



Hankook Technodome

2018 HANKOOK TIRE **1st Quarter Result**

 **Hankook**
driving emotion

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.

2018 1st Quarter Results

Global Performance (Consolidated)

[100 Million KRW, %]

| | 2017 1Q | 2017 4Q | 2018 1Q | QoQ | YoY |
|------------------|-------------------|-------------------|-------------------|-------|--------|
| Sales | 16,392 | 16,823 | 16,114 | -4.2% | -1.7% |
| COGS | 10,649 (65.0%) | 11,363 (67.5%) | 11,123 (69.0%) | -2.1% | 4.5% |
| Operating Profit | 2,322 (14.2%) | 1,394 (8.3%) | 1,844 (11.4%) | 32.3% | -20.6% |
| Ordinary Profit | 2,068 (12.6%) | 989 (5.9%) | 1,830 (11.4%) | 85.0% | -11.5% |
| EBITDA | 3,640 (22.2%) | 2,751 (16.4%) | 3,284 (20.4%) | 19.4% | -9.8% |

2018 1st Quarter Highlights

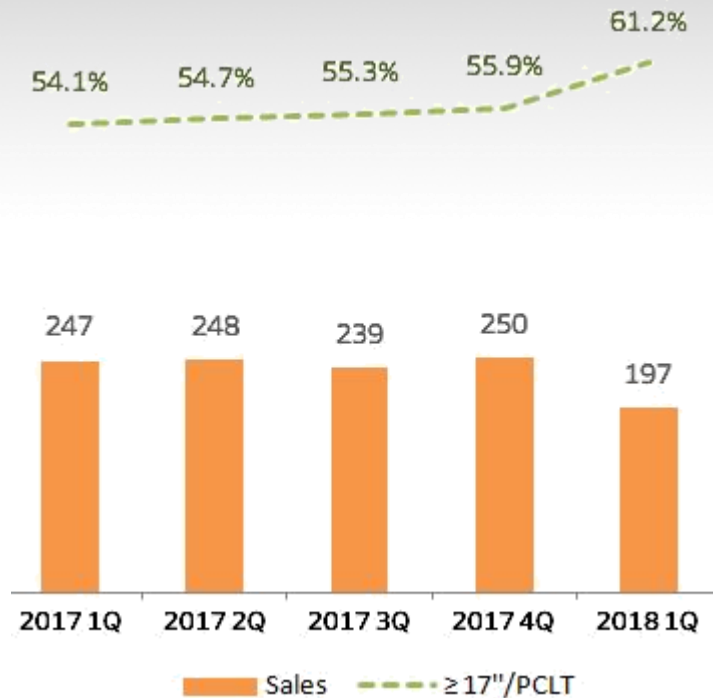
- Re sales growth in Europe continued exceeding market demand and gaining market share
 - Other major areas showed slight decline YoY in volume due to base effect
- Weak OE market lead to lower sales YoY with the exception of North America which continued to show strong growth
- Sales ratio of ≥ 17 inch within PC/LT was 50.6%, which is up 3.2%p YoY
 - In line with 2018 target to exceed 50%
- Hankook Tire becomes 'Official Tire of Major League Baseball'
- Positive magazine test results - 'Ventus Prime 3' recognized with top quality



Regional Performance

Korea

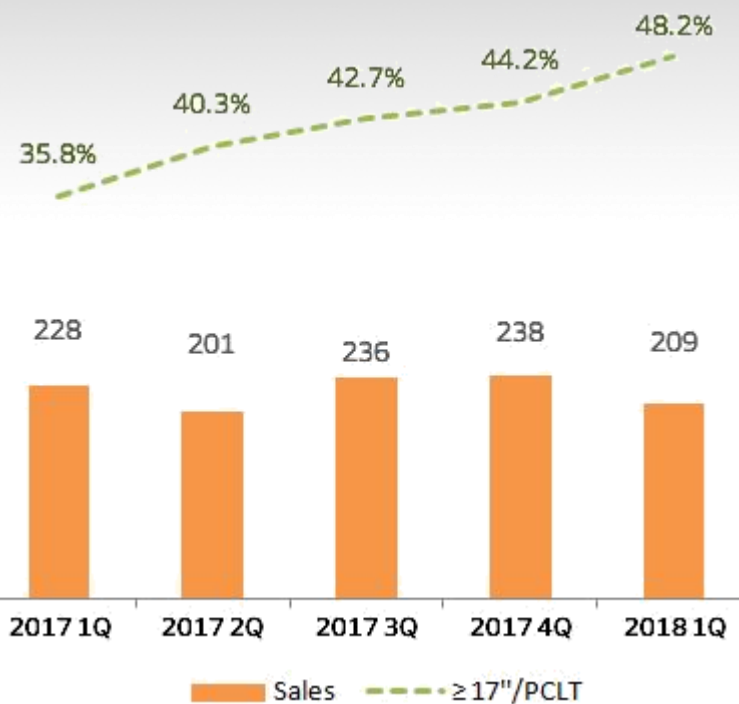
[Unit: Billion KRW, %]



- Increased competition coupled with weak market conditions lead to weak RE sales
- OE sales impacted by auto maker's partial labor strike

China

[Unit: Billion KRW, %]

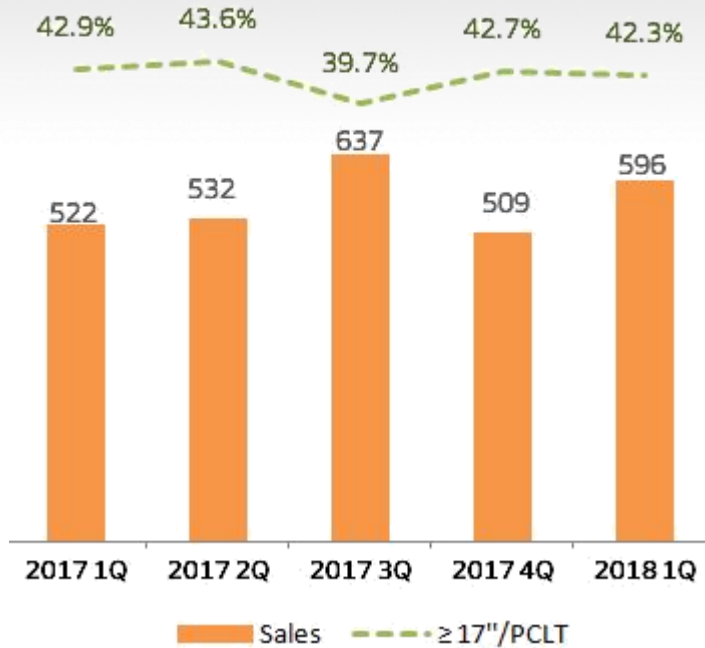


- Stable RE sales, but lower volume YoY due to base effect
- Sluggish auto market lead to weak OE sales

Regional Performance

Europe

[Unit: Billion KRW, %]



- Stable RE sales growth in major European countries
- OE sales weak due to slow vehicle sales

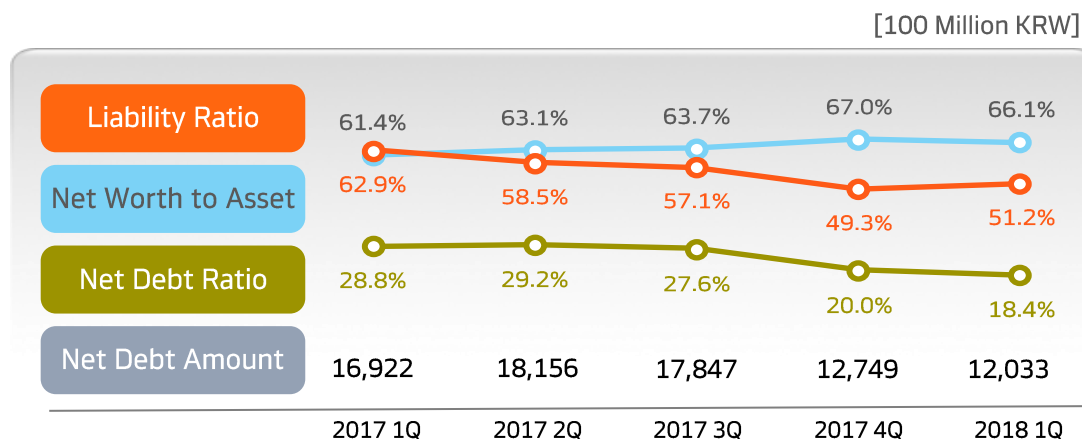
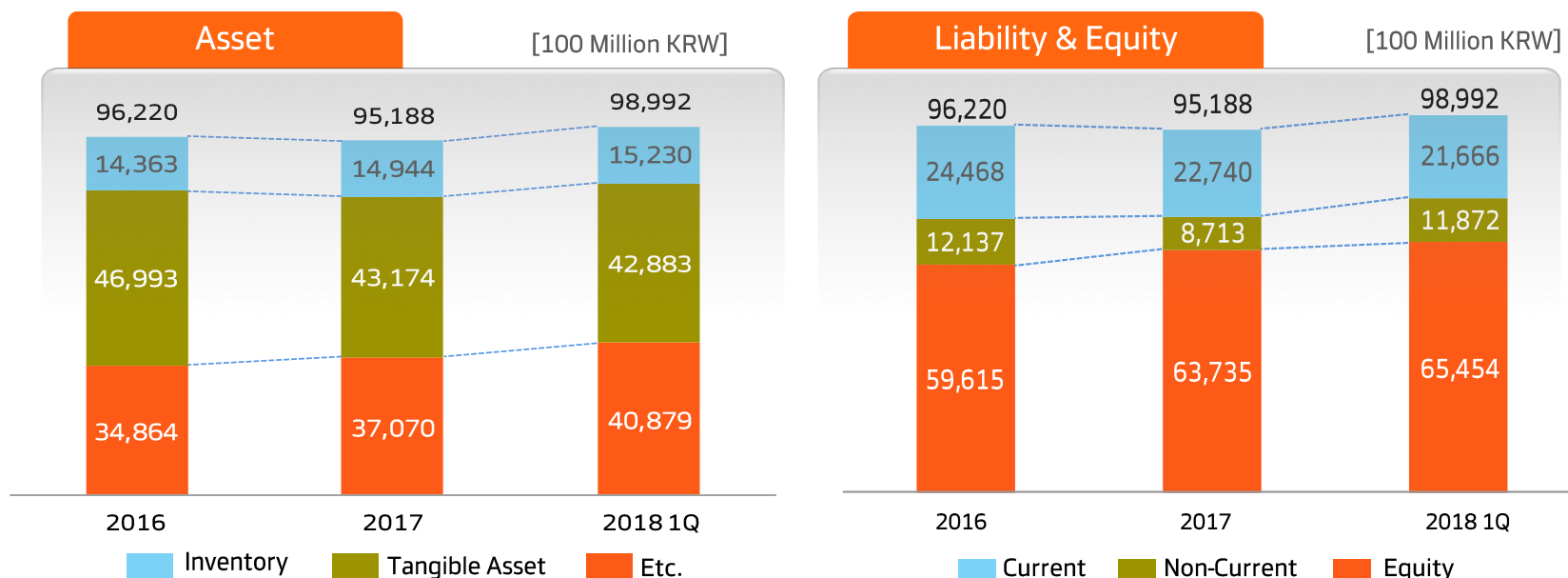
North America

[Unit: Billion KRW, %]



- Lower RE sales due to weak market demand
- Strong OE sales with increased sales to major OE partners

Stability - Balance Sheet (Consolidated)

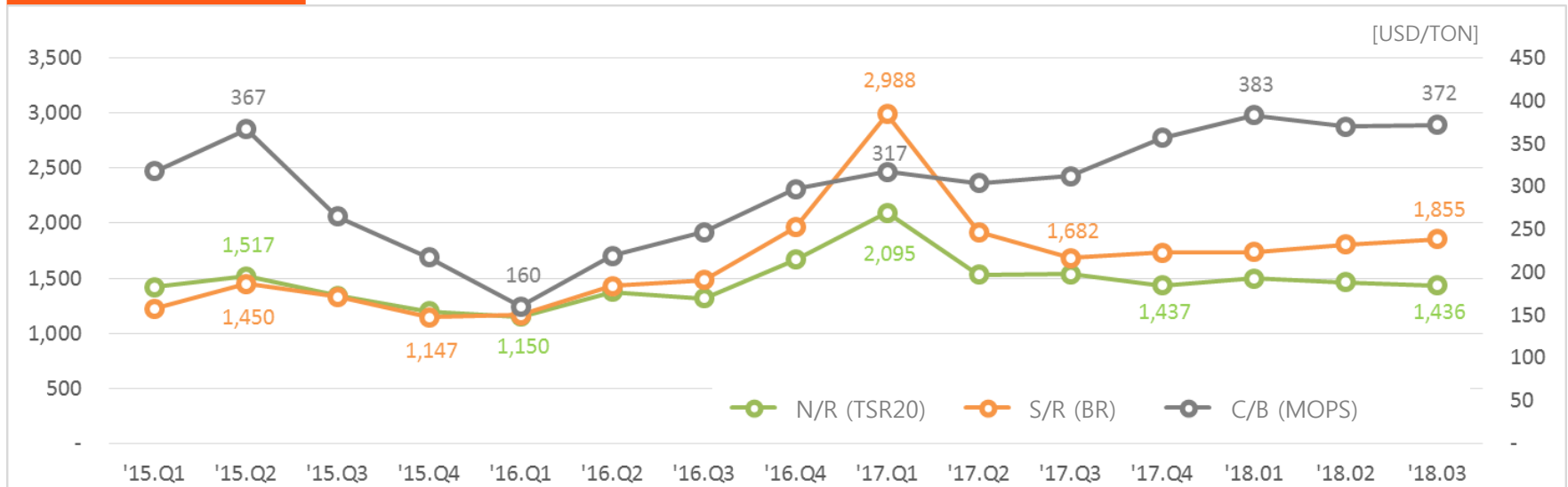


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Appendix. Raw Material Trend

- N/R : Stable price trend since 2Q 2017. 2018 1Q TSR20 price down 30% YoY
- S/R : ① BD : After spiking in 1Q 2017, prices declined moving within 1,000~1,500 U\$/ton range since 2Q 2017. Prices expected to sway at the higher range in 2H with strong oil prices.
② BR : 2018 1Q prices down 40% YoY, 2H 2018 prices to be effected by BD price market price
- C/B : ① MOPS : Rising oil price caused price spike and thus 2018 1Q prices up 18% YoY
② C/B : Shortage in supply of carbon black with weak China steel industry caused sharp rise in FCC premium which raised 2018 1Q prices by 38% YoY. 2H is expected to remain in similar price range.

Rubber price trend



Note1) TSR20 : SICOM Price (Natural Rubber)

Note2) BR(Butadiene Rubber) : ICIS CFR NE/SE Asia average price

Note3) MOPS(Mean of Platt's Singapore) : FCC Price (index price of refined oil)

Appendix. F/S - Consolidated B/S

[100 Million KRW, %]

| | 2017 | | 2018 1Q | | Diff. | |
|-------------------------|--------|--------|---------|--------|--------|-------|
| | Amt. | % | Amt. | % | Amt. | % |
| Assets | 95,188 | 100.0% | 98,992 | 100.0% | 3,804 | 4.0% |
| Current Assets | 35,344 | 37.1% | 39,110 | 39.5% | 3,766 | 10.7% |
| Cashable Assets | 6,942 | 7.3% | 7,605 | 7.7% | 663 | 9.6% |
| Accounts Receivable | 12,540 | 13.2% | 13,968 | 14.1% | 1,428 | 11.4% |
| Inventories | 14,944 | 15.7% | 15,230 | 15.4% | 286 | 1.9% |
| Non-current Assets | 59,843 | 62.9% | 59,882 | 60.5% | 39 | 0.1% |
| Tangible Assets | 43,174 | 45.4% | 42,883 | 43.3% | -291 | -0.7% |
| Liabilities | 31,453 | 33.0% | 33,538 | 33.9% | 2,085 | 6.6% |
| Current Liabilities | 22,740 | 23.9% | 21,666 | 21.9% | -1,074 | -4.7% |
| Non-Current Liabilities | 8,713 | 9.2% | 11,872 | 12.0% | 3,159 | 36.3% |
| Shareholder's Equity | 63,735 | 67.0% | 65,454 | 66.1% | 1,719 | 2.7% |
| Debt | 19,735 | | 20,825 | | | |
| Net Debt | 12,749 | | 12,033 | | | |
| Liability Ratio | | 49.3% | | 51.2% | | |
| Net Worth to Assets | | 67.0% | | 66.1% | | |
| Net Debt Ratio | | 20.0% | | 18.4% | | |

Appendix. F/S - Consolidated I/S

[100 Million KRW, %]

| | 2017 1Q | | 2017 4Q | | 2018 1Q | | YoY | QoQ |
|--------------------------|---------|--------|---------|--------|---------|--------|--------|--------|
| | Amt. | % | Amt. | % | Amt. | % | (%) | (%) |
| Sales | 16,392 | 100.0% | 16,823 | 100.0% | 16,114 | 100.0% | -1.7% | -4.2% |
| COGS | 10,649 | 65.0% | 11,363 | 67.5% | 11,126 | 69.0% | 4.5% | -2.1% |
| Gross Profit | 5,743 | 35.0% | 5,460 | 32.5% | 4,988 | 31.0% | -13.1% | -8.6% |
| SG&A | 3,421 | 20.9% | 4,066 | 24.2% | 3,144 | 19.5% | -8.1% | -22.7% |
| Operating Profit | 2,322 | 14.2% | 1,394 | 8.3% | 1,844 | 11.4% | -20.6% | 32.3% |
| Other Revenue | 350 | 2.1% | 43 | 0.3% | 548 | 3.4% | 56.6% | - |
| Other Expense | 792 | 4.8% | 825 | 4.9% | 333 | 2.1% | -58.0% | -59.6% |
| Financial Revenue | 566 | 3.5% | 342 | 2.0% | 313 | 1.9% | -44.7% | -8.5% |
| Financial Expense | 437 | 2.7% | 74 | 0.4% | 542 | 3.4% | 24.0% | - |
| Equity-method gain(loss) | 59 | 0.4% | 109 | 0.6% | | | | |
| Income before income tax | 2,068 | 12.6% | 989 | 5.9% | 1,830 | 11.4% | -11.5% | 85.0% |
| E B I T D A | 3,640 | 22.2% | 2,750 | 16.3% | 3,284 | 20.4% | -9.8% | 19.4% |
| Depreciation | 1,318 | 8.0% | 1,356 | 8.1% | 1,440 | 8.9% | 9.3% | 6.2% |