



Hankook Technodome

2018 HANKOOK TIRE
2nd Quarter Result



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 1H Financial Highlights

2018 1H Global Performance (Consolidated)

[100 Million KRW, %]

	2017 1H	2018 1H	YoY
Sales	33,060	33,147	0.3%
COGS	21,493 <i>(65.0%)</i>	22,715 <i>(68.5%)</i>	5.7%
Operating Profit	4,369 <i>(13.2%)</i>	3,681 <i>(11.1%)</i>	-15.7%
Ordinary Profit	4,195 <i>(12.7%)</i>	4,104 <i>(12.4%)</i>	-2.2%
EBITDA	7,062 <i>(21.4%)</i>	6,526 <i>(19.7%)</i>	-7.6%

2018 2nd Quarter Results

2018 2Q Global Performance (Consolidated)

[100 Million KRW, %]

	2017 2Q	2018 1Q	2018 2Q	QoQ	YoY
Sales	16,669	16,091	17,055	6.0%	2.3%
COGS	10,844 (65.1%)	11,118 (69.1%)	11,597 (68.0%)	4.3%	6.9%
Operating Profit	2,046 (12.3%)	1,848 (11.5%)	1,833 (10.7%)	-0.8%	-10.4%
Ordinary Profit	2,127 (12.8%)	1,853 (11.5%)	2,252 (13.2%)	21.5%	5.9%
EBITDA	3,421 (20.5%)	3,217 (20.0%)	3,309 (19.4%)	2.9%	-3.3%

2018 2nd Quarter Highlights

- RE volume growth in major markets, but decline from Korea, Middle East and Southeast Asia led to overall volume decrease YoY
- OE sales were stable with the exception of Korea where some auto makers cut production
- Sales ratio of ≥ 17 inch within PC/LT increased by 3.5%p YoY to 52.1%, which is well in line with full year target to exceed 50%

- 2018 guidance adjusted to around 7 trillion KRW in sales and OPM level of around 11%~12%.
 - Lower than expected 1H results, sales YoY 0.3% operating profit -15.7%
 - Sales adjustments for the full year due to weak sales in Korea and softer North America market
 - Tennessee plant stabilization and recovery expected in domestic RE sales will contribute to performance improvements in 2H

- Hankook Tire acquires Major German Tire Distributor 'Reifen-Mueller'
 - The acquisition decision was made to enhance global distribution competitiveness in major markets

Channel and Distribution Strategy

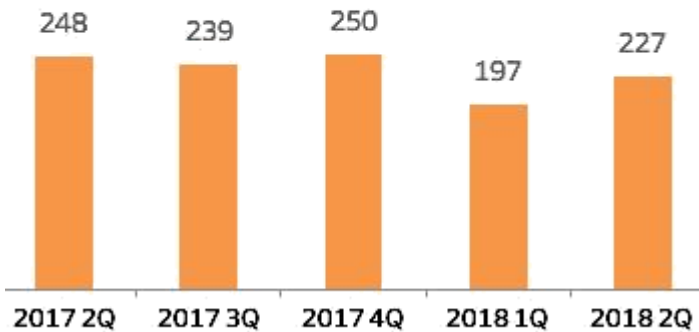
- Providing quality products and total auto care service from increased retail networks
 - Aggressively expanding sales service networks to new markets in order to reach out to customers
 - With over 1,500 service channels in Korea, Hankook Tire provides premium total auto care service to customers through T'Station
 - Hankook Masters Membership network currently encompass approximately 3,400 retail shops globally and will continue to expand
 - Enhancing competitiveness in the retail area with acquisitions of Australia's JAX Tyres and Germany's Reifen-Müller



Regional Performance

Korea

[Unit: Billion KRW, %]

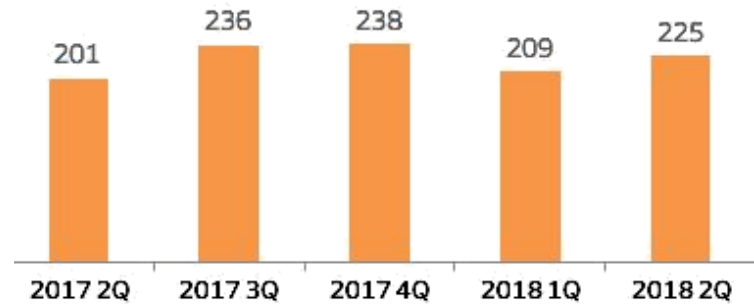


■ Sales - - - ≥ 17"/PCLT

- Although weak RE sales continued, strong gains in the ≥17inch segments
- OE sales impacted by vehicle production decrease from some auto makers

China

[Unit: Billion KRW, %]



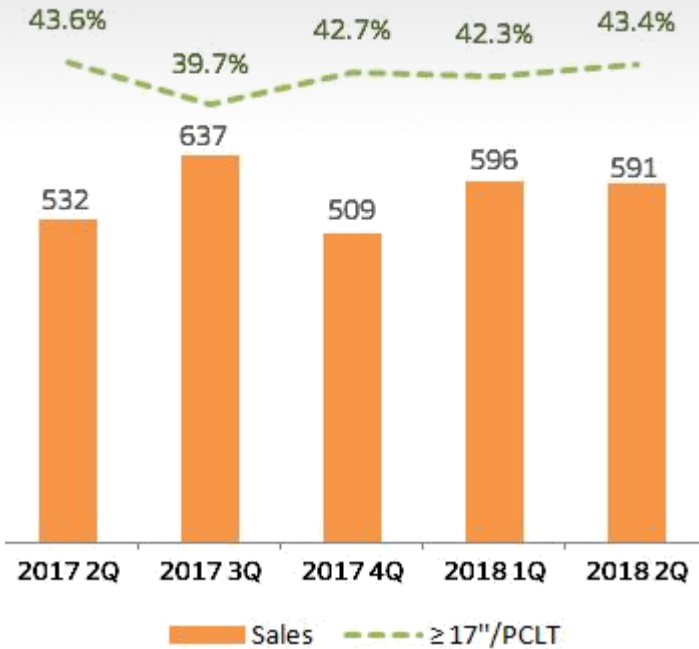
■ Sales - - - ≥ 17"/PCLT

- Stable RE sales growth exceeding market demand
- OE sales increased thanks to further supply to premium OE segments

Regional Performance

Europe

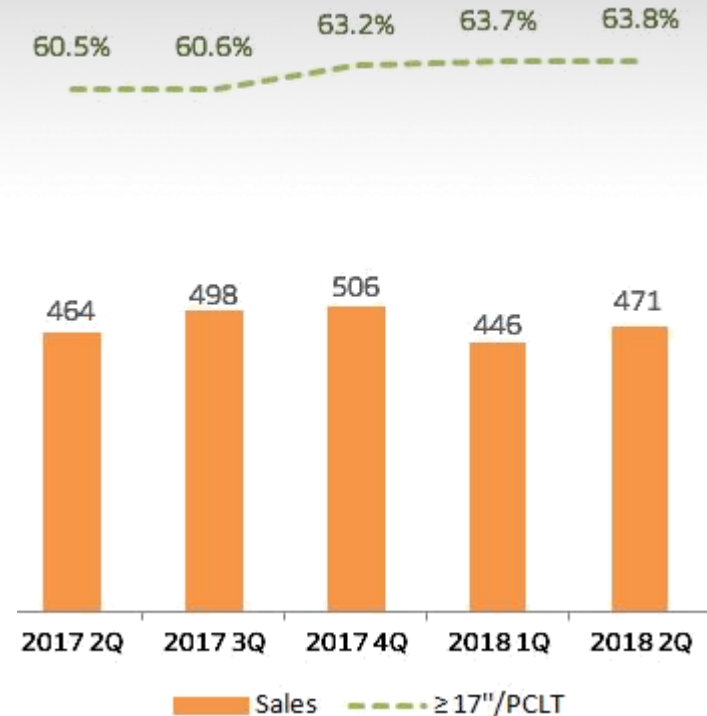
[Unit: Billion KRW, %]



- RE sales growth continued in major European countries coupled with decent demand of winter tires
- Supply to major and premium OE manufacturers increased

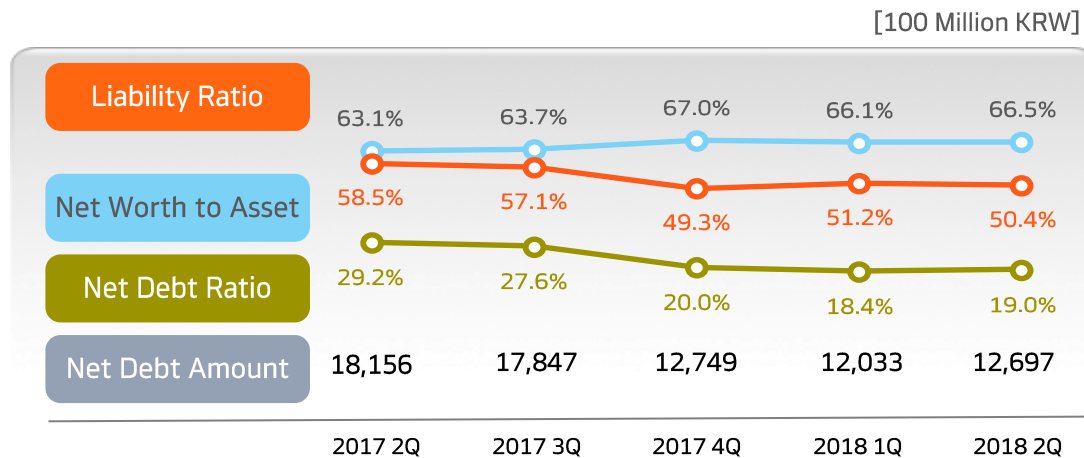
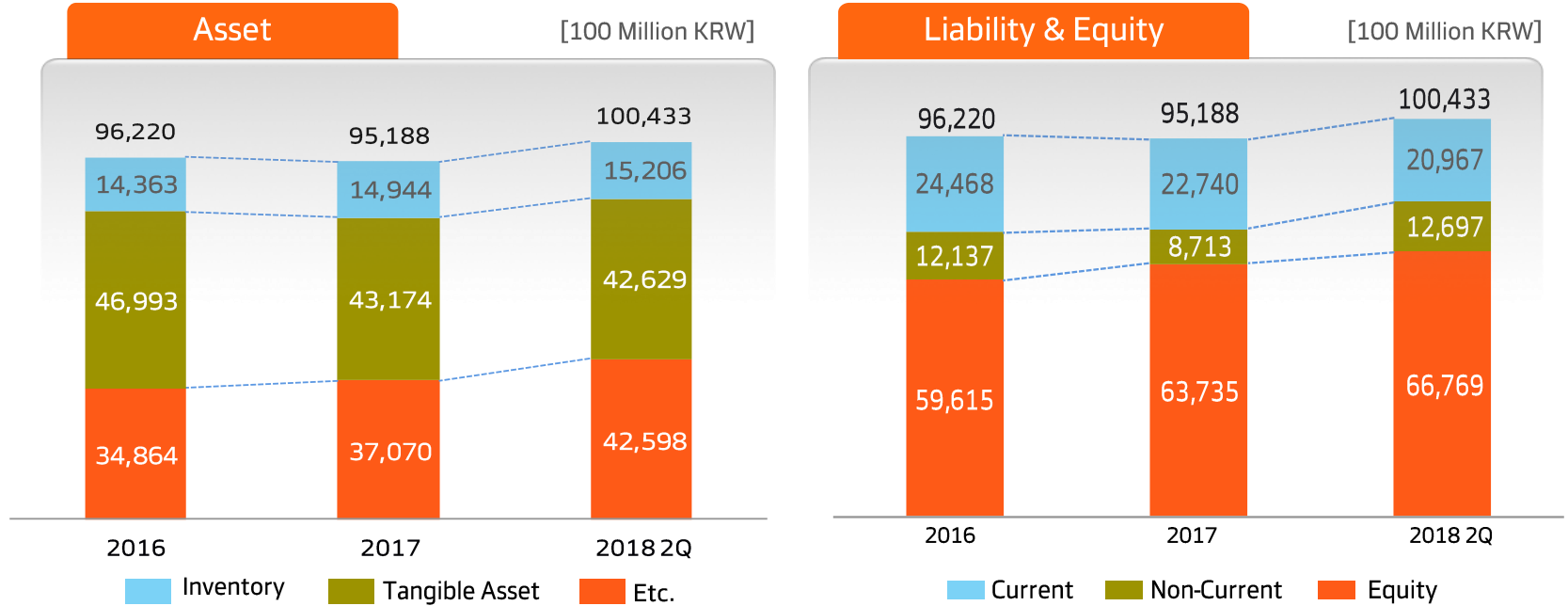
North America

[Unit: Billion KRW, %]



- RE sales growth with increased demand for winter tires and strong TBR sales with heightened freight demand
- OE sales increase with new model supply to HMG

Stability - Balance Sheet (Consolidated)

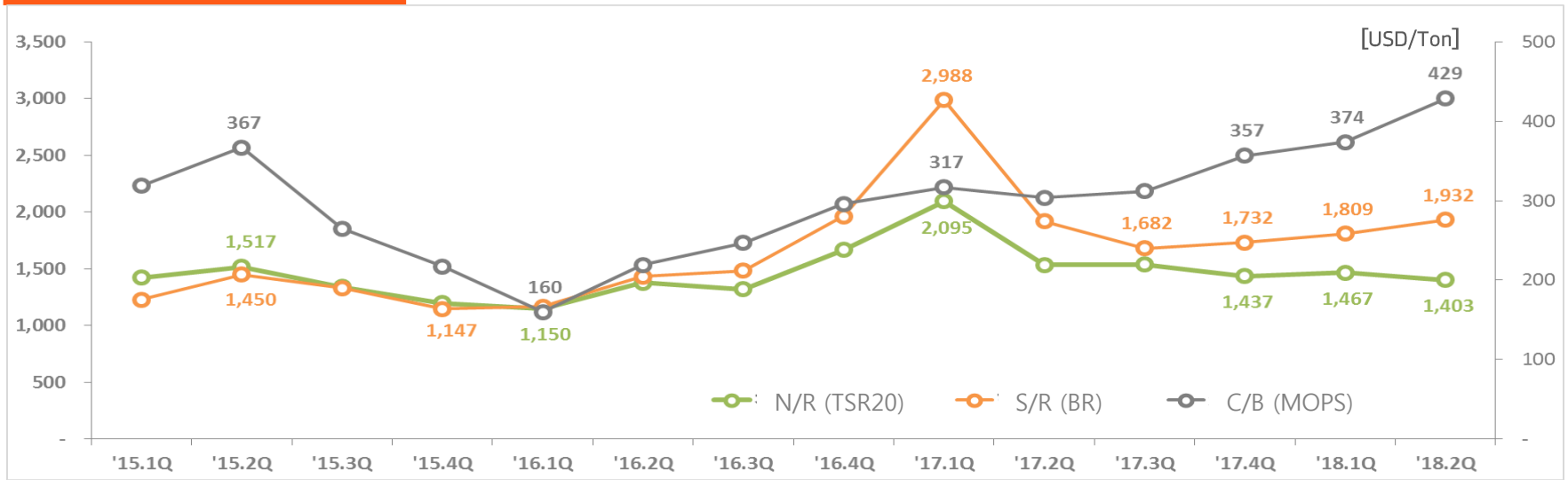


End of The Document

Appendix. Raw Material Trend

- N/R : Supply stable with the end of wintering season in Southeast Asia, and weak pricing continued with US-China trade issues and rise of interest rate
SR20 price in 2018 2Q down 8% YoY and down 4% QoQ
- S/R : Price raised due to scheduled maintenance of naphtha crackers in May, but stabilization expected in 2H
2018 2Q BR prices up 1% YoY, up 7% QoQ
- C/B : ① MOPS : 2018 2Q price hiked up 41% YoY and up 168% compared to trough due to oil price rise
② C/B : China's slow steel industry caused shortage in supply of carbon black material which lead to rise of FCC Premium. 2018 2Q prices up 27% YoY which is expected maintain similar level in 2H

Raw material 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 2Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	95,188	100.0%	100,433	100.0%	5,245	5.5%
Current Assets	35,344	37.1%	39,693	39.5%	4,349	12.3%
Cashable Assets	6,942	7.3%	8,437	8.4%	1,495	21.5%
Accounts Receivable	12,540	13.2%	14,992	14.9%	2,452	19.6%
Inventories	14,944	15.7%	15,206	15.1%	262	1.8%
Non-current Assets	59,843	62.9%	60,740	60.5%	897	1.5%
Tangible Assets	43,174	45.4%	42,629	42.4%	-545	-1.3%
Liabilities	31,453	33.0%	33,664	33.5%	2,211	7.0%
Current Liabilities	22,740	23.9%	20,967	20.9%	-1,773	-7.8%
Non-Current Liabilities	8,713	9.2%	12,697	12.6%	3,984	45.7%
Shareholder's Equity	63,735	67.0%	66,769	66.5%	3,034	4.8%
Debt	19,735		21,134			
Net Debt	12,749		12,697			
Liability Ratio		49.3%		50.4%		
Net Worth to Assets		67.0%		66.5%		
Net Debt Ratio		20.0%		19.0%		

Appendix. F/S - Consolidated I/S

[100 Million KRW, %]

	2017 2Q		2018 1Q		2018 2Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	16,669	100.0%	16,091	100.0%	17,055	100.0%	2.3%	6.0%
COGS	10,844	65.1%	11,118	69.1%	11,597	68.0%	6.9%	4.3%
Gross Profit	5,825	34.9%	4,973	30.9%	5,458	32.0%	-6.3%	9.8%
SG&A	3,779	22.7%	3,125	19.4%	3,625	21.3%	-4.1%	16.0%
Operating Profit	2,046	12.3%	1,848	11.5%	1,833	10.7%	-10.4%	-0.8%
Other Revenue	641	3.8%	484	3.0%	847	5.0%	32.1%	75.0%
Other Expense	367	2.2%	334	2.1%	363	2.1%	-1.1%	8.7%
Financial Revenue	123	0.7%	313	1.9%	255	1.5%		-18.5%
Financial Expense	407	2.4%	541	3.4%	320	1.9%	-21.4%	-40.9%
Equity-method gain(loss)	91	0.5%	83	0.5%				
Income before income tax	2,127	12.8%	1,853	11.5%	2,252	13.2%	5.9%	21.5%
EBITDA	3,421	20.5%	3,217	20.0%	3,309	19.4%	-3.3%	2.9%
Depreciation	1,375	8.2%	1,369	8.5%	1,476	8.7%	7.3%	7.8%