

# 2016 Hankook Tire

## 3rd Quarter Results

2016. 11

The information in this presentation is based upon management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, accuracy and completeness of all information available from public sources of which was provided by us or which was reviewed by us.

The information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects.

# 3rd Quarter Overview

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## Financial Highlights

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- 3Q Sales 1,657.6 Billion KRW, Operating Profit at 297 Billion KRW (OPM 17.9%)
- 3Q YTD Sales 5,011 Billion KRW, Operating Profit 858.6 Billion KRW (OPM 17.1%)
- Sales growth in Europe and China RE markets, decent OE growth in mature markets and strong OE sales growth in China
- 3Q UHP Revenue mix at 34.2%, up 3.6%p YoY

## Major Events

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- Opening of new R&D center 'Hankook Tire Technodome'
  - Expected to pioneer future tire technology through evolutionary R&D
- Expanding Europe Truck tire business
  - Start supplying OE tires to Scania and intensifies partnership with 'Schmitz Cargobull'

# HKT TECHNODOME

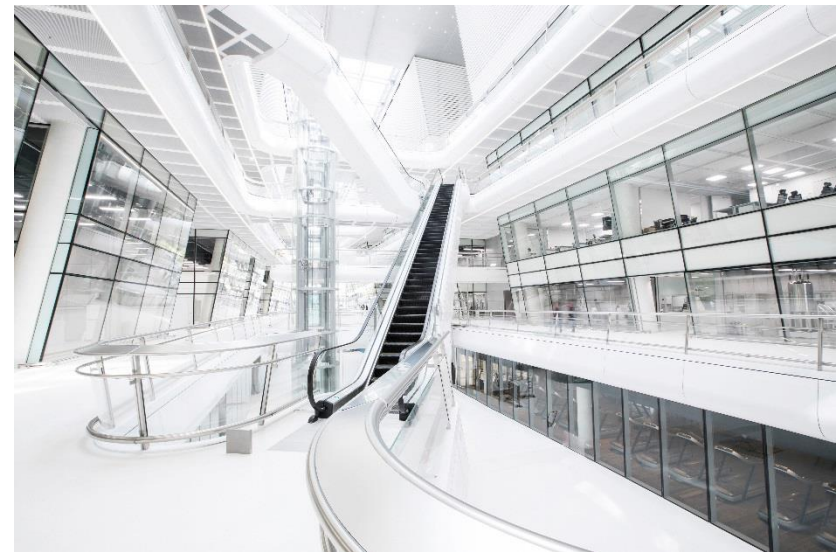
- Hankook Tire reveals new R&D center 'Technodome'

## 1 Comprehensive Tire Research Laboratory

- Location: Daejeon, South Korea
- Floor space 96,328m<sup>2</sup>
- Investment: KRW 266.4 billion
- Designed by Foster and Partners

## 2 Foundation for Future Tire Technology

- Encouraging innovative thinking and efficient collaboration, addressing rapid change and satisfying needs of both OE and RE customers.
- Equipped with high-tech facilities; driving simulator, SPMM(suspension parameter measuring machine), anechoic chamber etc., the facility will help develop future technologies and improve original technologies.



# Expanding Europe TBR Business

- Expanding TBR OE and Fleet Business in Europe

## 1 New partnership with Scania

- Starting Nov. 2016, Hankook will supply 18 tire dimensions to Scania's R-series, P-series and G-series
- Adding Scania to the list, Hankook now supplies OE tires to Europe's major commercial manufacturers including Mercedes-Benz Truck and Volkswagen's MAN Truck.

## 2 Intensifying partnership with Schmitz Cargobull

- Hankook expands partnership with Europe premium truck trailer manufacturer 'Schmitz Cargobull'
- After starting business in 2013, the two parties recently signed and sealed details for long term cooperation
- Hankook will continue to focus on expanding mega fleet business in mature markets



## 2016 3Q Results

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- 3Q Overview
- Financial Highlights
  - 1) Performance : Sales Results by Region
  - 2) Stability : B/S
- Appendix

## 2016 3Q Financial Highlights

# Financial Highlights

## 2016 3Q Global Performance

[100 Million KRW, %]

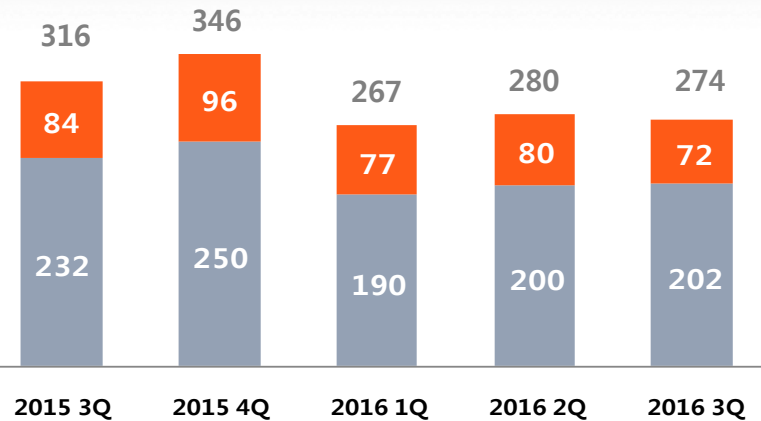
	2015 3Q	2016 2Q	2016 3Q	QoQ	YoY
Sales	17,253	17,274	16,576	-4.0%	-3.9%
COGS	11,062 (64.1%)	10,379 (60.1%)	10,072 (60.8%)	-3.0%	-8.9%
Operating Profit	2,417 (14.0%)	3,103 (18.0%)	2,971 (17.9%)	-4.3%	22.9%
Ordinary Profit	2,189 (12.7%)	3,107 (18.0%)	2,669 (16.1%)	-14.1%	21.9%
EBITDA	3,637 (21.1%)	4,332 (25.1%)	4,306 (26.0%)	-0.6%	18.4%



# 1) Performance - Regional

## Korea

[Unit: Billion KRW, %]

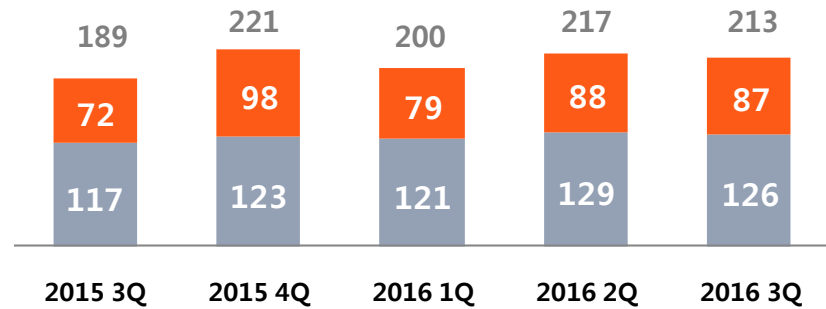


■ Tire sales ■ UHPT sales - - - UHPT sales/Tire sales (%)

- Slight decline in RE sales due to weak demand
- Poor OE sales due to Auto maker's labor strike

## China

[Unit: Billion KRW, %]



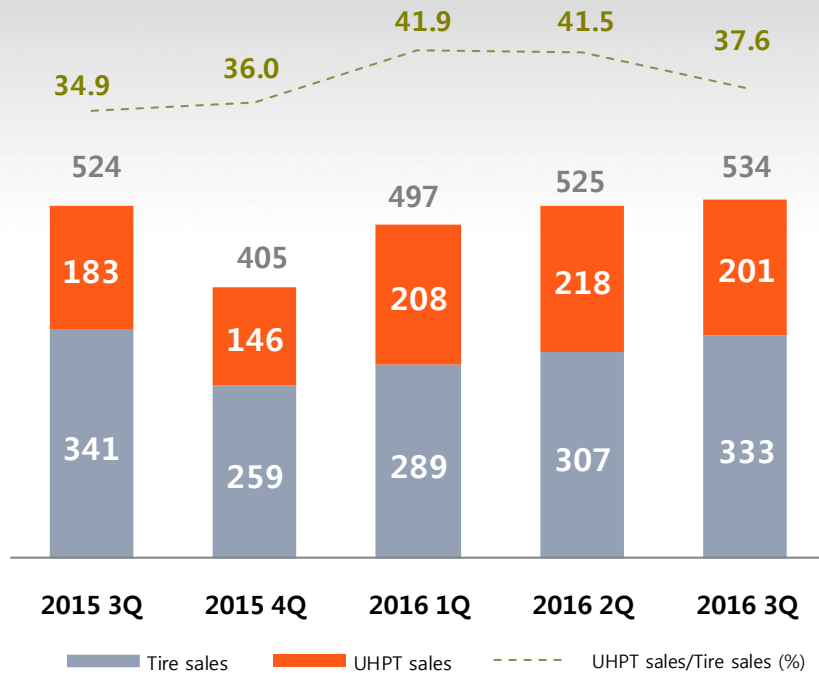
■ Tire sales ■ UHPT sales - - - UHPT sales/Tire sales (%)

- RE sales increased benefiting from improvements in retail and product mix
- Strong OE sales with government's tax cut and increased supply to OE manufacturers

# 1) Performance - Regional

## Europe

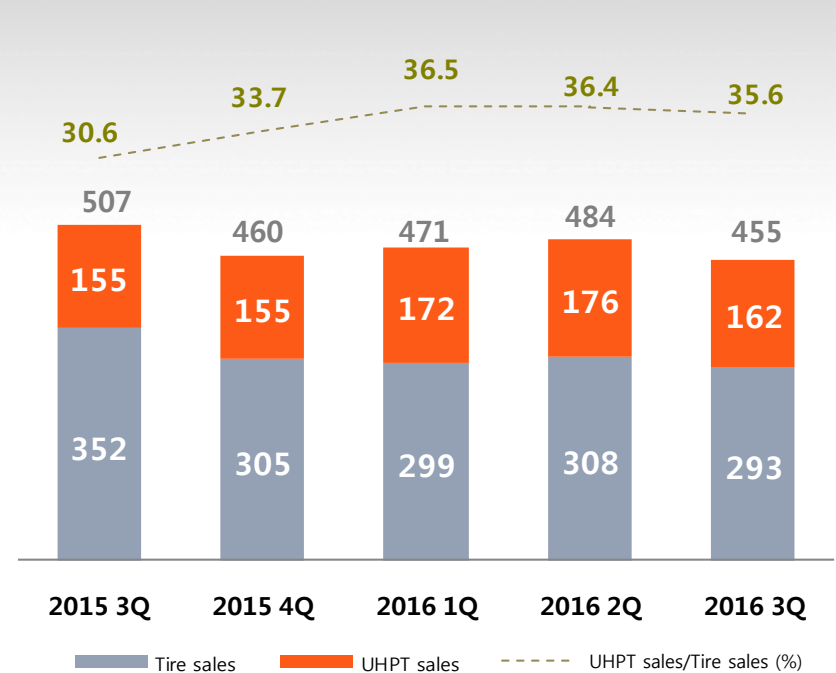
[Unit: Billion KRW, %]



- Winter tire sales drove RE sales growth in major markets
- OE sales stable YoY

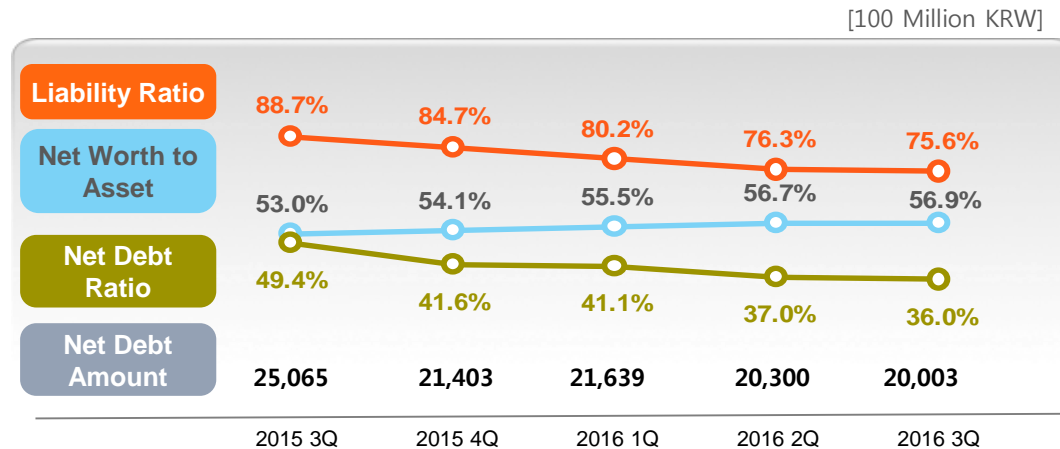
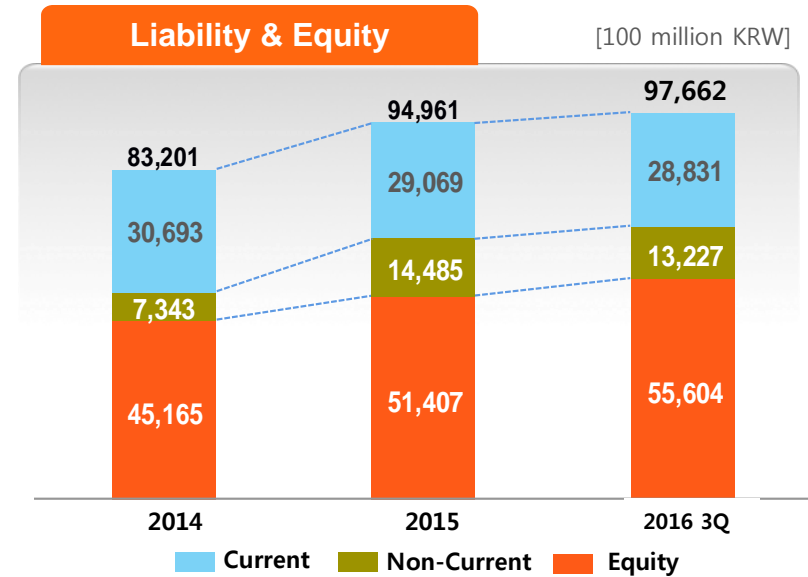
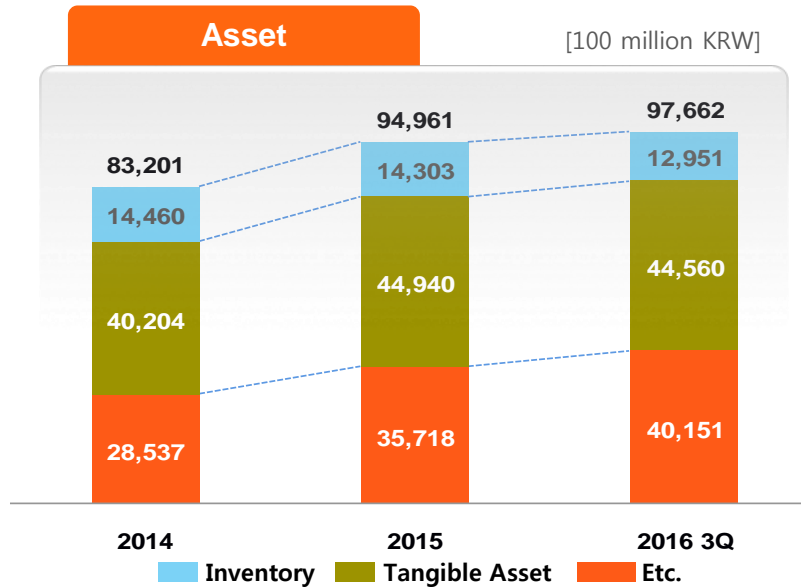
## North America

[Unit: Billion KRW, %]



- RE sales declined due to unfavorable market situations
- OE sales slightly up due to increase of pick-up supply

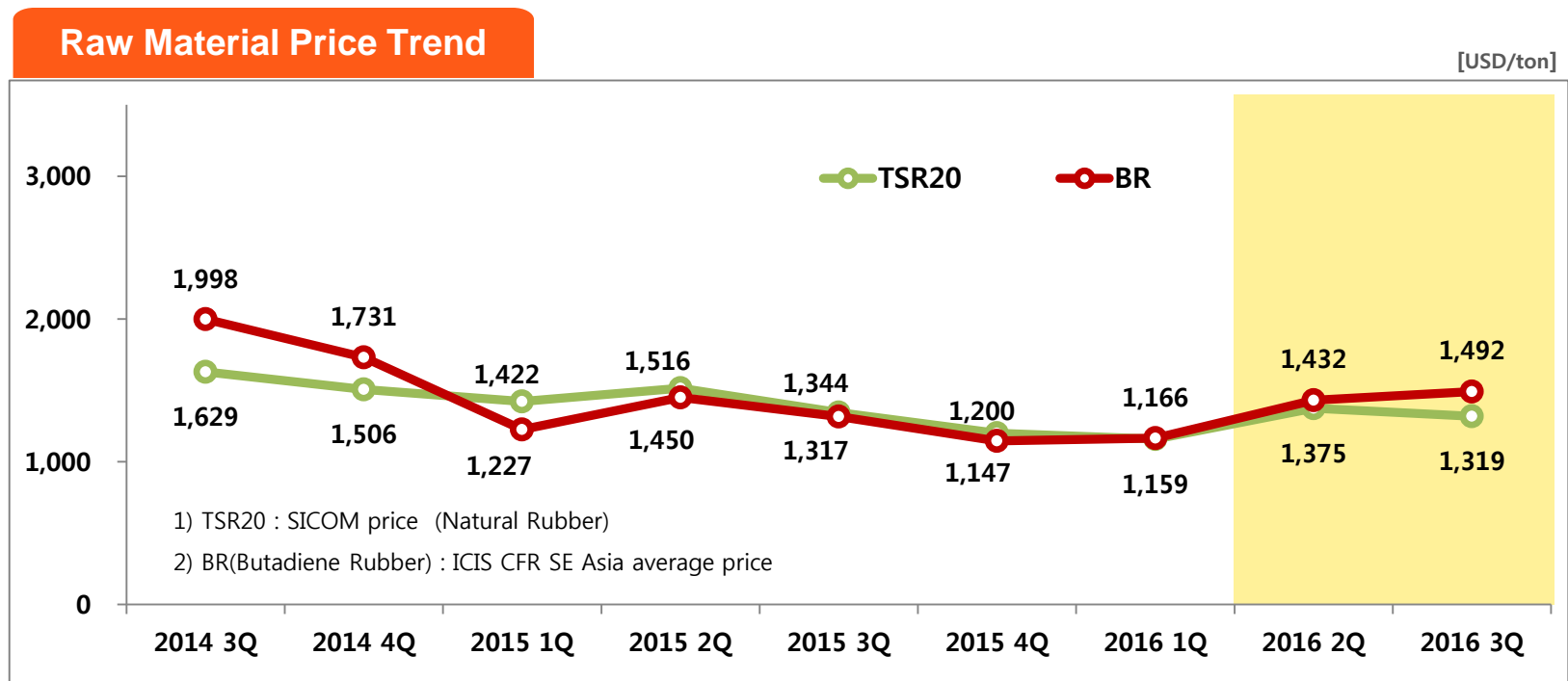
## 2) Stability : B/S



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# Appendix. Raw Material

- N/R : Trending between \$1,350~\$1,450. Surge of synthetic rubber, strong demand in China and severe rainstorm in Thailand raised price and tightened supply.
- S/R : Asia's spot butadiene(BD) price spiked with utilization issues aligned with the Hangzhou G20 Summit and National Holiday. BD prices will continue show an upward trend with strong demand from China and tightened supply.



# Appendix. F/S – Consolidated B/S

[KRW 100 Mil]

	2015		2016 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
<b>Assets</b>	<b>94,961</b>	<b>100.0%</b>	<b>97,662</b>	<b>100.0%</b>	<b>2,701</b>	<b>2.8%</b>
Current Assets	33,887	35.7%	36,784	37.7%	2,897	8.5%
Cashable assets	7,553	8.0%	9,172	9.4%	1,619	21.4%
Accounts receivable	11,307	11.9%	12,604	12.9%	1,297	11.5%
Inventories	14,303	15.1%	12,951	13.3%	-1,352	-9.5%
Non-current Assets	61,074	64.3%	60,878	62.3%	-196	-0.3%
Tangible assets	44,940	47.3%	44,560	45.6%	-380	-0.8%
<b>Liabilities</b>	<b>43,554</b>	<b>45.9%</b>	<b>42,058</b>	<b>43.1%</b>	<b>-1,496</b>	<b>-3.4%</b>
Current Liabilities	29,069	30.6%	28,831	29.5%	-238	-0.8%
Non-Current Liabilities	14,485	15.3%	13,227	13.5%	-1,258	-8.7%
<b>Shareholders' Equity</b>	<b>51,407</b>	<b>54.1%</b>	<b>55,604</b>	<b>56.9%</b>	<b>4,197</b>	<b>8.2%</b>
Debt	28,957		29,175			
Net debt	21,403		20,003			
<b>Liability Ratio</b>		<b>84.7%</b>		<b>75.6%</b>		
<b>Net Worth to Assets</b>		<b>54.1%</b>		<b>56.9%</b>		
<b>Net Debt Ratio</b>		<b>41.6%</b>		<b>36.0%</b>		

# Appendix. F/S – Consolidated I/S

[KRW 100 Mil]

	2015 3Q		2016 2Q		2016 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
<b>Sales</b>	<b>17,253</b>	<b>100.0%</b>	<b>17,274</b>	<b>100.0%</b>	<b>16,576</b>	<b>100.0%</b>	<b>-3.9%</b>	<b>-4.0%</b>
COGS	11,062	64.1%	10,379	60.1%	10,072	60.8%	-9.0%	-3.0%
Gross Profit	6,191	35.9%	6,895	39.9%	6,504	39.2%	5.1%	-5.7%
SG&A	3,774	21.9%	3,793	22.0%	3,533	21.3%	-6.4%	-6.9%
<b>Operating Profit</b>	<b>2,417</b>	<b>14.0%</b>	<b>3,102</b>	<b>18.0%</b>	<b>2,971</b>	<b>17.9%</b>	<b>22.9%</b>	<b>-4.2%</b>
Other Revenue	759	4.4%	391	2.3%	311	1.9%	-59.0%	-20.5%
Other Expense	652	3.8%	251	1.5%	647	3.9%	-0.8%	157.8%
Financial Revenue	344	2.0%	207	1.2%	494	3.0%	43.6%	138.6%
Financial Expense	762	4.4%	419	2.4%	460	2.8%	-39.6%	9.8%
Equity-method gain (loss)	83	0.5%	77	0.4%		0.0%	-	-
Income Before Income Tax	2,189	12.7%	3,107	18.0%	2,669	16.1%	21.9%	-14.1%
E B I T D A	3,637	21.1%	4,332	25.1%	4,306	26.0%	18.4%	-0.6%
Depreciation	1,220	7.1%	1,230	7.1%	1,335	8.1%	9.4%	8.5%