



Hankook Technodome

2018 HANKOOK TIRE
3rd Quarter Result



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM

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.

Results for 9Months of 2018

Consolidated Financial Results for Nine-Months Ended

[100 Million KRW, %]

	2017 9M	2018 9M	YoY
Sales	51,305	50,703	-1.2%
COGS	33,561 (65.4%)	34,919 (68.9%)	4.0%
Operating Profit	6,540 (12.7%)	5,547 (10.9%)	-15.2%
Ordinary Profit	6,441 (12.6%)	5,675 (11.2%)	-11.9%
EBITDA	10,675 (20.8%)	9,993 (19.7%)	-6.4%

2018 3rd Quarter Results

2018 3Q Global Performance (Consolidated)

[100 Million KRW, %]

	2017 3Q	2018 2Q	2018 3Q	QoQ	YoY
Sales	18,245	17,054	17,558	3.0%	-3.8%
COGS	12,068 (66.1%)	11,577 (67.9%)	12,224 (69.6%)	5.6%	1.3%
Operating Profit	2,171 (11.9%)	1,853 (10.9%)	1,846 (10.5%)	-0.3%	-15.0%
Ordinary Profit	2,246 (12.3%)	2,257 (13.2%)	1,566 (8.9%)	-30.6%	-30.3%
EBITDA	3,613 (19.8%)	3,175 (18.6%)	3,601 (20.5%)	13.4%	-0.3%

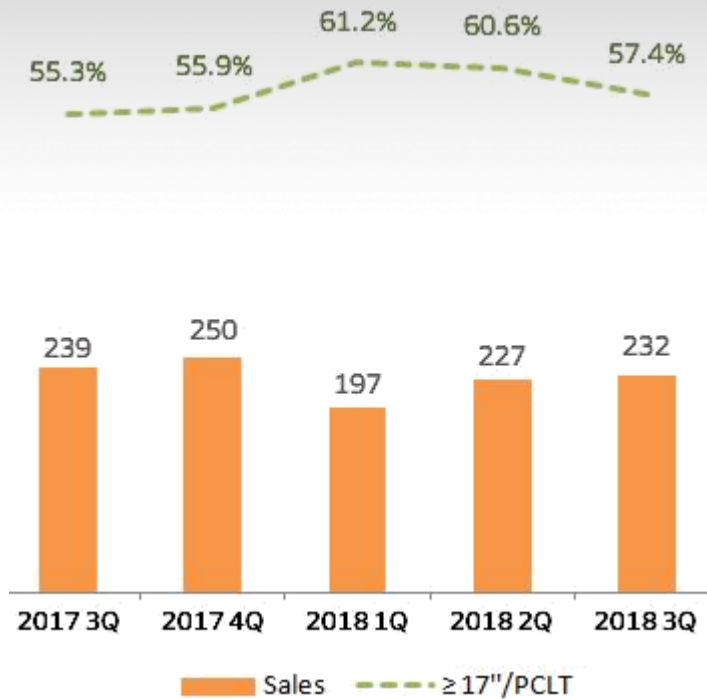
2018 3rd Quarter Highlights

- RE volumes were stable in major markets including Korea, but decline in North America, Middle East and Asia Pacific resulted to overall decline of global RE sales YoY
- Despite weaken market conditions OE sales in North America were strong, but further OE volume decline in other major markets led to lower global OE sales YoY
- Sales ratio of ≥ 17 inch within PC/LT increased by 4.5%p YoY to 52.0%, which continued to contribute to value growth
- FY2018 results to be under 2018 adjusted guidance of around 7 trillion KRW sales and OPM level of 11%~12%.
 - Weak sales in major automotive markets to continue in 2H
 - Continued vulnerability expected in North America, Middle East and Asia Pacific for 2H
 - Delay in Tennessee plant stabilization burdening OPM
- FY2018 expected FCF to be over 300 billion KRW
- Targeting liability ratio of Mid-40% by year end, showing solid financial status

Regional Performance

Korea

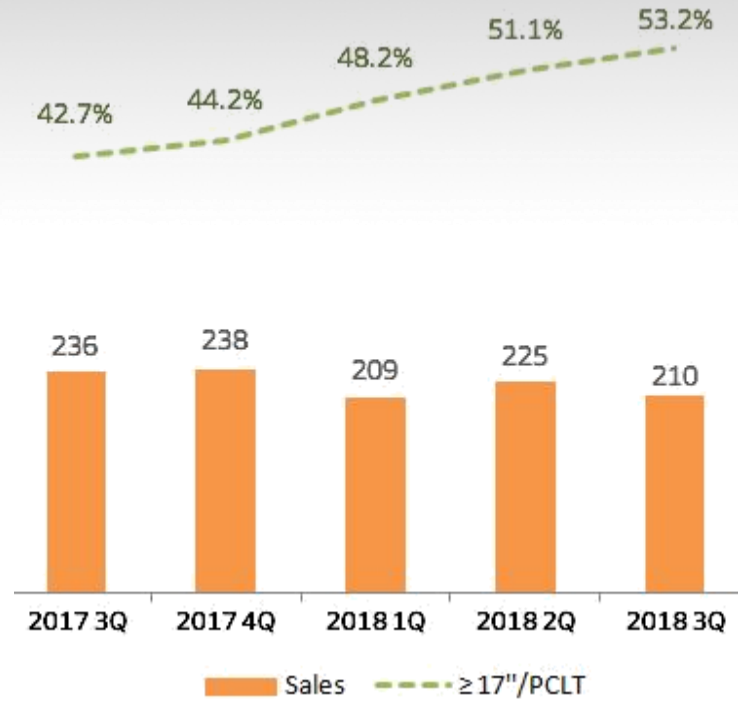
[Unit: Billion KRW, %]



- RE volumes picked up YoY and improvement in profitability with stable growth of ≥17inch segments
- OE sales decline due to decrease of supply and shorter business days due to Korean Thanksgiving holidays

China

[Unit: Billion KRW, %]

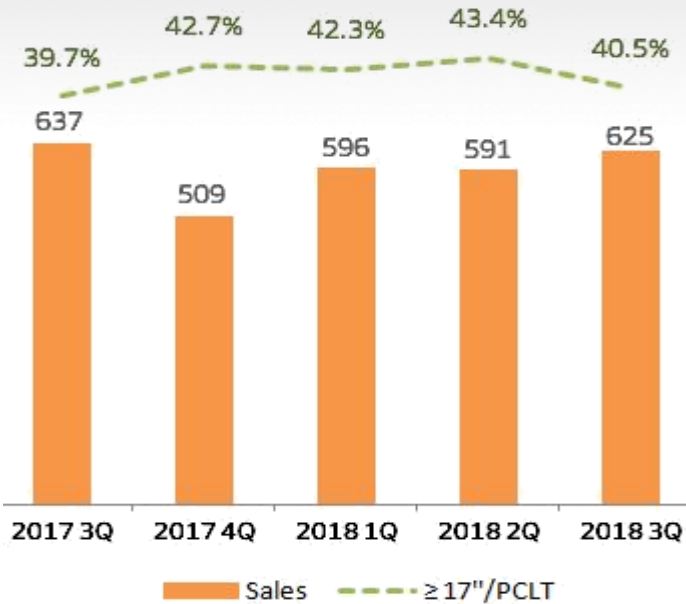


- Growth in ≥17inch segments leading overall stable RE sales
- Sluggish auto market conditions lead to decline of OE sales

Regional Performance

Europe

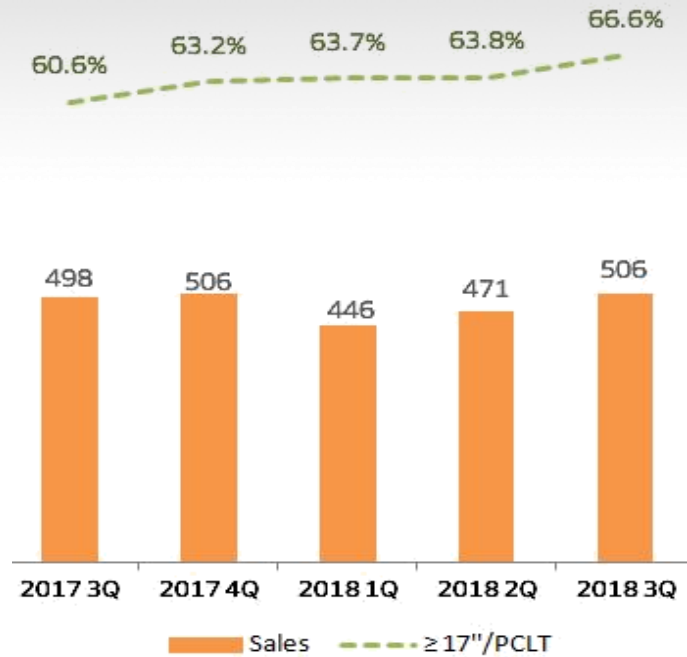
[Unit: Billion KRW, %]



- Continued stable RE sales growth in steady market conditions
- OE sales decline with new WLTP regulations affecting vehicle production

North America

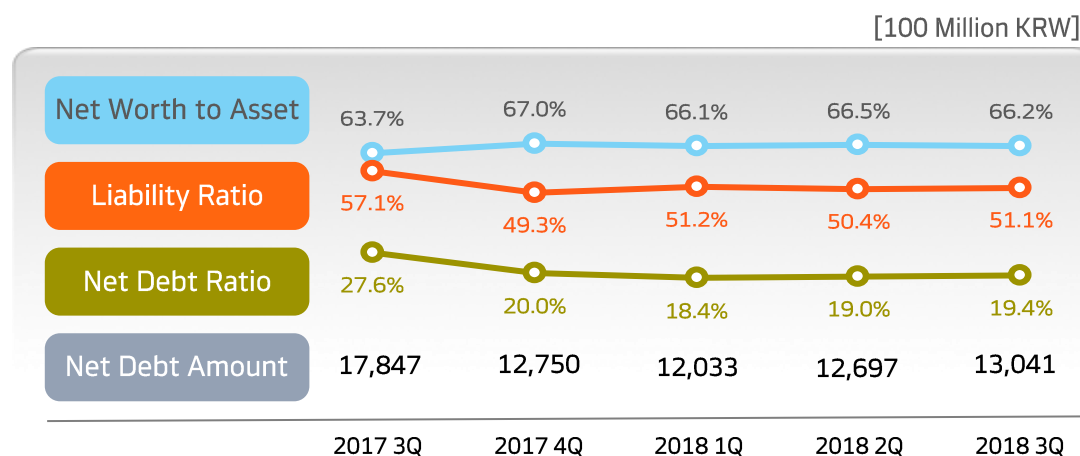
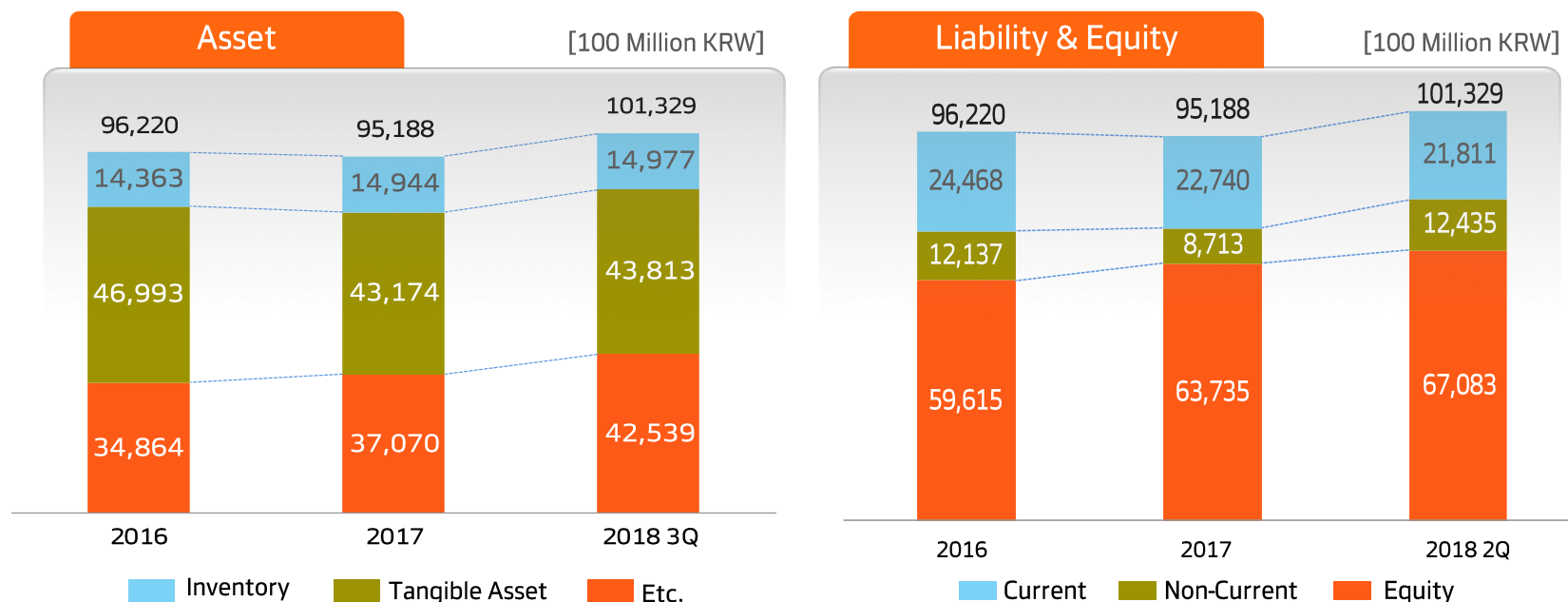
[Unit: Billion KRW, %]



- Decline in RE volume YoY with high retail stock, but continued improvements in ≥17inch segments
- OE sales growth with increased sales to Japanese and US automakers

* WLTP : Worldwide harmonized Light vehicles Test Procedure

Stability - Balance Sheet (Consolidated)

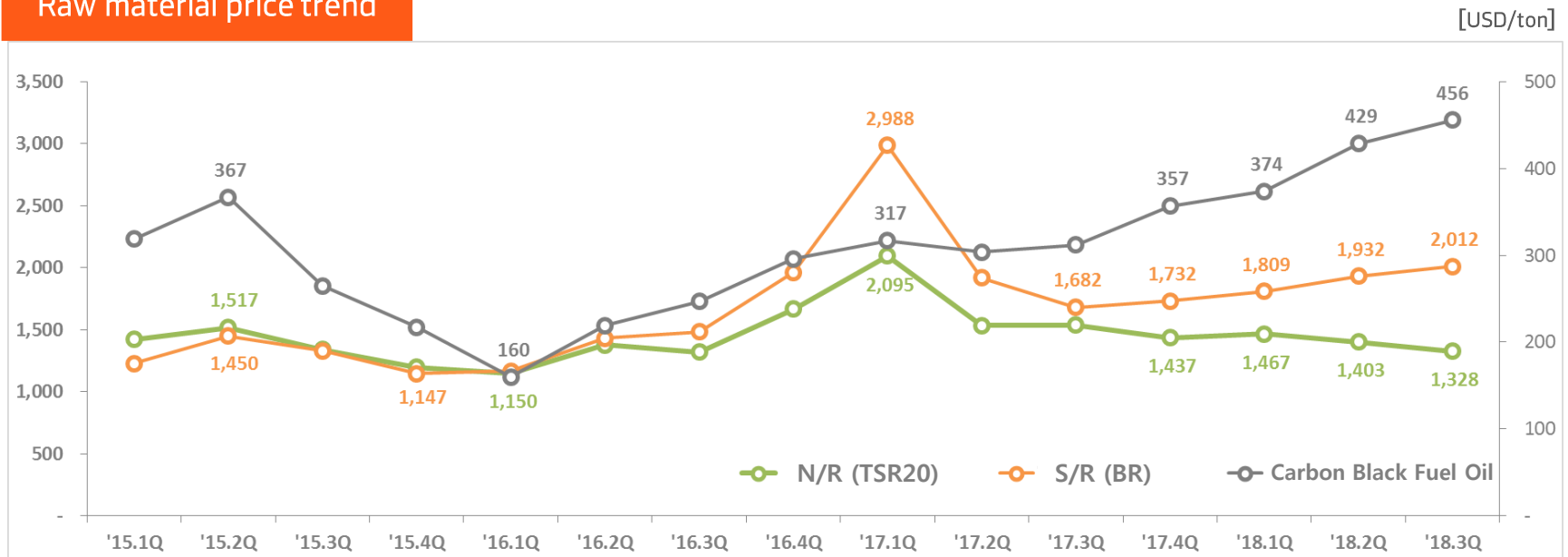


End of The Document

Appendix. Raw Material Trend

- N/R : Weak pricing expected to continue with high inventory level and low demand in China due to US-China trade issues
TSR20 price down 14% YoY and down 5% QoQ in 2018 3Q
- S/R : Upward prices due to cracker trouble in Japan and scheduled maintenance between in Korea
Prices expected to stabilize with a downward tendency as maintenance period ends in early 4Q
BR prices up 20% YoY and 4% up QoQ in 2018 3Q
- C/B : Rising oil prices impacting fuel oil prices, 4Q expected to remain steady with an upward tendency
Carbon Black Fuel Oil up 46% YoY and 6% up QoQ in 2018 3Q

Raw material price trend



Note1) TSR20 : SICOM Price (Natural Rubber)

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

Note3) Carbon Black Fuel Oil : Index price of refined oil

Appendix. F/S - Consolidated B/S

[100 Million KRW, %]

	2017		2018 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	95,188	100.0%	101,329	100.0%	6,141	6.5%
Current Assets	35,344	37.1%	39,645	39.1%	4,301	12.2%
Cashable Assets	6,942	7.3%	7,623	7.5%	681	9.8%
Accounts Receivable	12,540	13.2%	16,050	15.8%	3,510	28.0%
Inventories	14,944	15.7%	14,977	14.8%	33	0.2%
Non-current Assets	59,843	62.9%	61,684	60.9%	1,841	3.1%
Tangible Assets	43,174	45.4%	43,813	43.2%	639	1.5%
Liabilities	31,453	33.0%	34,246	33.8%	2,793	8.9%
Current Liabilities	22,740	23.9%	21,811	21.5%	-929	-4.1%
Non-Current Liabilities	8,713	9.2%	12,435	12.3%	3,722	42.7%
Shareholder's Equity	63,735	67.0%	67,083	66.2%	3,348	5.3%
Debt	19,735		20,664			
Net Debt	12,750		13,041			
Liability Ratio		49.3%		51.1%		
Net Worth to Assets		67.0%		66.2%		
Net Debt Ratio		20.0%		19.4%		

Appendix. F/S - Consolidated I/S

[100 Million KRW, %]

	2017 3Q		2018 2Q		2018 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	Amt.	%
Sales	18,245	100.0%	17,054	100.0%	17,558	100.0%	-3.8%	3.0%
COGS	12,068	66.1%	11,577	67.9%	12,224	69.6%	1.3%	5.6%
Gross Profit	6,177	33.9%	5,477	32.1%	5,334	30.4%	-13.6%	-2.6%
SG&A	4,006	22.0%	3,624	21.3%	3,488	19.9%	-12.9%	-3.8%
Operating Profit	2,171	11.9%	1,853	10.9%	1,846	10.5%	-15.0%	-0.3%
Other Revenue	460	2.5%	757	4.4%	217	1.2%	-52.8%	-71.3%
Other Expense	229	1.3%	363	2.1%	231	1.3%	0.9%	-36.4%
Financial Revenue	373	2.0%	324	1.9%	84	0.5%	-77.5%	-74.1%
Financial Expense	632	3.5%	410	2.4%	350	2.0%	-44.6%	-14.6%
Equity-method gain(loss)	103	0.6%	96	0.6%		0.0%		
Income before income tax	2,246	12.3%	2,257	13.2%	1,566	8.9%	-30.3%	-30.6%
EBITDA	3,613	19.8%	3,175	18.6%	3,601	20.5%	-0.3%	13.4%
Depreciation	1,442	7.9%	1,322	7.8%	1,755	10.0%	21.7%	32.8%