



Hankook Technodome

HANKOOK TIRE
2017 Result & 2018 Business Target

 **Hankook**
driving emotion

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.

2017 RESULTS

2017 Annual Results

2017 Global Performance (Consolidated)

[100 Million KRW, %]

| | 2016 | 2017 | YoY |
|------------------|--------------------------|--------------------------|--------|
| Sales | 66,218 | 68,134 | 2.9% |
| COGS | 40,450 <i>(61.1%)</i> | 44,881 <i>(65.9%)</i> | 11.0% |
| Operating Profit | 11,032 <i>(16.7%)</i> | 7,938 <i>(11.7%)</i> | -28.0% |
| Ordinary Profit | 10,924 <i>(16.5%)</i> | 7,554 <i>(11.1%)</i> | -30.8% |
| EBITDA | 16,061 <i>(24.3%)</i> | 13,769 <i>(20.2%)</i> | -14.3% |

4Q Financial Highlights

2017 4Q Global Performance (Consolidated)

[100 Million KRW, %]

| | 2016 4Q | 2017 3Q | 2017 4Q | QoQ | YoY |
|------------------|------------------|-------------------|-------------------|--------|--------|
| Sales | 16,106 | 18,245 | 16,828 | -7.8% | 4.5% |
| COGS | 9,747 (60.5%) | 12,068 (66.1%) | 11,320 (67.3%) | -6.2% | 16.1% |
| Operating Profit | 2,392 (14.9%) | 2,171 (11.9%) | 1,398 (8.3%) | -35.6% | -41.6% |
| Ordinary Profit | 2,639 (16.4%) | 2,246 (12.3%) | 1,113 (6.6%) | -50.4% | -57.8% |
| EBITDA | 3,608 (22.4%) | 3,613 (19.8%) | 3,094 (18.4%) | -14.4% | -14.2% |

Performance

Korea

[Unit: Billion KRW, %]



- RE sales improved QoQ, but sluggish market conditions and intensive competition resulted to lower sales YoY
- Weak OE sales due to Auto maker's labor strike

China

[Unit: Billion KRW, %]

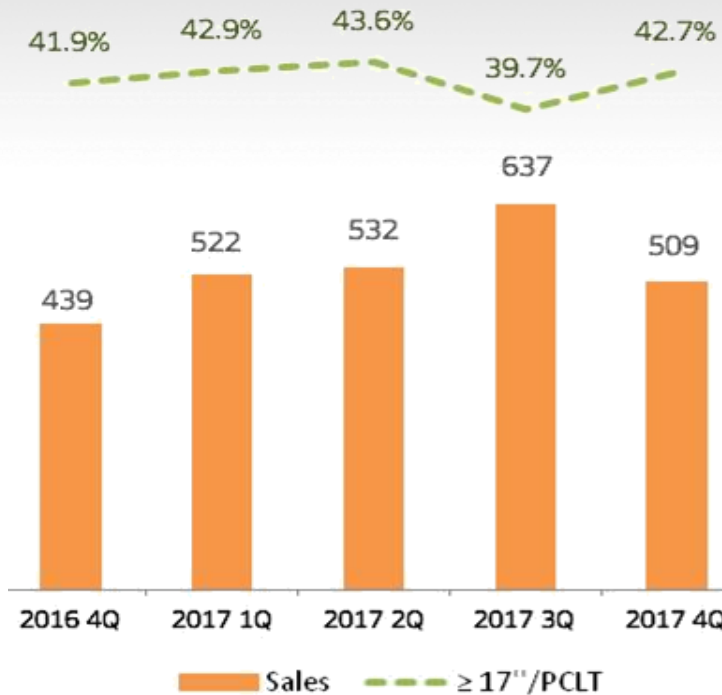


- RE sales exceeding market growth combined with continued product mix improvements
- Increased OE business with premium OE partners

Performance

Europe

[Unit: Billion KRW, %]



- Stable RE sales outperforming market growth and increased supply to OE manufactures

North America

[Unit: Billion KRW, %]



- Increase of sales in both RE and OE, coupled with high inch product mix improvements

2018 GUIDANCE

2018 Guidance

[100 Million KRW, %]

| Global | 2017 Results | 2018 Target | YoY(%) |
|------------------|--------------|-------------|--------|
| Sales | 68,134 | 74,000 | 8.6% |
| Operating Profit | 7,938 | 10,200 | 28.5% |
| OPM | 11.7% | 13.8% | 2.1%p |

※ 2017 Consolidated Results / 2018 Tire Business Target

1 Value based Growth

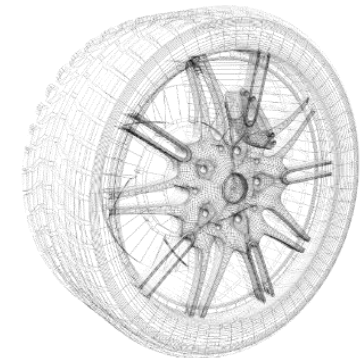
- HIGH VALUE FOCUS
- FLEXIBLE GROWTH

2 Sustainable Growth

- CORPORATE SOCIAL RESPONSIBILITY
- TECHNOLOGY INNOVATION

3 Stable Growth

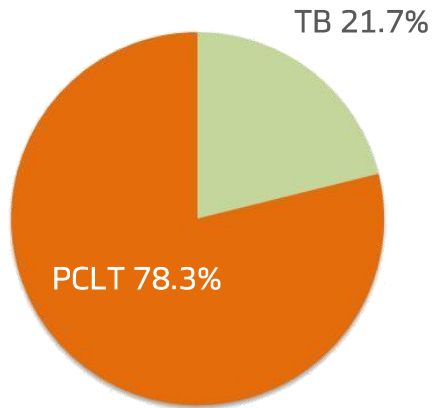
- STRONG CASH FLOW GENERATION



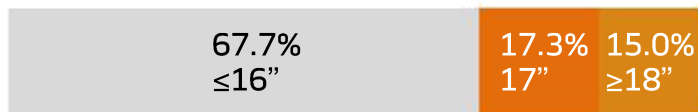
2018 Guidance

PILLAR 1: High value focus

2012

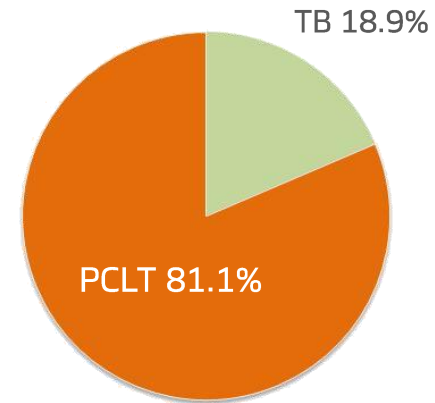


Sales (PCLT)



32.3% ≥17"/PCLT

2017



Sales (PCLT)

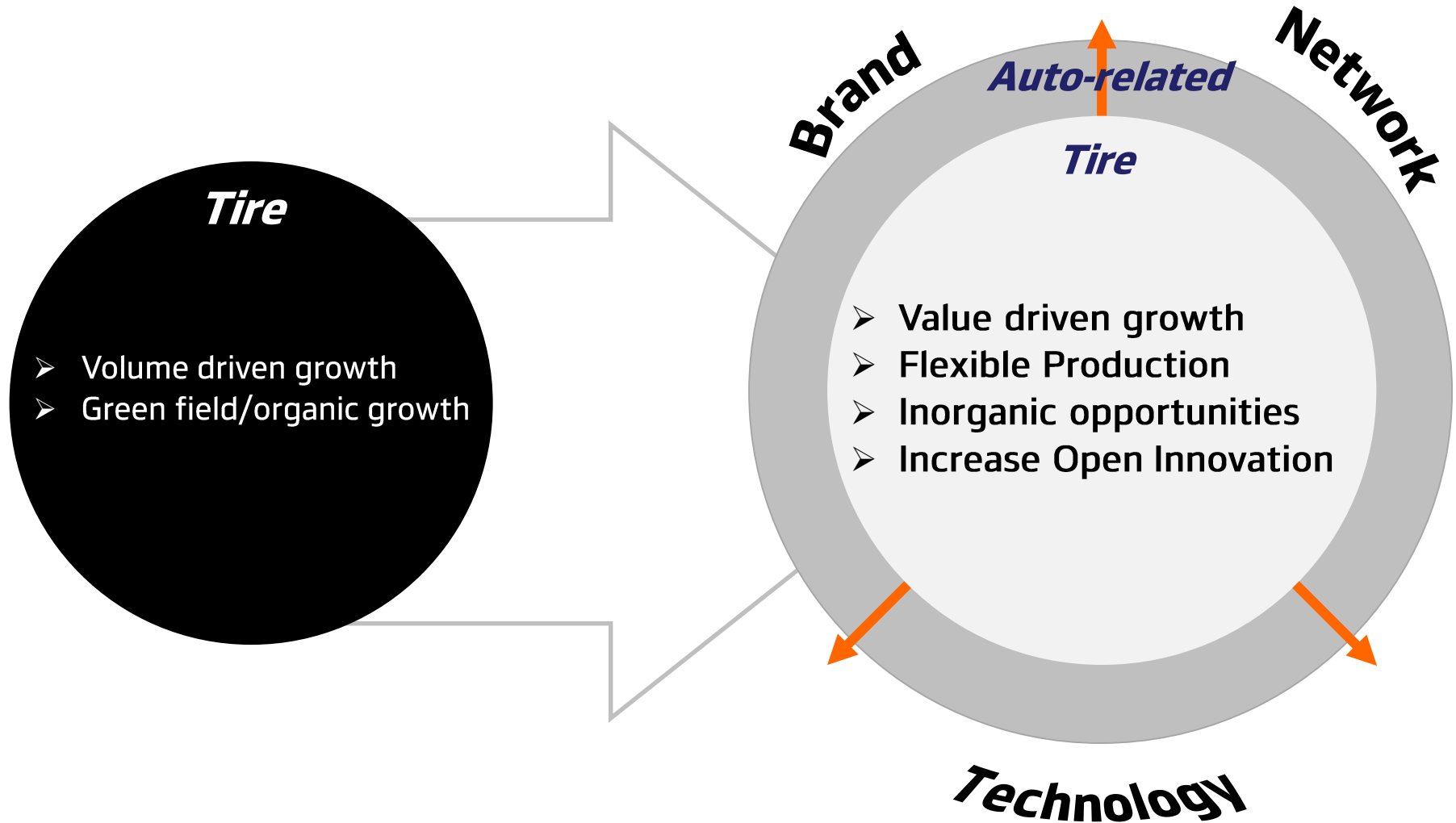


48.4% ≥17"/PCLT

- 2018 Target for high inch (≥17") ratio is to exceed 50% of PCLT sales

2018 Guidance

PILLAR 2 : Next Growth Formula



2018 Guidance

PILLAR 3 : Promoting a healthy and sustainable global community

MEMBER OF

**Dow Jones
Sustainability Indices**

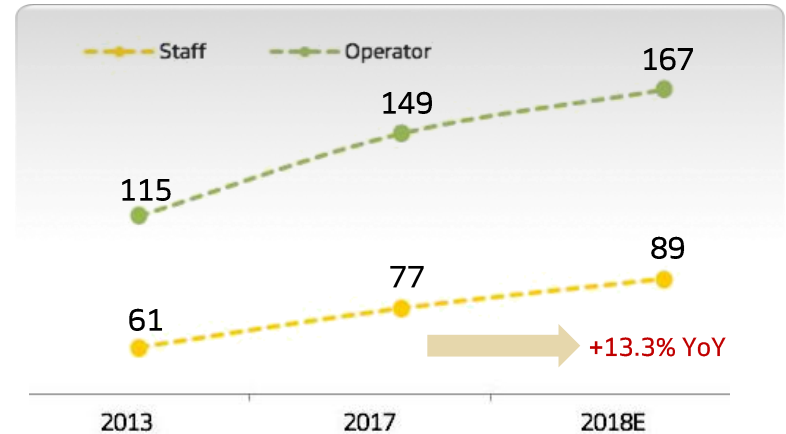
In Collaboration with RobecoSAM

- 2016, 2017 World Class

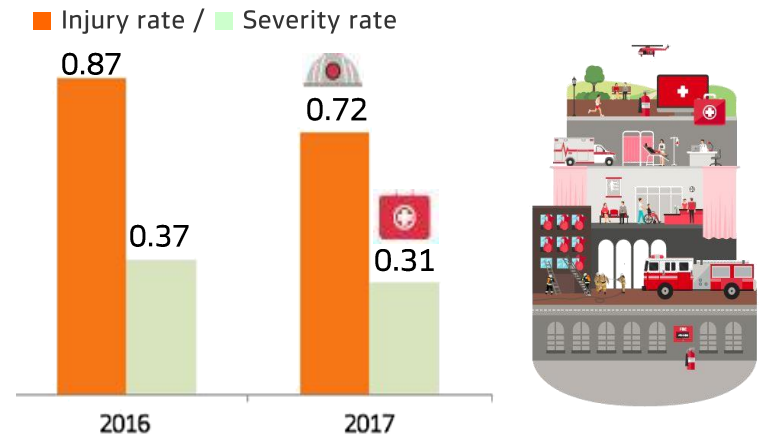


- 2017 CDP (Consumer Discretionary Sector) HONORS AWARD (A- grade)

G.EHS Employee Trend ※ US Plant excluded



Safety Index ※ Based on Korea Plants



2018 Guidance

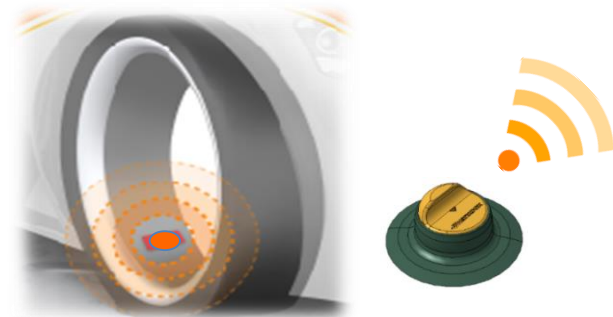
PILLAR 4 : New Segment Product

EV Car Tire

- Low RR
- High Load Durability
- Wear
- Low Noise

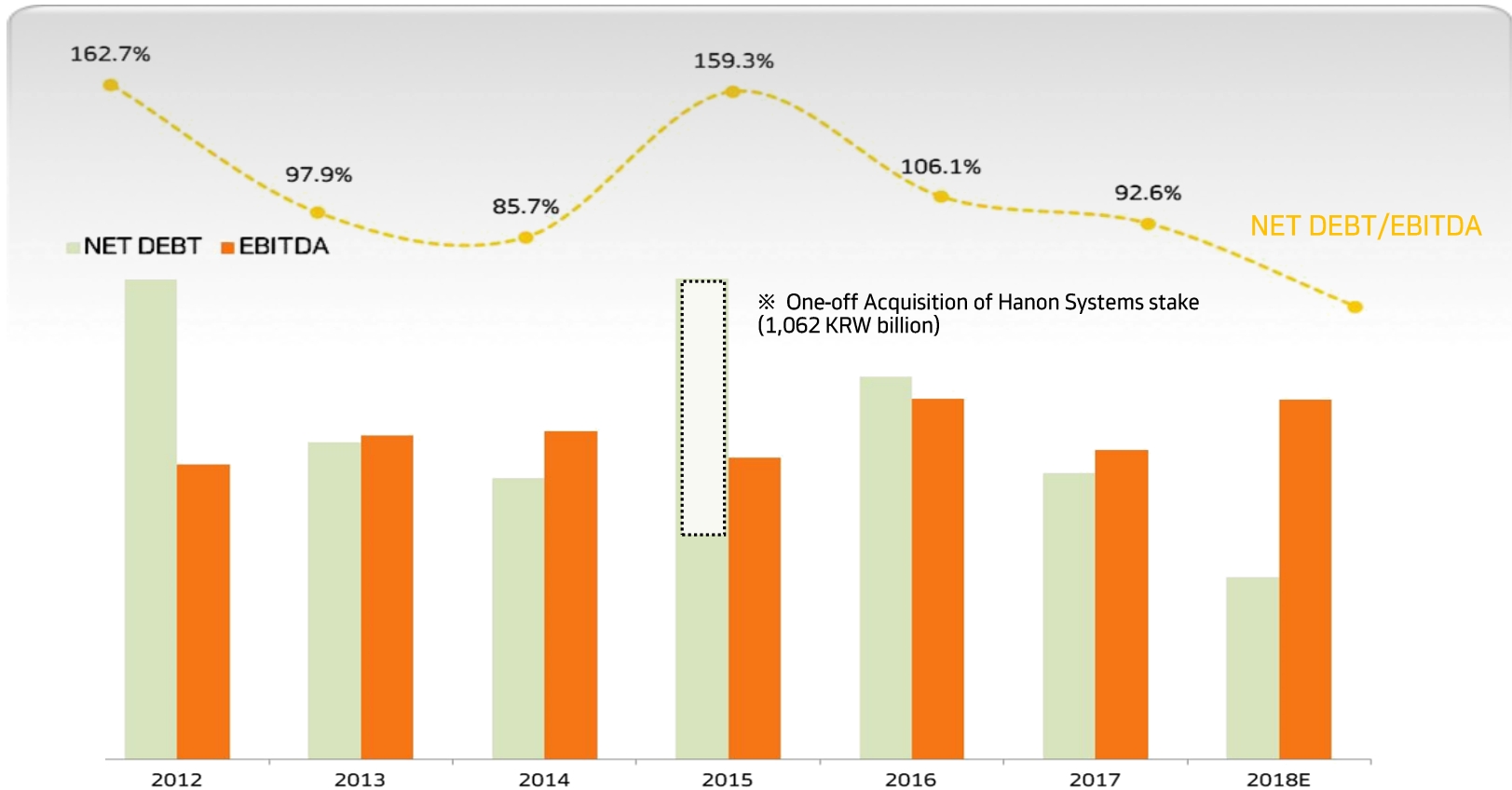


Intelligent Tire



2018 Guidance

PILLAR 5 : Prudent Financial Policy - Healthy Cash Flow Generation



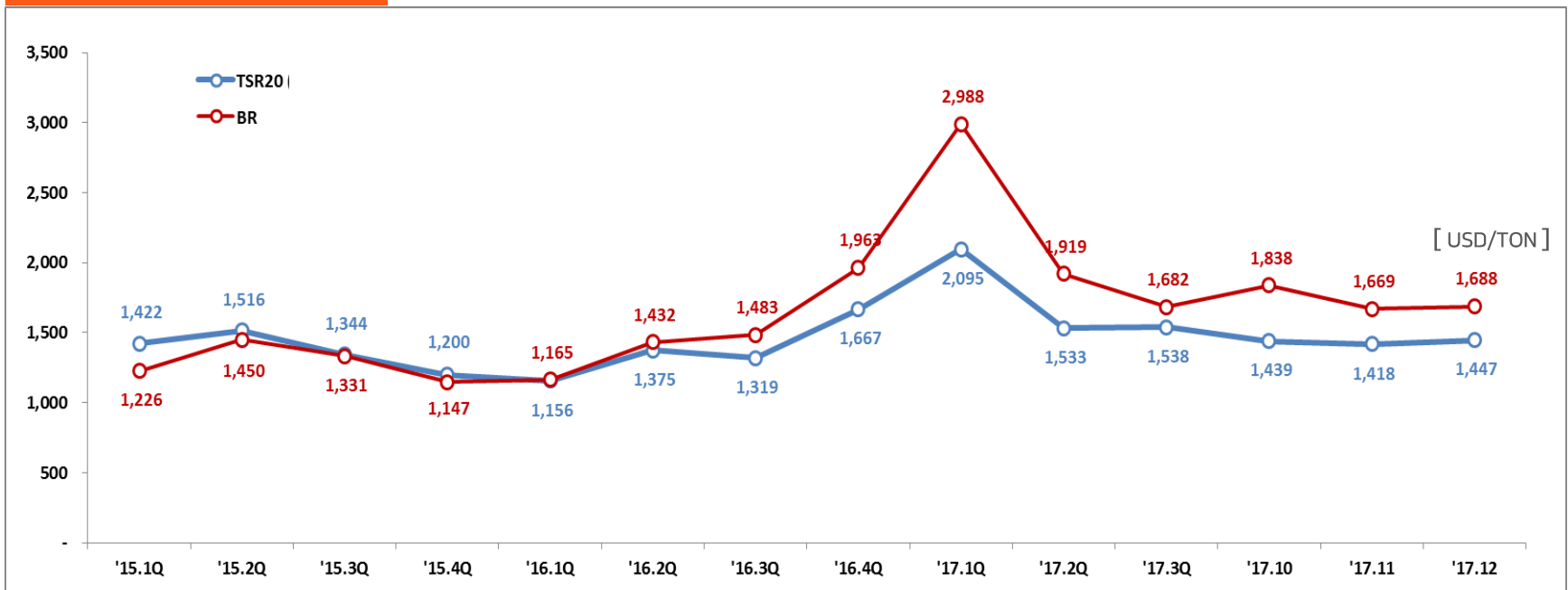
| Billion KRW | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|-------|-------|-------|-------|-------|-------|
| NET DEBT | 2,137 | 1,414 | 1,252 | 2,140 | 1,705 | 1,275 |
| CAPEX | 885 | 443 | 968 | 987 | 702 | 464 |

End of The Document

Appendix. Raw Material Trend

- S/R : BR Price Trend : 2017 average(\$ 2,072/ton) vs. 2016 average(\$ 1,507/ton)
2017 Jan average(\$ 2,756/ton) vs. Dec average(\$ 1,688/ton)
- N/R : TSR20 Price Trend : 2017 average price(\$ 1,648/ton) vs. 2016 average price(\$ 1,381/ton)
2017 Jan average (\$2,114/ton) vs. Dec average(\$ 1,452/ton)

Rubber price trend



Note) TSR20 : SICOM Price (Natural Rubber)
BR(Butadiene Rubber) : ICIS CFR NE/SE Asia average price

Appendix. F/S - Consolidated B/S

[100 Million KRW]

| | 2016 | | 2017 | | Diff. | |
|-------------------------|--------|--------|--------|--------|--------|--------|
| | Amt. | % | Amt. | % | Amt. | % |
| Assets | 96,220 | 100.0% | 95,238 | 100.0% | -982 | -1.0% |
| Current Assets | 32,931 | 34.2% | 35,399 | 37.2% | 2,468 | 7.5% |
| Cashable Assets | 6,226 | 6.5% | 6,985 | 7.3% | 759 | 12.2% |
| Accounts Receivable | 11,844 | 12.3% | 12,496 | 13.1% | 652 | 5.5% |
| Inventories | 14,363 | 14.9% | 14,945 | 15.7% | 582 | 4.1% |
| Non-current Assets | 63,289 | 65.8% | 59,840 | 62.8% | -3,449 | -5.4% |
| Tangible Assets | 46,993 | 48.8% | 43,204 | 45.4% | -3,789 | -8.1% |
| Liabilities | 36,605 | 38.0% | 31,328 | 32.9% | -5,277 | -14.4% |
| Current Liabilities | 24,468 | 25.4% | 22,806 | 23.9% | -1,662 | -6.8% |
| Non-Current Liabilities | 12,137 | 12.6% | 8,522 | 8.9% | -3,615 | -29.8% |
| Shareholder's Equity | 59,615 | 62.0% | 63,910 | 67.1% | 4,295 | 7.2% |
| Debt | 23,273 | | 19,735 | | | |
| Net Debt | 17,047 | | 12,749 | | | |
| Liability Ratio | | 61.4% | | 49.0% | | |
| Net Worth to Assets | | 62.0% | | 67.1% | | |
| Net Debt Ratio | | 28.6% | | 19.9% | | |

Appendix. F/S - Consolidated I/S

[100 Million KRW]

| | 2016 4Q | | 2017 3Q | | 2017 4Q | | YoY | QoQ |
|--------------------------|---------|--------|---------|--------|---------|--------|--------|--------|
| | Amt. | % | Amt. | % | Amt. | % | (%) | (%) |
| Sales | 16,106 | 100.0% | 18,245 | 100.0% | 16,828 | 100.0% | 4.5% | -7.8% |
| COGS | 9,747 | 60.5% | 12,068 | 66.1% | 11,320 | 67.3% | 16.1% | -6.2% |
| Gross Profit | 6,359 | 39.5% | 6,177 | 33.9% | 5,508 | 32.7% | -13.4% | -10.8% |
| SG&A | 3,967 | 24.6% | 4,006 | 22.0% | 4,110 | 24.4% | 3.6% | 2.6% |
| Operating Profit | 2,392 | 14.9% | 2,171 | 11.9% | 1,398 | 8.3% | -41.6% | -35.6% |
| Other Revenue | 821 | 5.1% | 460 | 2.5% | 200 | 1.2% | -75.6% | -56.5% |
| Other Expense | 224 | 1.4% | 229 | 1.3% | 779 | 4.6% | - | - |
| Financial Revenue | 82 | 0.5% | 373 | 2.0% | 341 | 2.0% | - | -8.6% |
| Financial Expense | 616 | 3.8% | 632 | 3.5% | 47 | 0.3% | - | - |
| Equity-method gain(loss) | 184 | 1.1% | 103 | 0.6% | | | | |
| Income before income tax | 2,639 | 16.4% | 2,246 | 12.3% | 1,113 | 6.6% | -57.8% | -50.4% |
| E B I T D A | 3,608 | 22.4% | 3,613 | 19.8% | 3,094 | 18.4% | -14.2% | -14.4% |
| Depreciation | 1,216 | 7.5% | 1,442 | 7.9% | 1,697 | 10.1% | 39.6% | 17.7% |