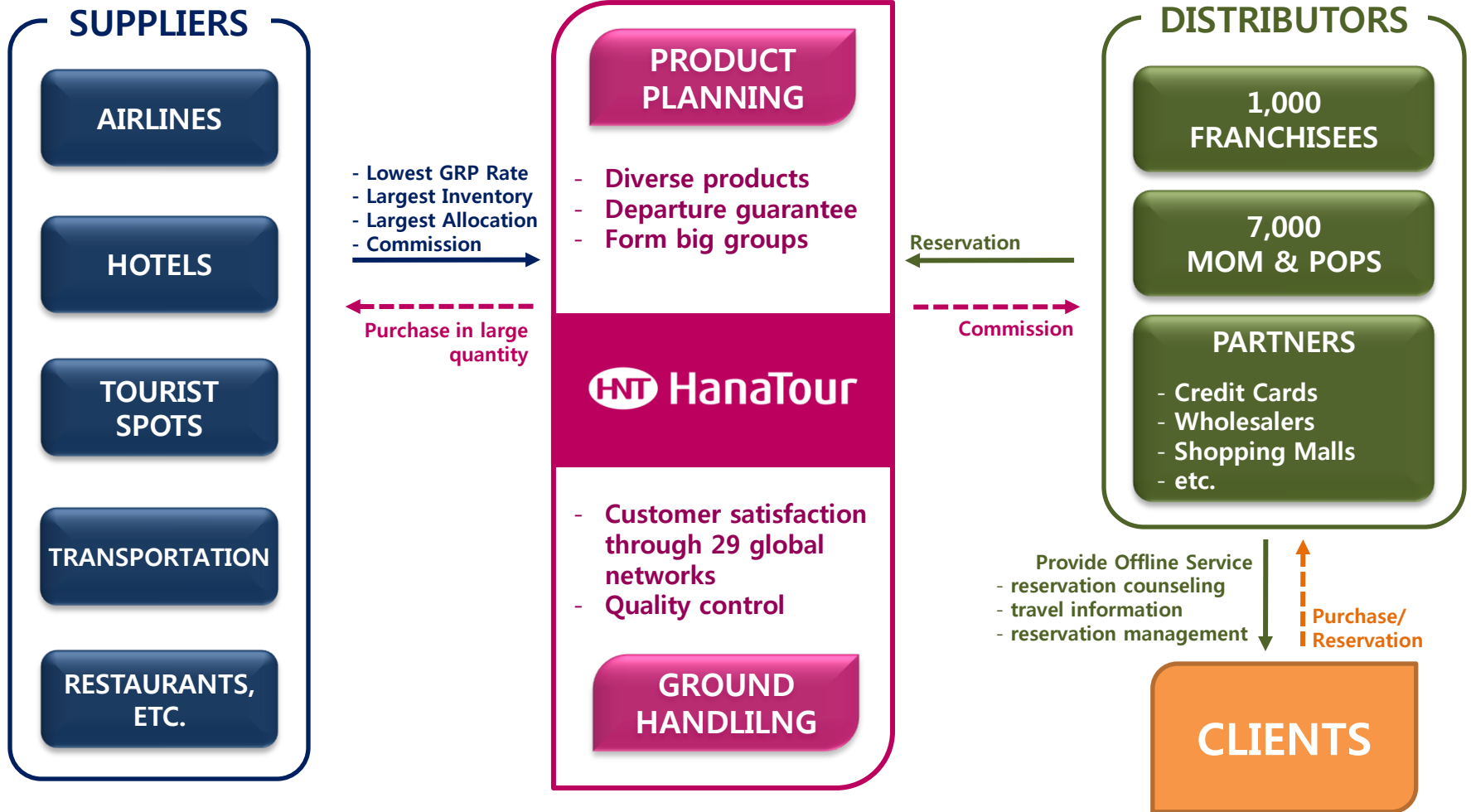
#### ADVANCED IT SYSTEM

*B2B system – travel manager, CATS  
Sourcing system – MIDAS, HGRS  
Internal system /CRM –HANAIN, HANASAM, GINIS, HANACAMP, etc.*

#### GLOBAL NETWORK

*13 Domestic & 8 Overseas Subsidiaries / 21 Global Offices  
(09.2011 standard)*

# BUSINESS MODEL



- Lowest GRP Rate  
- Largest Inventory  
- Largest Allocation  
- Commission

Purchase in large quantity

Reservation

Commission

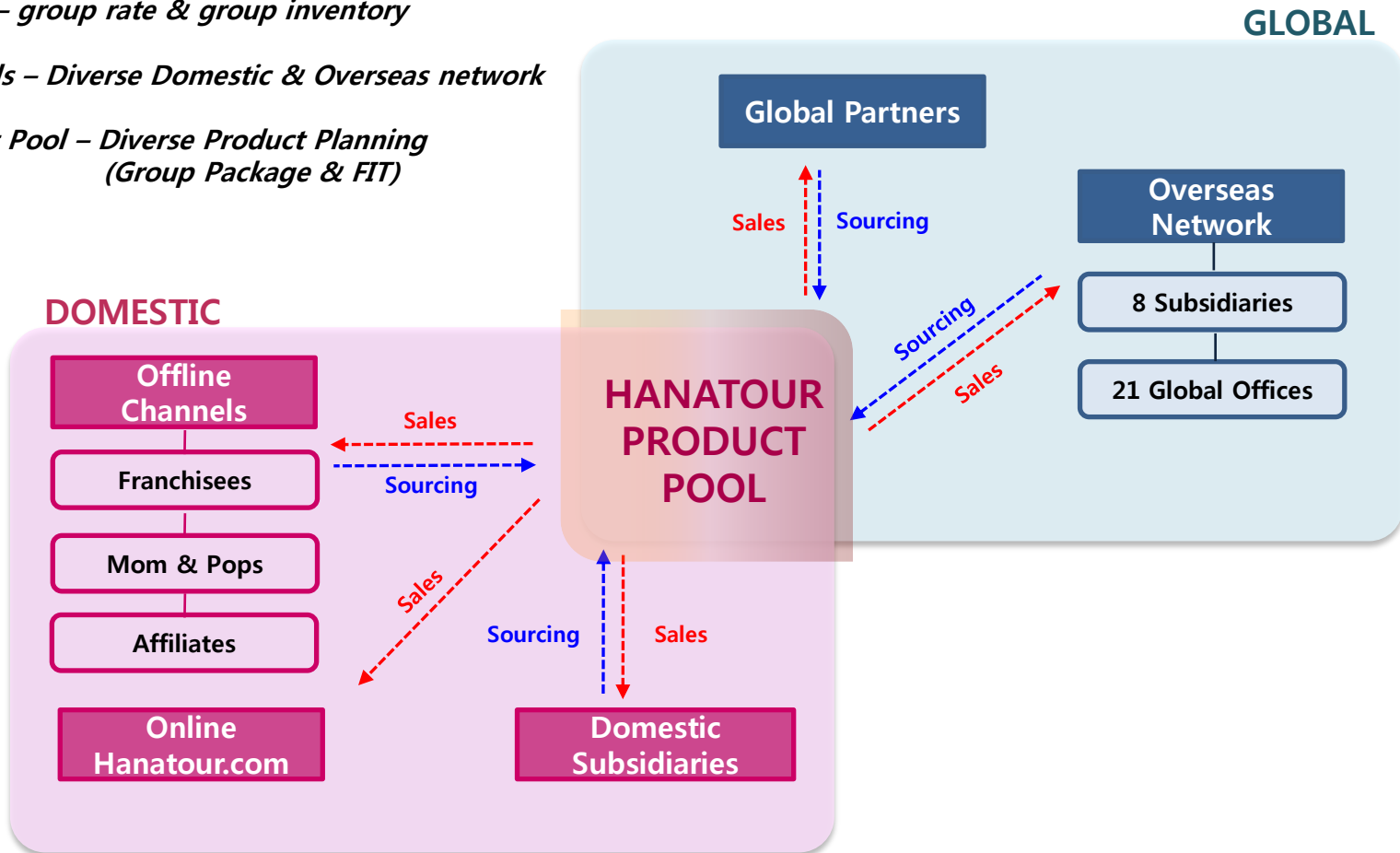
Purchase/Reservation

Purchase/Reservation

# HANATOUR SALES NETWORK



- \* Supply – group rate & group inventory
- \* Channels – Diverse Domestic & Overseas network
- \* Product Pool – Diverse Product Planning (Group Package & FIT)

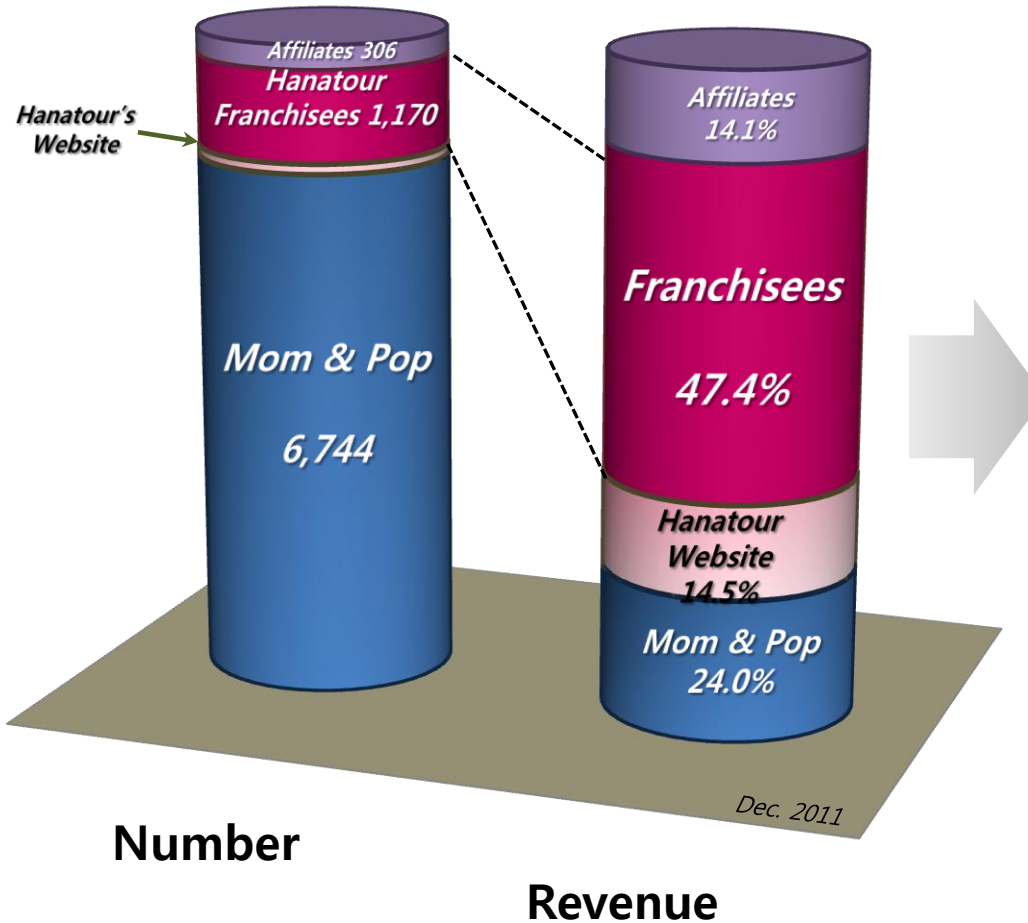


# DISTRIBUTION CHANNELS



## 2015 TARGET

### FOR DISTRIBUTION CHANNELS



#### 1. Package Main Channel - Franchisees

	2012	2015
Number of Franchisees	1,300	2,000

#### 2. FIT Main Channel – HanaTour Website

Up to 30% portion of total revenue by 2015

# REVENUE STRUCTURE



		SALES	COST of SALES*	Sales Revenue	Agent Commission**
PACKAGE		100	80	20	offline 9
					online 7
FIT	HOTEL	100	83	17	offline 10
					online 4
	OTHERS***	100	80	20	online 9
					online 9

## Future concentration on FIT

- GPM continuously improving to match package levels
- OPM improvements from increased online sales (less agent commission)

\* Major cost consists of air and destination management fees

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

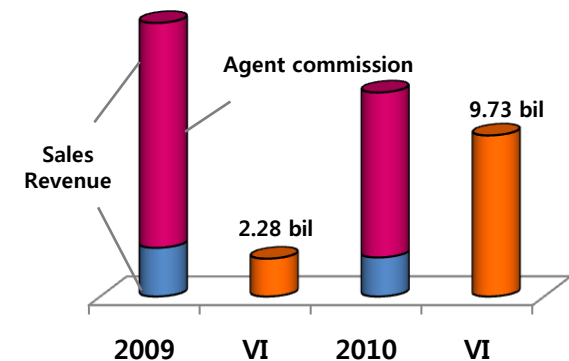
\*\*\* Others – Local Activities( Half & Full Day Tours), Rent-a-car, Pass, Insurance, etc.

## Air Ticket

### ■ NO Sales revenue(Zero commission)

- Zero Commission - Korean Air & Sky Team(Jan, 2010) / Asiana & Star Alliance(Apr, 2011)

### ■ Additional Revenue - Volume Incentive

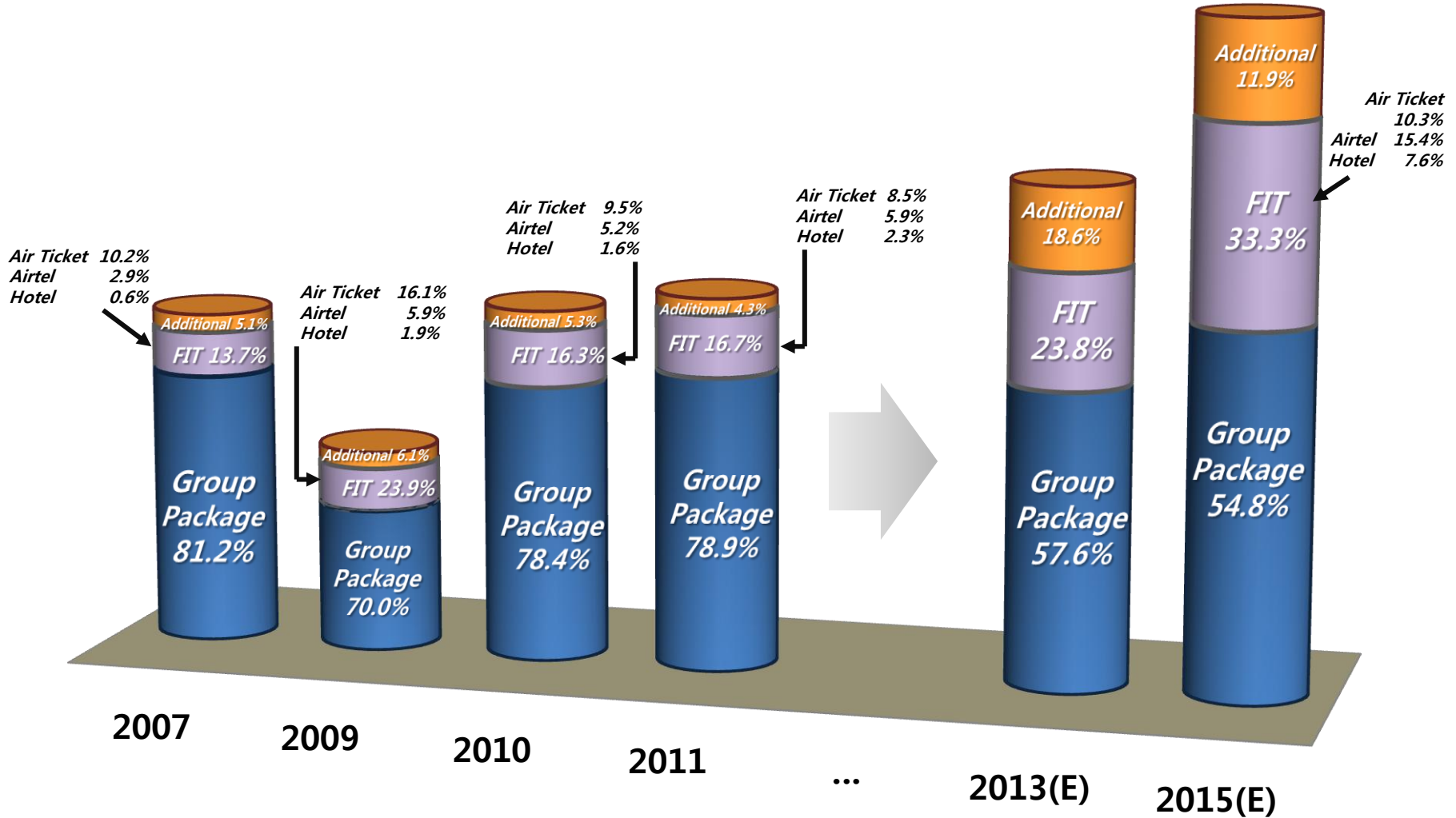




# SALES BREAKDOWN



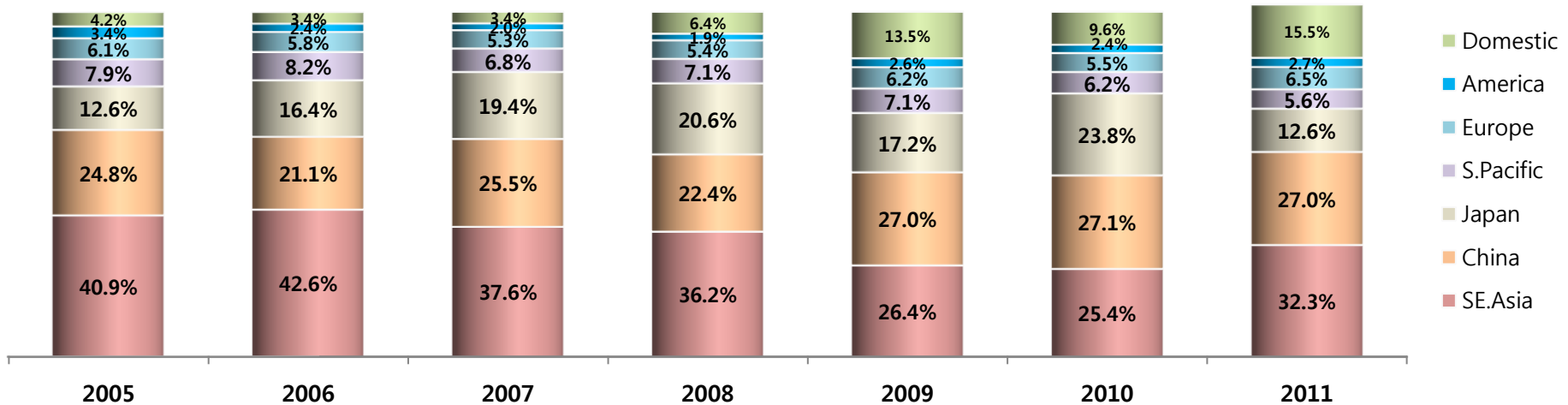
**STABLE PRODUCT PORTFOLIO TO MEET CHANGING MARKET ENVIRONMENTS**



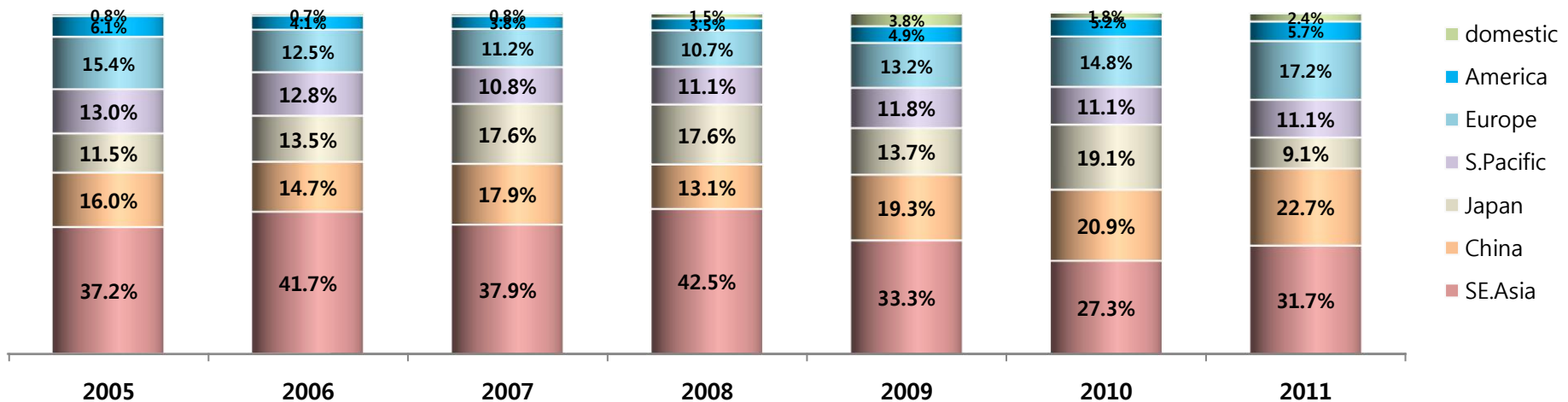
# DESTINATION BREAKDOWN



## VOLUME PORTION



## REVENUE PORTION



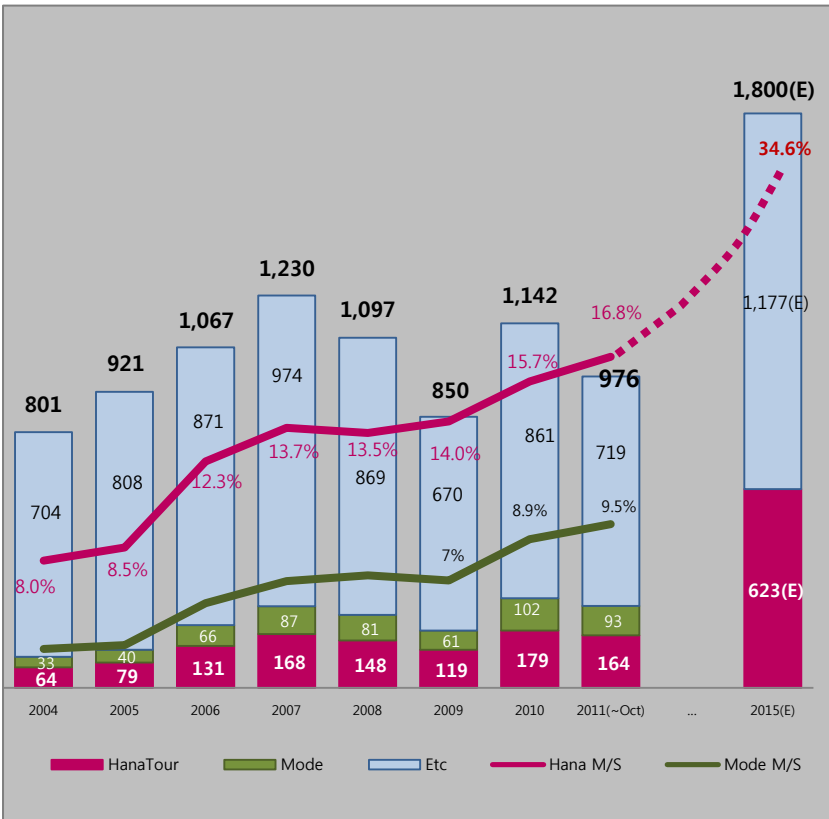
# GROWTH & MARKET SHARE



## CONTINUOUS GROWTH OF HANATOUR'S M/S

### OUTBOUND M/S

[Unit: 10,000 PAX, %]



### OUTBOUND GROWTH

[Base: number of passengers]












	2004	2005	2006	2007	2008	2009	2010	2011 (E)	2004 ~ 2011 CAGR
<b>Total Korean Outbound Departure</b>	26.3%	15.0%	15.9%	15.2%	-10.8%	-22.6%	34.4%	1.2%	5.4%
<b>HanaTour Total Volume (Packages &amp; Tickets)</b>	11.4%	23.9%	65.0%	28.8%	-12.1%	-19.7%	50.6%	9.0%	17.3%
<b>HanaTour Packages</b>	66.7%	42.0%	56.1%	42.8%	-11.8%	-29.7%	66.8%	5.4%	19.4%

(Source: KATA, KTO, KTA)

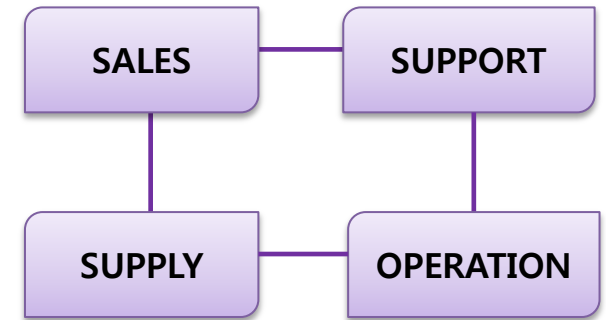
# DOMESTIC NETWORK



## 13 DOMESTIC SUBSIDIARIES – DIVERSIFIED & SPECIALIZED

SUBSIDIARY	TARGET MARKET	SALES TYPE
 Hana BusinessTravel	BUSINESS	B2C & B2B
 HanaYouth	BACKPACK, ESL	B2C & B2B
 (주)고려 TRAVEL SERVICE	PILGRIMAGE	B2C
 webtour	DOMESTIC, 2030	B2C & B2B
 TUK Tourmarketing	CRUISE, RENT-A-CAR	B2C & B2B
 Jeju HanaTour	JE-JU DOMESTIC ONLY	B2C & B2B
 HanaTourist	HANATOUR CALL-CENTER	B2C
 CJ Worldis	ONLINE, HOME SHOPPING	B2C
<b>Hanatur ITC</b>	OVERSEAS KOREAN/FOREIGNERS	B2B & B2C
 HANA & MEDIA	MEDIA & PUBLISHING	HANATOUR & EXTERNAL SUPPLIERS
 H&t Marketing	AD & MARKETING	HANATOUR & ALLIANCES
 HTSHOP.com	TRAVEL SHOPPING MALL	ON/OFFLINE B2C
<b>Hotel &amp; Air.com</b>	HOTEL & AIR SUPPLY	B2C & B2B

### Revenue structure

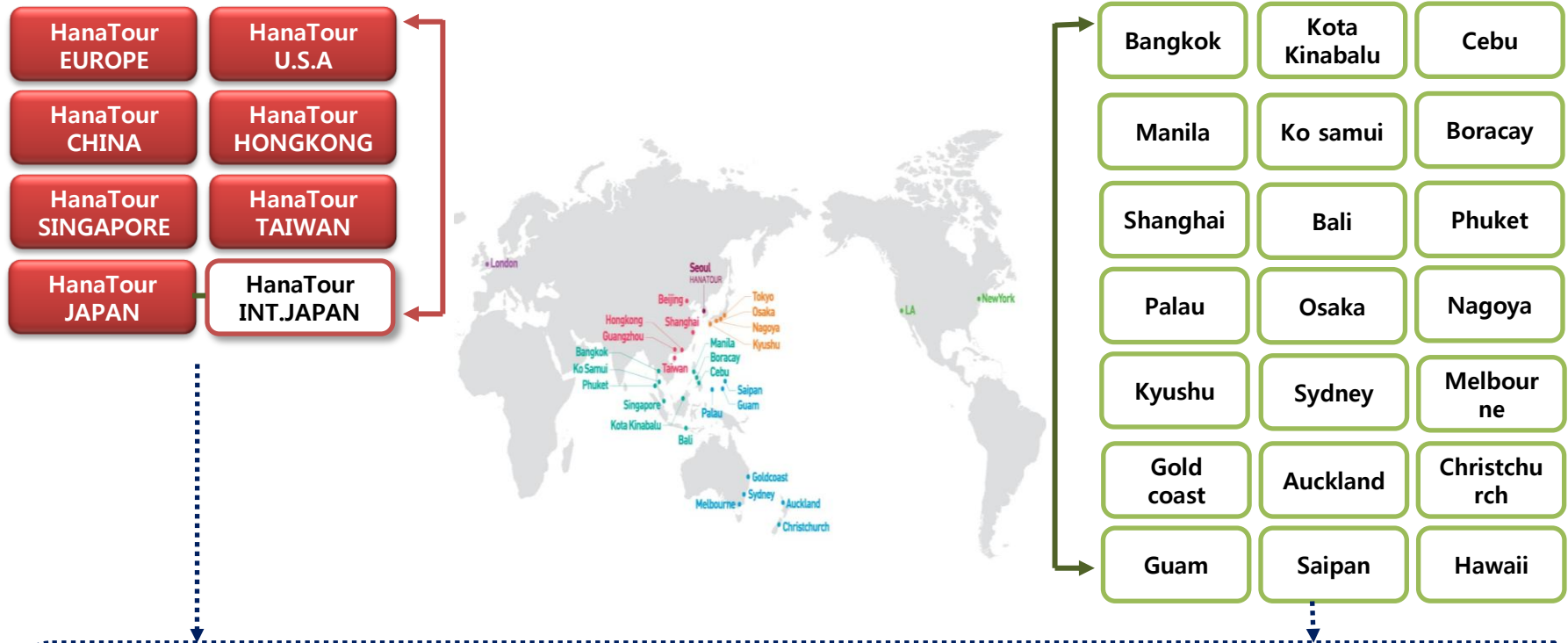


**B2C**  
 (Online, Home Shopping, etc.)  
 +  
**B2B**  
 (HanaTour Original  
 Distribution Channels)

# OVERSEAS NETWORK



## 8 OVERSEAS SUBSIDIARIES & 21 GLOBAL OFFICES



- ▶ 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



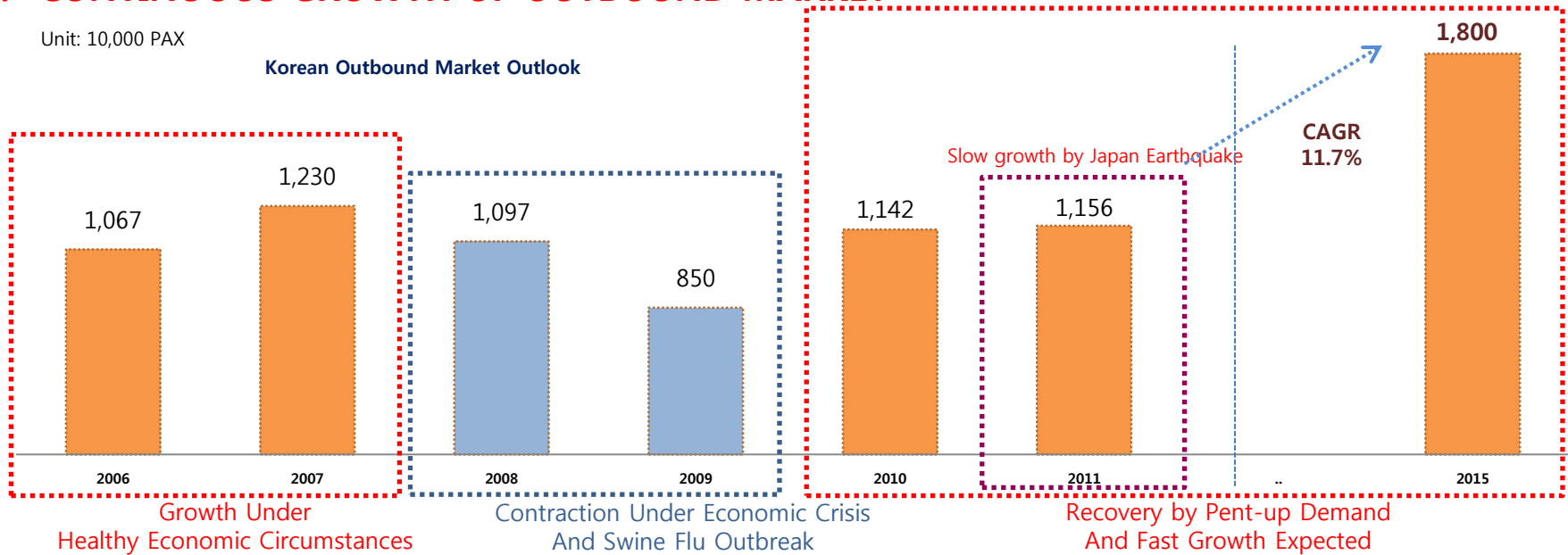
# MARKET ENVIRONMENT



## 1. "CONTINUOUS GROWTH OF OUTBOUND MARKET"

Unit: 10,000 PAX

Korean Outbound Market Outlook



[Source: HanaTour Internal Data based on data of Statistical Offices, Tourism Bureaus of Korea, Taiwan, and United Kingdom]

### LACK OF DOMESTIC TOUR ATTRACTIONS

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

### INCREASING AIRSEAT SUPPLY

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

### MARKET CONSOLIDATION

- Air Ticket - No Commission (Airlines prefer wholesalers for cost saving.)
- Small agencies depend more on big travel companies.

2015  
18 Million(E)

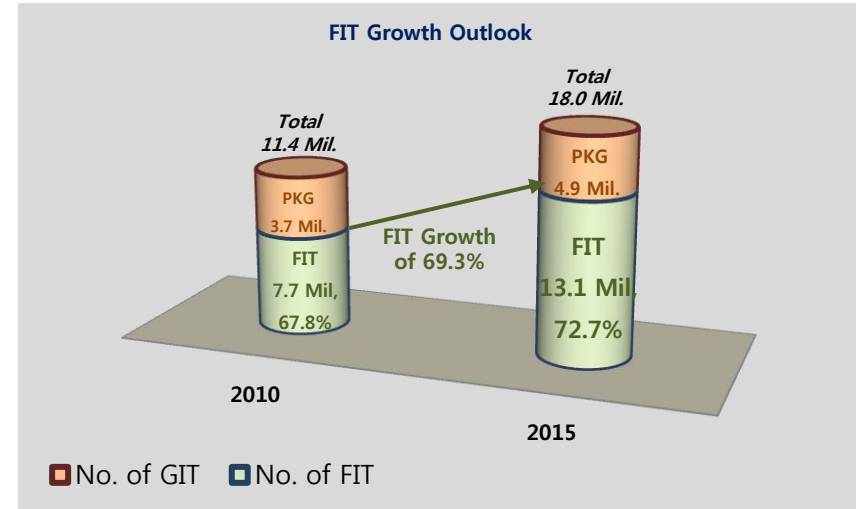
# MARKET ENVIRONMENT



## 2. "CONTINUOUS GROWTH OF FIT MARKET"

### ➤ Yearly Growth of 10% until 2015

- 13.1 Million FIT
- 72.7% of Total Outbound

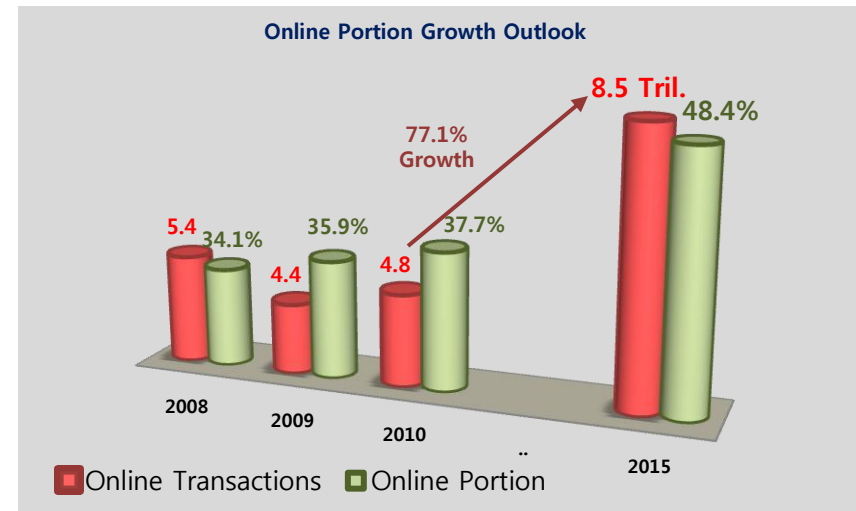


[Source: KTO and HanaTour Internal Data]

## 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]

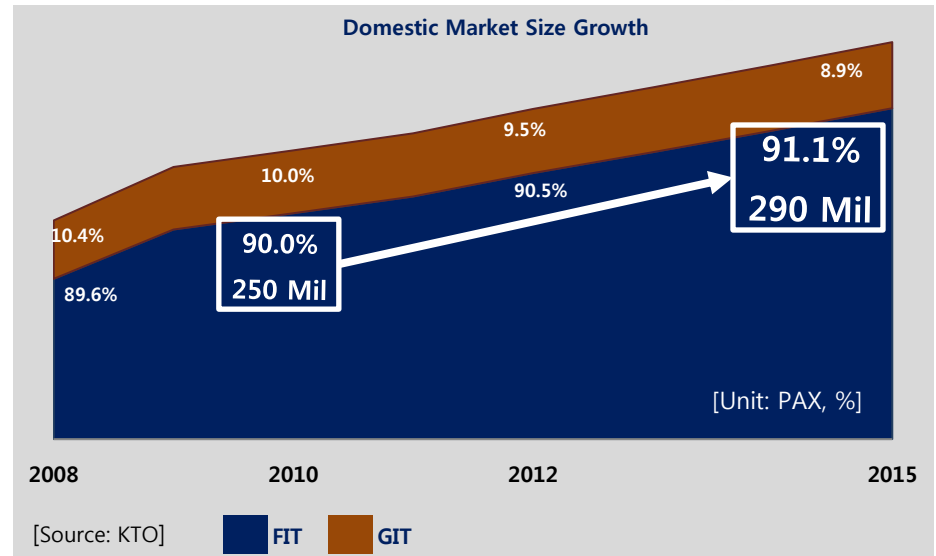


# MARKET ENVIRONMENT



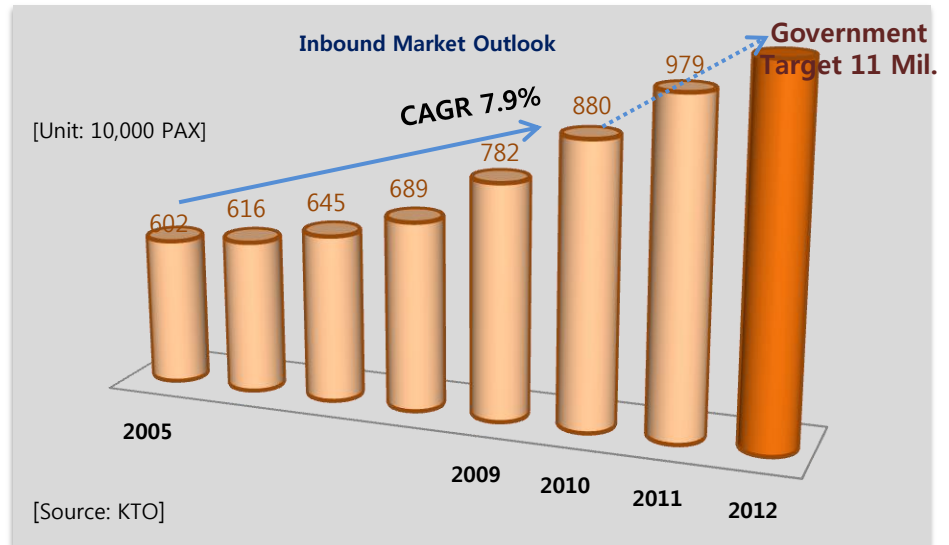
## 4. "GROWING DOMESTIC MARKET"

- 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 11 Million by 2012*





# STRATEGY



# OUTBOUND STRATEGY

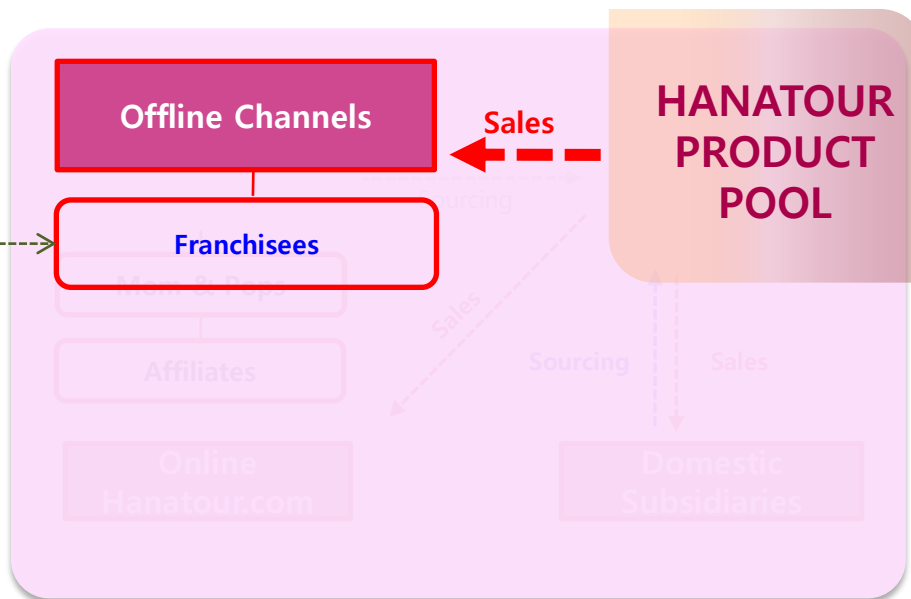
## Package & Ordered tour



### 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; Enhancing it up to 100% by 2012))
- 2) Fostering franchisees specialized in specific product groups

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



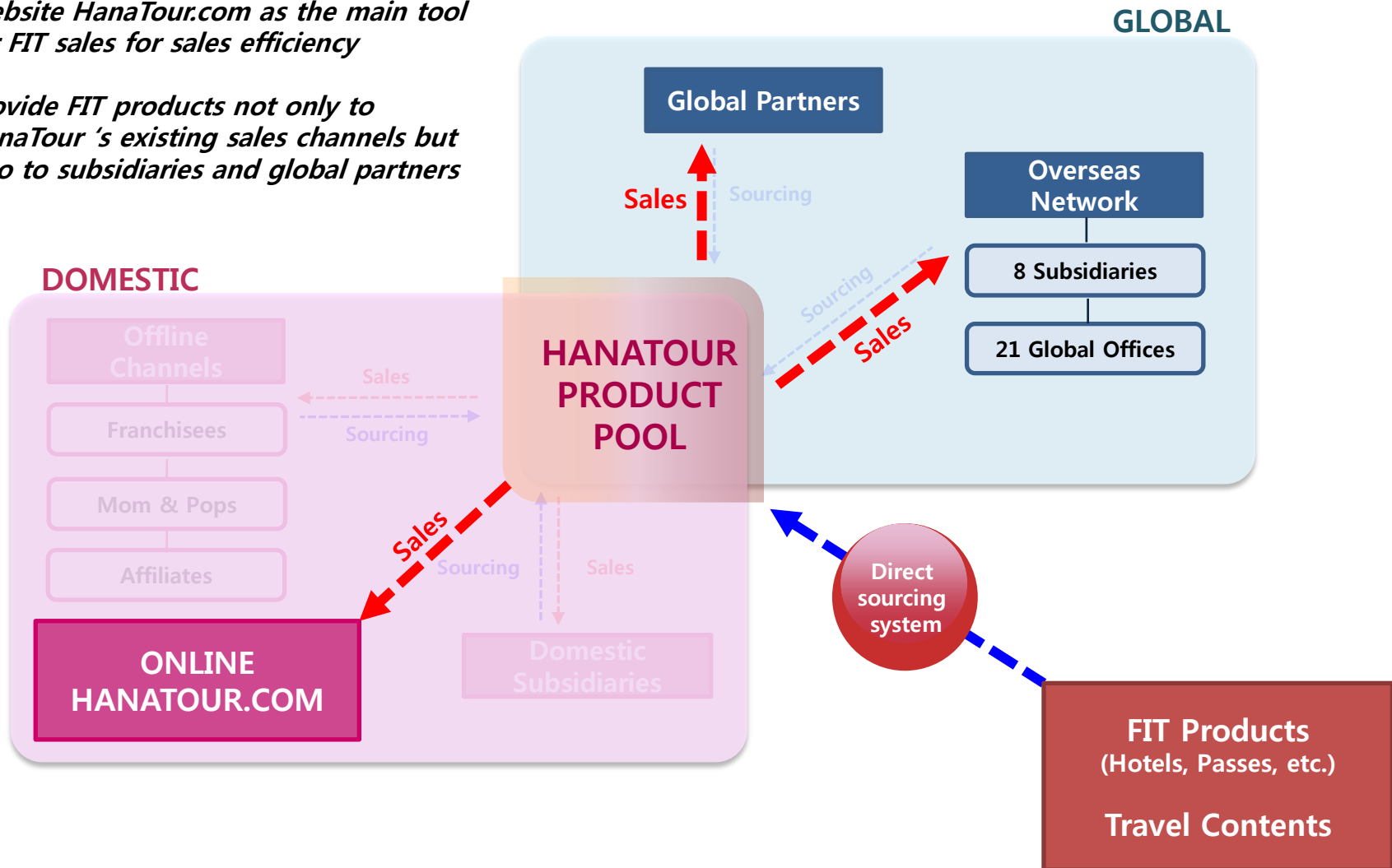
<b>ZEUS</b>	Ultra Luxury
<b>Platinum</b>	High-end
<b>Premium</b>	Mid-to-High
<b>Standard</b>	Low-to-Mid
<b>Webtour</b>	Low-end

# FIT & ONLINE STRATEGY



**"HANATOUR.COM AS NO.1 TRAVEL PORTAL BY 2015"**

1. Website HanaTour.com as the main tool for FIT sales for sales efficiency
2. Provide FIT products not only to HanaTour's existing sales channels but also to subsidiaries and global partners

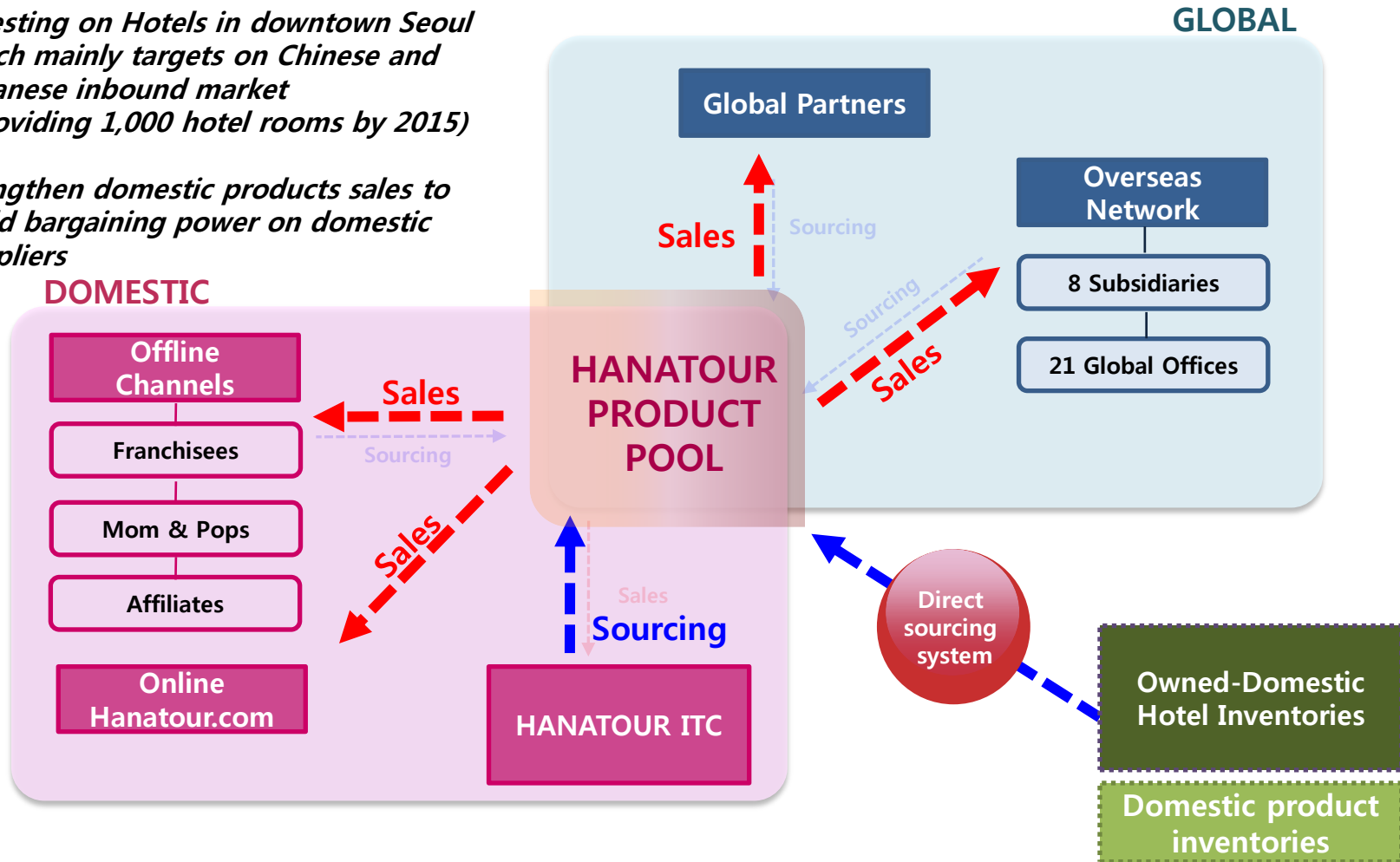


# DOMESTIC/INBOUND STRATEGY



## STRENGTHEN DOMESTIC BARGAINING POWER FOR INBOUND BUSINESS

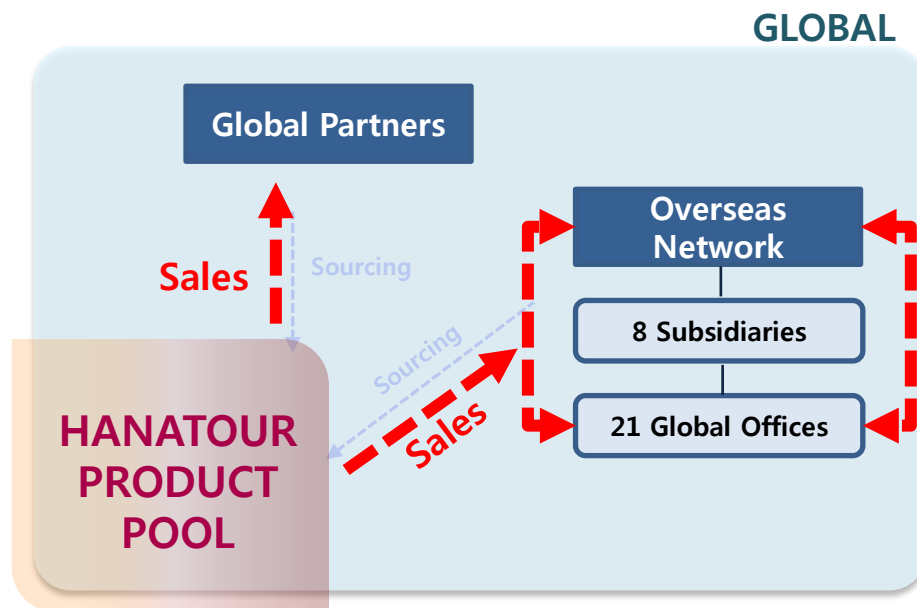
1. Investing on Hotels in downtown Seoul which mainly targets on Chinese and Japanese inbound market (providing 1,000 hotel rooms by 2015)
2. Strengthen domestic products sales to build bargaining power on domestic suppliers





## 1. *Active inventory transactions with global partners*

*Achieve global economies of scale by providing hotel inventories to worldwide partners via HanaTour's interfacing system*



**GLOBAL LEVEL SYNERGY'S  
ACHIEVED THROUGHOUT  
WORLD-WIDE  
DISTRIBUTION CHANNELS**

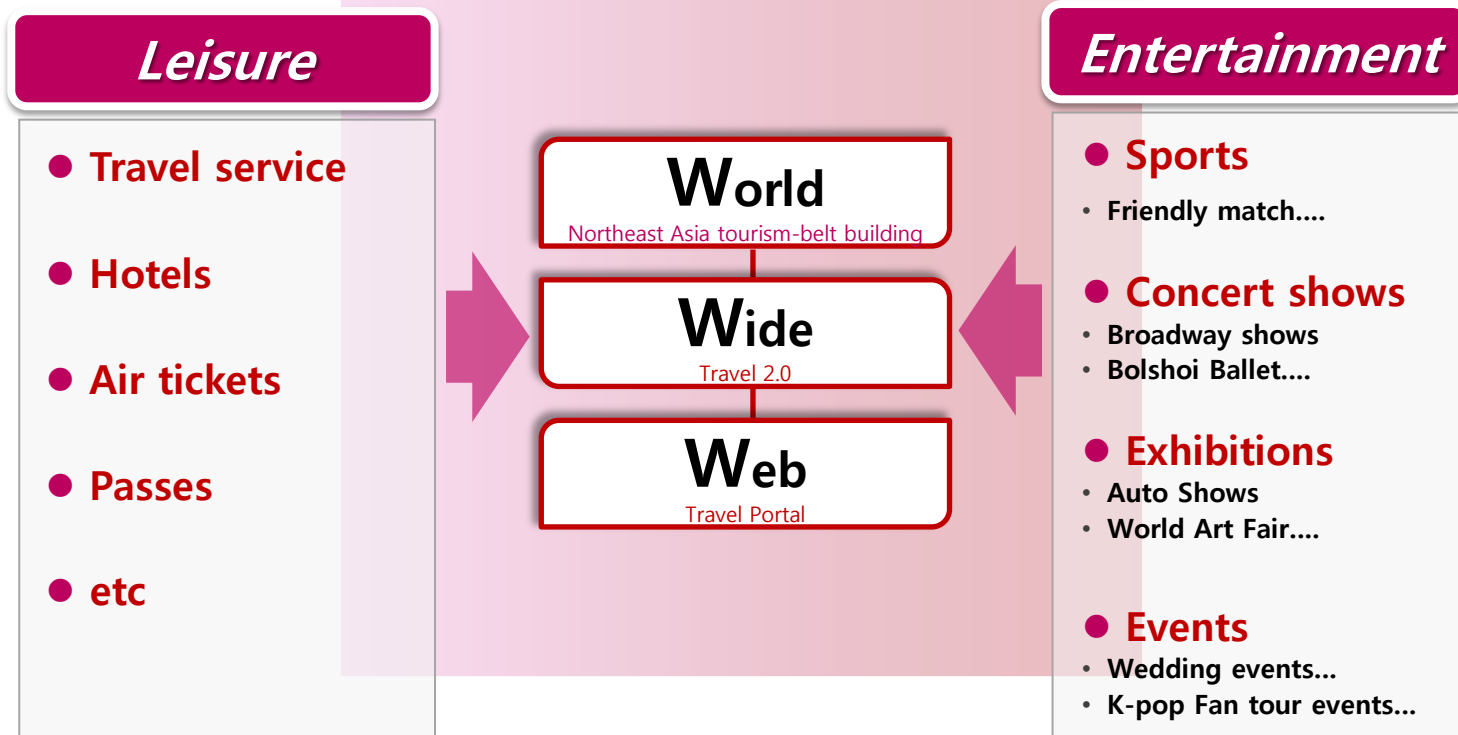
## 2. *Global Bound Business between Overseas networks*

*Inter-subsidiary transaction for greater "global economies of scale"*

# 2020 HANATOUR VISION



## 2020 Vision as a Leisure & Entertainment Group

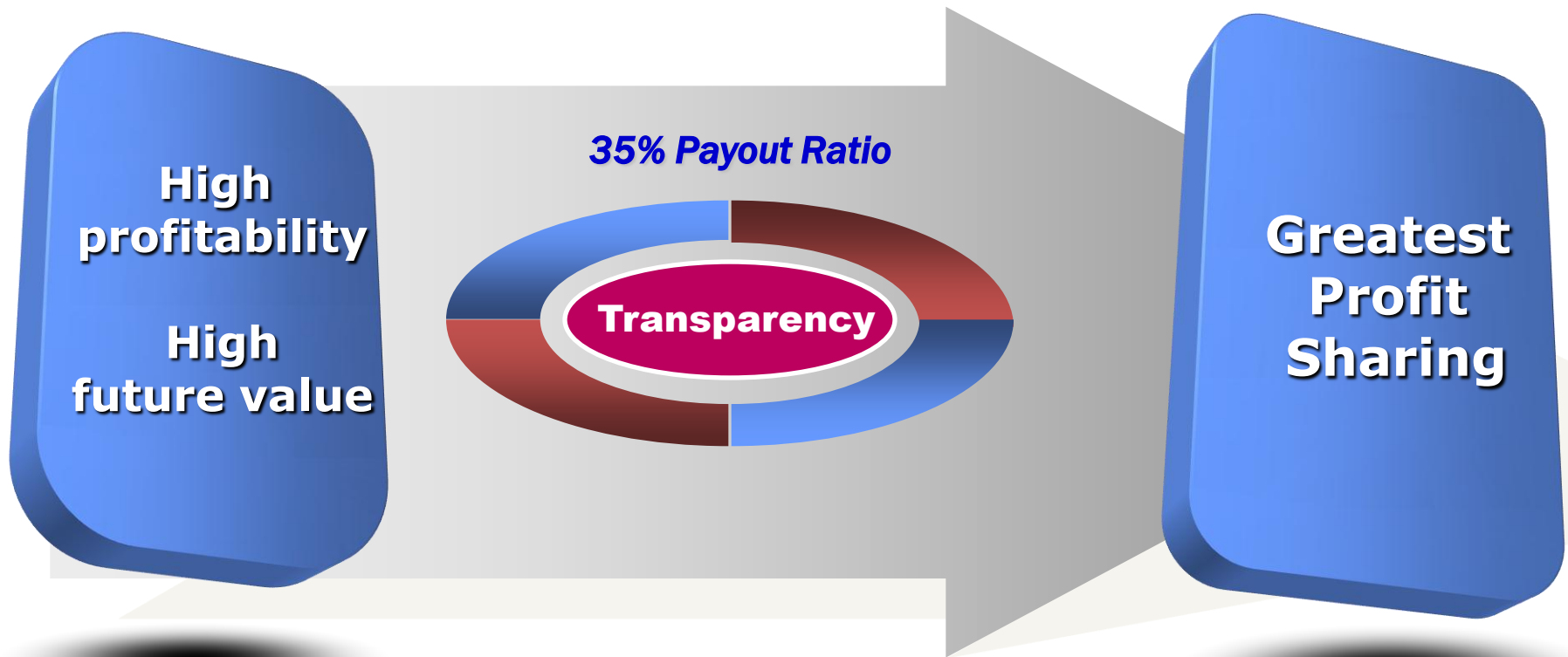


# VALUE MANAGEMENT





# VALUE MANAGEMENT





# APPENDIX



# OVERVIEW



## COMPANY PROFILE

**Date of establishment**      **November, 1993**

**CEO, Chairman**      **Sang Hwan, Park**

**CEO, President**      **Hyun Syuk, Choi**

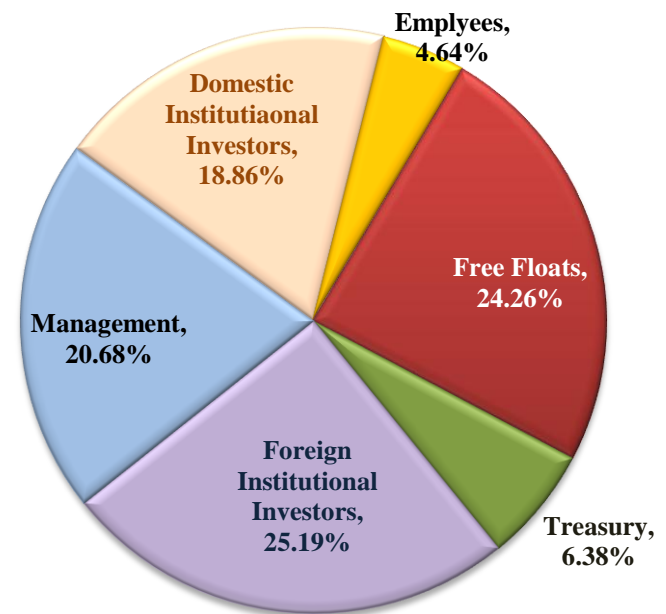
**Total number of employees**      **1,653 (Sep. 2011)**

**Paid-in capital**      **W 5,8 bn (Sep. 2011)**

**Outstanding Shares**      **11,616,185 (Dec. 2011)**

**Networks**      **Domestic : 13  
Overseas : 29**

## SHAREHOLDERS BREAKDOWN



**Based on  
Dec. 31, 2011**

# BUSINESS PERFORMANCE



(W bn, %)

Description		FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11 (E)
<b>Growth</b>	<i>Sales</i>	80	111	166	199	173	124	218	226
	<i>Growth(%)</i>	37	39	50	20	-13	-28	76	3.8
<b>Profitability</b>	<i>Operating Income</i>	11.8	17.7	30.2	36.1	9.8	0.4	27.2	22.1
	<i>Ordinary Income</i>	15.6	23.2	33.9	39.9	8.2	-3.0	32.7	24.8
	<i>Net Income</i>	10.6	16.6	23.3	26.9	5.0	-4.8	24.1	19.3
	<i>ROE(%)</i>	44.1	47.3	34.6	28.0	5.3	-5.4	23.9	18.6
<b>Stability</b>	<i>Current Ratio(%)</i>	150.0	104.5	150.2	151.7	142.3	147.6	143.0	125.0
	<i>Debt Ratio(%)</i>	0	0	0	0	0	0	0	0

# PRO-FORMA INCOME STATEMENT



(W bn)

Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11(E)
<i>Gross Sales</i>								
<i>(Package)</i>	364.0	515.2	802.9	1,133.4	1,022.2	650.3	1,267.0	1,452.9
<i>(Air-Ticket)</i>	187.4	221.2	233.1	272.9	196.5	238.0	377.9	462.5
<i>Gross Operating Revenue</i>	79.8	111.0	166.3	199.3	172.8	123.9	218.1	226.1
<i>Operating Expense</i>	68.0	93.3	136.1	163.4	163.0	123.5	190.9	204.8
<i>Net Operating Income</i>	11.8	17.7	30.2	35.9	9.8	0.4	27.2	22.1
<i>Non-Operating Income</i>	4.2	7.3	7.4	11.7	12.6	6.4	9.2	4.0
<i>Non-Operating Expense</i>	0.4	1.9	3.7	7.7	14.2	9.8	3.7	1.3
<i>Pre-Tax Income</i>	15.6	23.2	33.9	39.9	8.2	-3.0	32.7	24.8
<i>Income Tax</i>	5.0	3.3	10.6	13.0	3.1	1.8	8.6	5.4
<i>Net Income</i>	10.6	16.6	23.3	26.9	5.0	-4.8	24.1	19.3

# PRO-FORMA BALANCE STATEMENT



(W bn)

Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11 3Q
<i>Current Assets</i>	43.8	45.8	136.2	127.2	90.8	105.2	156.3	135.4
<i>Non-Current Assets</i>	14.0	40.8	47.6	57.1	63.4	57.1	64.0	80.7
<b>Total Assets</b>	<b>57.8</b>	<b>86.6</b>	<b>183.9</b>	<b>184.3</b>	<b>154.2</b>	<b>162.3</b>	<b>220.3</b>	<b>216.1</b>
<i>Current Liabilities</i>	29.2	43.8	90.7	83.9	63.8	71.2	109.3	108.3
<i>Non-Current Liabilities</i>	0.4	0.5	0.5	1.0	1.0	0.1	0.2	-
<b>Total Liabilities</b>	<b>29.6</b>	<b>44.3</b>	<b>91.2</b>	<b>84.9</b>	<b>64.8</b>	<b>71.3</b>	<b>109.5</b>	<b>108.3</b>
<i>Capital Stock</i>	5.2	5.2	5.8	5.8	5.8	5.8	5.8	5.8
<i>Additional Paid-in and Other Capital</i>	3.7	0.2	60.7	60.7	60.7	72.2	81.9	82.8
<i>Retained Earnings</i>	27.4	39.6	55.7	63.4	44.9	20.5	38.1	43.0
<i>Capital Adjustment</i>	-8.1	-2.7	-29.5	-30.4	-23.9	-9.7	-17.2	-23.8
<b>Total Stockholders' Equity</b>	<b>28.2</b>	<b>42.3</b>	<b>92.6</b>	<b>99.4</b>	<b>89.4</b>	<b>90.9</b>	<b>110.8</b>	<b>107.8</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>57.8</b>	<b>86.6</b>	<b>183.9</b>	<b>184.3</b>	<b>154.2</b>	<b>162.3</b>	<b>220.3</b>	<b>216.1</b>

# PRO-FORMA CASH FLOW



(W bn)

Description	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11 3Q
<b>1. Cash Flows from Operating Activities</b>	16.1	18.8	67.5	38.0	8.6	11.4	63.1	12.9
<b>2. Cash Flows from Investing Activities</b>	- 10.5	-15.7	-26.0	-29.5	-6.3	13.4	-28.2	-21.4
<b>3. Cash Flows from Financing Activities</b>	- 3.2	1.1	18.7	-33.5	-30.7	-6.1	-7.7	-18.9
<b>4. Increase (Decrease) in Cash (1+2+3)</b>	2.4	4.2	60.1	-25.0	-28.4	18.8	27.2	-27.4
<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
<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	37.3

# GROWTH



Description		FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11 (E)
<b>Growth (%)</b>	<b>Gross Revenue</b>	36.5	39.2	49.5	19.8	-13.3	-28.3	76.0	3.8
	<b>Recurring Profit</b>	52.1	48.7	46.1	17.8	-79.5	-136.6	N/A	-19.1
	<b>Net Profit</b>	51.1	56.8	40.3	15.3	-81.3	-196.2	N/A	-12.4
	<b>Ratio of Ordinary Income to Sales</b>	19.6	21.0	20.4	20.0	4.7	N/A	15.0	11.0
	<b>ROA</b>	21.5	23.1	17.2	14.6	3.0	-3.1	11.1	11.2
	<b>ROE</b>	44.1	47.3	34.6	28.0	5.3	-5.4	23.9	18.6
<b>Investment</b>	<b>EPS (Won)</b>	1,092	1,632	2,160	2,352	445	-416	2,193	1,665
	<b>BPS (Won)</b>	3,409	3,333	8,009	8,557	7,698	7,828	9,537	9,322
	<b>Pay-Out Ratio (%)</b>	33.3	36.9	35.3	38.9	166.7	N/A	38.8	-
	<b>Net-Cash (W bn)</b>	7.7	11.9	72.0	47.0	18.7	37.5	64.7	37.3 (3Q)



# AWARDS LIST



❖ Mar. 2010, 1st Place for 6 consecutive years in tourism field in “2009 Brand Power of Korean Industry” selected by KMAC

❖ Apr. 2009, 1st Place for 5 consecutive years in tourism field in “2009 Korean Brand Star” selected by KMA Brand Stock

❖ 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

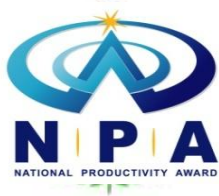
❖ Jul.2006, The Korea Economic Daily “Hankyung Customer Awards 2006 - Travel Company Category

❖ Jun. 2006, Money Today “The 2<sup>nd</sup> Investor Value Awards”

❖ Jun. 2006, Money Today “The 2<sup>nd</sup> Investor Value Awards”

❖ 2005, Korea Investor Relations Association “Korea IR Awards of the year 2005 – KOSDAQ Category”

❖ Oct.2010, Awarded ‘The 8<sup>th</sup> investor Value Awards’ chosen by Moneytoday 33



**THANK YOU**

