



Hankook Technodome

## 2018 HANKOOK TIRE *4th Quarter Results / 2019 Business Target*



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

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# 2018 Annual Results

## 2018 Global Performance (Consolidated)

[100 Million KRW, %]

|                  | 2017                     | 2018                     | YoY    |
|------------------|--------------------------|--------------------------|--------|
| Sales            | 68,129                   | 67,955                   | -0.3%  |
| COGS             | 44,924<br><i>(65.9%)</i> | 46,914<br><i>(69.0%)</i> | 4.4%   |
| Operating Profit | 7,934<br><i>(11.6%)</i>  | 7,037<br><i>(10.4%)</i>  | -11.3% |
| Ordinary Profit  | 7,430<br><i>(10.9%)</i>  | 7,119<br><i>(10.5%)</i>  | -4.2%  |
| EBITDA           | 13,426<br><i>(19.7%)</i> | 12,800<br><i>(18.8%)</i> | -4.7%  |

# 2018 Annual Highlights

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## Regional Results

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- RE volumes showed stable growth in Europe and China, but negative volume impact from Korea, North America and other regions resulted to a overall decline of global RE sales YoY
- Robust OE volume growth from North America and ASEAN-India was offset by the slowdown of the Chinese auto industry, resulting to lower global OE sales YoY

## Business Highlights

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- Continued growth of profitable high inch segments
  - Sales ratio of  $\geq 17$ inch within PC/LT increased to 52.3% which is up 3.9%p YoY
- Strengthening OE pipeline for increasing market demand of high inch segments and SUVs
  - Providing original fitment tires for the new Audi RS 4 Avant and SUV models such as BMW X3, X4 and the 2019 Ford Ranger
- Acquisition of ① German tire distributor 'Reifen-Müller' to enhance global distribution competitiveness and ② prototype solution provider 'Model Solution' to capture future growth opportunities in the rapidly changing business environment

# 2018 4th Quarter Results

## 2018 4Q Global Performance (Consolidated)

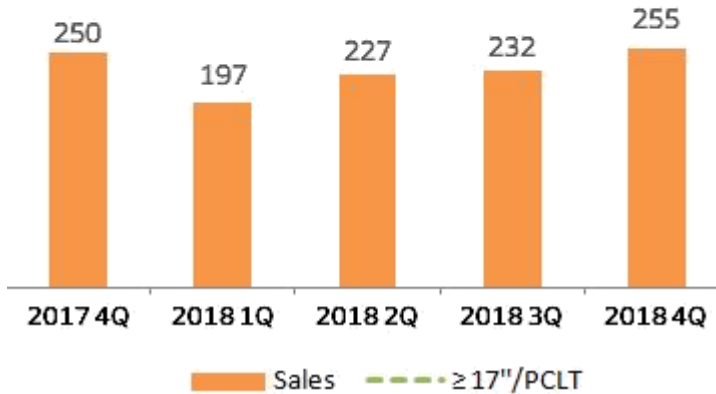
[100 Million KRW, %]

|                  | 2017 4Q           | 2018 3Q           | 2018 4Q           | QoQ    | YoY   |
|------------------|-------------------|-------------------|-------------------|--------|-------|
| Sales            | 16,823            | 17,554            | 17,256            | -1.7%  | 2.6%  |
| COGS             | 11,363<br>(67.5%) | 12,193<br>(69.5%) | 12,026<br>(69.7%) | -1.4%  | 5.8%  |
| Operating Profit | 1,394<br>(8.3%)   | 1,875<br>(10.7%)  | 1,461<br>(8.5%)   | -22.1% | 4.8%  |
| Ordinary Profit  | 989<br>(5.9%)     | 1,626<br>(9.3%)   | 1,384<br>(8.0%)   | -14.9% | 39.9% |
| EBITDA           | 2,751<br>(16.4%)  | 3,437<br>(19.6%)  | 2,971<br>(17.2%)  | -13.6% | 8.0%  |

# Regional Performance (1/2)

## Korea

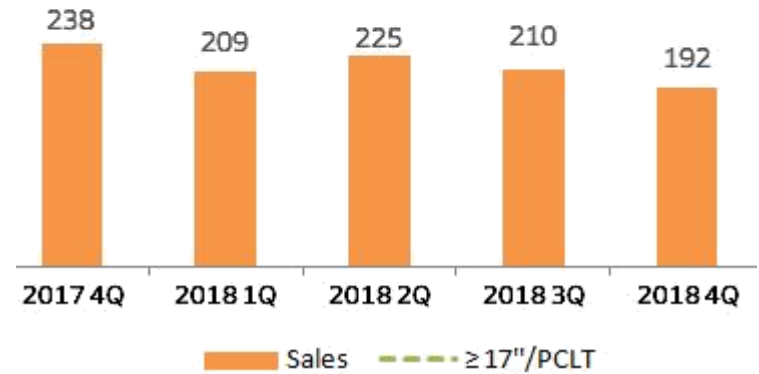
[Unit: Billion KRW, %]



- RE sales improvement due to increase of ≥17inch segments and stable winter tire sales
- OE sales growth YoY through increased supply to SUVs

## China

[Unit: Billion KRW, %]

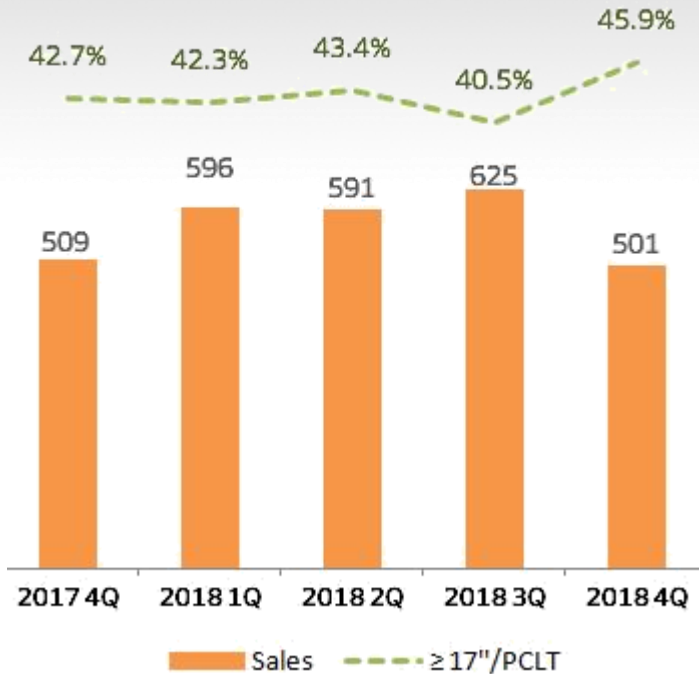


- Despite low market demand, growth in ≥17inch segments led to better RE sales YoY
- Slowdown of the Chinese auto industry led to a decline of OE sales

# Regional Performance (2/2)

## Europe

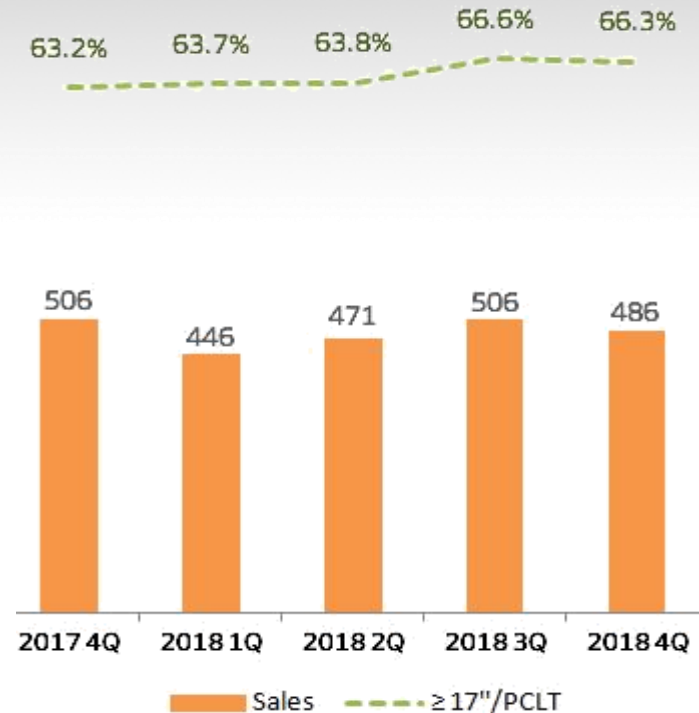
[Unit: Billion KRW, %]



- RE sales were stable YoY as the negative impact from warm weather conditions were offset by volume growth from Eastern Europe
- OE sales decline YoY continued due to prolonging impact of the WLTP regulation change, but improvement QoQ

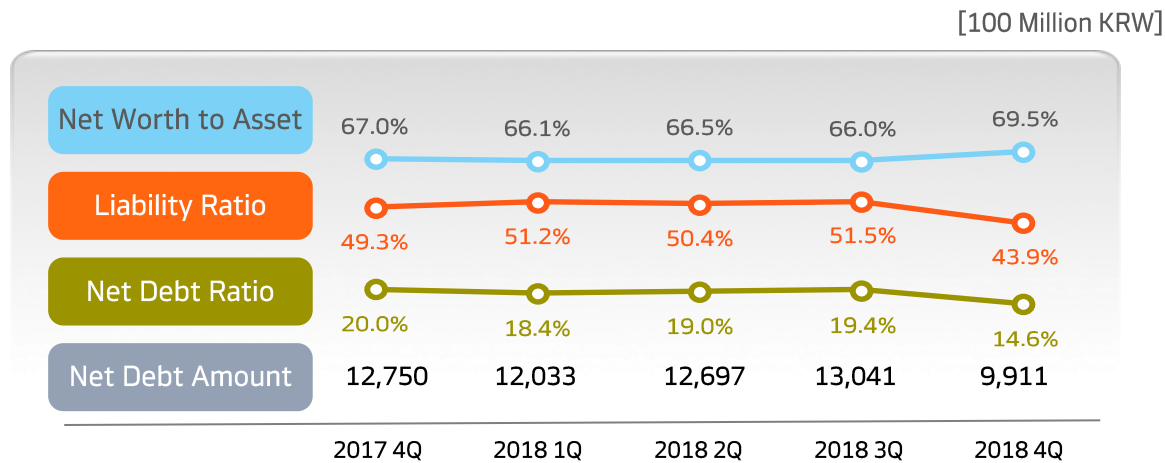
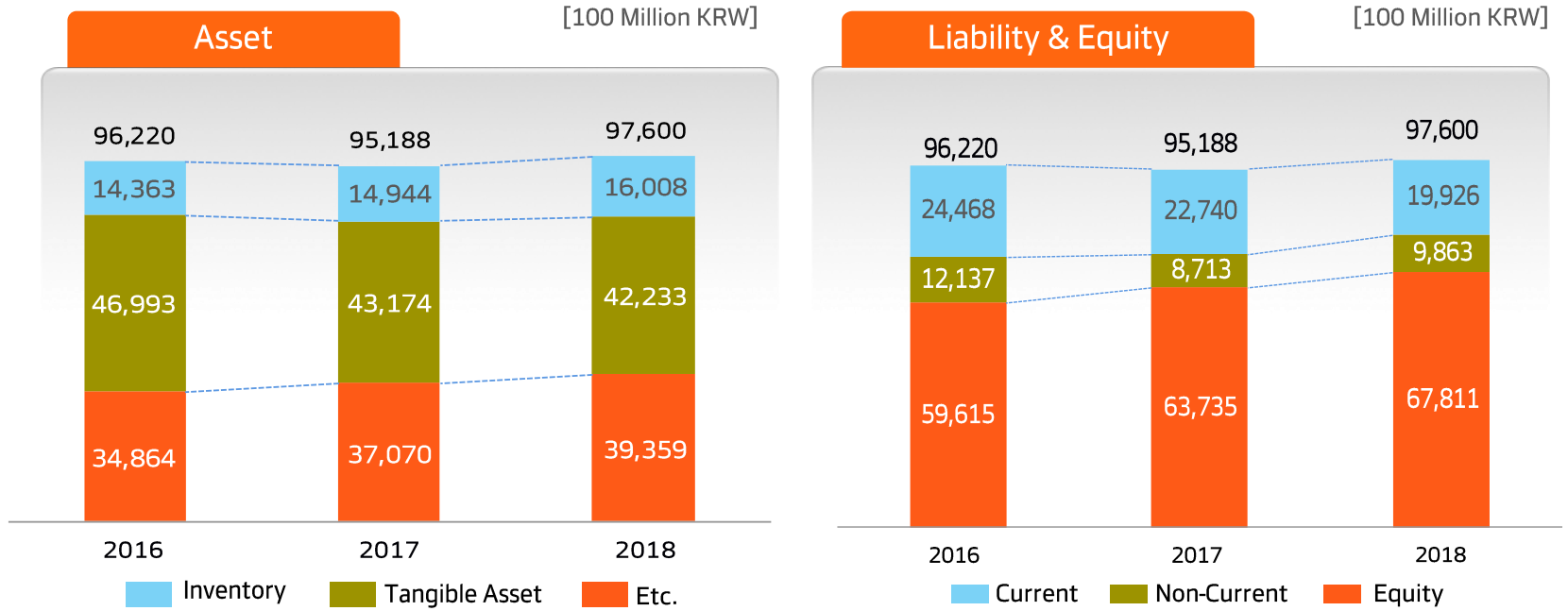
## North America

[Unit: Billion KRW, %]



- Decline of RE sales volume due to impact of the change of US tire wholesale business environment, but continued improvements in ≥17inch segments
- Growth in OE sales continues with increased sales to Japanese and US automakers

# Stability - Balance Sheet (Consolidated)





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# 2019 GUIDANCE

# 2019 Guidance

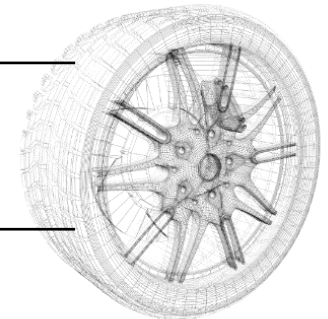
[100 Million KRW, %]

| Global           | 2018 Results | 2019 Target | YoY(%) |
|------------------|--------------|-------------|--------|
| Sales            | 67,955       | 74,000      | 8.9%   |
| Operating Profit | 7,037        | 7,500       | 6.6%   |
| OPM              | 10.4%        | 10.1%       |        |

※ Consolidated Results

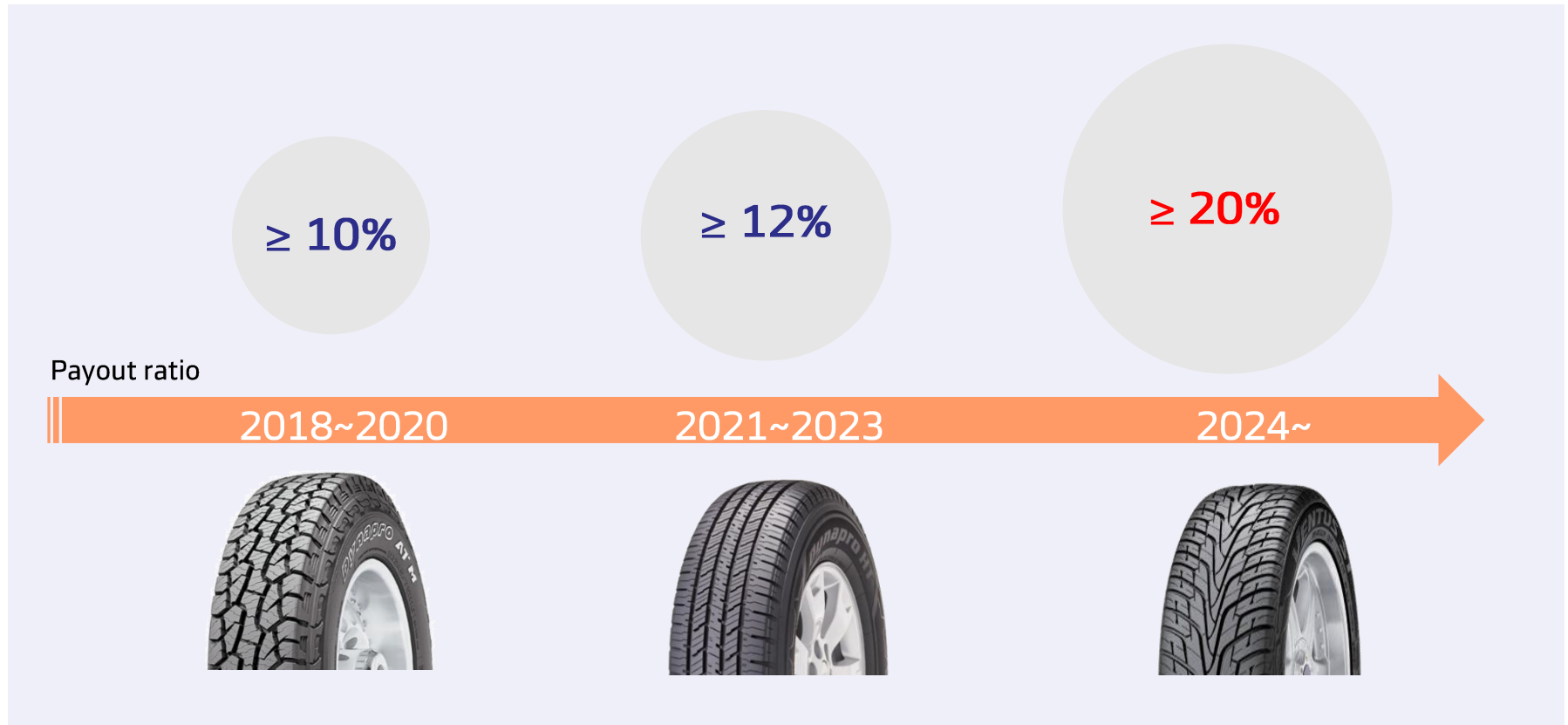
## Key Assumptions

|           | 2019                             |
|-----------|----------------------------------|
| Volume    | ≥ 6%                             |
| Price-Mix | ≥ 1%                             |
| Forex     | USD/KRW=1,120.00<br>EUR/USD=1.18 |
| CAPEX     | ≥ 550 Billion KRW                |



# 2019 Guidance - Shareholder Policy

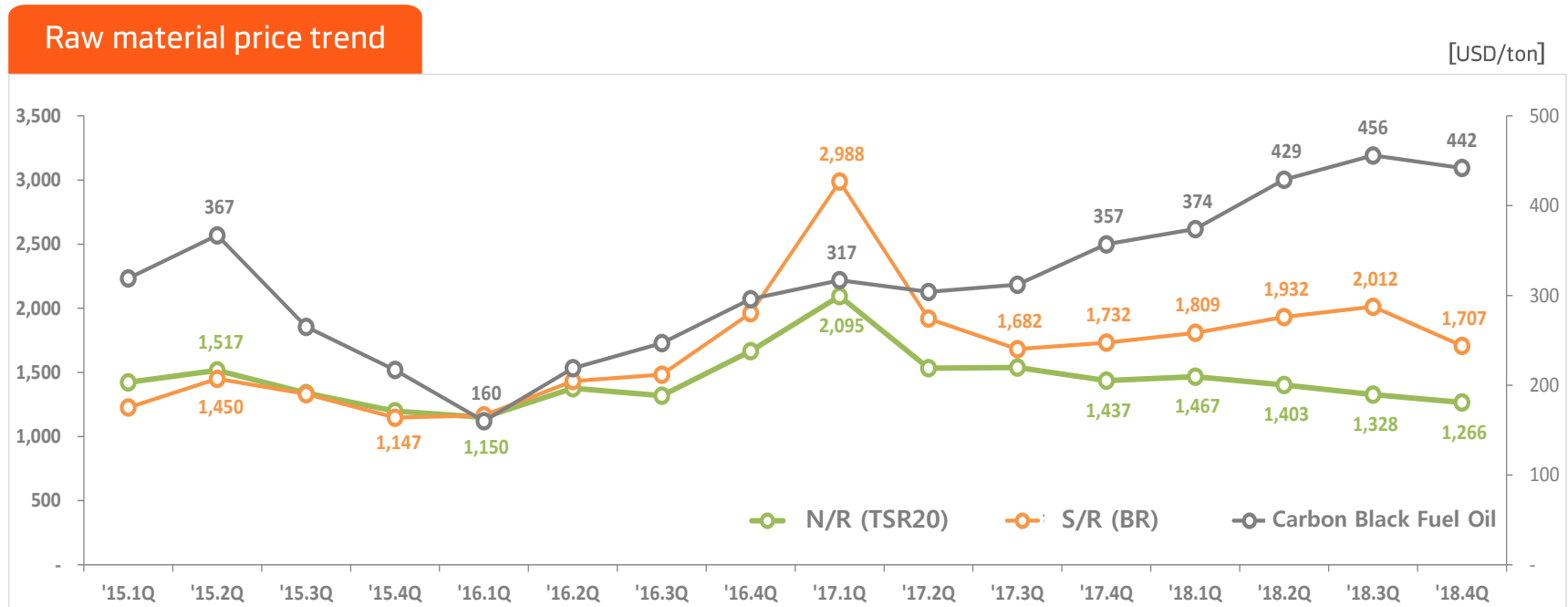
- Incremental increase of payout ratio for the mid-long term
- Balancing growth opportunities and shareholder returns in regards of cash allocation
- While maintaining a 10%~12% payout ratio for the coming years, payout ratio will gradually increase to over 20% from 2024



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# Appendix. Raw Material Trend

- N/R : Weak pricing prolonged due to the continued US-China Trade issues and weak demand from China  
However, a slight uptrend is expected as N/R production will decline with the upcoming wintering season  
TSR20 price down 12% YoY and down 5% QoQ
- S/R : Weak demand from China with the slowdown in China's Auto Industry caused Asia's BD prices decline  
coupled with increased supply as the scheduled cracker maintenance in Korea ended  
BR prices down 1.3% YoY and 15.2% down QoQ
- C/B : Falling Oil prices impacted fuel oil prices, 2019 1Q expected to remain steady with a downward tendency  
Carbon black fuel oil up 24% YoY, down 3% QoQ



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   |        | Diff.  |        |
|-------------------------|--------|--------|--------|--------|--------|--------|
|                         | Amt.   | %      | Amt.   | %      | Amt.   | %      |
| Assets                  | 95,188 | 100.0% | 97,600 | 100.0% | 2,412  | 2.5%   |
| Current Assets          | 35,344 | 37.1%  | 36,544 | 37.4%  | 1,200  | 3.4%   |
| Cashable Assets         | 6,985  | 7.3%   | 6,314  | 6.5%   | -671   | -9.6%  |
| Accounts Receivable     | 12,540 | 13.2%  | 13,341 | 13.7%  | 801    | 6.4%   |
| Inventories             | 14,944 | 15.7%  | 16,008 | 16.4%  | 1,064  | 7.1%   |
| Non-current Assets      | 59,843 | 62.9%  | 61,057 | 62.6%  | 1,214  | 2.0%   |
| Tangible Assets         | 43,174 | 45.4%  | 42,233 | 43.3%  | -941   | -2.2%  |
| Liabilities             | 31,453 | 33.0%  | 29,789 | 30.5%  | -1,664 | -5.3%  |
| Current Liabilities     | 22,740 | 23.9%  | 19,926 | 20.4%  | -2,814 | -12.4% |
| Non-Current Liabilities | 8,713  | 9.2%   | 9,863  | 10.1%  | 1,150  | 13.2%  |
| Shareholder's Equity    | 63,735 | 67.0%  | 67,811 | 69.5%  | 4,076  | 6.4%   |
| Debt                    | 19,735 |        | 16,225 |        |        |        |
| Net Debt                | 12,750 |        | 9,911  |        |        |        |
| Liability Ratio         |        | 49.3%  |        | 43.9%  |        |        |
| Net Worth to Assets     |        | 67.0%  |        | 69.5%  |        |        |
| Net Debt Ratio          |        | 20.0%  |        | 14.6%  |        |        |

# Appendix. F/S - Consolidated I/S

[100 Million KRW, %]

|                          | 2017 4Q |        | 2018 3Q |        | 2018 4Q |        | YoY    | QoQ    |
|--------------------------|---------|--------|---------|--------|---------|--------|--------|--------|
|                          | Amt.    | %      | Amt.    | %      | Amt.    | %      | Amt.   | %      |
| Sales                    | 16,823  | 100.0% | 17,554  | 100.0% | 17,256  | 100.0% | 2.6%   | -1.7%  |
| COGS                     | 11,363  | 67.5%  | 12,193  | 69.5%  | 12,026  | 69.7%  | 5.8%   | -1.4%  |
| Gross Profit             | 5,460   | 32.5%  | 5,360   | 30.5%  | 5,230   | 30.3%  | -4.2%  | -2.4%  |
| SG&A                     | 4,066   | 24.2%  | 3,485   | 19.9%  | 3,769   | 21.8%  | -7.3%  | 8.1%   |
| Operating Profit         | 1,394   | 8.3%   | 1,875   | 10.7%  | 1,461   | 8.5%   | 4.8%   | -22.1% |
| Other Revenue            | 43      | 0.3%   | 465     | 2.6%   | 305     | 1.8%   | 609.3% | -34.4% |
| Other Expense            | 825     | 4.9%   | 627     | 3.6%   | 326     | 1.9%   | -60.5% | -48.0% |
| Financial Revenue        | 342     | 2.0%   | 227     | 1.3%   | 177     | 1.0%   | -48.2% | -22.0% |
| Financial Expense        | 74      | 0.4%   | 378     | 2.2%   | 233     | 1.4%   | 214.9% | -38.4% |
| Equity-method gain(loss) | 109     | 0.6%   | 63      | 0.4%   | -       | 0.0%   |        |        |
| Income before income tax | 989     | 5.9%   | 1,626   | 9.3%   | 1,384   | 8.0%   | 39.9%  | -14.9% |
| E B I T D A              | 2,750   | 16.3%  | 3,437   | 19.6%  | 2,971   | 17.2%  | 8.0%   | -13.6% |
| Depreciation             | 1,356   | 8.1%   | 1,562   | 8.9%   | 1,510   | 8.8%   | 11.4%  | -3.3%  |