



Hankook Technodome

2018 HANKOOK TIRE  
**2<sup>nd</sup> Quarter Result**



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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 2<sup>nd</sup> 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 2<sup>nd</sup> 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  $\geq 17$ 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

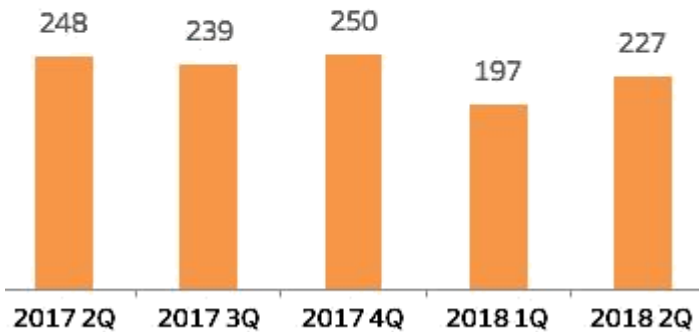
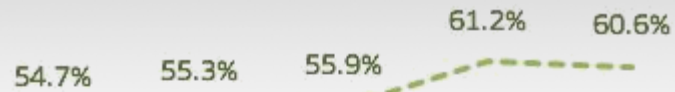




# Regional Performance

## Korea

[Unit: Billion KRW, %]

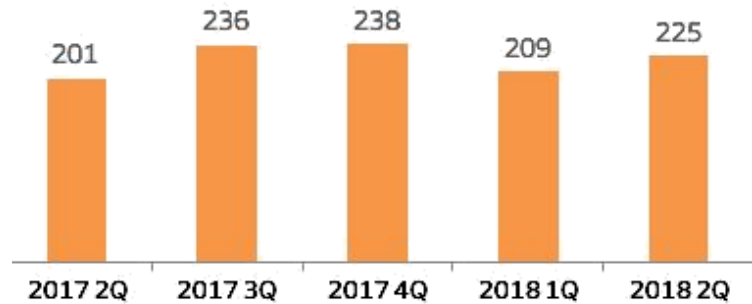


■ Sales    - - - ≥ 17"/PCLT

- 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, %]



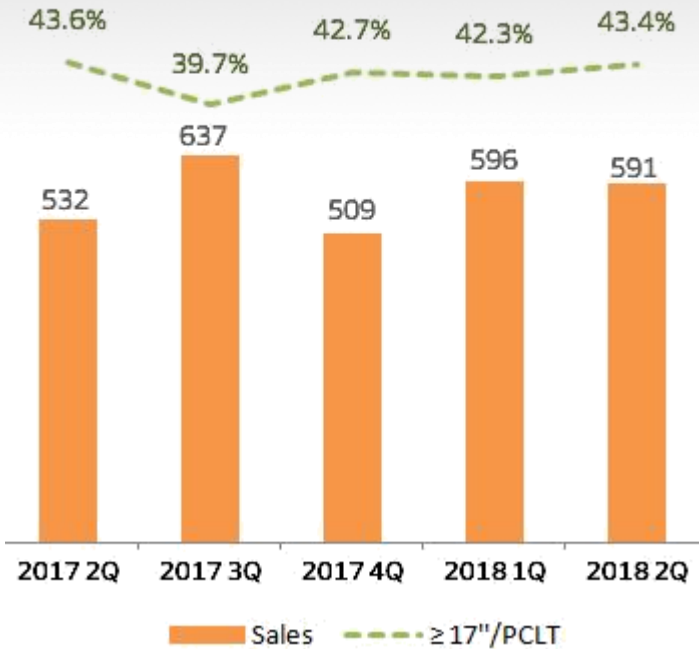
■ Sales    - - - ≥ 17"/PCLT

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

# Regional Performance

## Europe

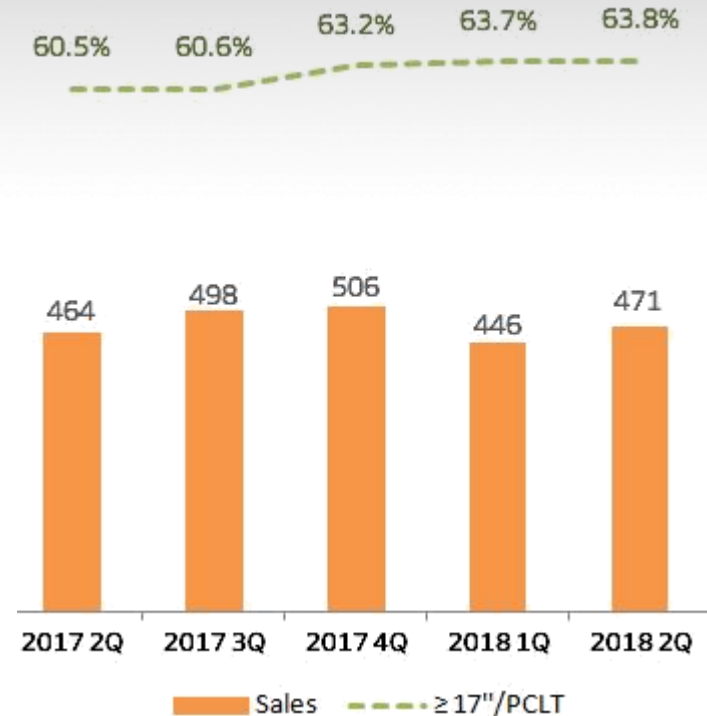
[Unit: Billion KRW, %]



- 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

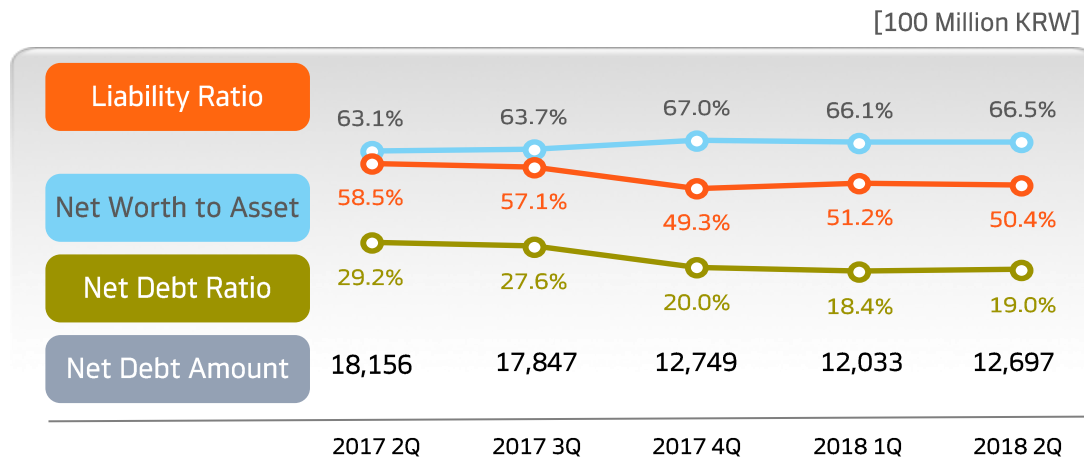
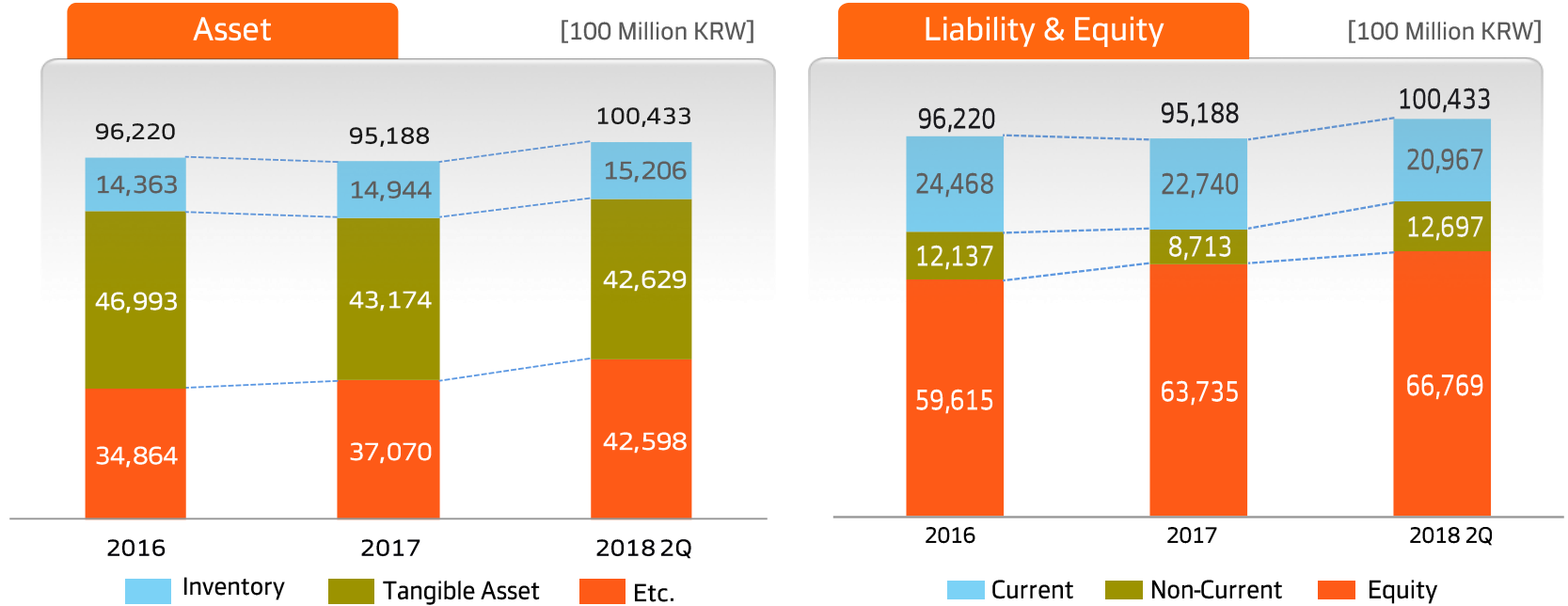
[Unit: Billion KRW, %]



- 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)

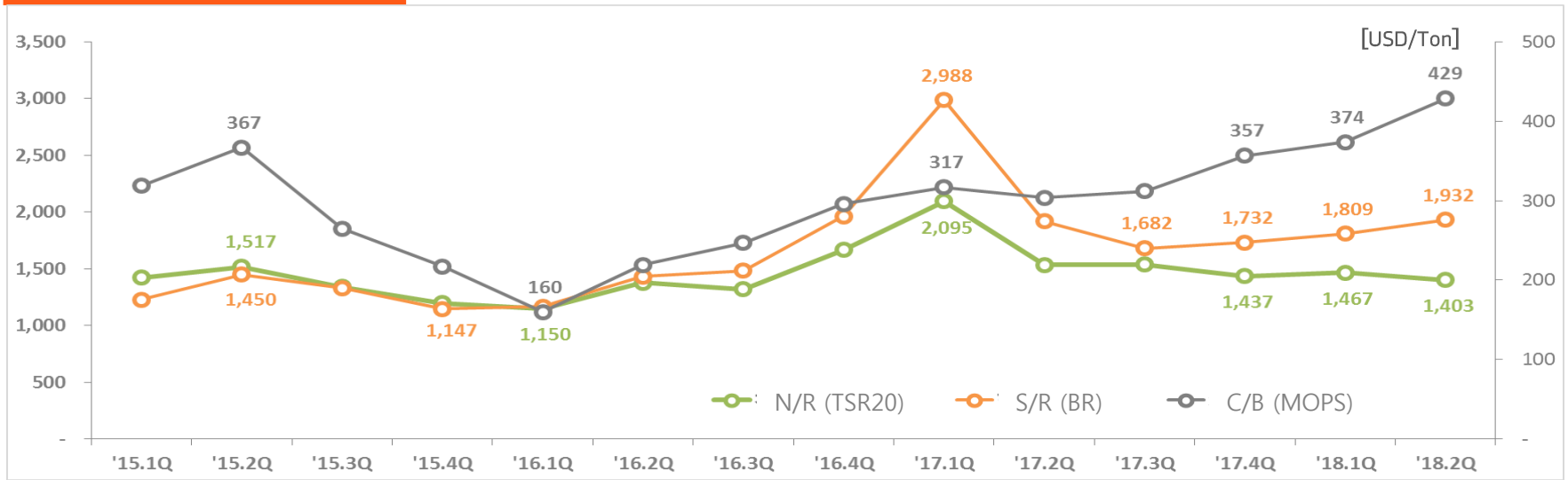


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# Appendix. Raw Material Trend

- 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%