



Hankook Technodome

2018 HANKOOK TIRE
3rd Quarter Result



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

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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 <i>(65.4%)</i>	34,919 <i>(68.9%)</i>	4.0%
Operating Profit	6,540 <i>(12.7%)</i>	5,547 <i>(10.9%)</i>	-15.2%
Ordinary Profit	6,441 <i>(12.6%)</i>	5,675 <i>(11.2%)</i>	-11.9%
EBITDA	10,675 <i>(20.8%)</i>	9,993 <i>(19.7%)</i>	-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

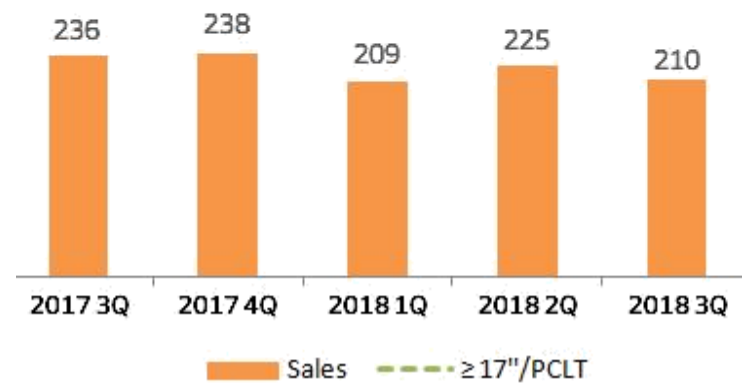
[Unit: Billion KRW, %]



- 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, %]

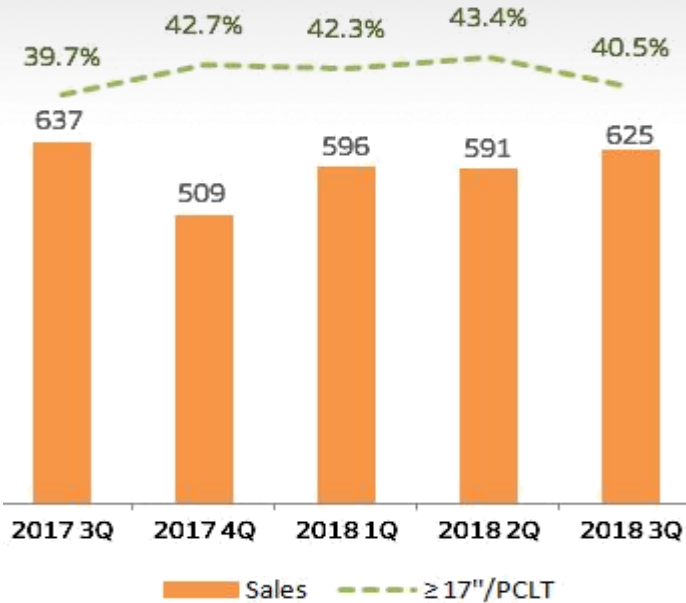


- Growth in ≥17inch segments leading overall stable RE sales
- Sluggish auto market conditions lead to decline of OE sales

Regional Performance

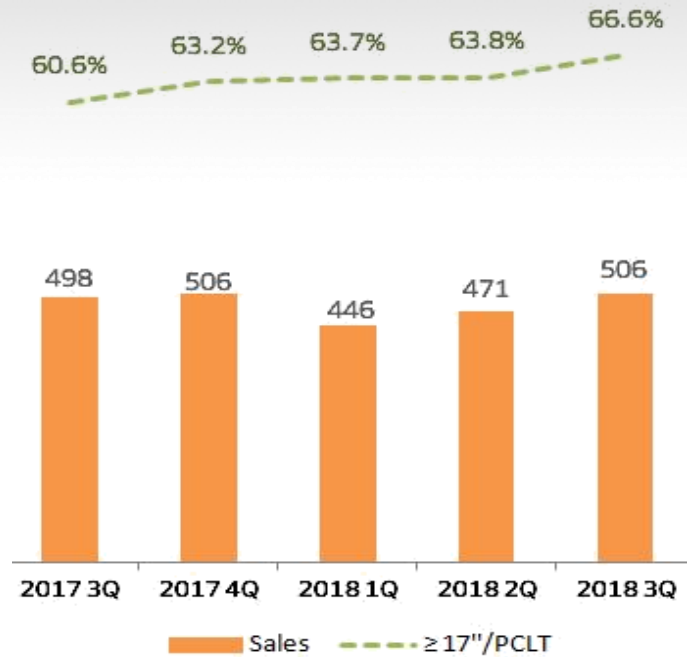
Europe

[Unit: Billion KRW, %]



North America

[Unit: Billion KRW, %]

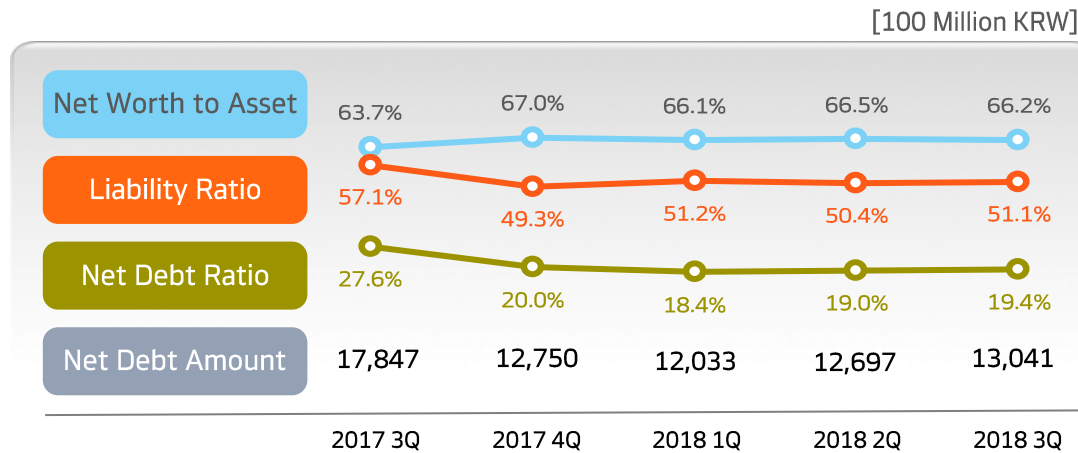
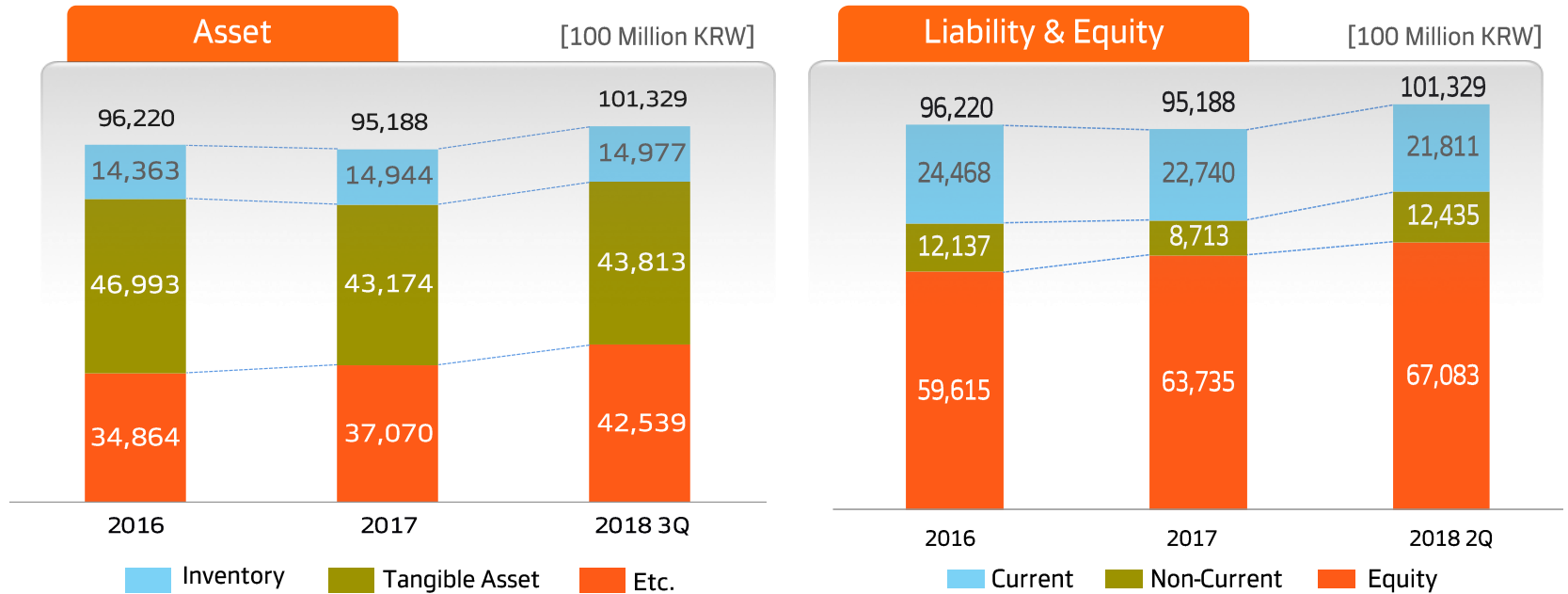


- Continued stable RE sales growth in steady market conditions
- OE sales decline with new WLTP regulations affecting vehicle production

- 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)

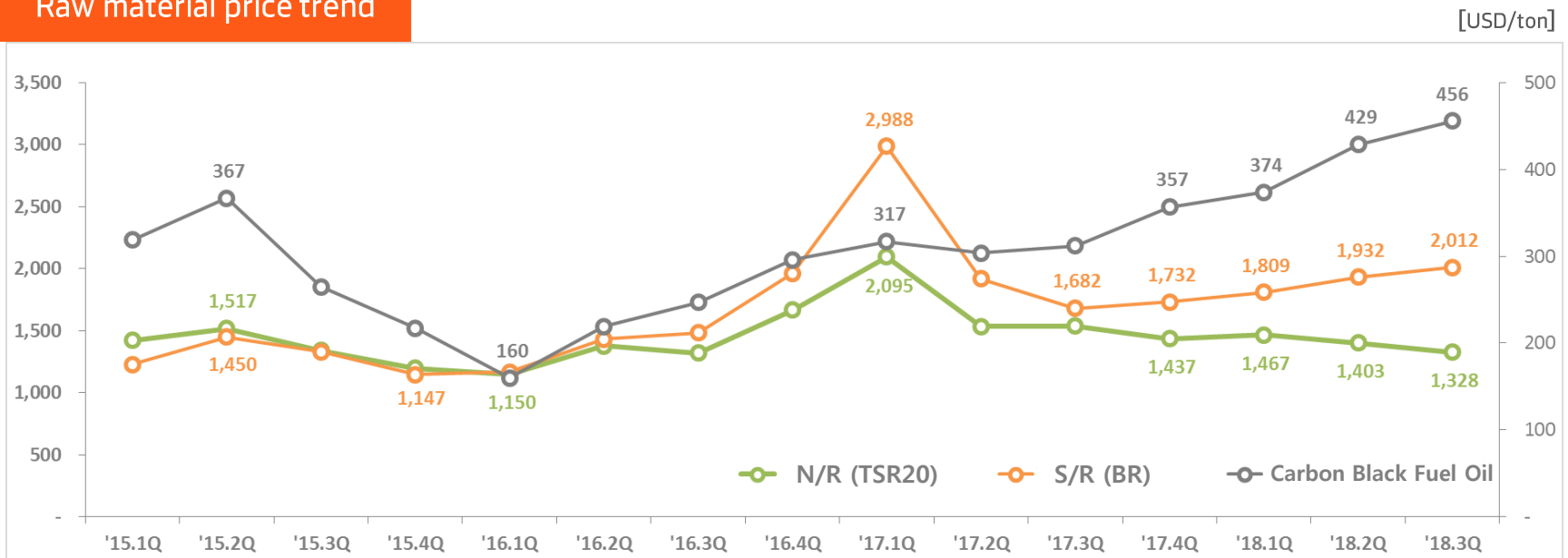


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Appendix. Raw Material Trend

- 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%