



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 <i>(65.9%)</i>	46,914 <i>(69.0%)</i>	4.4%
Operating Profit	7,934 <i>(11.6%)</i>	7,037 <i>(10.4%)</i>	-11.3%
Ordinary Profit	7,430 <i>(10.9%)</i>	7,119 <i>(10.5%)</i>	-4.2%
EBITDA	13,426 <i>(19.7%)</i>	12,800 <i>(18.8%)</i>	-4.7%

2018 Annual Highlights

Regional Results

- 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

- Continued growth of profitable high inch segments
 - Sales ratio of ≥ 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)

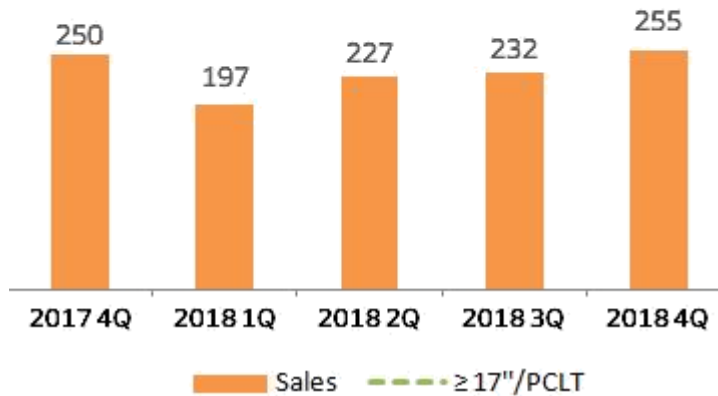
[100 Million KRW, %]

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

Regional Performance (1/2)

Korea

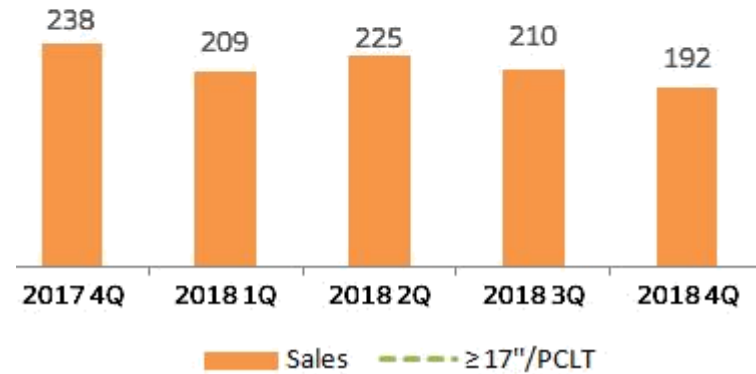
[Unit: Billion KRW, %]



- 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, %]

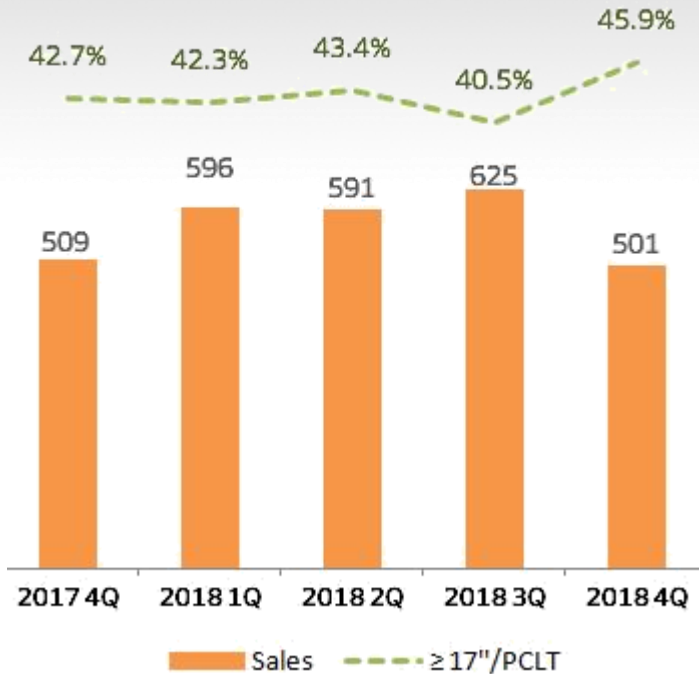


- Despite low market demand, growth in ≥17inch segments led to better RE sales YoY
- Slowdown of the Chinese auto industry led to a decline of OE sales

Regional Performance (2/2)

Europe

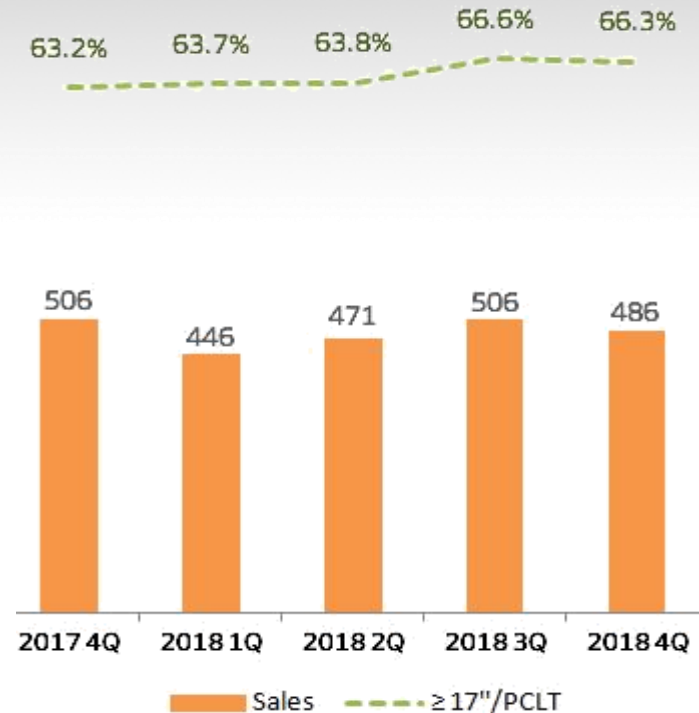
[Unit: Billion KRW, %]



- 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

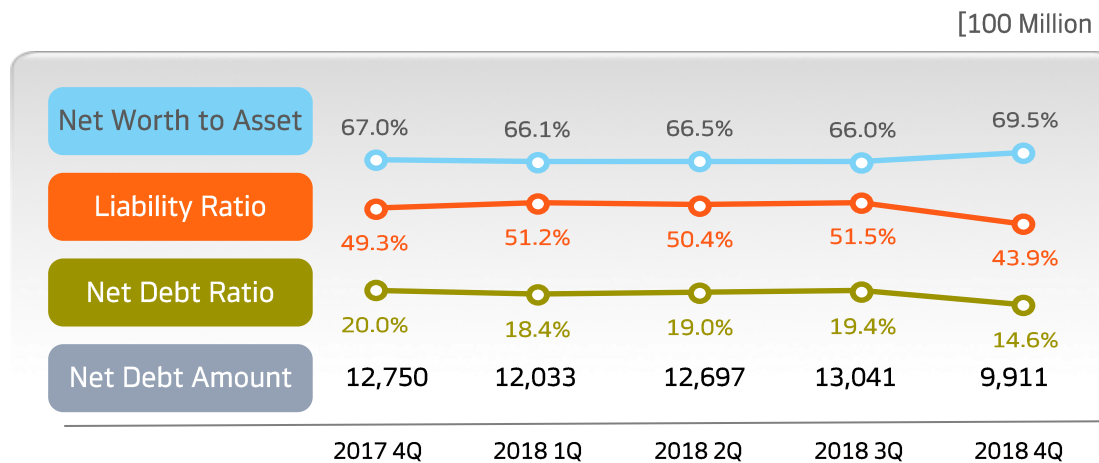
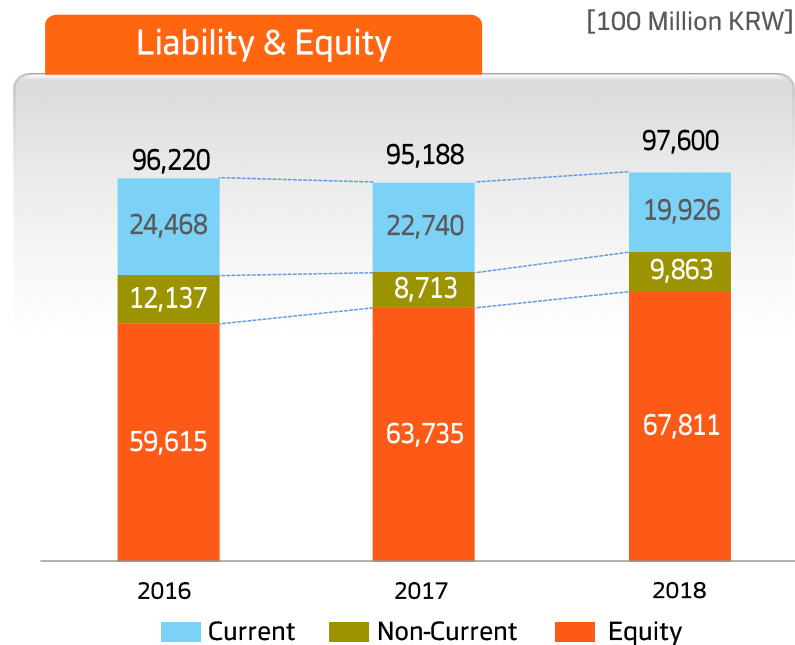
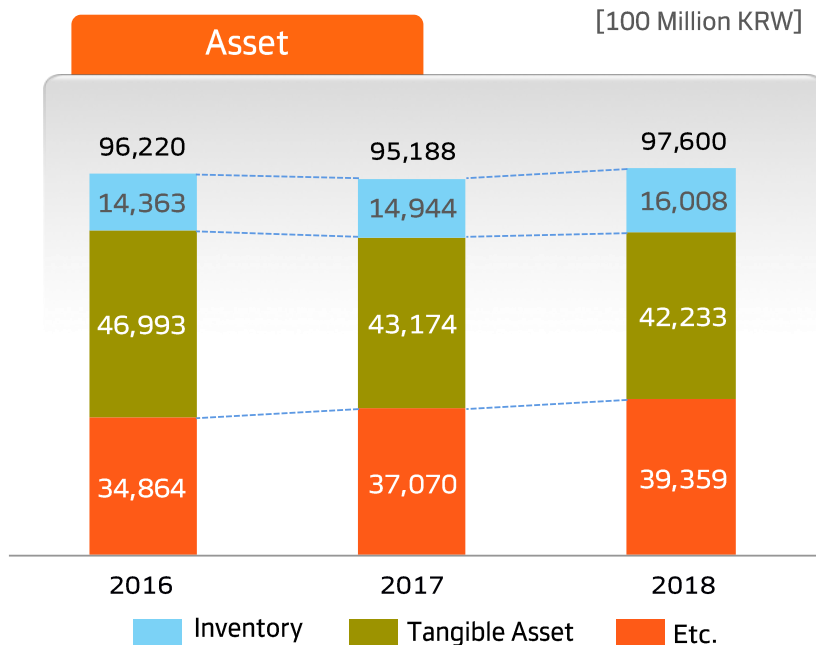
North America

[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)



2019 GUIDANCE

2019 Guidance

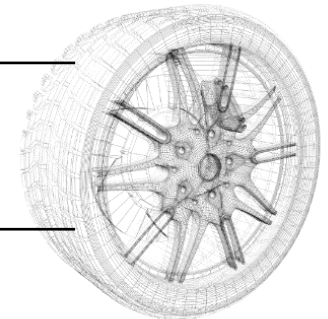
[100 Million KRW, %]

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

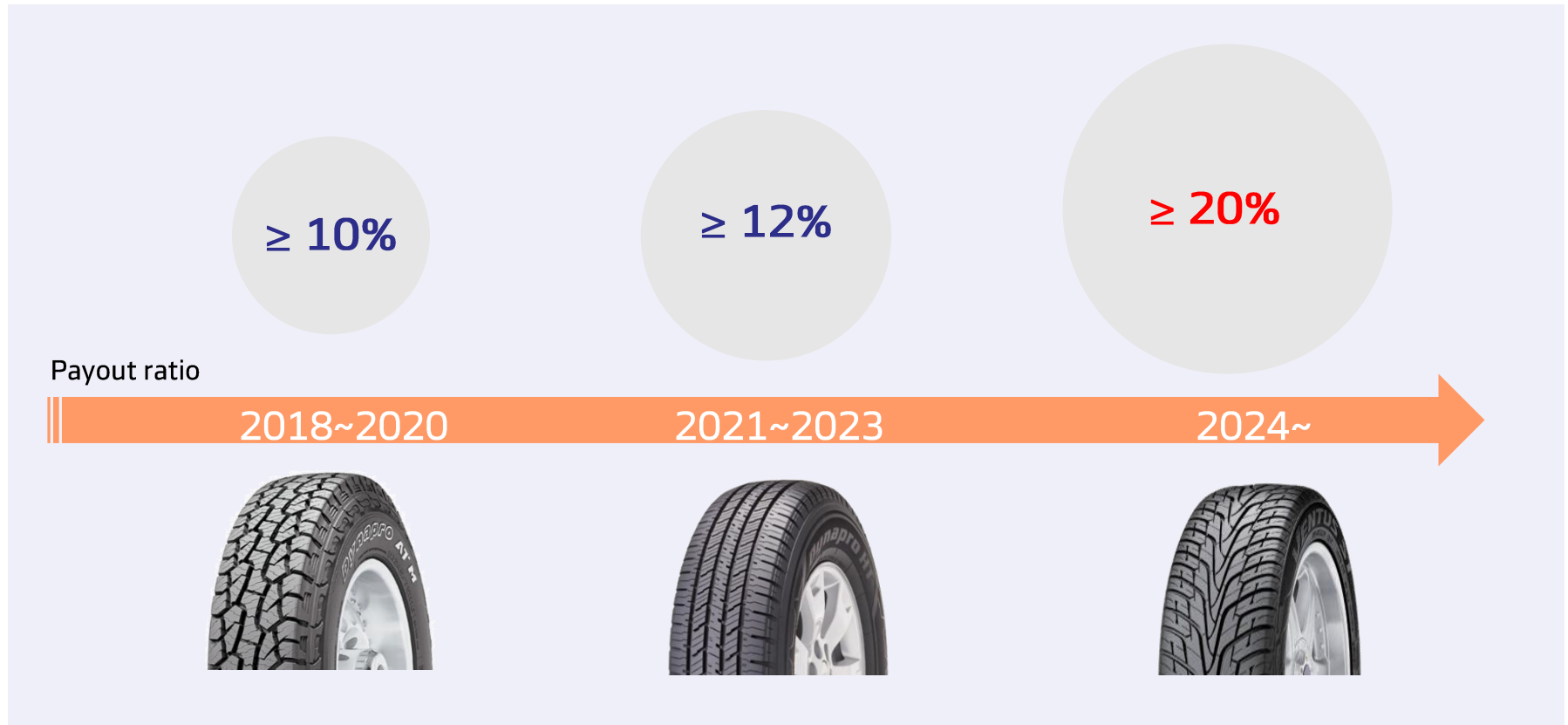
Key Assumptions

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



2019 Guidance - Shareholder Policy

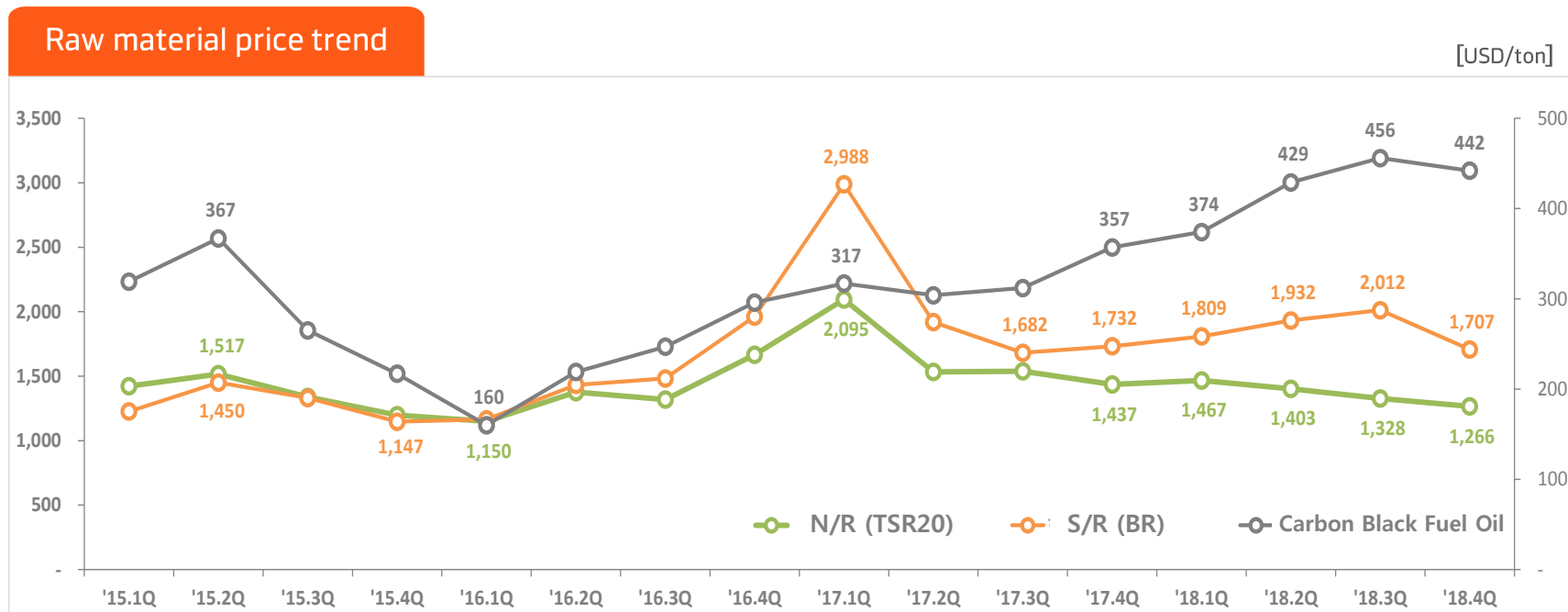
- Incremental increase of payout ratio for the mid-long term
- Balancing growth opportunities and shareholder returns in regards of cash allocation
- While maintaining a 10%~12% payout ratio for the coming years, payout ratio will gradually increase to over 20% from 2024



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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%