



2017 HANKOOK TIRE  
**3<sup>rd</sup> Quarter Result**

 **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 3<sup>rd</sup> Quarter Highlights

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## Financial Results

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- 3Q Sales at 1,824.5 Billion KRW, operating profit 214Billion KRW and OPM 11.7%
  - Volume increase in most regions, positive FX and improved price mix aided revenue growth
  - Despite lower raw material input QoQ, it remains higher YoY and impact from U.S plant start-up costs resulted to lower than expected margins
- Nine month sales at 5,130.5 Billion KRW, operating profit 651 Billion KRW and OPM 12.7%

## Business Highlights

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- Strong volume growth in major markets compensating for decline in Korea sales
  - Continuous OE growth expanding supply range; Toyota Camry and Honda Accord
- UHPT Sales ratio at 35.0%, up 1.1%p YoY

# 3Q Financial Highlights

## 2017 3Q Global Performance (Consolidated)

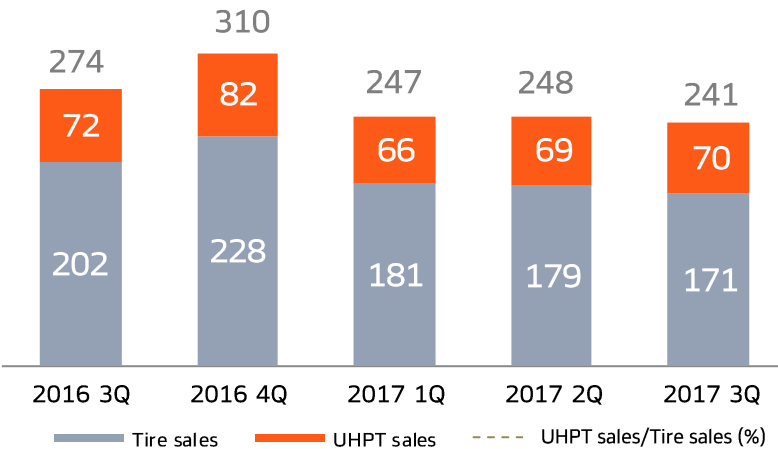
[100 Million KRW, %]

	2016 3Q	2017 2Q	2017 3Q	QoQ	YoY
Sales	16,576	16,669	18,245	9.5%	10.1%
COGS	10,002 (60.3%)	10,844 (65.1%)	12,141 (66.5%)	12.0%	21.4%
Operating Profit	3,026 (18.3%)	2,046 (12.3%)	2,141 (11.7%)	4.6%	-29.2%
Ordinary Profit	2,705 (16.3%)	2,127 (12.8%)	2,266 (12.4%)	6.5%	-16.2%
EBITDA	4,236 (25.6%)	3,422 (20.5%)	3,656 (20.0%)	6.8%	-13.7%
UHPT Sales Ratio	33.9%	36.9%	35.0%	-1.9%p	1.1%p

# 3Q Performance

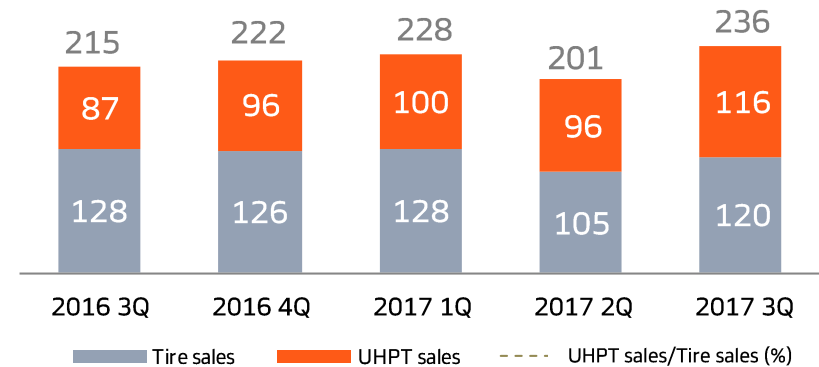
## Korea

[Unit: Billion KRW, %]



## China

[Unit: Billion KRW, %]



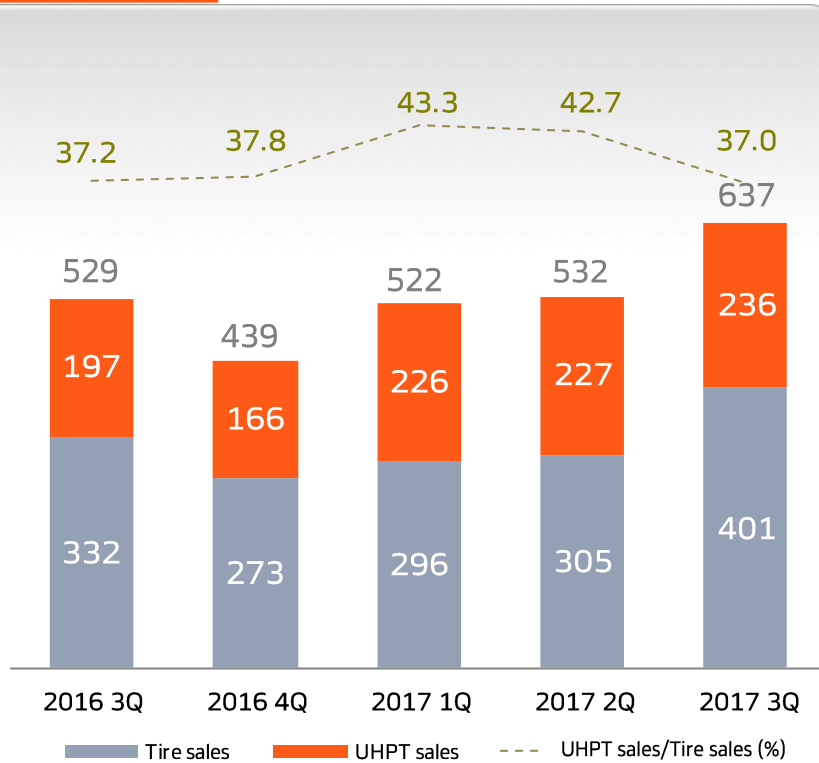
- Overall weak performance in Korea, with repercussions from retail organizational change and OE partners' strategic decision to diversify suppliers

- RE benefiting from reinforced sales infrastructure and product-mix
- Increased OE business with major OE partners

# 3Q Performance

## Europe

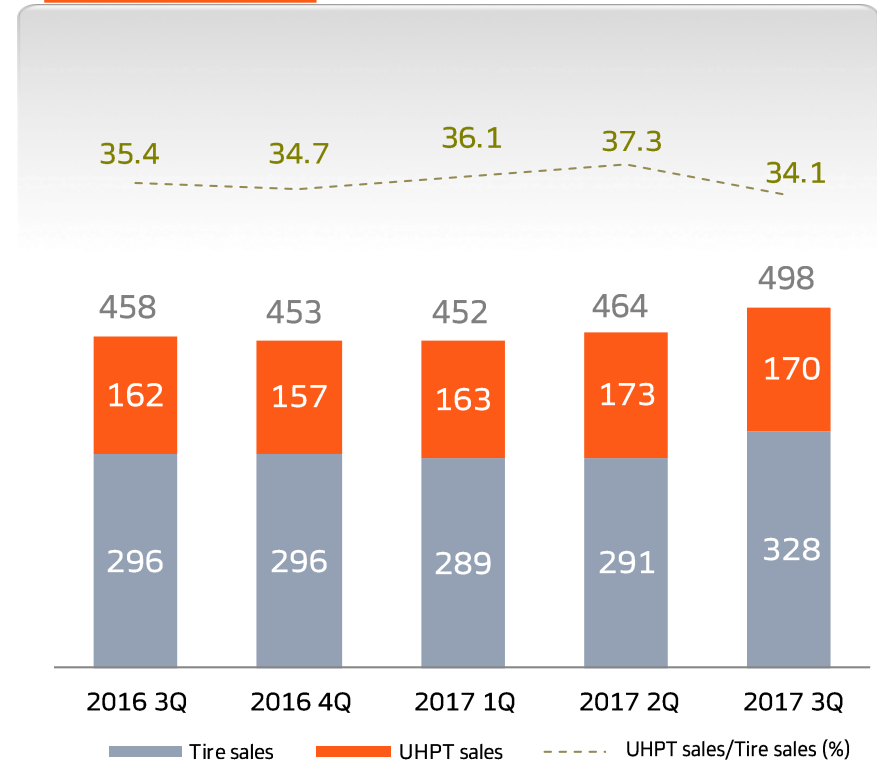
[Unit: Billion KRW, %]



- RE sales growth with strong winter sales and increased recognition of Laufenn Brand
- OE showed stable growth

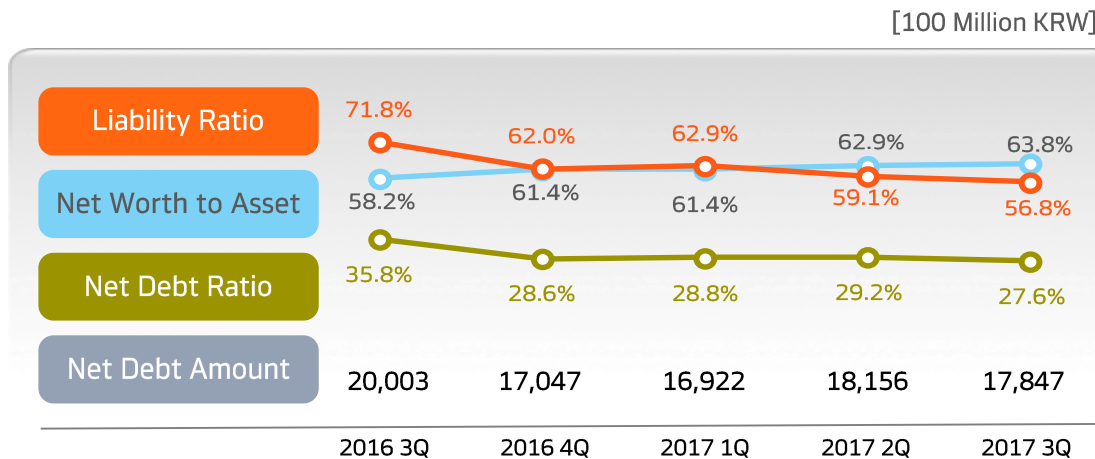
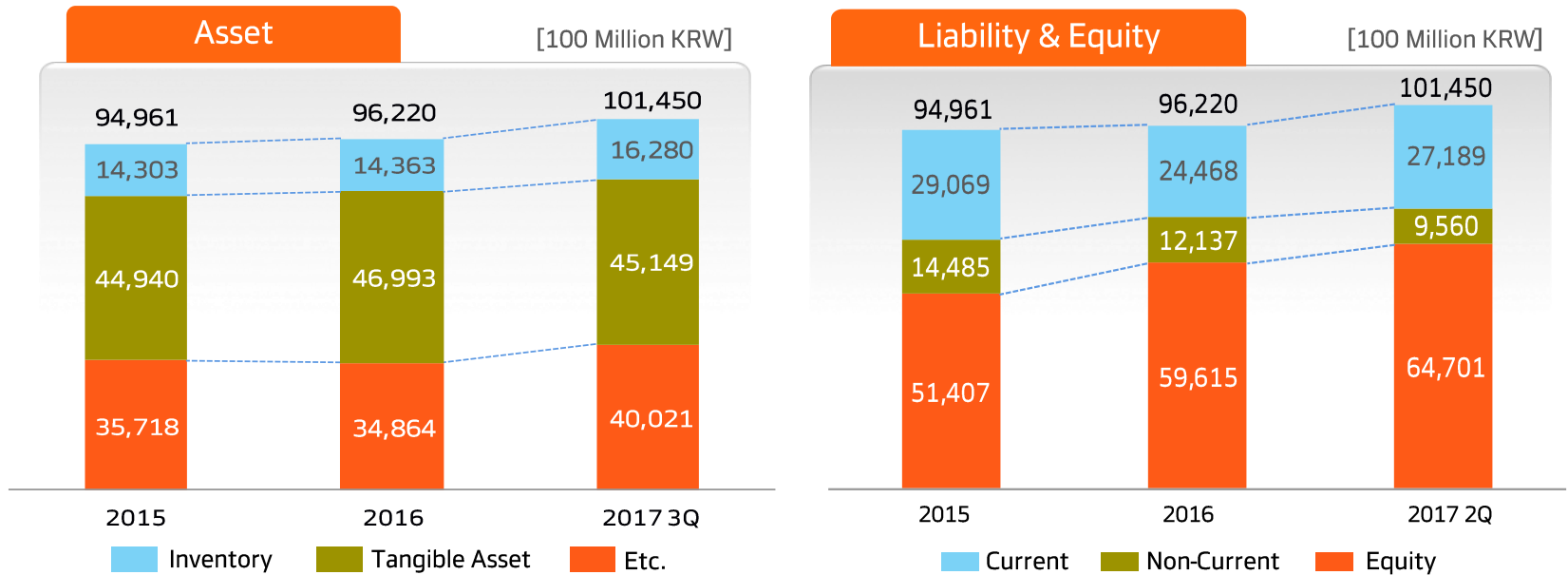
## North America

[Unit: Billion KRW, %]



- Despite weak market demand, OE and RE sales grew with increased sales to both car manufacturers and national dealers

# Stability - Balance Sheet (Consolidated)



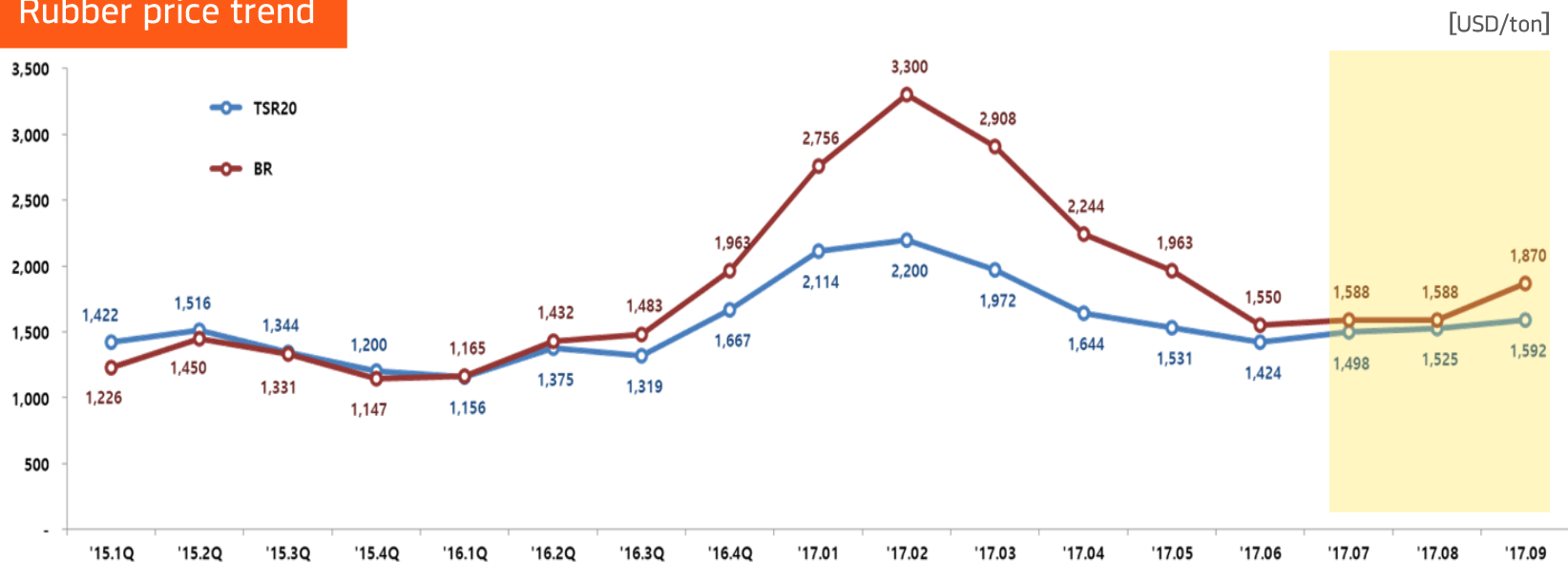
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# Appendix. Raw Material Trend

- N/R : After an unexpected fluctuation in 1H 2017, N/R prices stabilized from June. Regardless of the short spike in early September, prices once again stabilized and are seen to prolong at the current level until year end. N/R price is expected to rebound in 1H 2018
- S/R : With weak demand from China and wait-to-see purchase after March, S/R prices showed a downward trend since March. However, 3Q prices started to rise with the hurricane impact in the US and some BD plant shutdown. Chinese holiday impact is seen to further drive up price in October.

Rubber price trend



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

# Appendix. F/S - Consolidated B/S

[100 Million KRW]

	2016		2017 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	96,220	100.0%	101,450	100.0%	5,230	5.4%
Current Assets	32,931	34.2%	39,235	38.7%	6,304	19.1%
Cashable Assets	6,226	6.5%	5,952	5.9%	-274	-4.4%
Accounts Receivable	11,844	12.3%	15,903	15.7%	4,059	34.3%
Inventories	14,363	14.9%	16,280	16.0%	1,917	13.3%
Non-current Assets	63,289	65.8%	62,215	61.3%	-1,074	-1.7%
Tangible Assets	46,993	48.8%	45,149	44.5%	-1,844	-3.9%
Liabilities	36,605	38.0%	36,749	36.2%	144	0.4%
Current Liabilities	24,468	25.4%	27,189	26.8%	2,721	11.1%
Non-Current Liabilities	12,137	12.6%	9,560	9.4%	-2,577	-21.2%
Shareholder's Equity	59,615	62.0%	64,701	63.8%	5,086	8.5%
Debt	23,273		23,799			
Net Debt	17,047		17,847			
Liability Ratio		61.4%		56.8%		
Net Worth to Assets		62.0%		63.8%		
Net Debt Ratio		28.6%		27.6%		

# Appendix. F/S - Consolidated I/S

[100 Million KRW]

	2016 3Q		2017 2Q		2017 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	16,576	100.0%	16,669	100.0%	18,245	100.0%	10.1%	9.5%
COGS	10,002	60.3%	10,844	65.1%	12,141	66.5%	21.4%	12.0%
Gross Profit	6,575	39.7%	5,825	34.9%	6,104	33.5%	-7.2%	4.8%
SG&A	3,549	21.4%	3,778	22.7%	3,963	21.7%	11.7%	4.9%
Operating Profit	3,026	18.3%	2,047	12.3%	2,141	11.7%	-29.2%	4.6%
Other Revenue	214	1.3%	640	3.8%	494	2.7%	-	-22.8%
Other Expense	663	4.0%	367	2.2%	144	0.8%	-78.3%	-60.8%
Financial Revenue	453	2.7%	123	0.7%	373	2.0%	-17.7%	-
Financial Expense	419	2.5%	407	2.4%	598	3.3%	42.7%	46.9%
Equity-method gain(loss)	94	0.6%	91	0.5%	-	-	-	-
Income before income tax	2,705	16.3%	2,127	12.8%	2,266	12.4%	-16.2%	6.5%
EBITDA	4,236	25.6%	3,422	20.5%	3,656	20.0%	-13.7%	6.8%
Depreciation	1,210	7.3%	1,375	8.2%	1,515	8.3%	25.2%	10.2%