



# 2016 Hankook Tire

4th Quarter result / 2017 Business Target

| Feb , 2017

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.

# 01 2016 Annual Highlights

## 1 Financial Results

- Sales improved YoY totaling 6,626 Billion KRW with growth from most markets
- Record high operating profit at 1,104 Billion KRW with improved product mix and low raw material costs
- Overall positive results showing growth in both volume and profitability

## 2 Business Highlights

- Increased UHP sales portion to 34.5%, up 2.4%p YoY
- By launching Laufenn in Europe, fully established base for global multi-brand operation
- Acquired Australian tire retailer JAX TYRES

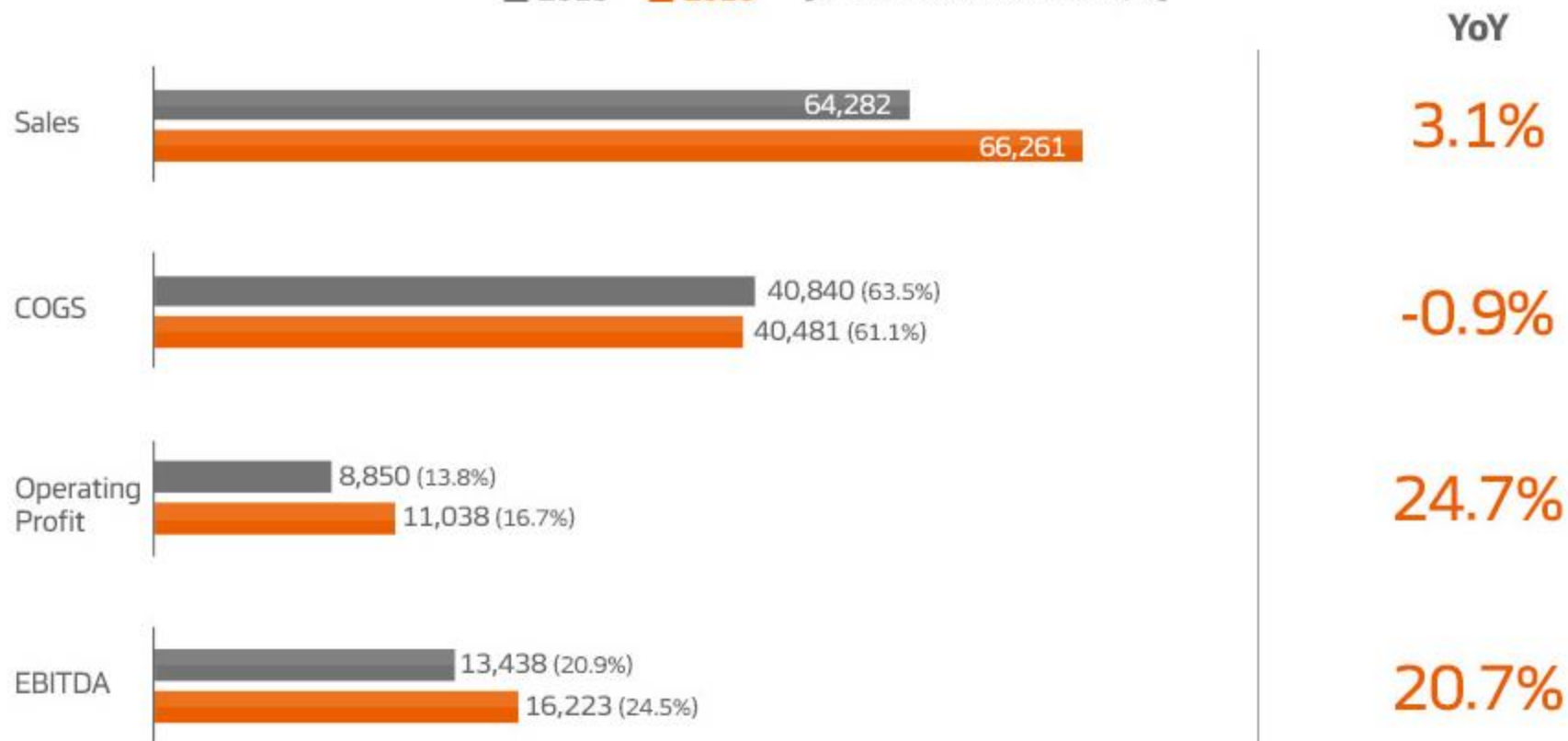


# 02 2016 Annual Results



## 2016 Global Performance (Consolidated)

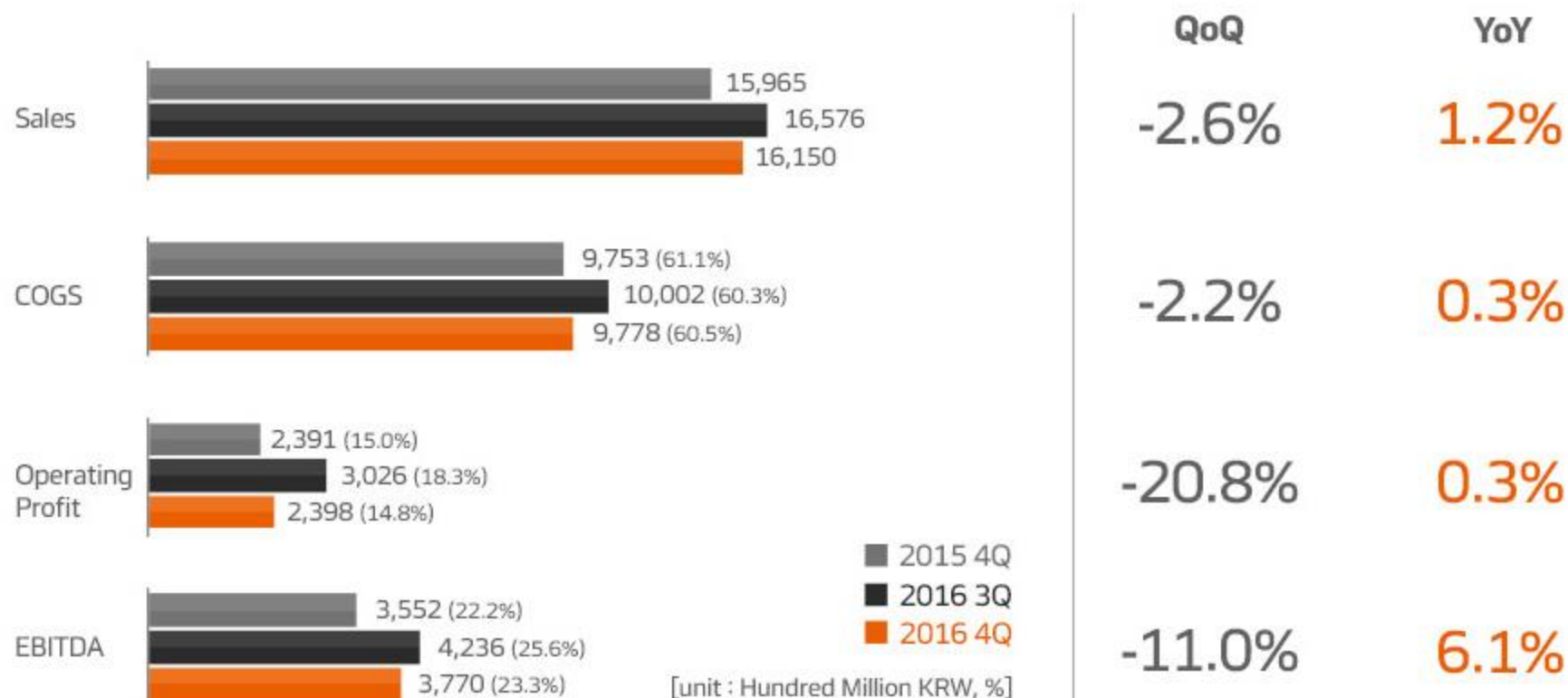
■ 2015 ■ 2016 [unit : Hundred Million KRW, %]



# 03 4Q Financial Highlights



## 2016 4Q Global Performance (Consolidated)

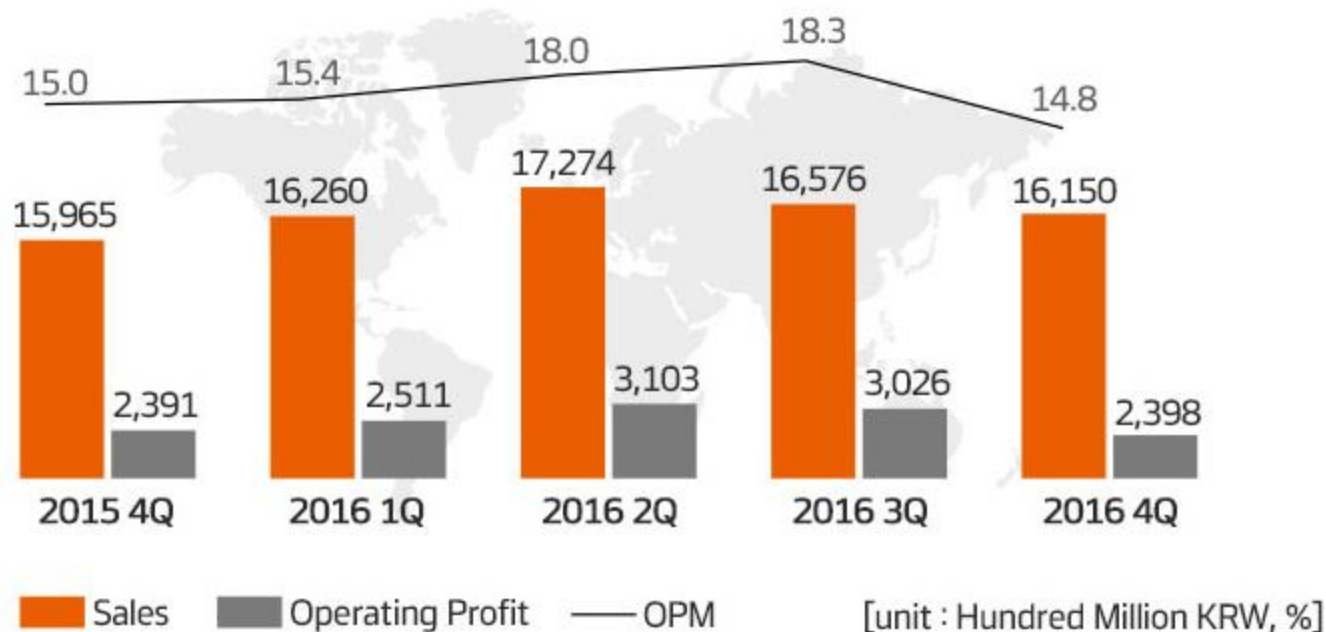


# 04 4Q Performance



## 1 2016 4Q Global

- Overall demand was healthy but fierce competition continued in most regions
- RE sales growth in major markets and positive OE sales, with outstanding performance from China
- Drastic increase of raw material price signaling possibilities of price increase

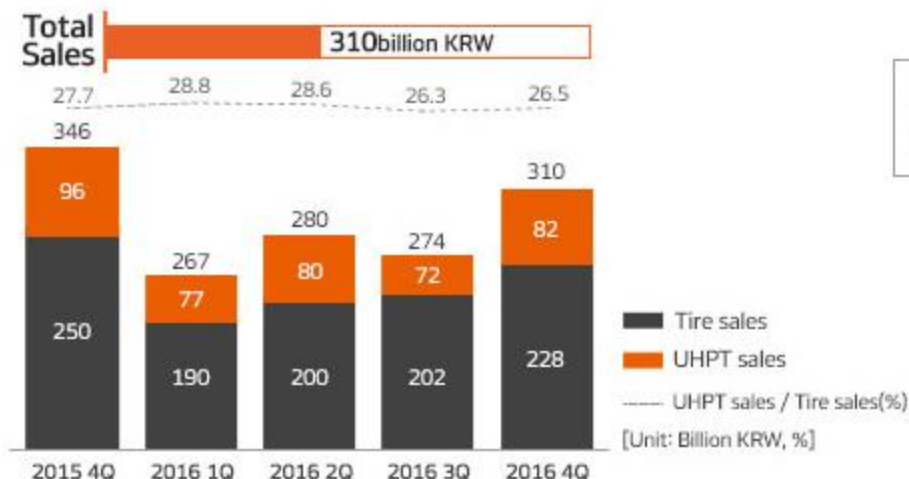




# 04 Performance

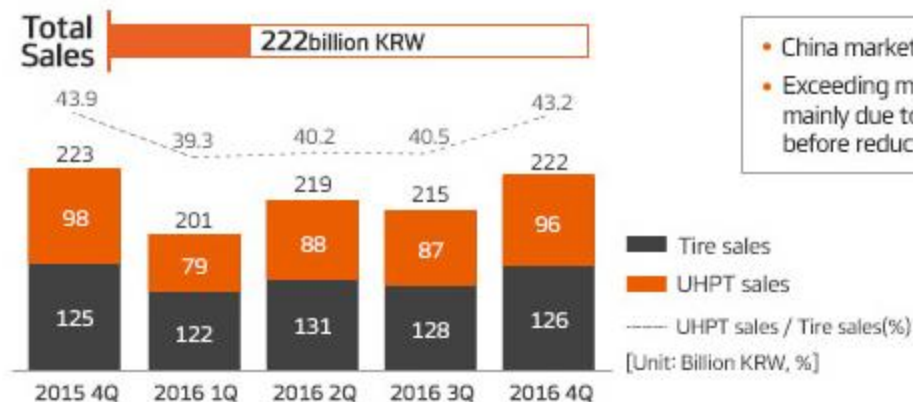
## 2 2016 4Q Regional

### Korea



- Unfavorable economy and market situations continued
- RE sales sustained, but OE sales decreased YoY

### China

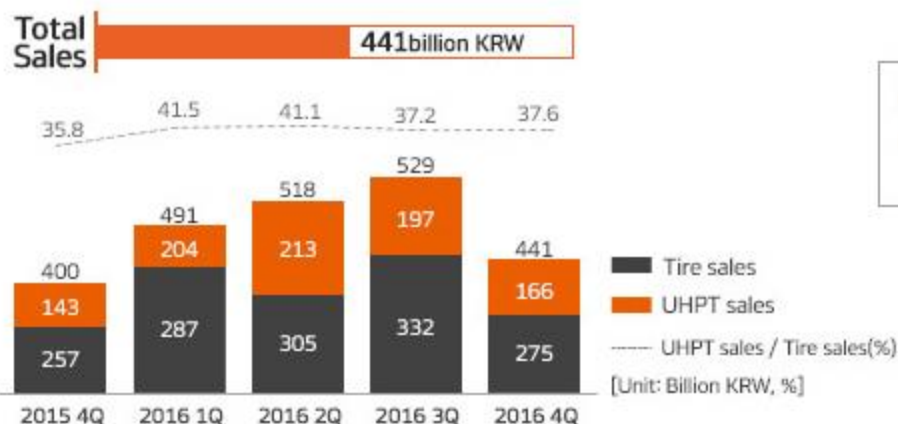


- China market continued to show strong growth
- Exceeding market growth both in OE and RE sales mainly due to reinforced retail capabilities and vehicle demand increase before reduction of government tax benefits

# 04 Performance

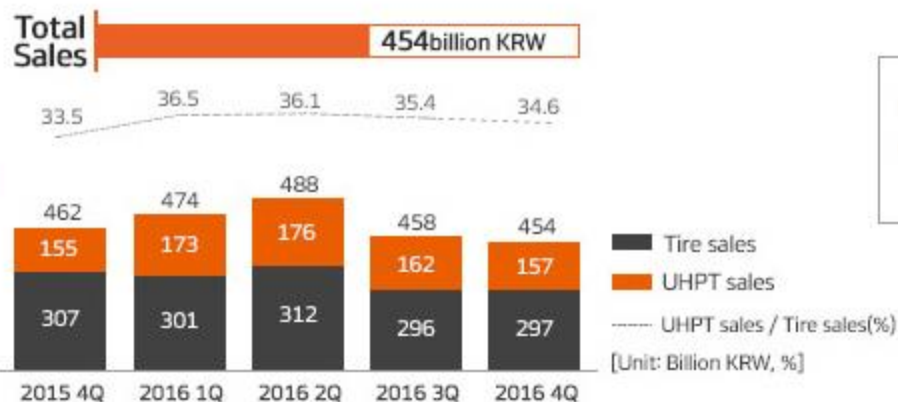
## 2 2016 4Q Regional

### Europe



- Cold weather benefited winter tire market
- Weather conditions boosted RE sales and extended OE supply resulted favorable OE sales

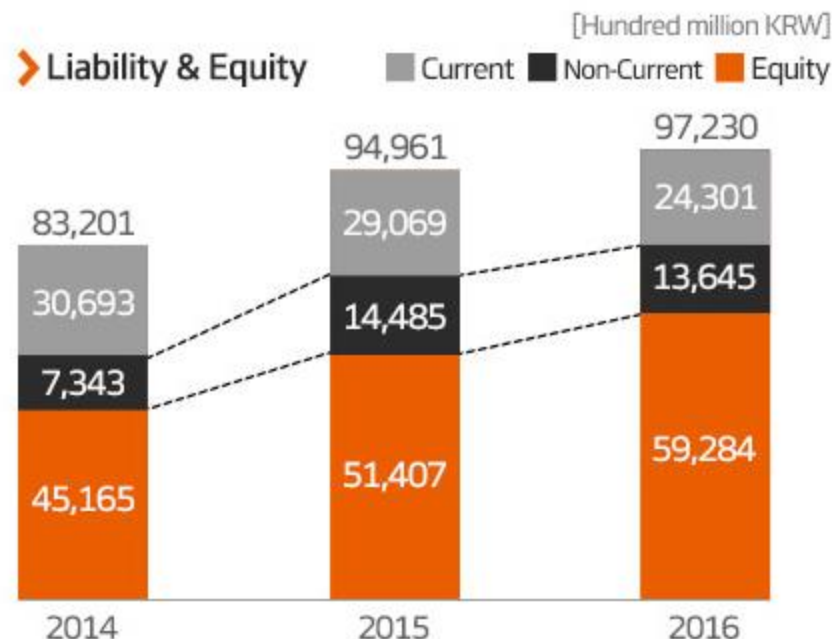
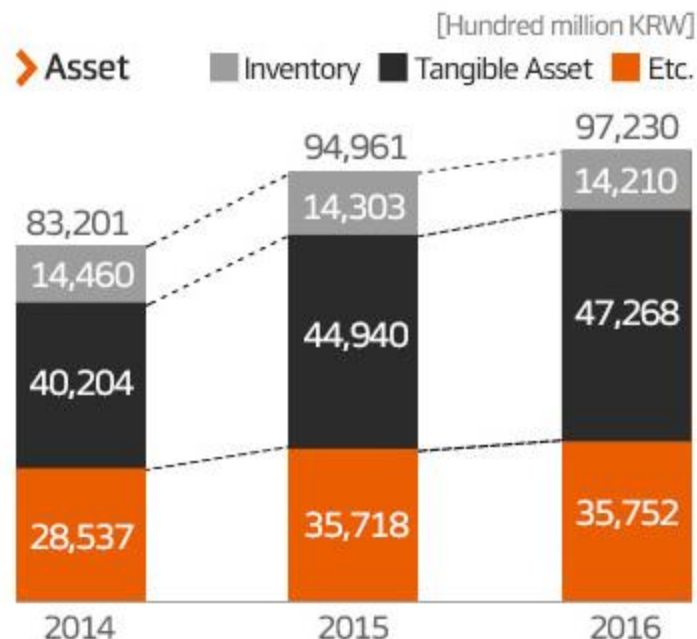
### North America



- Market showed low growth and fierce competition
- Despite lower RE sales, extended OE supply sustained overall growth YoY



# 05 Balance Sheet (Consolidated)



# 06 2017 Guidance

■ 2016 Results ■ 2017 Plans [unit: Hundred Million KRW, %]

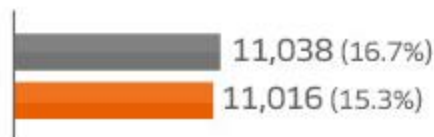
Sales



YoY

9.0%

Operating Profit



※ 2016 Consolidated Results /  
2017 Tire Business Plans

-0.1%

- **Continue revenue growth**

Quantitative growth through production initiation in Tennessee and maximization of utilization rate  
Generating new demands from Emerging Markets

- **Improve competitiveness in the high-inch segment**

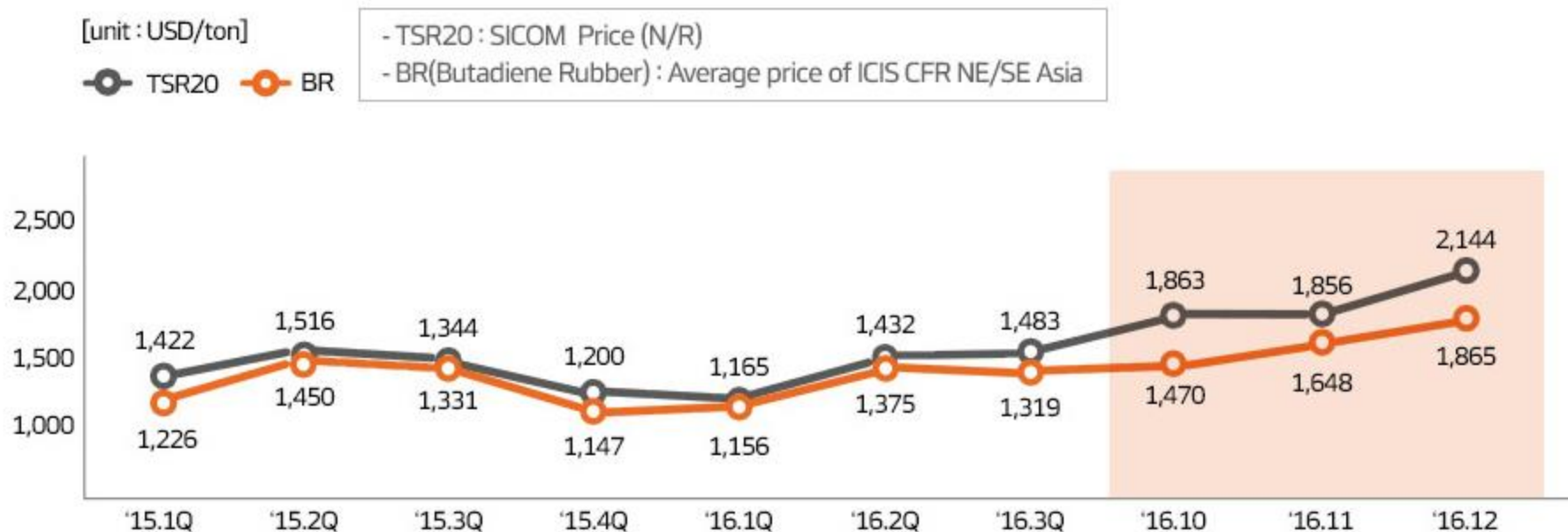
Improving high-inch segment sales portion and presence in major markets  
Brand value up by enhancing premium product's competitiveness

- **Enhance distribution and brand**

Expand investments in regional retail networks Stabilize Laufenn brand position and sales



## Appendix. Raw Material Price Trend



- N/R : N/R price rally was mainly due to tight supply caused by prolonged rainy season in Thailand and speculations drove commodity prices further up. With China's lunar holiday slowing down the demand and the rainy season reaching its end, N/R price may ease the fierce upward trend.
- S/R : S/R price showed sharp increase as BD price soared due to the sudden production suspension in 2H 2016 which tightened supply. Possibility of structural shortage of Asian BD may lead to continued S/R price increase.

# Appendix. F/S - Consolidated I/S

[KRW 100 Mil]

	2015 4Q		2016 3Q		2016 4Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	15,965	100.0%	16,576	100.0%	16,150	100.0%	1.2%	-2.6%
COGS	9,753	61.1%	10,002	60.3%	9,778	60.5%	0.3%	-2.2%
Gross Profit	6,212	38.9%	6,575	39.7%	6,372	39.5%	2.6%	-3.1%
SG&A	3,821	23.9%	3,549	21.4%	3,974	24.6%	4.0%	12.0%
Operating Profit	2,391	15.0%	3,026	18.3%	2,398	14.8%	0.3%	-20.8%
Other Revenue	-169	-1.1%	214	1.3%	957	5.9%	-	-
Other Expense	-106	-0.7%	663	4.0%	245	1.5%	-	-
Financial Revenue	611	3.8%	453	2.7%	75	0.5%	-87.7%	-83.4%
Financial Expense	686	4.3%	419	2.5%	620	3.8%	-9.6%	48.0%
Equity-method gain (loss)	55	0.3%	94	0.6%				
Income Before Income Tax	2,308	14.5%	2,705	16.3%	2,565	15.9%	11.1%	-5.2%
EBITDA	3,552	22.2%	4,236	25.6%	3,770	23.3%	6.1%	-11.0%
Depreciation	1,161	7.3%	1,210	7.3%	1,372	8.5%	18.2%	13.4%



# Appendix. F/S - Consolidated B/S

[KRW 100 Mil]

	2015		2016		Diff	
	Amt.	%	Amt.	%	Amt.	%
Assets	94,961	100.0%	97,230	100.0%	2,269	2.4%
Current Assets	33,887	35.7%	33,442	34.4%	-445	-1.3%
Cashable assets	7,553	8.0%	6,228	6.4%	-1,325	-17.5%
Accounts receivable	11,307	11.9%	12,300	12.7%	993	8.8%
Inventories	14,303	15.1%	14,210	14.6%	-93	-0.7%
Non-current Assets	61,074	64.3%	63,788	65.6%	2,714	4.4%
Tangible assets	44,940	47.3%	47,268	48.6%	2,328	5.2%
Liabilities	43,554	45.9%	37,946	39.0%	-5,608	-12.9%
Current Liabilities	29,069	30.6%	24,301	25.0%	-4,768	-16.4%
Non-Current Liabilities	14,485	15.3%	13,645	14.0%	-840	-5.8%
Shareholders' Equity	51,407	54.1%	59,284	61.0%	7,877	15.3%
Debt	28,957		23,281			
Net debt	21,403		17,052			
Liability Ratio		84.7%		64.0%		
Net Worth to Assets		54.1%		61.0%		
Net Debt Ratio		41.6%		28.8%		