

**FUTURE INNOVATED, INNOVATION REALIZED**

**2018**

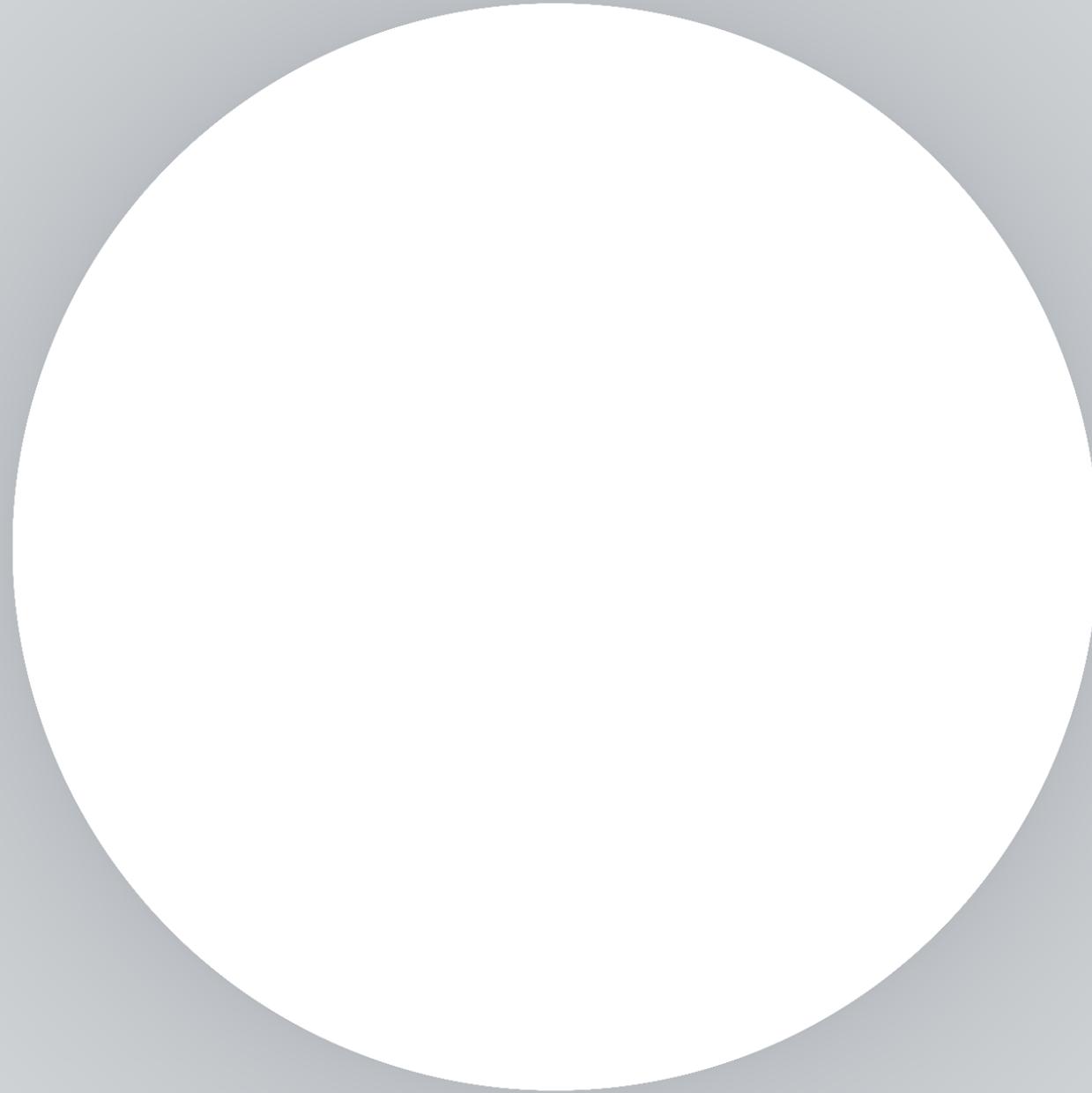
Innovation, initiating a new variation to the roll force in action

# OUR INNOVATION



Inflection point, leaving its trajectory that broadens to embrace the countless

**OPEN**



Encounter and connection, leading to convergence

# CONVERGENCE

New qualities, created and perfected via infinite repetition

**FUTURIZING**

Future innovated, brought to life through innovation realized

Hankook Tire opens a new chapter in its history of innovation to move beyond a professional tire manufacturer to become a truly global top tier company establishing presence across wide-ranging business sectors. Innovation serves as the supreme value and the most viable mode of survival at Hankook Tire. While we have pursued development based on technology-oriented innovation over the past seven decades, we will now execute open innovation that transcends any and all boundaries and limitations across diverse business domains as well as convergence-driven innovation that connects people with technology in order to strengthen our global competitive edge and seek sustainable growth. We aim to fully leverage cutting-edge technology on the basis of our capabilities to implement sustained innovation so that we surely bring to life an innovative future as imagined and expected by all.

**FUTURE INNOVATED,  
INNOVATION REALIZED**

## CONTENTS

02

## OUR INNOVATION

---

08

## FUTURE INNOVATED

- 09 2018 Highlights
- 14 CEO's Message
- 16 Company Profile
- 28 Financial Highlights
- 29 Market Analysis

31

## INNOVATION REALIZED

- 32 Technology Innovation Realized
- 42 Brand Innovation Realized
- 53 Sustainable Innovation Realized
  
- 61 Financial Report

**OUR INNOVATION**

→ **FUTURE INNOVATED**

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

**INNOVATION REALIZED**

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

Financial Report

**FUTURE INNOVATED**

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

**Build future growth drivers based on stronger digital technology**

At Hankook Tire, we are always a step ahead in making investments. As such, we were able to successfully acquire Model Solution, a high-tech digital prototype solution provider, in 2018 as a way to increase our investment in promising technologies and create future growth engines. Established in 1993, Model Solution designs and manufactures prototypes and molds for IT devices, electronics, and medical equipment that require state-of-the-art technology, and offers highly sophisticated total solutions to nearly 420 global companies. Its industry-leading top-notch technology and design capabilities, through collaboration with other Hankook Tire affiliates, are expected to generate immense synergistic effects in the cutting-edge processing technology sector.



IDENTIFY NEW GROWTH ENGINES

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

**Strengthening the global distribution network and innovating the distribution system**

We reaped success in strengthening our global distribution competitive edge: in 2018, Hankook Tire took over Reifen-Müller, a leading German premium tire retailer, to bring innovation to its global distribution system and diversity to its business strategy. Created in 1966, Reifen-Müller runs 44 stores in the south-central part of Germany and sells more than 2.4 million tires for passenger cars and trucks/buses per year. By acquiring a leading tire retailer in such an advanced global automobile market as Germany, we established a strategic distribution network and an innovative distribution business model to expand our presence across all of Europe, and we will build upon this achievement to strengthen our downstream distribution and develop an integrated distribution system in order to further accelerate innovation across our global distribution operations.



EXPAND GLOBAL PRESENCE

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

**Creating common ground with US consumers as an official MLB sponsor**

Hankook Tire is approaching U.S. consumers through its official Major League Baseball (MLB) sponsorship. The official three-year sponsorship deal with MLB, one of the most popular sports leagues in the U.S., started at the opening of the 2018 season, and we are fully leveraging this partnership as part of our marketing strategy. Notably, home plate ads posted during such high-visibility postseason events as the World Series or the League Championship Series are highly effective, as they maximize the exposure of our corporate brand. Furthermore, campaigns are launched through the official MLB website, social media channel, and other digital platforms while promotional events are hosted for consumers through this new partnership. In so doing, we intend to raise awareness of Hankook Tire as a global company with premium brand value.



**STRENGTHEN SPORTS SPONSORSHIPS**

**OUR INNOVATION**

**FUTURE INNOVATED**

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

**INNOVATION REALIZED**

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

**Globally recognized once again as a top performer in sustainability management**

Our commitment to fulfilling corporate social responsibility (CSR) has been globally recognized year after year. In 2018, we were listed on the Dow Jones Sustainability World Index (DJSI World) for the third consecutive time: we ranked high in environmental policy & management systems, supply chain management, and corporate philanthropy, and joined the league of the world's top sustainability management performers in the global automobile component industry. This achievement is attributable to each and every Hankook Tire employee who is wholeheartedly involved in company-wide CSR initiatives based on our integrated CSR management system. This, in turn, reaffirmed our status as a global leader in sustainability management.

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**ADVANCE SUSTAINABLE MANAGEMENT**

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OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

**Pioneering the EV tire market with new cutting-edge technology**

Our cutting-edge technology has brought a new wave of change to the Electric Vehicle (EV) tire market. Launched in 2018, the Kinergy AS EV, our second-generation ultra-high-performance EV tire, came equipped with wide-ranging noise reduction technologies to provide a hyper-low-noise driving environment while minimizing tire slip to increase initial acceleration. It also employed an extra load reinforcement structure to enable precision handling performance at high speeds and to significantly improve steering stability. With the application of Aqua Pine compound, this new tire allows for swift and agile handling and braking under all road conditions to further elevate driving stability. Created through our innovative technology, this ultra-C10high-performance EV tire will surely provide an optimal driving environment for EV drivers.



UNVEIL HI-TECH PRODUCTS

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



## CEO'S MESSAGE

**Dear Shareholders,**

I'd like to extend my heartfelt gratitude for your everlasting and unsparing support for our growth at Hankook Tire Worldwide.

As you are well aware, the year 2018 presented massive challenges across the business landscape due to the prolonged low growth and intensifying trade conflicts. Nevertheless, Hankook Tire, which constitutes the core of our business, successfully leveraged its innovative technology to launch a second-generation EV tire and increased its supply of original fitment tires for Audi's high-end performance model RS 4 Avant, gaining global recognition as a premium brand. Following the acquisition of the Australian tire retailer JAX TYRES in 2017, the company enjoyed great success in acquiring Reifen-Müller, a top-notch German

tire retailer, as well as Model Solution, a high-tech digital prototype solution provider, and secured future growth engines in so doing. Furthermore, Hankook Tire was fully committed to encouraging innovation across the board by establishing systems that help create an equal and creative work environment and providing proactive support for employees to present their innovative ideas.

**Dear Shareholders,**

Hankook Tire Worldwide will continue with its innovation-driven growth strategy to maintain the business competitive edge of major group affiliates, including Hankook Tire, and to build further competitive capabilities on the basis of disruptive innovation. To this end, we aim to embed equality and creativity within our corporate culture based on communication and collaboration to materialize and realize innovation as

our supreme value. We will also pursue digital-enabled innovation across our entire business operations to stimulate connection and convergence among new industries and technologies. Furthermore, we will proactively pursue Open Innovation through collaboration with experts from both within and outside our organization to explore even completely new business sectors. Such a detailed and inorganic strategy will allow us to fully leverage our group-wide capabilities and to assist all our affiliates to generate synergistic effects.

Each and every employee at Hankook Tire Worldwide is aligned toward the goal of pursuing and realizing innovation, and is willing to do their utmost to improve the group's brand value so that all stakeholders can recognize its status as an industry-leading innovator.

Once again, we'd like to offer our sincere gratitude to our shareholders - thank you for your steadfast interest in and support for Hankook Tire Worldwide.

We wish you all health and happiness.  
Thank you.

**Hyun Shick Cho**  
Vice Chairman & CEO  
Hankook Tire Worldwide

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights

→ CEO's Message

Company Profile

Financial Highlights

Market Analysis

INNOVATION REALIZED

Technology Innovation Realized

Brand Innovation Realized

Sustainable Innovation Realized

Financial Report



## CEO'S MESSAGE

**Dear Shareholders,**

Let me express our deepest gratitude for your unsparing support for our sustained growth at Hankook Tire.

As you are aware, we had an extremely difficult time in 2018 in conducting business as U.S.-China trade conflicts emerged and competition intensified across the global automobile industry. Furthermore, the accelerating paradigm shift in the global automobile market spurred the continued expansion of the electric vehicle (EV) sector as well as the segmentation and diversification of consumer needs. To respond to these changing trends, we at Hankook Tire unveiled our second-generation EV tire, created through innovative technology, to showcase our cutting-edge technology as a leader in the EV era while increasing our supply of original fitment tires for Audi's premium high-performance model, RS 4 Avant,

to gain global recognition as a top-notch brand. We successfully completed the acquisition of Reifen-Müller, a German high-end tire retailer, to further strengthen our competitiveness in global distribution, and then took over Model Solution, a high-tech digital prototype solution provider, as a way to secure future growth drivers. We have also been listed on the Dow Jones Sustainability World Index (DSJI World) for three consecutive years, reinforcing our credibility as a socially responsible investor and laying the foundation to forge new partnerships.

**Dear Shareholders,**

As a global corporate leader, Hankook Tire will be fully committed to pursuing innovation based on cutting-edge technology to effectively respond to the uncertainties of tomorrow's industrial landscape. Firstly, we will continue with more customer-focused strategic innovation by

improving the efficiency of our business operational process and advancing a more agile decision-making process. Secondly, we will strengthen our market-driven globalization strategy to promote more proactive communication with customers, and will develop sales and marketing strategy for high-performance products optimized for local markets. Thirdly, we will build digital-enabled competitiveness across the entire business process, from production and recruitment to human resource management, through digital process innovation while expanding business conducted on the basis of wide-ranging data sources. Lastly, we aim to actively explore Open Innovation opportunities by facilitating on-going industry-academia cooperation and elaborating on the consultation process with diverse corporate partners. Furthermore, we will identify innovative ideas generated internally to create a virtuous

cycle of innovation. At Hankook Tire, we will build a corporate culture that supports sustained innovation. We will put autonomy and creativity at the center of our work culture to build unrivaled global competitive edge and to flawlessly execute all our strategy. We look forward to your continued encouragement and support.

We wish you all health and happiness.

Thank you.

**Hyun Bum Cho**  
President & CEO  
Hankook Tire

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

At Hankook Tire, we have established a globally recognized corporate governance structure and ensure transparency and accountability in our business conduct, with the Board of Directors (BOD) playing a pivotal role. Under the BOD are the Audit Committee and other expert committees to assist senior management with business management and to protect the interests and rights of shareholders and improve our corporate value.



**Yang Rae Cho**  
Chairman,  
Hankook Tire Worldwide & Hankook Tire



**Hyun Shick Cho**  
Vice Chairman & CEO,  
Hankook Tire Worldwide

## TOP MANAGEMENT

**Hyun Bum Cho**  
President & CEO, Hankook Tire  
President & COO, Hankook Tire Worldwide



**Soo Il Lee**  
President & COO, Hankook Tire



OUR INNOVATION

FUTURE INNOVATED

2018 Highlights

CEO's Message

→ Company Profile

Financial Highlights

Market Analysis

INNOVATION REALIZED

Technology Innovation Realized

Brand Innovation Realized

Sustainable Innovation Realized

Financial Report

(From the left)

**Jong Ho Park**

Executive Vice President & Head of  
Corporate Management & Finance Division, Hankook Tire

**Suk Joon Won**

Executive Vice President & Head of ASIA Headquarters, Hankook Tire

**Dong Hwan Moon**

Executive Vice President & Head of  
Production & Engineering Staff Office, Hankook Tire



\* As of December 31<sup>st</sup>, 2018

**Ho Sung Seo**

Senior Vice President & Head of America Headquarters, Hankook Tire

**Shin Hong Kim**

Senior Vice President & Head of SCM Division, Hankook tire

**Yong Hee Kim**

Senior Vice President & Head of R&D Division, Hankook Tire



**Han Jun Kim**

Senior Vice President & Head of Europe Headquarters, Hankook Tire

**Yong Hak Kim**

Senior Vice President & Head of Corporate Strategy Planning Division,  
Hankook Tire

**Soon Gi Yoon**

Senior Vice President & Head of HR Division, Hankook Tire



**Bon Hee Ku**

Senior Vice President & Head of Quality Division, Hankook Tire

**Seung Bin Lim**

Senior Vice President & Head of Marketing Division, Hankook Tire

**Sang Hoon Lee**

Senior Vice President & Head of China Headquarters, Hankook Tire

**Hyun Jun Cho**

Vice President & Head of Original Equipment Division, Hankook Tire



OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

Board of Directors

It is essential for any global business to promote transparency and lead by example in conducting business. Numerous global corporate leaders have established such institutional systems as boards of directors and audit committees to protect the rights and interests of shareholders and improve transparency and expertise in their business operations.

A Board of Directors (BOD) performs the three primary functions of monitoring top management on behalf of shareholders, offering management advice, and assisting senior management in successfully conducting business. Leading global companies have endeavored to set the stage for their BOD to thoroughly fulfill their intended responsibilities of Control, Service, and Resource Dependence.

At Hankook Tire, we promote sound governance as well as reasonable and transparent business conduct by advancing performance-driven management and holding top management in check with the help of the BOD. We also reorganized the Management Committee to the Sustainability Management Committee in 2016 to prevent risks across the entire business operations and reinforce our sustainability as a company. Furthermore, our BOD consists of two executive directors and three non-executive directors while the 'Hankook Tire Board of Directors Administration Regulation' has been operating to ensure efficiency and accountability in BOD operations.

Our non-executive directors are appointed for their long-term careers either in academia or private sector companies and for their significant contributions to society. Their appointment follows transparent and fair procedures through the Non Executive Director Nomination Committee operated under the BOD. Our appointment decision is made based on the extensive experience that these non-executive directors bring to our company to ensure that our top management benefits from appropriate checks and restraints as well as from their objective and accurate advice and recommendations.

Non-Executive Directors of Hankook Tire

**Choong Hwan Cho**

BA in Law, Seoul National University/Executive Director, Samsung C&T/Vice Chairman, Hankook Tire

**Seong Phil Hong**

MA & PhD in Law, Seoul National University/MA & PhD in Law, Yale Law School/Currently professor of law, Yonsei University Law School

**Chang Wha Chung**

PhD in Business, Western Ontario School of Graduate Studies/Currently professor, Korea University Business School

Non-Executive Directors of Hankook Tire Worldwide

**Soon Kee Kim**

BA & MA in Business Administration, Sogang University/PhD in Business, University of Houston/Currently professor of business administration, Sogang University Business School

**Byung Jun Jeon**

BA in Economics and MA in Public Administration, Korea University/PhD in Environmental Management, Vanderbilt University/Editor, Editorial Head and Executive Director, Maeil Business Newspaper/Currently full-time advisor to SK Innovation

**Han Kyu Kim**

BA in Law, Yonsei University/MA in Business, George Washington University/Director, UBS Warburg & Co-CEO, Seoul Z Partners/Currently CEO, Hermanus Partners

\* As of December 31<sup>st</sup>, 2018

\* Conflict of interest between six non-executive directors and largest shareholders: N/A

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights

CEO's Message

→ Company Profile

Financial Highlights

Market Analysis

INNOVATION REALIZED

Technology Innovation Realized

Brand Innovation Realized

Sustainable Innovation Realized

Financial Report



## BOD Committee: Role and Composition

We operate a range of robust internal control systems to ensure transparency in generating business outcomes. Notably, expert committees, established under the BOD, are delegated by the BOD to review and process agenda items in their respective fields in a systemic and organized manner. Currently, there are four such committees - Audit Committee, Non Executive Director Nomination Committee, Sustainability Management Committee and Internal Transactions Committee - and they contribute to enhancing transparency in our business conduct.

### Audit Committee

The Audit Committee consists solely of three non-executive directors to maintain its independence. Specifically, Audit Committee members are authorized to grant their consent on the appointment of the head of the internal auditing department to proactively perform business audits, and thus are allowed to perform check and monitoring on top management on behalf of shareholders. In accordance with Audit Committee operational regulations, the committee may request BOD members to report on business operations or investigate the status of company assets whenever such needs arise in order to improve the transparency of our business conduct. We set forth the 'Audit Committee Operational Rules' to enable committee members to easily access any business information required to perform audits. The committee regularly meets every quarter, and ad-hoc meetings are convened when deemed necessary.

### Non Executive Director Nomination Committee

The Non Executive Director Nomination Committee was established to maximize fairness and independence in nominating non-executive director candidates. The committee consists of a total of five directors, and non-executive directors outnumber executive directors to ensure transparency and impartiality in the nomination process. The committee complies with the Hankook Tire Articles of Incorporation and relevant regulations. Out of the pool of candidates nominated by the committee, non-executive directors are finally appointed through a vote at the general shareholders' meeting.

### Sustainability Management Committee

The Sustainability Management Committee aims to improve the expertise and efficiency of our business conduct by reducing the frequency and procedures at BOD meetings and by facilitating expedient decision-making. The committee is responsible for deliberating and deciding on general management and financial issues that arise most frequently in business conduct as well as on risk management issues to identify and prevent risks that may affect our sustainability as a company. In so doing, the committee promotes regular BOD meetings to primarily focus on key agenda issues and complements BOD operations to further strengthen our managerial accountability.

### Internal Transactions Committee

The Internal Transactions Committee is responsible for closely supervising and monitoring internal transactions made with related parties. The committee performs preliminary reviews and decides on whether to approve transactions conducted with affiliated parties in accordance with Korea's Fair Trade Act. The Hankook Tire Articles of Incorporation stipulate the basis to establish the committee as well as relevant regulations. When deemed necessary to deliberate on and approve agenda issues, the committee may request the Company to submit and report related documents concerning the key details of internal transactions,

contract methods, criteria for selecting contract parties, and detailed contract terms and conditions.

## Performance Assessment System

### Global Assessment and Management

At Hankook Tire, business risk management is performed across the entire company, and periodic audits are conducted mainly on key processes of respective job functions as a way to facilitate risk prevention.

### Hankook Tire Performance Assessment System

Our performance assessments are categorized into thematic assessments conducted from the viewpoint of process improvement and management support, periodic assessments, life-expectancy assessments directed by senior management, and report assessments made from the internal and external reports submitted. Our business management teams at the headquarters and overseas worksites perform preemptive monitoring on sector-specific risks - local cost, investment and general management - and use monitoring results to conduct assessments through delegation.

The Management Diagnosis Committee serves as the top decision-making body in conducting company-wide performance assessment: The committee sets the overall direction in making performance assessments while reviewing assessment outcomes and offering feedback in order to prevent the recurrence of identical risks and contribute to attaining company-wide strategy through assessment planning and management.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

At Hankook Tire, we operate an optimized organizational structure to effectively implement strategy in accordance with our mid/long-term vision. Respective organizations are organically harmonized, and regional headquarters maintain their balance and independence to proactively respond to the shifting market landscape and build a stronger global competitive edge.

# ORGANIZATIONAL STRUCTURE



\* As of December 31<sup>st</sup>, 2018

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

Our mission framework consists of 'Mission' which defines the corporate value that we pursue as a company, 'Business Principles' which describe the principles that we should abide by, and 'Core Values' that outline behavioral guidelines for our employees.

# MISSION

## Mission Framework

### Mission

#### CONTRIBUTE TO ADVANCEMENT IN DRIVING

At Hankook Tire, our mission is to instill a sense of confidence to each and every driver who chooses Hankook Tire so that they may enjoy the ideal driving experience and daringly explore new possibilities. As such, we employ cutting-edge technology and solutions to deliver only the best in quality and all other aspects required to offer the best possible driving experience, safety and performance. Furthermore, we strive to provide greater value for our shareholders and business partners and allow our employees and society to grow and develop even further through our business conduct.

### Business Principles

To ensure solid and sustainable growth, we at Hankook Tire abide by the following five business principles, and let them guide our commitment to fulfilling our responsibility to customers, business partners, local communities, employees and other stakeholders.

At Hankook Tire, ethical and regulatory compliance is of paramount importance. We firmly believe that it is based on the trust we earn through ethical business conduct and by simply doing the right thing that we gain recognition from shareholders and business partners as a top-tier company. We vow to do our utmost to faithfully abide by our business principles and in so doing, will evolve into a professional and competitive global tire maker.

### We at Hankook Tire

Put our customers first

Grow through the talent and capacity of our employees

Pursue innovation across the entire business process

Invest in the future of the environment

Strive to improve shareholder value

### Core Value

We at Hankook Tire pursue Proactive Leadership and act on its four essential characteristics of Passion, Innovation, Collaboration, and Global. As our core value that is shared and practiced across the board to realize our mission and vision, Proactive Leadership demands that our employees take ownership in fulfilling their role, develop their potential through work, and generate the best-possible outcomes.

## OUR INNOVATION

### FUTURE INNOVATED

2018 Highlights  
CEO's Message  
→ Company Profile  
Financial Highlights  
Market Analysis

### INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

Financial Report

Our vision framework consists of an overarching 'vision,' detailed 'mid-term goal statements' and 'strategic directions' that will guide us throughout our journey in reaching these goals.

## VISION

### Strategic Directions

We defined our vision and mid-term goals to achieve our vision and then set the following four strategic directions to reach these goals.

#### 1. Growth Acceleration

Our operational plants across the globe are working ceaselessly to improve profitability by optimizing production capacity and increasing operational efficiency. When our Tennessee Plant in the U.S. stabilizes its operations, the plant will contribute to improving our business performance to add North America into our 'home market' network and to establish a new strategic base for our next stage of growth. In response to the quickly-shifting paradigm of the tire industry, we at Hankook Tire are seeking a range of opportunities for M&A and strategic alliance and will extend the application

## Vision Framework

### Vision

#### A Leading Global Tire Company That Provides Customers with Satisfaction and Value

Our vision to become a 'Leading Global Tire Company' represents our commitment to becoming a leader in the tire industry based on our global presence and compliance with international standards. At Hankook Tire, our goal is to exert a powerful impact on the global market and serve as the ultimate benchmarker for our top-tier competitors.

### Mid-term Goals

'Moving Forward 2020' represents our mid-term goal to become a top-tier brand by 2020. We at Hankook Tire

of our new business model by acquiring tire distributors across the world. Furthermore, we plan to upgrade our Truck & Bus Radial (TBR) operations as an important pillar of our business growth and accelerate the development of our distribution to downstream business to cater to diverse consumer demand.

#### 2. Premium Brand Elevation

We will focus our marketing capabilities and resources on reinforcing our competitiveness as a premium brand and improve both our market share and profitability. We aim to deliver differentiated value to customers and create a steady stream of profits by completing a global top-tier product mix of high-inch tires, launching premium brand marketing programs, including official MLB sponsorships, and building a diverse high-end OE tire portfolio. To broaden the reach of our brand

pursue value-driven growth to build toptier capabilities in quality, production and brand: '1<sup>st</sup> in Performance & Quality' is our promise to establish product leadership through unrivaled R&D competency and quality competitiveness; '1<sup>st</sup> in Productivity' embodies our commitment to maintain our competitive advantage both in productivity and profitability by improving productivity and cost competitiveness. This focus on productivity lies at the core of tire manufacturing, and our relentless search for innovation in business management; '1<sup>st</sup> Tier Premium Brand' represents our goal to gain wider recognition among consumers as a 'premium tire brand that delivers unparalleled performance and quality.' Driven by the quantitative and qualitative growth that we achieve in so doing, we aim to reach '5% in global sales market share' and exceed 'USD 2 billion in EBITDA' by 2020.

portfolio, we launched and successfully established our global strategic brand Laufenn and will accelerate our endeavors to position Hankook Tire as a premium brand via our dual brand strategy.

#### 3. Market Winning Products

We continue to strengthen our market-sensing capabilities and improve the efficiency of our product development process to meet consumer needs concerning our products in a timely manner. We also make sustained R&D investments to develop new technology and innovative cutting edge products in order to move beyond the competition in launching market-leading products in line with the 4<sup>th</sup> Industrial Revolution. As a way to deliver top-performing products at competitive prices, we always put quality first and push for cost reductions.



### 4. Innovation DNA

We ensure that an innovative DNA mindset is deeply embedded in our corporate culture to swiftly respond to the ever-changing market environment. We do not rest on our past formulas and core competencies that led us to success. Rather, we undertake a range of innovation programs to pursue sustainable growth even amid the rapidlyshifting business landscape. Through the efficient use of our management resources through cost and investment rationalization, eliminating unnecessary work, and streamlining the decision-making process, we never lose sight of our business fundamentals while we continue with our drive for innovation by adopting business processes that encourage experimentation and challenge.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

Driven by our brand strategy and distribution network that span the entire globe, we offer globally-recognized top-notch products that cater to regional specificities and customer needs. In so doing, we enable our customers to discover added value, along with a pleasant experience in driving, while evolving into an admired global top-tier brand.

## BUSINESS PORTFOLIO



As Hankook Tire's global flagship brand, Hankook has a range of sub-brands that cater to diverse vehicle and product types and they include Ventus (Ultra-High-Performance and racing), Optimo (premium sedans), Kinergy (global eco-friendly line-up), enfren (Korea's first eco-friendly line-up), Dynapro (SUVs), Smart (economy line-up for the Korean market), and Vantra (vans), as well as winter tire line-ups including Winter i\*pike (studded tires) and Winter i\*cept (studless tires). These segmented product brands serve the needs of diverse global customers.

Main product lines



Launched in 2014, the brand name Laufenn originates from the German word 'Laufen' which means 'to run' and aims to deliver a reasonable and cost-effective driving experience to consumers who pursue a simple yet sophisticated lifestyle. Since its debut in the Americas and China in 2015, Laufenn has expanded its sales network into Europe, the Middle East, and Asia and is now available in nearly 70 countries across the world (as of 2017). Specifically designed for global customer needs, Laufenn's diverse offerings include S Fit (high-performance and sport line-ups), G Fit (general purpose passenger cars), X Fit (LTs and SUVs), and I Fit (winter line).

Main product lines



## Brand Portfolio

We strategically operate four global tire brands: 'Hankook' represents our premium brand in Korea and abroad; 'Laufenn' targets our innovative, tech savvy global customers, and 'Aurora' and 'Kingstar' are designed to meet specified local needs. By providing products and services in each of these four brands differentiated with distinctive features, we provide even greater satisfaction.



As a brand recognized widely among global customers, Aurora is referred to as the 'Route Master' which means 'tires that are masters of the road.'

Main product lines



Kingstar is referred to as 'Road Fit' which means it comes with 'tires that deliver optimal on-road performance.'

Main product lines



OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

Distribution Channel Portfolio

Our distribution network, that consists of T'Station, The Tire Shop, Hankook Masters, TBX, and Hankook Truck Masters, spans to more than 5,000 contact points throughout the world to provide cutting-edge total automobile services with a strong focus on tires. Following the acquisition of the Australian tire distributor 'JAX TYRES' in 2017, we acquired 'Reifen-Müller', a German premium tire retailer in 2018 to broaden our global sales and service network and to reinforce our competitive edge in distribution.



T'Station was created as our premium distribution service channel with an aim to deliver unrivaled top-quality customer satisfaction. Since the first T'Station opened in January 2005, our T'Station network has consistently expanded to include nearly 500 shops as of 2018. Our T'Stations boast such state-of-the-art equipment as the Road Force Measurement (RFM) system, 3D wheel alignment gear, and ultra-high-performance tire changers to offer premium total service while serving as a dedicated tire service franchise fully trusted by customers to deliver differentiated customer value by leveraging its service mindset known as 'Smart Care.'



The Tire Shop specializes in servicing Hankook Tire products. The nearly 200 Tire shop locations in Korea (as of 2018) cater to such diverse service needs as tire installation, tire changes and wheel alignment.



While we operated the Hankook Masters membership program mainly in Europe, we have extended its scope to the Middle East and Asia Pacific since 2011 to build an integrated global retail network. As of 2018, Hankook Masters spans more than 3,400 retail shops in ten major European countries as well as China, Saudi Arabia, Australia, and Indonesia.



As our dedicated truck and bus tire distribution channel, TBX sells TBR tires and offers retreading services. There are nearly 250 locations in Korea (as of 2018) armed with cutting-edge equipment and professionals capable of effectively selling and servicing large-sized tires. In addition, we operate Hankook Truck Masters as a TBX-exclusive service network that serves the global market.

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights

CEO's Message

→ Company Profile

Financial Highlights

Market Analysis

INNOVATION REALIZED

Technology Innovation Realized

Brand Innovation Realized

Sustainable Innovation Realized

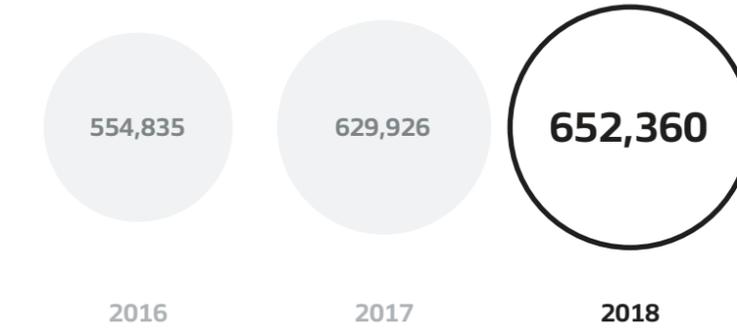
Financial Report

Hankook Tire Worldwide and Hankook Tire have made strategic investments to create a family of affiliates armed with globally-recognized technology in the fields of battery, IT, service, manufacturing equipment, and molds & components. Joining hands with our affiliates, we vow to strengthen our collective capacity and cooperation to rise into a global top-tier company.

## AFFILIATES

ATLASBX 2018 Sales

(unit: KRW million)



Since its inception in 1944, ATLASBX has continued to progress by leveraging creative innovation and the spirit of challenge over the past seven decades to rise into Korea's leading battery maker. Following the launching of Korea's first maintenance-free (MF) battery in 1982, the company has strengthened its technology and quality competitiveness through sustained R&D endeavors. Based on its exceptional technology, the company succeeded in developing ultra-high-performance battery (UHPB) and AGM battery with Idle Stop & Go functionality in 2013. Building on such accomplishments, the company continues to unveil premium products not only to improve its competitive advantage but also to deliver high-end products that bring greater customer satisfaction through unrivaled performance and quality. ATLASBX is also broadening its manufacturing and sales network in Korea and overseas to accelerate its growth in the global market. The company expanded its Jeonju Plant in 2014 and plans to build a new plant in Clarksville in the State of Tennessee, the U.S. by 2020 to increase its annual production capacity to 16 million. The company established its American Corporation in 2017 and then opened its Europe Office in 2019 to build competitiveness in the global sales market. Going forward, ATLASBX will execute a proactive expansion strategy to emerge as a global battery maker while securing technology and quality leadership to deliver even higher quality products and services and grow into a future energy market leader.

emFrontier 2018 Sales

(unit: KRW million)



emFrontier was created as an IT service and logistics engineering company when Hankook Tire spun off its Data Systems Division in 2000. The company offers professional ITSM service to Hankook Tire and its affiliates, and has consistently developed innovative IT solutions that meet market needs to emerge as a competent and reliable business partner. Through R&D endeavors on wide-ranging IT solutions, the company has developed and deployed IT solutions optimized for Supply Chain Management (SCM), Manufacturing Execution System (MES), and Laws & Patents (L&P). Notably, its SCM solutions were honored at the 'Korea Software Enterprise Competitiveness Awards', 'Korea Logistics Grand Awards', and 'Best Solution Awards' to demonstrate their unbeatable leadership in the domestic SCM sector. Building on these top-notch IT solutions and accumulated experiences, the company extended its scope of business into smart logistics and smart factory to respond to the 4th Industrial Revolution through innovation in production and logistics engineering. emFrontier is constantly upgrading its business operations to become globally competitive and to assist both domestic and international customers to benefit from innovation and value enhancement.

OUR INNOVATION

FUTURE INNOVATED

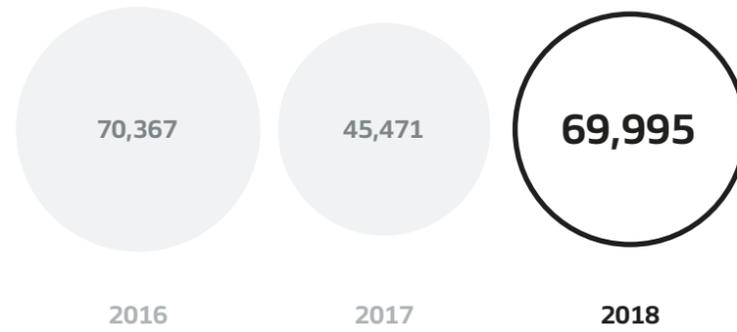
- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

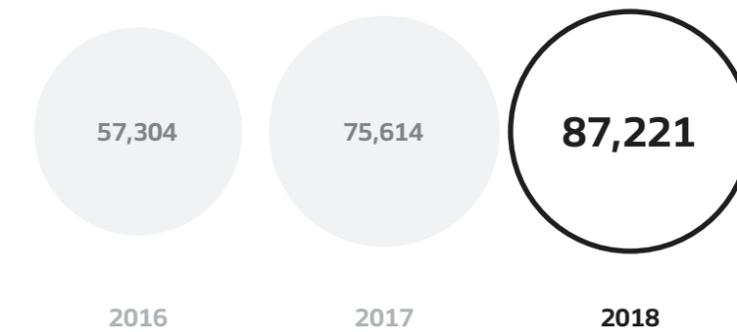
Financial Report

Daehwa Engineering & Machinery 2018 Sales (unit: KRW million)



Established in 1992, Daehwa Engineering & Machinery has grown into a professional maker of key tire manufacturing equipment, playing a leading role in localizing tire manufacturing technology and equipment. With its own dedicated research center, the company has independently developed molding machines, curing presses, uniformity testers for mid-to-large size truck/bus radial (TBR) tires, high-speed driving performance testers for ultra-high-performance (UHP) tires, RMP electrification machines, high-speed friction testers, and rheometers. The company opened a Chinese subsidiary in 2004 to lay the basis to advance into the global market and then took over Hankook Tire's bead operations in 2007 to extend its business scope. Furthermore, the company obtained the ISO9001 certification in 2009 to establish a globally-recognized quality management system, and then was certified under the KOSHA/K-OHSMS18001 standards in 2016 to developed its own health & safety management system. The company successfully developed unmanned molding machines in 2015 as well as such high-end machines as high-output molding machines (PS-601) and high-speed/high-quality G.TRC in 2016. Following the completion of the design of the high-output TBR molding machine TS 201 in 2017, the company continued to pursue technology innovation by stabilizing the operation of PS-601 in the molding and cutting process and by developing a series of high-quality and high-performance high-end machines, including PS-600, TS-201, and G.TRC. Its continued commitment to cost reduction in the curing process enabled the company to save 10% in design cost and rationalize costs in so doing.

MK Technology 2018 Sales (unit: KRW million)



Since its establishment in 1973, MK Technology has set the trend in tire molding, tire curing container, and precision parts. The company has developed its own technology roadmap on the basis of its proprietary casting and five-axis precision milling technology. Leveraging its technological competency, the company has supplied tire molds to Hankook Tire and other global tire makers over the years and joined the Hankook Tire family of affiliates in 2011. Following the adoption of metal 3D printers in 2015, the company continued with R&D endeavors to mass-produce tire molds and precision parts. In 2016, the company embraced laser processing technology to develop textures that were difficult to obtain through CNC processing as well as highly sophisticated design patterns (fine serrations) and to deploy them for mass production. Its ceaseless commitment to new technology R&D enabled the company to develop Split Mold, Compact Mold, Ventless Puzzle Mold and polishing techniques in 2017. In 2018, the company continued to develop independent technology and drive manufacturing innovation for tire exterior improvement concerning the development of split-pattern molds, the establishment of a polishing mass-production system, and the development and adoption of process automation equipment for mass-production, pioneering tire molding technology and seeking growth in so doing.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

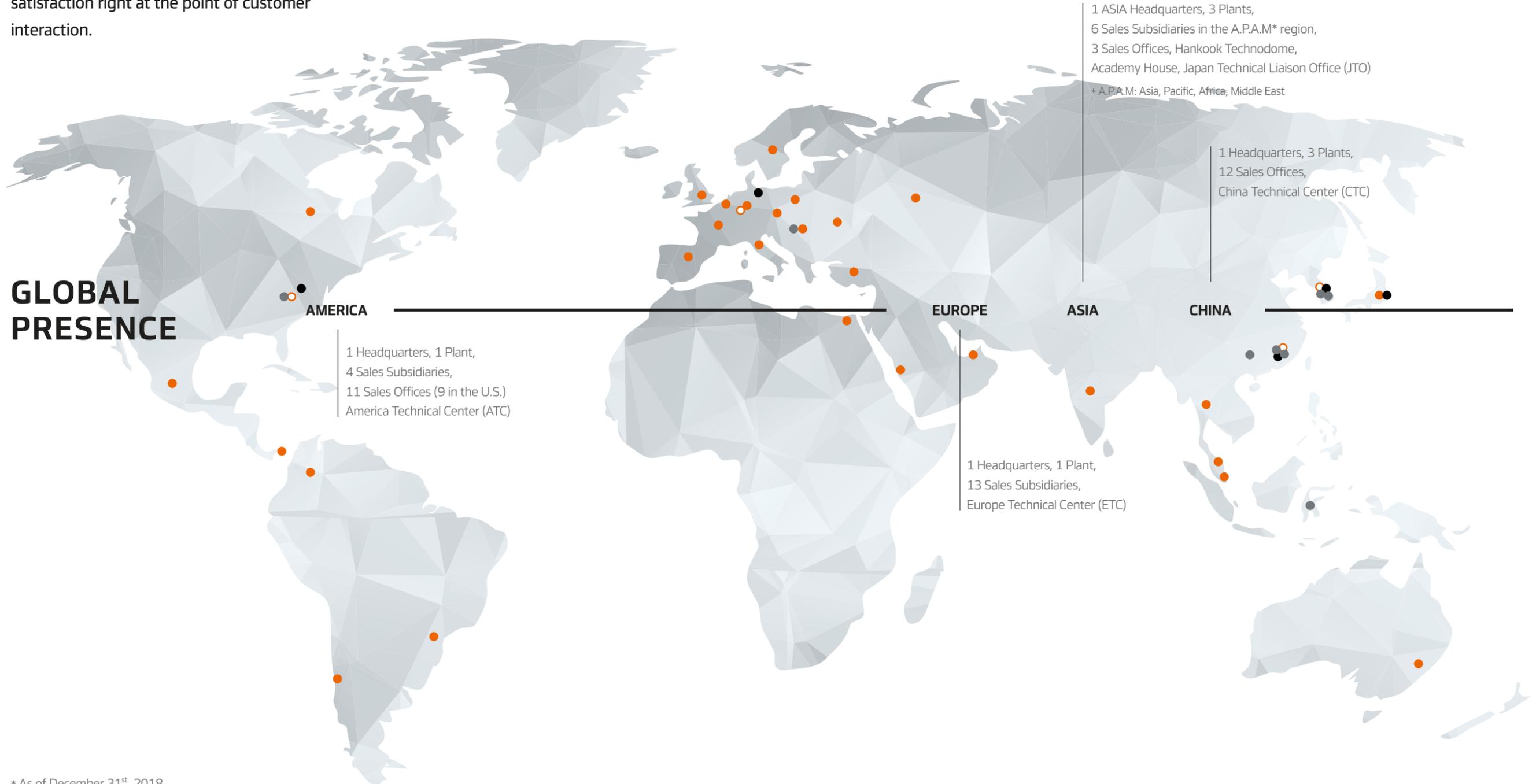
- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

Our global network of manufacturing, R&D, sales, and marketing & communication aims to offer only the best products and services that cater to specific local needs. We ceaselessly push the boundary of capabilities to reach out to the wider world and to bring the greatest possible satisfaction right at the point of customer interaction.

- Regional Headquarters
- Sales Subsidiaries & Sales Offices
- Technical Centers
- Manufacturing Plants

We take a locally optimized strategy to pursue balanced growth both in advanced and emerging automobile markets. Our sales network spans across China, Europe, the Americas, Asia Pacific, and the Middle East & Africa as well as Korea where our headquarters is located in order to ensure that our products satisfy local customer needs. Furthermore, we operate communication channels dedicated to our Original Equipment tire business (OE Offices) in Korea, China, Germany, the U.S., Japan and Indonesia to forge even closer ties with global automobile companies.



\* As of December 31<sup>st</sup>, 2018

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

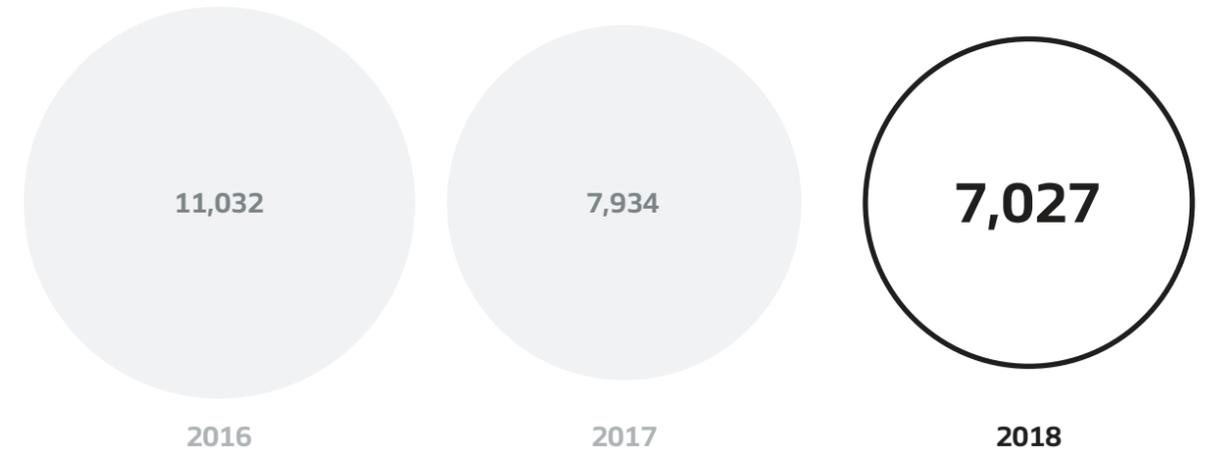
- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Sales



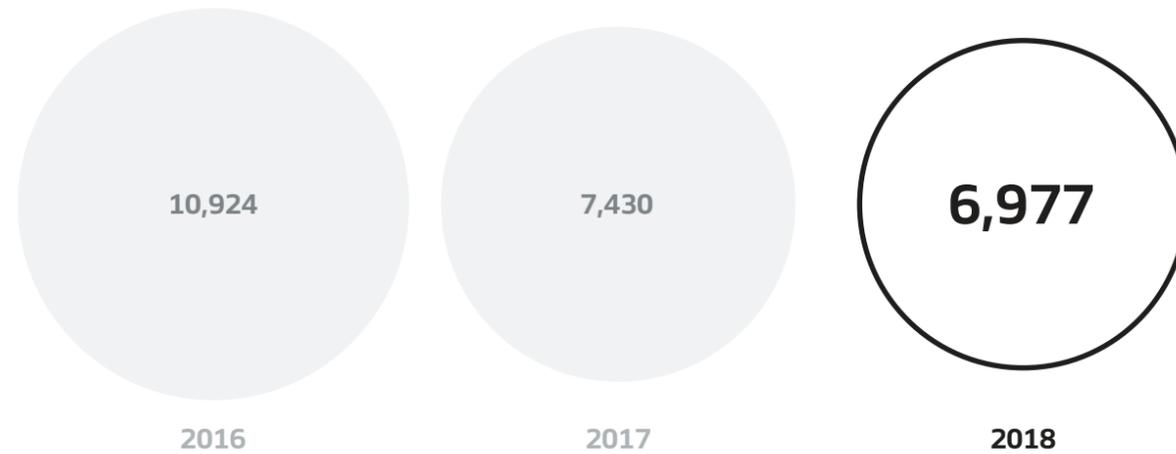
Operating Profit

(unit: KRW 100 million, on a K-IFRS, consolidated basis)

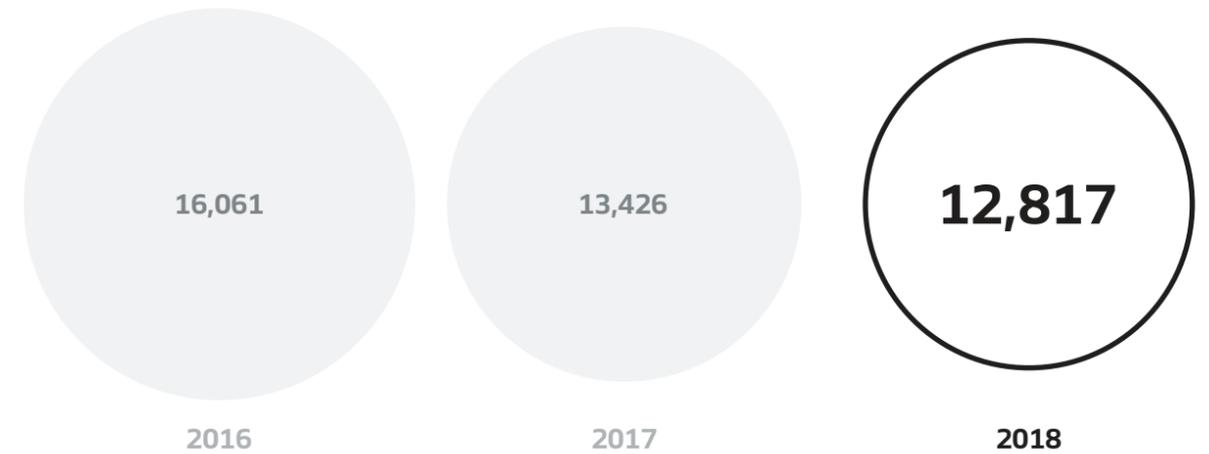


FINANCIAL HIGHLIGHTS

Ordinary Profit



EBITDA\*



\* Earnings Before Interest, Taxes, Depreciation and Amortization

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

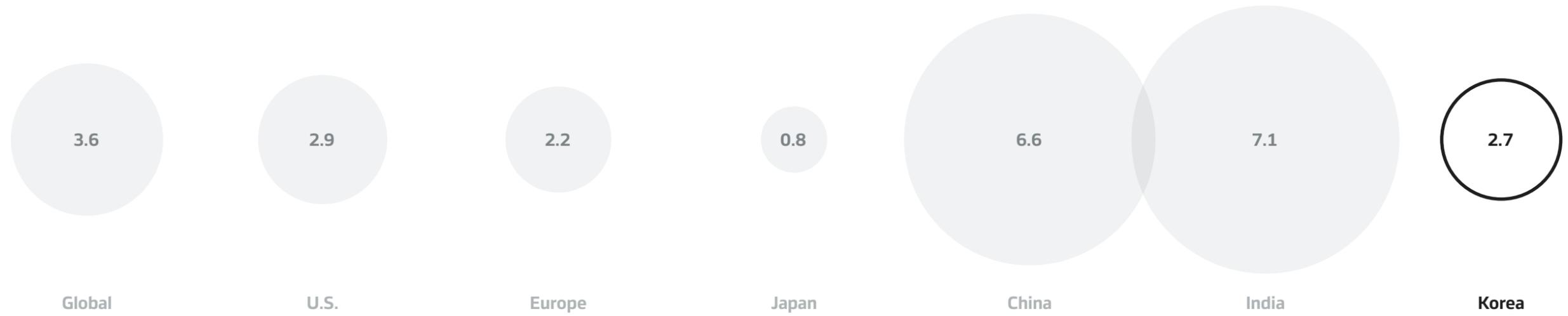
INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

## 2018 Global Economic Growth

(source: IMF, unit: %)



## MARKET ANALYSIS

\* World Economic Outlook Database April 2019 - Real GDP growth

\* Europe includes the following 41 countries:

- Albania, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Kosovo, Latvia, Lithuania, Luxembourg, Malta, Moldova, Montenegro, the Netherlands, North Macedonia, Norway, Poland, Portugal, Rumania, Russia, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, the U.K. (Source: IMF)

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

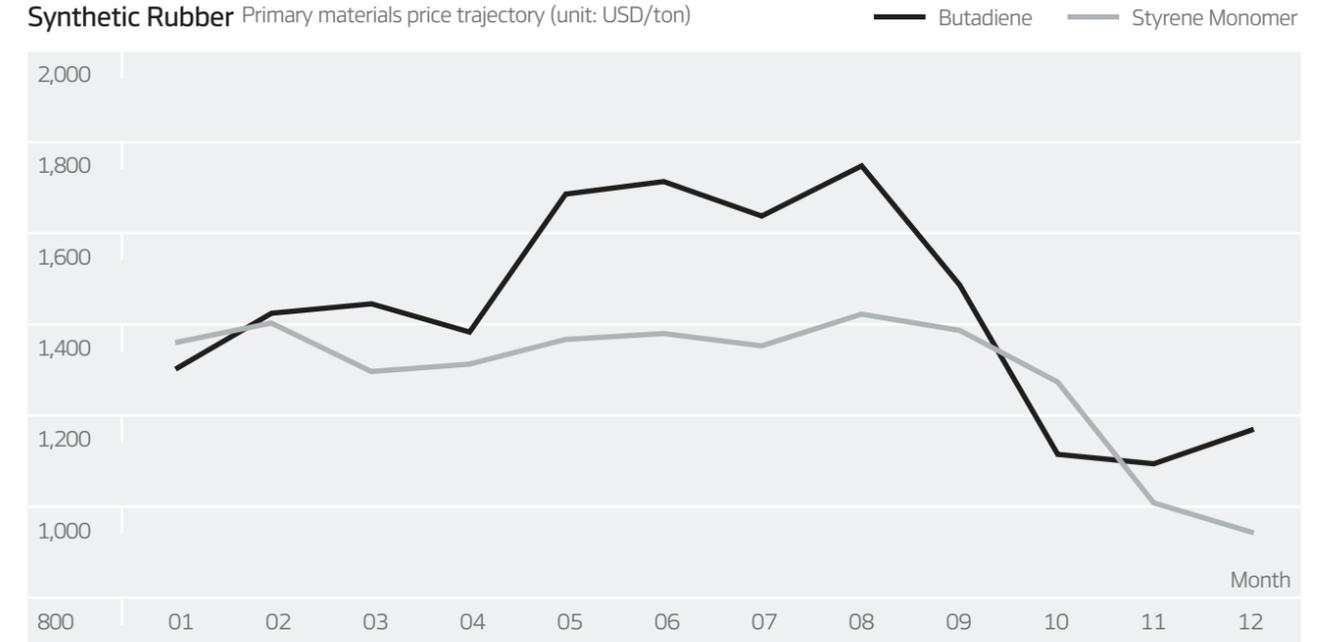
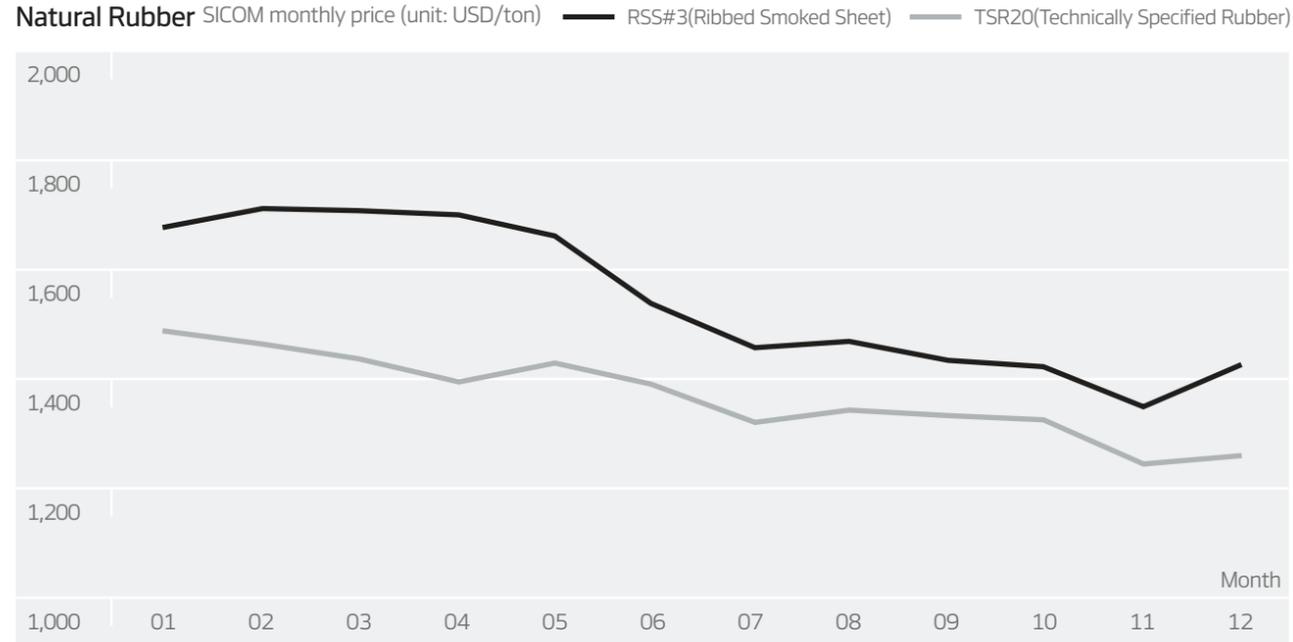
- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

2018 Raw Materials Price Trajectory

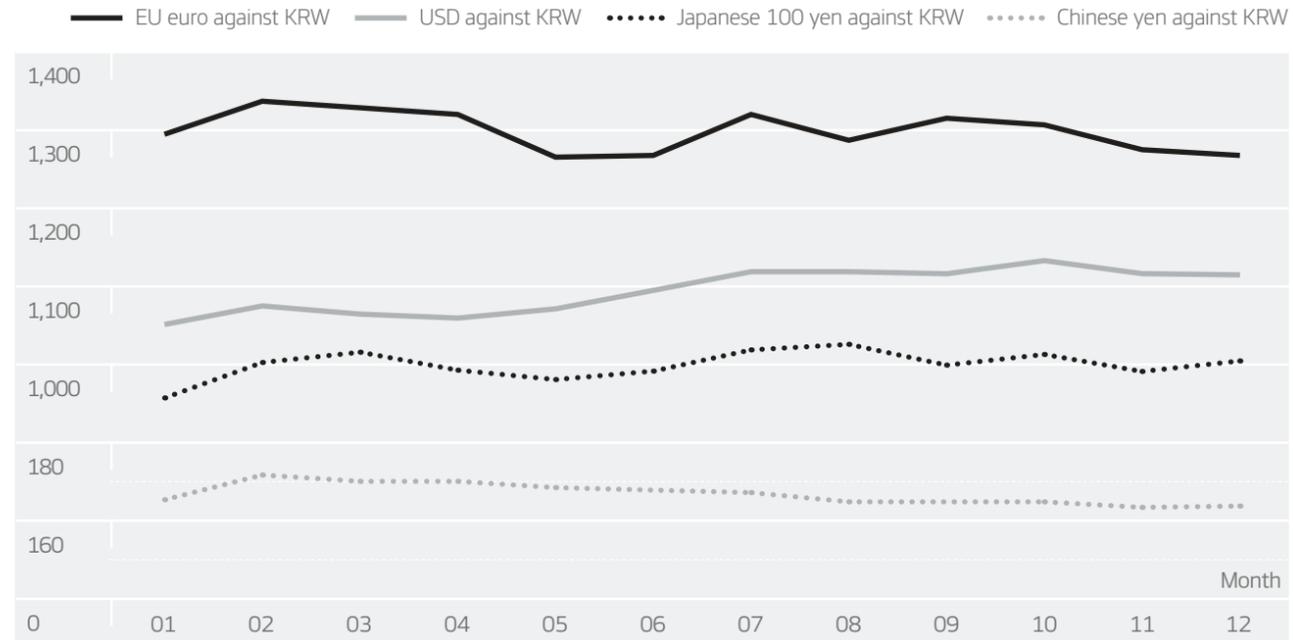
(Unit: Average price based on cargo for the following month (FOB, USD/MT))

(source: BD - Platts(CFR Taiwan), SM - Platts(FOB Korea))



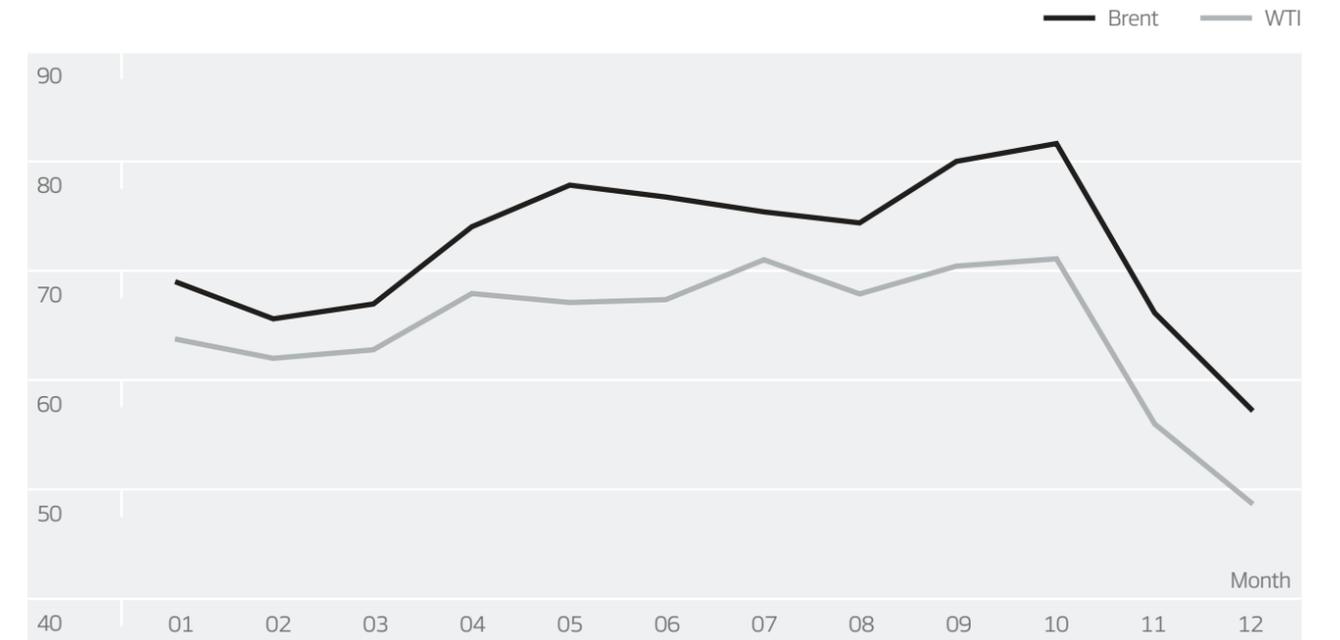
2018 Currency Rate Trajectory

(unit: KRW, source: Bloomberg)



2017 Oil Price Trajectory

(source: USD/bbl. / source: Brent crude - London-based ICE Futures Exchange, WTI - New York Mercantile Exchange (NYMEX))



**OUR INNOVATION**

**FUTURE INNOVATED**

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

→ **INNOVATION REALIZED**

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

Financial Report

# INNOVATION REALIZED

OUR INNOVATION

**FUTURE INNOVATED**

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

**INNOVATION REALIZED**

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# TECHNOLOGY

With Hankook Technodome playing a pivotal role, we at Hankook Tire develop cutting-edge technology to strengthen our technological competitiveness through our global R&D network and open innovation. We pursue ceaseless innovation and growth by broadening our definition of technology beyond tangible technicality to intangible competency. We daringly challenge our limits and boldly push forward with technology innovation, and, in so doing, accelerate our journey forward and beyond.

# INNOVATION

# REALIZED

OUR INNOVATION

**FUTURE INNOVATED**

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

**INNOVATION REALIZED**

→ Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

Financial Report

# STEADY INVESTMENT IN R&D

As conducting tire R&D is only possible through the aggregate of our cutting-edge technology, we constantly expand the pool of our professional researchers across the world and increase our investment in high-tech infrastructure. Hankook Technodome plays a central role in driving technological innovation to lead tomorrow's tire technology and strengthen our technology competitiveness.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



1. Meeting space "The POD"  
2. Technodome interior



**1,085** persons  
R&D staff as of 2018

**810** patents  
Domestic patents granted

**179** patents  
Overseas patents granted

Hankook Tire Technodome

In 2016, we completed Hankook Tire Technodome as our central research facility to build global technology leadership and strengthen future competitiveness. With 96,328m<sup>2</sup> in total floor space, Technodome consists of a research building (four floors above ground and two floors below ground) and a residential building (seven floors above ground and one floor below ground). The facility houses a driving simulator where virtual tests are conducted under real-life racing conditions, a world-class anechoic chamber to perform tire noise tests, and other advanced research and testing equipment. Furthermore, 'Tire Workshop' and 'Focus Box' serve as innovative research and work spaces to create optimized working conditions for the tire R&D process. Technodome, with its top-notch facility and work environment, will play an essential role in developing innovative future tire technology and building unrivaled technological competitiveness.

Outstanding R&D Workforce: Their Recruitment and Strategic Nurturing

We continue to make discerning investments in recruiting top talent. Through cooperation with Technodome, we launch impactful technology promotion events and diverse industry-academia programs while developing our training roadmap for respective R&D positions and offering systemic technical training through the 'Engineering University' with an aim to strategically nurture our R&D workforce. We also run training programs with overseas prestigious universities, and have played a part in establishing the Department of Tire Technology at the Chungnam National University, a graduate school for technology specialists, to assist our researchers with capacity-building. Furthermore, wide-ranging initiatives are underway to promote a culture of creativity and autonomy to assist our researchers in increasing their ability to fully engage in their work.

Securing Patents to Lead Future Tire Technology

We translate our R&D outcomes into proprietary patents to further reinforce our R&D competitiveness. As of the end of 2018, our patent portfolio included 810 patents granted in Korea and 179 patents granted overseas. Recently, we are actively investing in securing patents in the U.S., Europe, Japan and China to gain a competitive edge within the global technology landscape. We plan to develop original technology on Non-Pneumatic Tire (NPT), intelligent tire, and next-generation eco-friendly tire materials to obtain patents in key tire technology areas.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# KONTROL TECHNOLOGY

## Hankook Tire's Unique Technology Philosophy

Kontrol Technology embodies our technology philosophy and principles that underlie the entire process ranging from product research to development and production. 'K' of Kontrol means Kinetics or 'movement' and reflects our philosophy that a tire in motion can effectively control the interactions among the driver, the car, and the road. This unique technology philosophy forms the cornerstone of our commitment to delivering products optimized in all the key aspects of performance, safety, ride and ecofriendliness while bringing customer satisfaction.

At Hankook Tire, our continued growth has always been driven by relentless and daring technology innovation. We constantly pursue technology innovation and develop the best-possible products on the basis of our own technology development philosophy 'Kontrol Technology'. Leveraging our Kontrol Technology that pushes the boundary of technology innovation, we will deliver a never-before-possible driving experience to our customers worldwide.



### PERFORMANCE

Maximize tire performance by improving handling, driving and durability.



### SAFETY

Maintain the integrity and the material of the tires during the most dangerous and urgent moments of driving in order to protect the driver and the vehicle.



### COMFORT

Perform accurate analyses on how tires perform and function under real-life conditions in order to reduce impact, noise, and vibration and to eliminate drivingrelated stress.



### ENVIRONMENT

Support cost-efficient driving by minimizing the impact of tires on the environment and extending their durability and lifetime.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# NEW & INNOVATIVE PRODUCTS

We set the trend in the global tire industry by swiftly launching new products that meet market and customer needs through relentless technology innovation. We build upon our product competitiveness by developing passenger car radial (PCR) and light truck radial (LTR) tires that deliver even greater safety, quietness and performance while unveiling high-performing TBR tires with improved eco-friendliness and fuel efficiency as well as electric vehicle tires equipped with cutting-edge technology.



**SmartWork DM11**  
Rear-wheel drive tire with improved Mild On & Off traction and mileage performance



**SmartWork AM11**  
All-position tire that provides Mild On & Off fuel efficiency and improved mileage performance



**SmartFlex DL15**  
Multi-purpose rear-wheel drive tire with improved traction performance and fuel efficiency through 3D Kerf technology



**ventus S1 evo<sup>3</sup>**  
Ultra-high-performance tire that unleashes the power of DTM technology on public highways



**KINERGY AS EV**  
EV tire that delivers hyper low noise and extra load support capabilities



**ventus S2 AS X**  
Premium SUV tire that delivers unrivaled comfort, silence, and driving performance



**Dynampro AT2**  
Premium SUV/LT tire that delivers exceptional and balanced performance under any topographical conditions

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



1

1. Ventus S1 evo3
2. Smart Flex DL15



2

Passenger Car Radial & SUV (PCR & LTR) Tires

In line with the increasing importance of Safety Tire Technology, we are intensively investing in new technology that caters to such customer needs. Our 3<sup>rd</sup>-generation run-flat tires, developed with key technology on new materials and manufacturing techniques, are the result of combining all our proprietary cutting-edge technology and will surely deliver even greater safety to customers. Furthermore, we provide more comfortable and noise-free driving experience by developing sound-absorbing tires that shut out tire cavity noise and thus reduce road noise during driving.

\* Tire cavity noise: Noise that is generated when the air inside the tire vibrates due to the shock from the road surface during driving

Truck and Bus Radial (TBR) Tires

In consideration of the increasing demand for eco-friendliness and high fuel efficiency in the global TBR tire market, we further segmented our new product offerings to meet customer requirements and respond to emerging market trends: we added Mild On & Off (Regional + On & Off) line-ups to our Smart Work product category, and Multi-purpose (Long-haul +Regional) line-ups to our Smart Flex category respectively. Such refined product segmentation surely strengthened the competitive edge of our TBR tires. Moreover, our development of Smart City AU06 optimized for eco-friendly electric buses will help us increase our market share in the global electric bus market.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# DESIGN INNOVATION

Design Innovation represents Hankook Tire's R&D projects undertaken in conjunction with some of the world's most prestigious design universities to present our vision for and solution to future driving through the lens of tires. In 2018, we chose the topic of 'Extending Future Life Beyond Mobility' to propose tire systems that contribute to the creation of new values in line with the future driving environment of 2035.

Award



reddot award 2015  
luminary



Design Innovation for Customer Safety

Since user safety always comes first in designing tires, this process, unlike that in the designing of general products demands the level of technology that creates perfect forms without tolerating even a 0.001% error. We define our design identity as 'Refined and Dynamic Style' to highlight the future-oriented dynamism and sophistication of our tires, and embrace design concepts that are optimized for each product. Since 2012, we have undertaken 'Design Innovation' projects attended by students from the world's top-notch design universities: their creative ideas and our technical solutions are combined through joint research to present vision for future driving and to generate next-generation tire systems to realize such a vision. Going forward, Hankook Tire will constantly pursue design innovation to enable all our customers to enjoy safe and dynamic driving experience and explore new possibilities.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# GLOBAL QUALITY COMPETITIVENESS

We place quality as our top priority and seek relentless innovation to build world-renowned quality competitiveness. By engaging each and every employee in advancing customer-driven quality management, we will deliver customer satisfaction and solidify our reputation as a premium brand.



"Technotrac", our winter tire performance testing center

## Sustained Innovation for Stronger Quality Competitiveness

Hankook Tire ranks among the top in the auto components industry in terms of the number of customers, which inevitably adds to the number of requirements that we need to satisfy. With an aim to deliver the greatest possible customer satisfaction, we advance robust company-wide quality management on the basis of our customer-driven quality innovation initiatives. Notably, we operate the Hankook Quality System to constantly improve our management quality.

Our products and services are designed and manufactured to meet any and all applicable customer needs and expectations, intended use conditions, and laws and regulations. To this end, we provide process-specific assurance as well as pre/post-sales service. Such endeavors were widely recognized when we ranked first in the Korean Quality Satisfaction Index for ten consecutive years and were named Outstanding

Quality Competitiveness Enterprise for nine years in a row. These endeavors also explain why we remain the tire supplier of choice for premium automakers across the globe. Our quality management organization maintains its independence as a quality supervisor, and is structured in a way to hold other business units accountable and offer support in advancing quality management.

At Hankook Tire, quality is our supreme value and a cradle of innovation. We embed innovation to employees' quality awareness to deliver the highest possible quality and will endeavor to create a deep-rooted corporate culture that values quality above all else.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# MOTORSPORTS

We have demonstrated our exceptional technology and quality through our sponsorship for motorsport competitions and contending teams, ranging from the Deutsche Tourenwagen Masters (DTM), the world's most prestigious touring car championship attended by the world's top three premium automakers, to the Formula Renault Eurocup and the Supercar Challenge. As a dedicated supporter for world's premier motorsports, we will contribute to developing driving culture, joining hands with motorsports fans across the globe.



OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



**Technology and Quality Recognized through Motorsports**

Since 1992, we have actively participated in globally-recognized motorsport competitions, from the 'Super GT' and the 'Nürburgring 24h' to the 24 Hours of Le Mans'. After years of competing against global leading tire makers, we have been proudly selected as an official tire supplier to the Deutsche Tourenwagen Masters (DTM) since 2011 and to the FIA F3 European Championship since 2012. As one of the world's top three touring car championships, DTM serves as a venue for German premium automakers - Audi, BMW, and Mercedes-Benz - to showcase their technological prowess. Our products gained recognition for their exceptional quality and technology through this competition, which in turn enabled us to become an official tire supplier to 'Audi Sport TT Cup', a support racing event for the DTM directly hosted by Audi Motorsport.

**Pikes Peak International Hill Climb**  
Hankook Tire-sponsored driver ranked 1<sup>st</sup>

**DTM**

DTM  
Exclusive official tire supply



**Supercar Challenge**  
Confirmed as a sole tire supplier and an official sponsor for the Supercar Challenge in the Netherlands

1. FIA F3 European Championship
2. DTM(Deutsche Tourenwagen Masters)

In 2014, we attended the 'Nürburgring 24h', a 24-hour circuit race also known as 'Green-hell' where drivers are challenged to push their limits, to demonstrate our unrivaled technology and quality. We have continuously participated in the 'Formula Drift', the sole professional drift championship held in North America since 2006, and have served as a title sponsor and the exclusive tire supplier to the '24H Series Powered by Hankook Tire', the world's biggest endurance race, since 2015, to solidify our brand image.



Since 2016, we have supplied tires to the 'ADAC TCR Germany', a one-make touring car race initiated in Germany, as well as to the 'TCR Nürburgring' and the 'TCR Spain'. Currently we are also serving as a tire supplier to the 'British F4' hosted by Ford, the 'Australian F4 Championship', the 'SMP NEZ Championship, the 'F4 Spanish Championship', and the 'F4 UAE Championship.' In 2017, Rhys Millen, sporting Hankook Tire, landed in 1<sup>st</sup> place in the 'Time Attack' class at the Pikes Peak International Hill Climb, the world's top mountain motorsport competition. We became a sole tire supplier and a title sponsor for the 'Supercar Challenge' in the Netherlands, and signed an exclusive tire supply and sponsorship contract with Radical in 2018. In 2019, the 'Formula Renault Eurocup' and the 'W Series' were newly added to our portfolio of sole tire supply and sponsorship contracts.

In 2019, we vow to reciprocate motorsports fans across the globe for their enthusiasm and expectation as a brand that honors world premier motorsport competitions. We will continue to attend global motorsport events to strengthen our brand power and product awareness and become a brand beloved by even more customers in the global market.

OUR INNOVATION

**FUTURE INNOVATED**

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

**INNOVATION REALIZED**

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# BRAND

# INNOVATION

# REALIZED

Hankook Tire is a premium tire brand trusted and chosen by global automakers and consumers. We implement locally optimized business strategy and marketing communication to become a brand that is approachable and trustworthy in the eyes of global customers. We vow to solidify our value as a global premium brand so that each and every customer who chooses Hankook Tire would do so with a great sense of pride.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

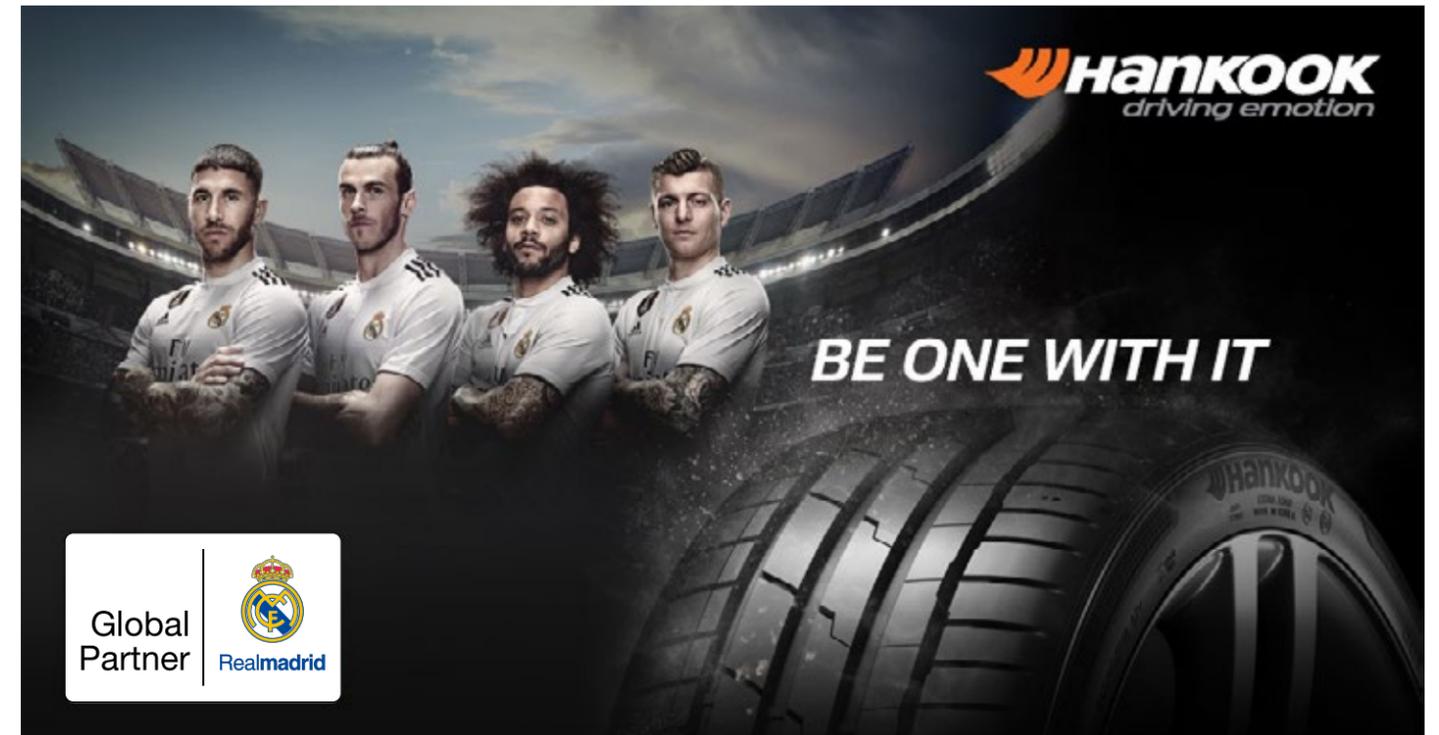
INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# MARKETING COMMUNICATIONS

In 2018, we continued to launch wide-ranging marketing communication programs to raise awareness of our Hankook Tire brand among global consumers and to offer them more opportunities to experience our brand firsthand. Driven by our systemic strategy that takes into account different market and customer characteristics, we globally publicize our 'Hankook' brand through sports sponsorships, campaigns and exhibitions to further strengthen our brand value.



OUR INNOVATION

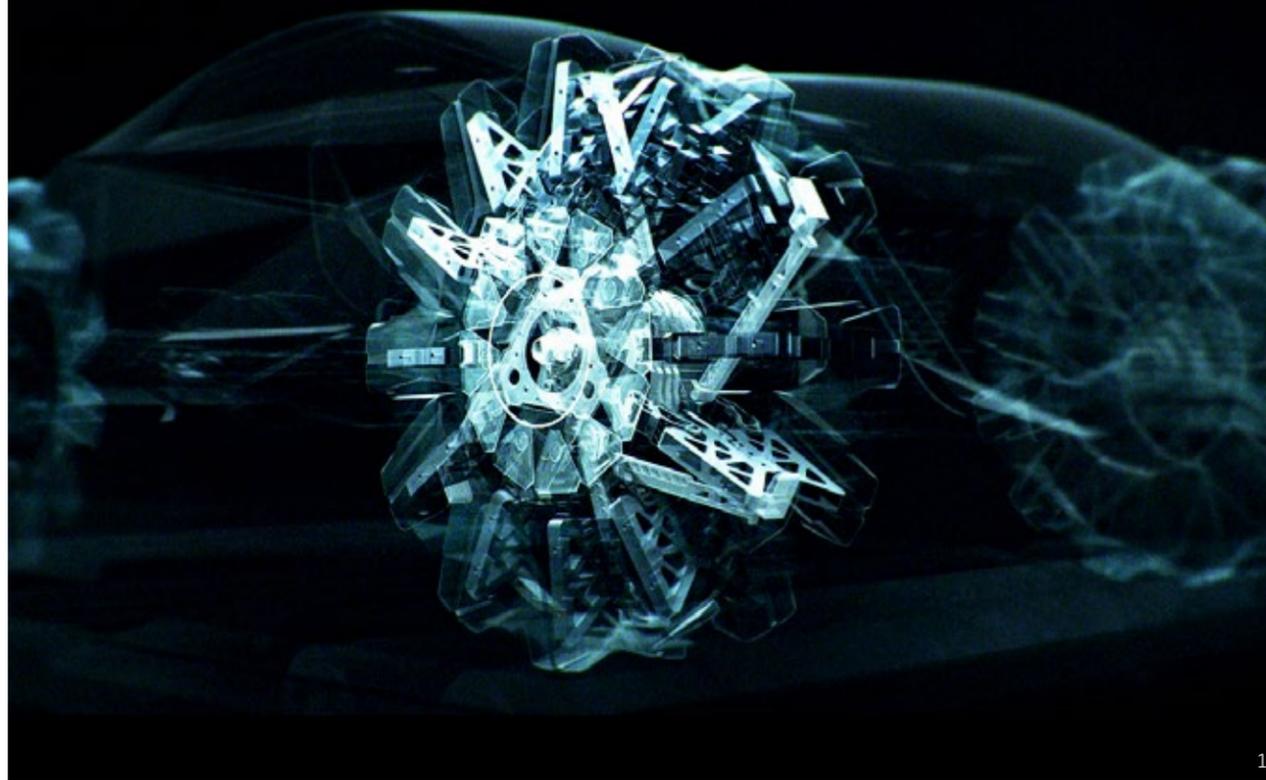
FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



1

1. 'The Next Driving Lab' Campaign
2. MLB Sponsorship



2



Premium Brand Recognized Globally

We have maintained the marketing partnership agreement with 'Real Madrid', one of the world's top football clubs, from the 2016-17 season to reinforce our premium brand image among global customers. Our 'Be One with It' campaign has been underway since 2016 in key global markets except for the U.S. to disseminate the value of innovation shared by both Real Madrid and Hankook Tire.

As an official partner for the UEFA Europa League since 2012, we are proactively launching brand marketing programs that tap into the areas of interest among local consumers. This close partnership was renewed for another three years from the 2018-19 season.

In our strategic U.S. market, we launched the 'Never Halfway' campaign that reflected the unique sentiment of Americans to build consensus with local consumers. In 2018, we also signed an official sponsorship contract with the Major League Baseball (MLB) which represents the American sports scene, and will fully capitalize on MLB property across our marketing programs to further elevate our brand reputation in the U.S. market.

In China, we have disseminated our 'innovation' message since 2016 through the 'Be One with It' campaign in response to changing local market conditions and consumers. Furthermore, we are increasing consumer engagement through Integrated Marketing Communication (IMC) and launching activities to improve our brand premium and consumer preference.

In Korea, we launched the 'The Next Driving Lab' campaign to highlight our young and innovative brand image. Our distribution channel T'Station is also continuing its 'Smart Care' campaign to deliver unique and differentiated service to customers to solidify our premium brand status.

We attend the International Automobile Ausstellung (IAA), one of the top five global motor shows, to widely showcase our new products and research outcomes generated through exceptional technology.

OUR INNOVATION

**FUTURE INNOVATED**

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

**INNOVATION REALIZED**

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# GLOBAL AUTOMOTIVE PARTNERSHIPS



1. BMW  
2. Mercedes-Benz

While the automotive landscape is shifting rapidly, we remain steadfast in investing in R&D and building competitive cutting-edge technology to increase our OE tire fitment gains. We also strengthen trust-based partnerships with global automakers through close communication and cooperation.



OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

Hankook Tire's OE tire partner



Audi Q8

Increasing OE Tire Supply with Automakers

We maintain close relationships with top-tier automakers and supply Original Equipment (OE) tires for their main models. In 2018, we gained OE fitments on the Audi Q8 and the Nissan Altima, among others. We continue to supply Ventus Prime2 Seal Guard, a self-sealing tire made of sealant materials, and Ventus S1 evo2, a run-flat tire capable of running for 80 km at the speed of 80 km/h even when the tire air pressure is reduced to zero, to Volkswagen, BMW, and Mercedes-Benz.

Close Partnership with Global Automakers

With our Hankook Technodome playing a central role, we operate local research centers in key regions of the world to satisfy the performance requirements of tomorrow's vehicles as desired by global automakers and to develop tires optimized for respective local markets. We also build cooperative partnerships with major car OEMs through joint research, concept tire development, and technology exchange to pursue shared growth. In addition to regular business meetings, we also promote our OE tire business through global auto shows and exhibitions. Such diverse communication programs enable us to forge stronger trust-based relationships with global automakers.

OUR INNOVATION

**FUTURE INNOVATED**

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

**INNOVATION REALIZED**

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# OE TIRE MARKET PERFORMANCE & FUTURE STRATEGY

In 2018, our OE tire supply to the Japanese OEMs of Toyota, Nissan, and Honda rose by more than 18% from the previous year. We also increased our supply of sealant tires and run-flat tires for premium models, and set us apart from the competition in developing tires for the future automobile market. The sum of all these endeavors will elevate our status as a global tire maker recognized for our unrivaled technology.



\*Kinergy GT\* supplied as OE tires to the Nissan Altima in 2019

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



1. Ventus S1 Noble 2 supplied to the Volkswagen Tiguan R-Line in 2019
2. Dynapro HT supplied to the Ford Ranger in 2019



2019 OE Tire Business Strategy

STRATEGY 01

Increase OE tire supply with global top automakers

STRATEGY 02

Optimize the OE tire supply portfolio

STRATEGY 03

Focus on developing new technology

2018 Performance Analysis

Even in the face of the sustained global economic downturn, we continued to expand our OE tire supply in 2018. Our OE tire sales in North America rose by more than 20% from the previous year as our OE tire supply increased for pickup trucks, SUVs, and Japanese automakers. Notably, our OE tire supply skyrocketed by 44% for such premium automakers as Porsche, Audi, and Mercedes-Benz.

While the European automobile market remains sluggish as demand shrinks and uncertainties continue for an extended period of time due to “no-deal Brexit,” we maintained a stable supply to Volkswagen and other existing customers and successfully increased our supply to new customers - PSA and Renault among others - by a whopping 77%.

The Chinese automobile market presented severe challenges as local automakers reduced their production and competition intensified among these local OEMs, not to mention the on-going U.S.-China trade war that has slowed down the Chinese economy in general. Nevertheless, our supply rose both for premium brands - BMW and Mercedes-Benz among others - and for Japanese automakers including Toyota and Nissan, and our 2018 sales remained almost unchanged from the previous year.

2019 Business Strategy

We will establish an optimal business strategy for the year 2019 to pursue stable growth and further increase our OE tire supply for global top-tier automakers. In addition to our existing customers, including Hyundai Kia Motors, Volkswagen, Ford, GM, Toyota, Honda, and Nissan, we aim to continuously increase our OE tire supply to BMW, Mercedes-Benz, Audi, Porsche, and other premium brands. Furthermore, we plan to

expand our business with Chinese local OEMs as well as Japanese automakers operating in India and ASEAN. We will specifically target popular models of these automakers to forge even closer partnerships with them.

We will build a stronger OE tire portfolio by actively developing new technology that caters to both shifting conditions and consumer needs in the global automobile market and by raising the share of high-inch tires. We plan to expand our supply of special tires, including run-flat tires, sealant tires, and silent tires, while focusing our capabilities on the development of advanced tires for next-generation vehicles - electric vehicles, hybrid vehicles, and plug-in hybrids - to respond to the accelerating global trend of reducing carbon emissions.

18%

2018 OE tire sales growth rates for Japanese automakers



OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# REGIONAL ANALYSIS & FUTURE STRATEGY

In Korea, we launched a range of marketing programs, from new product development and distribution structure innovation to retail service improvement. These proactive endeavors enabled us to further solidify our dominance in the domestic market and to improve customer satisfaction and brand value.

52%

2018 ratio of 17-inch and larger PCR RE tire sales against total sales in Korea



Korea

In 2018, we took an even more proactive marketing approach to maintain our performance. Our “The Next Driving Lab” campaign and diverse sponsorship marketing programs increased our brand exposure and further elevated our brand reputation. We also expanded our OE tire supply to German premium automakers to strengthen affiliate marketing endeavors with these global top-tier brands. We served as a trendsetter by launching an array of products, from Ventus S2 AS X for large-size imported SUVs and Smart ST X for mass-market SUVs to Kinergy AS EV for electric vehicles, while increasing our sales of run-flat tires and other offerings that target the imported car segment.

Our T'Stations are building upon their Smart Care service to take a new leap forward through distribution and digital innovation in line with changing domestic market conditions. Diverse global brands were introduced and disseminated to meet different consumer needs and reinforce our retail competitiveness. A distribution digital

platform taskforce (TF) was created to help us flexibly respond to the shifting digital environment and to bring digital transformation to T'Station operations. Furthermore, an O2O platform was established to provide “Same Day Service” that enables customers to purchase tires online and have them installed the same day. In so doing, we create an environment that allows consumers to purchase and install their tires in an even more convenient way.

The year 2019 is forecast to witness a shrinking demand in the domestic tire market due to decreasing private sector consumption and the widening wealth gap in the household economy. To respond to the fast-growing high-inch segment, we plan to launch new marketing initiatives and establish B2B business processes in order to strengthen our enterprise sales operations and build our competitiveness in this specific segment. In addition, our multi-brand strategy will be expanded to elevate T'Station's value as a professional total tire solution provider. We will also initiate brand advertisement that targets new customer groups to reinforce our brand reputation.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

In China, we responded to the rapidly changing market landscape and launched marketing programs to shift our sales focus to high-inch products, improve the distribution structure, and enhance our premium brand image in alignment with Real Madrid. Such endeavors allowed us to pursue qualitative growth by expanding our OE tire supply to premium auto brands and increasing our sales of 17-inch and larger high-inch tires by more than 30%.

In Europe, we continue to raise our market share by improving productivity and product competitiveness, executing segmented distribution strategy, and launching proactive marketing programs. Our partnership with Real Madrid and motorsport sponsorship also enable us to build our premium brand image across Europe.

30%

2018 ratio of 17-inch and larger high-inch tire sales against total sales in China



7.5%

2018 market share in the European tire market



China

The Chinese tire market is swiftly shifting to 17-inch and larger high-inch tires, in line with the growing local automobile market. This prompted us to focus on high-inch offerings in launching new products and to improve awareness of our premium SUV products, and this resulted in a more than 30% increase in high-inch tire sales from the previous year.

We improved the structure of our local Chinese distribution network to build our capacity in responding to the rapidly changing Chinese market. In addition to expanding the existing Hankook Masters and Hankook Truck Masters stores, we increased our tire supply to stand-alone tire franchise shops to diversify our distribution network while promoting our sales to BMW, Mercedes-Benz, and other premium automobile shops to pursue the qualitative improvement of our distribution operations. Our global strategic brand Laufenn also became available

Europe

While business challenges continued due to the prolonged low growth and expanding trade protectionism across the global economy, we were fully committed to executing the three strategic priorities of solidifying our distribution dominance, promoting continued growth as a premium brand, and pursuing profit-driven sales growth in order to improve the qualitative aspect of our operations and compete on par with world's top-tier companies. These endeavors allowed us to reach 27 million in tire sales and 7.5% in market share.

In June 2018, we signed an acquisition contract with Reifen-Müller, a leading German premium tire retailer, to strengthen our dominance in the tire distribution market. With nearly 700 employees, the company operates a total of 44 service stores, mainly in the south-central part of Germany, and its annual sales amount to more than 2.4 million. Our decision to take over Reifen-Müller bears significance in that this will broaden our global distribution franchise business and lay the basis to secure new growth engines.

across 400 dedicated stores in China to broaden its distribution throughout the nation and pave the way for further growth. Another significant achievement was to increase our OE fitments on locally produced Mercedes-Benz vehicles (A Class, C Class, and E Class). Leveraging our partnership with Real Madrid, a globally renowned football club, we facilitated sports marketing in China, and this allowed us to elevate our premium brand image and consumer preference for our brand.

In 2019, we will become agile in responding to the fast-changing local Chinese market and intensively execute our stable and sustainable growth strategy. We aim to develop new trendsetting technology and launch new high-inch products, expand OE fitments on premium car brands, and invest in improving the structure of our distribution network. In so doing, we will pursue sustained growth in the Chinese market and establish our reputation as a premium brand through localized market communication.

In Europe, our strategy is optimized for high-profit products to pursue profit-driven sales growth: we improved our sales mix to focus on high-inch tires, developed high-inch tire specifications that satisfy top-tier standards, and reestablished our brand portfolio accordingly. We also strive to enter the Fleet Management Service (FMS) market for its future growth potential and are building an operational system to better respond to changing sales structures and market trends.

In 2019, we will lay the basis for sustained growth by swiftly responding to market changes, develop market-leading strategy and process, and embed innovation into our corporate culture.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

In the Americas, we take a multifaceted approach along the entire product life cycle, from sales and marketing to production and logistics, with an aim to establish our growth drivers over the mid-to-long haul. We continue to grow our business in this region: our sales significantly improved in the U.S. TBR tire market and the Central & Latin America market, and our brand exposure has increased through stronger marketing activities, including our official sponsorship of Major League Baseball.

In the Asia Pacific, our sales surged significantly as a result of broadening our distribution network, establishing our presence in previously untapped business areas, and stabilizing our distribution operations. In the Middle East and Africa, our sales also posted continued growth through expanding our sales in business areas with no previous brick-and-mortar presence and downstreaming our distribution operations.

7%

2018 TBR tire sales growth in the Americas (sales)



41%

Ratio of 17-inch and larger high-inch tires in total sales in Asia Pacific & the Middle East-Africa (based on net AMT in PCLT)



The Americas

While the North American market suffered fluctuations and the Central & Latin America market witnessed increasing exogenous factors, we successfully expanded our TBR tire sales and made progress in Central & Latin America. Our TBR tire sales rose by 7% from the previous year, and we paved the way for quantitative growth by developing new customer accounts and diversifying distribution channels, mainly in the U.S., Canada, and Mexico. In the Central & Latin America region, we focused on Mexico to establish our distribution network in previously uncovered territories and improve our service offerings in order to sustain our growth in the face of challenging business conditions.

Asia Pacific & Middle East-Africa

In 2018, we operated in nearly 70 countries in the Asia Pacific & Middle East - Africa region to execute country-specific tailor-made strategy and pursue sustainable and profit-driven growth.

Despite the structural limitations posed by the Asia Pacific due to its intense price competition, we innovated our distribution channels, with Hankook Masters playing a central role, and posted growth (9% y-o-y growth) in high-inch UHP tire sales to seek high profitability. In the Middle East - Africa market, we made continued investments in our brand and established a sound distribution system. Notably, we endeavored to build regional logistics hub infrastructure in Africa to strengthen our sales operations and to lay the basis for our future sales growth.

In 2018, we signed an official sponsorship contract with Major League Baseball (MLB) to further solidify our premium brand image. Fully leveraging our status as an official MLB sponsor, we plan to launch a range of marketing programs to enhance our brand value across the entire American region, including North America.

We have set the following objectives for the year 2019: we will reinforce our strategy to respond to different distribution channels, improve the quality of logistics services through the efficient operation of our warehouse in the Colon Free Zone in Panama, and launch new products optimized for the regional market through our Tennessee Plant to ultimately raise our share in the replacement tire market. We will also enhance Hankook Tire's position as a top-tier premium brand through wide-ranging sports marketing programs.

In 2019, we will maintain our current strategy and build our own growth model for profitability improvement: we will shift the focus of our sales mix to high-inch tires and increase our competitiveness to optimize the operation of our products, distribution, and pricing structure by respective market. We plan to grow retail business on the basis of our retail platform, mainly in the Asia Pacific, and tap into new markets by opening and stabilizing newly created organizations, including our Vietnamese subsidiary, UAE subsidiary, and Taipei office. In the Middle East - Africa, we will improve our distribution infrastructure and launch aggressive sales initiatives on the basis of our new logistics hub in order to further advance into the African market and diversify customer accounts.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# TIRE MARKET PERFORMANCE BY PRODUCT GROUP

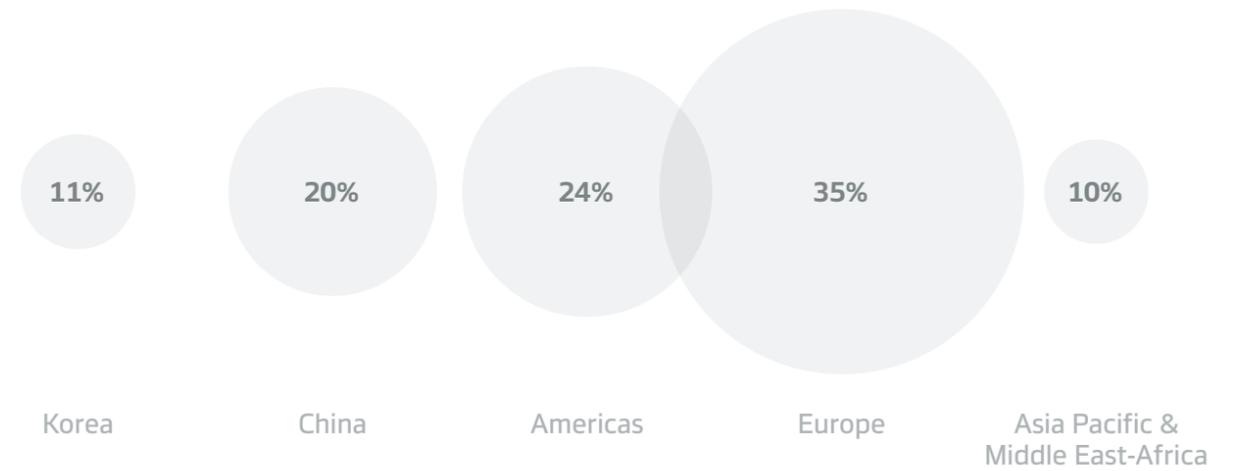
In 2018, our top priority was to expand our sales of high profit products across the global market. Specifically, we posted a 12% y-o-y growth in 17-inch and larger high-inch PCR and TBR tires, further solidifying our position in key markets.

## 12%

2018 global sales growth of high-inch PCR/TBR tires

2018 global tire sales by region

(based on global sell-in volume)



### 2018 Performance Analysis

Our global tire sales by region is as follows: 11% in Korea, 20% in China, 24% in the Americas, 35% in Europe, and 10% in Asia Pacific and the Middle East & Africa. This demonstrates that we have a balanced sales portfolio across the globe, including such advanced markets as the Americas and Europe.

Notably, our sales of 17-inch and larger PCR/LTR tires that generate higher profits rose by 12% from the previous year to broaden their presence in major markets. The ratio of these high-inch tires in our PCR/LTR tire sales increased by 5%points from the previous year. By tire type, RE tires and OE tires accounted for 31% and 56% respectively of our total PCR/LTR tire sales. Given that OE tire sales is aligned with RE tire sales, this implies that our high-inch RE tire sales is expected to increase continuously in the mid-to-long term. The regional sales breakdown of TBR RE tires is as follows: 16% in Korea, 10% in China, 29% in the Americas, 34% in Europe, and 11% in Asia Pacific & the Middle East-Africa. Specifically, our sales rose in the Americas and Europe from the previous year.

OUR INNOVATION

**FUTURE INNOVATED**

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

**INNOVATION REALIZED**

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

SUSTAINABLE

INNOVATION

REALIZED

Driven by the Proactive Culture that defines our unique corporate DNA, we at Hankook Tire help talented employees build their capacity, bring innovation to our work practices, and secure solid growth drivers. We sincerely fulfill our social responsibility through wide-ranging CSR programs, and develop thorough emergency preparedness to improve our safety performance. We believe that the sum of all these endeavors will usher in a more flourishing future with all our stakeholders, from customers and employees and suppliers to shareholders and investors and local communities.

OUR INNOVATION

**FUTURE INNOVATED**

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

**INNOVATION REALIZED**

Technology Innovation Realized  
Brand Innovation Realized  
→ Sustainable Innovation Realized

Financial Report

# PROACTIVE CULTURE

As our unique corporate culture, Hankook Tire's Proactive Culture serves as the fundamental driving force to build employee capacity and strengthen corporate competitiveness. It is through this free and creative Proactive Culture that our talented employees, with their Proactive Leadership, grow into agents of innovation and attain our corporate vision and their individual goal.



OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

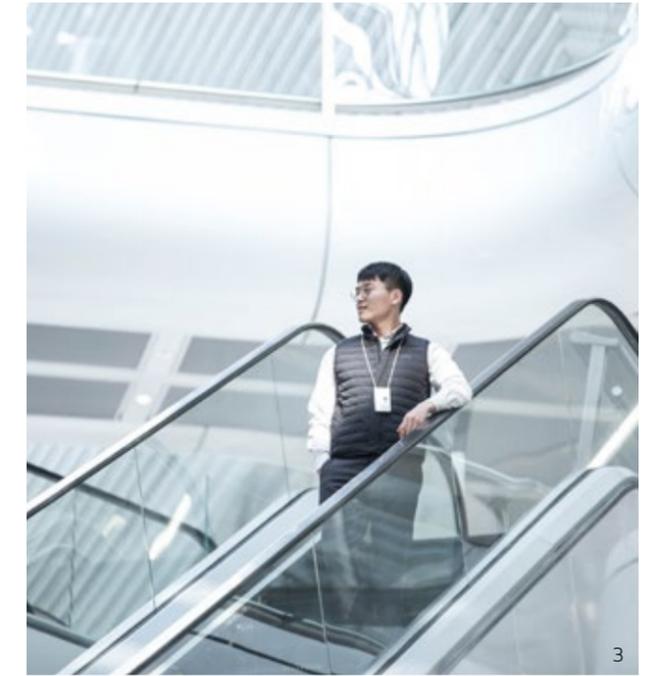
INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



1. Proactive Culture that evolves through employee capacity
2. Proactive LAB to put creative ideas into action
3. Proactive Leader to become the agent of innovation with ownership



**Proactive Culture, Hankook Tire's Unique Corporate DNA**  
It is based on our unique 'Proactive Culture' that we have made steady progress in the global market. 'Proactive' is the combination of 'professional' and 'active', and defines our distinctive corporate culture where employees, through their professional competitiveness, take ownership and become the agent of innovation. At Hankook Tire, Proactive Culture is integrated across all systems and institutions, and this assists each and every employee in taking the lead in bringing innovation to their work practices. Being proactive as such defines 'Proactive Leader', the ideal Hankook Tire employee we aim to nurture. Proactive Leaders think and act with 'Proactive Leadership' that encompasses our core values of 'Passion, Innovation, Collaboration, and Global', and they pursue both corporate and individual growth.

**Proactive Friday to Offer a Creative Work Environment**  
At Hankook Tire, we have a special Friday dubbed 'Proactive Friday' every month to provide an environment that nourishes creative minds. On Proactive Friday, all executives and team leaders do not come to work while

employees voluntarily plan and undertake a range of activities outside their typical scope of work, free from any predefined regulations or formats. This provides them with an invaluable opportunity to engage in a variety of activities that are normally difficult to do either with colleagues or on their own, from benchmarking other companies to participating in driving experiences and attending exhibitions. This also serves to allow our CoPs (Community of Practice) to benefit from inspirational activities both outside and within the work scope, including experiencing new cultures and volunteering for worthy causes. Meanwhile, executives and team leaders come to work the following Sunday for their 'Strategic Sunday' activities: they hold townhall meetings to discuss diverse issues and strategic directions in order to strengthen their leadership capabilities.

**Proactive 1 Grandprix to Recognize Innovative Ideas and Proactive LAB to Incubate In-house Ventures**  
'Proactive 1 Grandprix' represents our special idea suggestion program designed to create an engaging

culture that encourages employees to propose their ideas and to put their brilliant ideas into action. Anyone, regardless of their job position, can join this program to suggest any ideas within the boundary of their own work scope and their corporate life, and even ideas that are completely unrelated with their work. In 2018, 'Proactive LAB' was created to allow employees who proposed exceptional ideas to directly establish and operate an execution unit to translate their innovative ideas into reality. In 2018, a total of nine Proactive LABs were operated to execute on outstanding ideas, and R&D projects were chosen to develop new technology as well as new business. This reflects Hankook Tire's culture and philosophy that encourage employees to ceaselessly generate innovative ideas, swiftly challenge their limits, and proceed with experimentation. Furthermore, Proactive LAB is aligned with our in-house venture operations to help strengthen our competitiveness both on individual and corporate levels on the basis of our creative and autonomous culture and to serve as a fundamental driving force behind shared growth.

**Proactive Concert to Promote Free and Equal Communication**  
'Proactive Concert' is hosted every quarter to gather employees together by department. Following the format of an in-house IR event hosted to share quarterly business outcomes, Proactive Concert is autonomously hosted by respective departments whenever issues arise that require employee communication. The agenda is set by identifying the issues that interest employees the most and is addressed through an 'open approach' to promote interactive communication and answer questions in real time. As seats are not designated by job position, employees can freely mingle together in this casual atmosphere, and sensitive questions are handled through anonymous text messaging. If there are any questions left unanswered due to time limits, they are surely addressed at a later time through our corporate intranet. Proactive Concert is also hosted at our overseas worksites to disseminate equal communication across the board.

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

# CORPORATE SOCIAL RESPONSIBILITY

To fulfill our social responsibility as a corporate citizen, we established an integrated CSR management system to undertake systemic CSR programs in the areas of product environment, EHS (Environment, Health & Safety), climate change, employees, ethics management, corporate philanthropy, and suppliers. Such programs are implemented both in Korea and overseas to assist local communities in solving their problems and pursuing sustainable growth.

## Declaration

We pursue sustainable growth through CSR management rooted in both our corporate culture and employee's daily routine. Through our integrated company-wide CSR management system, we deliver the greatest-possible value to diverse stakeholders and lead the sustainable development and growth of the mobility industry.

## CSR Achievements

Since the establishment of an integrated CSR management system in 2010, we have consistently endeavored to fulfill our social responsibility as a corporate citizen. We operate committees in each of the seven areas of product environment, EHS (Environment, Health, & Safety), climate change, employees, ethics management, corporate philanthropy, and suppliers. These committees are engaged in wide-ranging CSR programs on the basis of our "CSR Vision 2020 Roadmap." In 2018, we were listed on the Dow Jones Sustainability World Index (DJSI World) for three consecutive years, solidifying our status as a global top-tier performer in sustainability management. Our commitment to transparently disclosing data on climate change response and proactively reducing GHG emissions was widely recognized as we received the "Carbon Management Sector Honors" at the 2018 CDP Korea Climate Change & Water Award.



2018 DJSI Awards

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report



1. Hankook Tire employee volunteers painting murals  
2. Car Donation



**56** KRW 100 million

2018 CSR expenditure

**50** vehicles

Vehicles donated to social welfare institutions in 2018  
(a total of 447 vehicles donated between 2008 and 2018)

**Corporate Philanthropic Activities**

To fulfill our role and responsibility as a global corporate citizen, we undertake a range of corporate philanthropic activities both in Korea and overseas to pursue mutually beneficial partnerships with local communities.

**Korea**

We operate our own employee volunteer team and make donations, and also cooperate with the Hankook Tire Welfare Foundation to actively execute corporate philanthropic programs that promote win-win partnerships with local communities.

**Donggeurami Employee Volunteer Team**

While some of our plants voluntarily operated volunteer groups, we went a step further to launch a company-wide employee volunteer team named "Donggeurami Volunteer Team" in 2013. These volunteers are engaged in a wide array of activities, from improving the environment of local communities to offering regular support for seniors and visiting social welfare centers.

**Donggeurami Eoulim Concert**

Every year, we invite workers and residents from social welfare centers in Daejeon to the Donggeurami Eoulim Concert. In 2018, the concert was held at the Jeongsimhwa Hall of the Chungnam National University and was attended by an audience of approximately 1,800.

**Saving Endangered Species Project in Daejeon**

In 2018, we signed a memorandum of understanding (MOU) with the Geum River Basin Environmental Office, Daejeon Metropolitan City, Soonchunhyang University, Chollipo Arboretum, Citizen's Group for Daejeon South Chungcheong Ecological Conservation, and the Korean Federation for Environmental Movement in Daejeon in order to undertake an at-risk species conservation project in Daejeon over the next three years.

**Hankook Tire Welfare Foundation**

Hankook Tire established the Hankook Tire Welfare Foundation as a public foundation back in 1990 and has taken a more professional and consistent approach to

undertaking wide-ranging CSR programs, from Three Major Mobility Projects and community engagement to support for children and teens and social housing.

**Three Major Mobility Projects**

**Car Donation** | Our car donation program started back in 2008 to help social welfare centers, and donated 50 vehicles in 2018. In addition to vehicle support, we also take locally based follow-up measures to offer driving safety training and incentives for top-performing users.

**Tire Donation** | Our tire donation project was initiated in 2010, and we donated a total of 2,824 tires in the first and second half of 2018, respectively. In undertaking this project, we also provide wheel alignment and minor maintenance services in addition to tire donation to improve the satisfaction of social welfare centers.

**Tuieum Bus** | Started back in 2013, our Tuieum Bus project was designed to offer large-size buses to social welfare centers to help overcome their limitations in physical

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

Financial Report

2,824 tires

Tires donated in 2018

610 buses

Tuieum Bus provided in 2018



Community room created within the social houses provided to youth

mobility and to access experience-based activities in the fields of culture, history, tradition, ecology, and education. In 2018, we provided 610 buses in total, and we plan to expand cooperation with external organizations in 2019.

Community Engagement

To help local communities solve their current issues and bring positive change, we support charitable hospitals and social welfare centers and undertake other wide-ranging programs.

Support for Charitable Hospitals | Since 1991, we have assisted five charitable hospitals in Korea in paying their operational expenses as a way to provide medical service to low-income individuals. In 2018, we donated KRW 100 million to these hospitals to help financially challenged individuals live a healthy life and regain their value for life itself.

Support for Social Welfare Centers | We have consistently supported social welfare centers to improve the quality of life for the socially underprivileged. In 2018, we made in-kind donations to 542 centers and sponsored social welfare programs at 242 centers through public competition.

Children and Teen Support Programs

Since children and teens are the future leaders of our nation, we help them become upstanding members of our society.

Dream With | While our Dream With program was focused on local children's centers, this program was transformed in 2018 to assist community organizations in developing their local communities so that community members make necessary improvements on their own and bring positive change to their community. In 2018, the number of Dream With beneficiary organizations amounted to 14 in total.

Support for At-risk Teenagers | This program aims to help at-risk teens - those who have run away from their home, discontinued their education, or who have faced the risk of living a life of crime or being neglected by their family or school - become able members of society. We plan to extend the scope of this program from social family and café business to internship support provided in alignment with local communities.

Support for Children and Teens from Low-Income Families | We provide monthly tuition support to children and teens who face financial difficulties in continuing their education or developing career paths. In 2018, this program benefited 11 children and teens from vulnerable families.

Social Housing Program

Our Social Housing Program was launched in 2016 to help vulnerable individuals resolve their residential insecurity by constructing new homes or remodeling existing ones and then by offering them below market prices (~40% to 80% of market prices). In 2018, we provided a total of 11 social houses to 145 households. We have offered 16 houses to 219 households for youth beneficiaries on a cumulative basis over the years. In 2019, we aim to broaden the types of social housing provided and to benefit 250 households.

**Hankook Donggeurami Partners, a Standard Site to Hire People with Disabilities**

We established a subsidiary as a standard site that hires mentally/physically challenged people, who are often at a disadvantage in the job market, in order to provide them with professional and stable employment. The subsidiary, dubbed Hankook Donggeurami Partners, officially opened in June 2016 and its employees are responsible

for supporting Hankook Tire's administrative work and operating in-house cafeterias, cleaning centers (laundering company uniforms), and bakeries (supplying bread as employee snacks). In alignment with our employee volunteer programs, these employees also volunteer to collect, clean, and deliver the blankets used by nearby social welfare centers.

**Overseas**

Our overseas plants and regional headquarters undertake diverse corporate philanthropic activities that cater to local conditions in order to contribute to the development of local communities and forge closer ties with local residents. Our China Headquarters provides medical expense support for children with disabilities and scholarship support for underprivileged students. At the Europe Headquarters, our Czech Republic sales subsidiary supports injured veterans and makes tire donations, and our Italy sales subsidiary makes donations to build hospitals. Our German

sales subsidiary makes donations in alignment with our promotional programs, and our Hungary Plant operates its own employee volunteer team and makes tire donations. Our America Headquarters provides assistance to those affected by tornadoes and supports the Disabled American Veterans charity (DAV), and our Indonesian plant in the Asia Pacific is constantly engaged in local community development, from medical support and safety training to domestic water supply and school hygiene improvement, in addition to making tire donations.

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
→ Sustainable Innovation Realized

Financial Report

# RISK MANAGEMENT & EMERGENCY RESPONSE

In line with increasing uncertainties in the business landscape, we are tightening our risk management and emergency response. We perform systemic monitoring and take preventive action on a range of financial/non-financial potential risks while developing a business continuity management system and an emergency response system.

## Risk Management

### Financial Risk

In 2018, the U.S.-China trade war aggravated fluctuations in the global economy. Externally, downward pressure continued in Europe, China and other emerging economies while the domestic economy slowed down as its sluggish economic growth resulted in shrinking private sector investment and employment. Still yet, we at Hankook Tire successfully issued global bonds as part of our investment strategy to pursue sustained growth in order to raise our external credibility, and advanced risk management to further stabilize our business operations. We continued to increase the ratio of fixed-rate liabilities in preparation for U.S. interest hikes, and to monitor and manage our financial expenses and currency positions to minimize our risk exposure in the financial market. Furthermore, we promptly share market information through continued internal/external communication to identify variations in

the financial market early on and assist senior management in making decisions efficiently.

### Currency Risk

As our sales operations expanded across the globe, we are now dealing in 31 foreign currencies, including the USD and the Euro. To minimize relevant risks, we use local currencies in conducting current transactions on imports and exports that occur as part of our sales operations and in making fund transactions on deposits and borrowings. In addition, we diversify currency risks and minimize our exchange position by matching currency denominations of collections and payments in principle. If our exchange positions exceed the set limit, however, they are managed in accordance with our currency risk management guidelines that stipulate the definition of currency risks, responsible employees, management procedures, and hedge ratios. Our Financial Risk Management Committee meets periodically on a quarterly basis to develop currency

risk response strategy by region and currency. While natural hedging that matches foreign currency assets with foreign currency liabilities is applied as the fundamental currency management principle, we also employ external risk aversion instruments that use financial products within the approved limits in order to address the currency exposure risks that have already occurred.

### Liquidity Risk

We take a global perspective in managing the debt, liquidity, and short/long-term cash flow of our global headquarters and overseas subsidiaries. We periodically forecast our future cash flow to preemptively manage global liquidity, and take a more conservative stance in liquidity management when faced with turbulent and fast-changing financial market conditions to strengthen the stability of our financial structure. In addition, we adopt integrated liquidity management systems, such as cash pooling, to control liquidity among different overseas

regions. Cash pooling allows for the real-time sharing of funds between companies facing fund shortages and those with fund surpluses, and helps minimize liquidity risks and reduce the burden of fund operations and financial costs. Building on this system, we are fully operating a Global Cash Management System to promote integrated fund management across all our global affiliates and respective regional headquarters.

### Legal Risk

We thoroughly manage legal risks in reviewing the contracts of our domestic and overseas business, in reviewing legal issues in relation to M&A and other project undertakings, in offering legal advice on business conduct to working-level departments, and in resolving disputes that include domestic and overseas litigations and arbitrations. To strengthen our compliance management, we also ensure legal risk prevention in evaluating and improving our collection and use of customer's personal

## OUR INNOVATION

### FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

### INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
→ Sustainable Innovation Realized

Financial Report

information in conformity with the Personal Information Protection Act, in offering sexual harassment prevention training to domestic and overseas worksites, and in assessing and improving our compliance with the Monopoly Regulation and Fair Trade Act in conducting business with affiliates and subcontractors.

#### Emerging Risk: (1) Sustainable Natural Rubber

Approximately 70% of natural rubber is consumed for tire manufacturing, and nearly 85% of natural rubber comes from small holders, which highlights the need for the continuous management of this key raw material. In October 2018, Hankook Tire announced its 'Sustainable Natural Rubber Policy' to elaborate on its social responsibility across the natural rubber supply chain in order to promote the economic, social and environmental sustainability of the natural rubber value chain. This policy aims to ensure that all stakeholders of the natural rubber value chain - growers, dealers, processors and

manufacturers - comply with the laws and regulations of the country where they are based and that they fulfill their social responsibility in the areas of human rights, environment and transparency in business. Specifically, this policy is to improve the quality of life for natural rubber farmers who often suffer from poor living conditions and to increase the productivity and quality of natural rubber. The Tire Industry Project (TIP) that consists of 11 tire makers created a working group for sustainable natural rubber, and the Global Platform for Sustainable Natural Rubber (GPSNR) was launched on October 23, 2018. The GPSNR represents a global platform is joined by diverse stakeholders, from growers, dealers, and processors to manufacturers (in the tire and other rubber industries), automobile companies and NGOs. Hankook Tire is also a member of this platform and will develop and execute detailed actions plans to promote a sustainable natural rubber value chain.

#### Emerging Risk: (2) Tire Wear Particle and PM

When tires perform their main functions of exerting driving and braking forces to the road surface, friction occurs between tires and the road and this inevitably results in tire abrasion. Some research centers published their study outcomes that tire wear particles significantly contributed to particulate matter (PM) concentration in ambient air, and such data is continuously cited and used by media outlets, even though the Ministry of Environment released official documents saying such study outcomes had an error. As PM issues draw increasing attention from the government and the general public, there is a growing interest in identifying the impact of tire abrasion on airborne PM. Therefore, dissemination of inaccurate information may tarnish our image as a tire maker and even results in the adoption of excessive regulations on tire products. Since 2006, the Tire Industry Project (TIP) has conducted scientific studies to develop methodology to collect and identify Tire and Road Wear Particles (TRWP),

and confirmed that TRWP do not pose any severe threat to human health and the environment and that they comprise only a small percentage (1% or less) of total airborne PM2.5 (PM smaller than 2.5 micrometers in diameter). These particles are the physical debris produced as a result of tires' performing their basic functions, and if friction does not occur between tires and the road, this could impact the safety of both drivers and passengers. At Hankook Tire, we make sustained R&D investments to minimize tire abrasion and improve tire durability without compromising other essential tire functions.

## Emergency Response

### Business Continuity Management System (BCMS)

Our Daejeon, Keumsan, and Hungary Plants remain certified in accordance with the ISO22301 (Business Continuity Management System, BCMS) standards. The ISO22301 international standards ensure that companies are able to maintain their business continuity by swiftly normalizing their core functions when facing the risk of business discontinuation due to expected events such as accidents and disasters. We identified all business activities that directly or indirectly support our production, from the purchase of raw/subsidiary materials to manufacturing and delivery, and developed our own business continuity plans to respond to any risks that may affect our business operations. Furthermore, we created an emergency response task force to create manuals to follow the predefined processes and systematically and promptly respond to accidents and disasters while performing

annual mock drills to improve our skills in responding to emergency situations. We aim to expand such certification systems across our entire business operations to keep our employees safe and normalize our business within the shortest possible timeframe in the face of emergency. In so doing, we vow to minimize any impact on our customers and stakeholders.

### Safety

To make sure that our work environment is free from any accidents or injuries, we increased our EHS investments and are building a safety-driven culture while offering musculoskeletal disease prevention and psychological counseling programs. In addition, the EHS Innovation TFT and the Health and Safety Advisory Committee are under operation to swiftly respond to EHS issues and fundamentally reduce relevant risks. These preventive endeavors surely help us maintain an even healthier and safer workplace. We also created

a labor-management-government taskforce team joined by our labor union and the Daejeon Regional Employment and Labor Administration to perform joint health and safety inspections as well as progress reviews on our health and safety action plans on a monthly basis. These endeavors allowed us to strengthen our shop floor safety management system to improve our execution of necessary improvements while advancing safety management based on consensus and common understanding among labor, management and government. In 2019, we plan to complete our transfer into the ISO45001 certification and to establish and upgrade our safety culture in order to evolve into a global leader in health and safety management.

### Fire

We have obtained and maintained multiple certifications, including the Process Safety Management (PSM) certification, through annual examinations with an aim

to advance sustainability management even in the face of such possible emergencies as fires, explosions, earthquakes, and heavy snowfalls. We have also received biannual legally-mandatory fire inspections performed by professionals as well as inspections conducted by the Korean Fire Protection Association and the Korea Occupational Safety and Health Agency in a bid to make necessary improvements and investments. Our Integrated Control Centers employ dedicated EHS staff to ensure prompt response to emergency, and we do our utmost in protecting the safety of our employees and company assets. To help our EHS staff improve their capacity, we provide training with the help of external professional organizations. We also minimize fire risks by reinforcing our internal maintenance and repair capacity to address the failure of fire extinguishing equipment. We build thorough preparedness against potential fire risk factors by conducting joint fire drills at least on an annual basis as well as a range of in-house fire response exercises.

**OUR INNOVATION**

**FUTURE INNOVATED**

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

**INNOVATION REALIZED**

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

# FINANCIAL REPORT

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

→ Financial Report

# I . Company Overview

## 1. Purpose

1. Manufacturing, recycling, processing and sales of automotive tires, tubes, and parts
2. Manufacturing and sales of rubber products and special chemical products
3. Technology services related to the manufacturing of a variety of tires and other rubber products
4. Manufacturing and sales of storage batteries
5. Manufacturing and sales of automotive parts
6. Maintenance and repair of automobiles
7. Manufacturing, assembly, lease and sales of machinery, industrial equipment and components
8. Housing business as well as the sales and rental of residential buildings
9. Development, sales, purchase, and rental of real estate
10. Transportation, transportation-related services, storage, and warehousing
11. Import and export business as well as wholesale and rental
12. Manufacturing and sales of new materials and non-metal products
13. Manufacturing, assembly and sales of transportation equipment and parts
14. Collection and disposal of waste
15. Gas station business
16. Educational services
17. Internet business as well as information and communications business
18. Sports facilities, golf resorts, and comprehensive leisure business
19. Sales of intangible assets including the knowledge and information held by the company as well as services related to its business
20. Electronic commerce and related services
21. Development, manufacturing, and sales of fuel cell separator plates and components as well as research services
22. Any and all other businesses incidental to any of the foregoing

## 2. Primary Business

Manufacturing, recycling, processing, and sales of automotive tires, tubes, and parts

## 3. Business Sites and Plants

Name of Business Sites/Plants	Main Business or Product	Location
Headquarters	Sales and administration	133 Teheran-ro (Yeoksam-dong), Gangnam-gu, Seoul, Korea
Daejeon Plant	Tire manufacturing	40, Daedeok-daero 144beon-gil, Daedeok-gu, Daejeon, Korea
Keumsan Plant	Tire manufacturing	1, Geumgang-ro, Jewon-myeon, Geumsan-gun, South Chungcheong Province, Korea
Hankook Technodome (Main R&D center)	Technology research	50, Yuseong-daero 935beon-gil, Yuseong-gu, Daejeon, Korea
Listed on the Dow Jones Sustainability Index World (DJSI World) for three consecutive years	Tire sales	387, Ahasan-ro, Guri City, Gyeonggi Province, Korea, and other locations
31 overseas subsidiaries and sales offices including the Jeddah Office	Tire sales	P.O. Box 5922, Jeddah 21432, Kingdom of Saudi Arabia, and other locations
Overseas technology centers and technology offices (4 including ATC)	Technology research	3535 Forest Lake Drive Uniontown, Ohio 44685, and other locations

## 4. Employee Data

Executives	Office Staff	Operators	Total
35	2,313	4,595	6,943

OUR INNOVATION

FUTURE INNOVATED

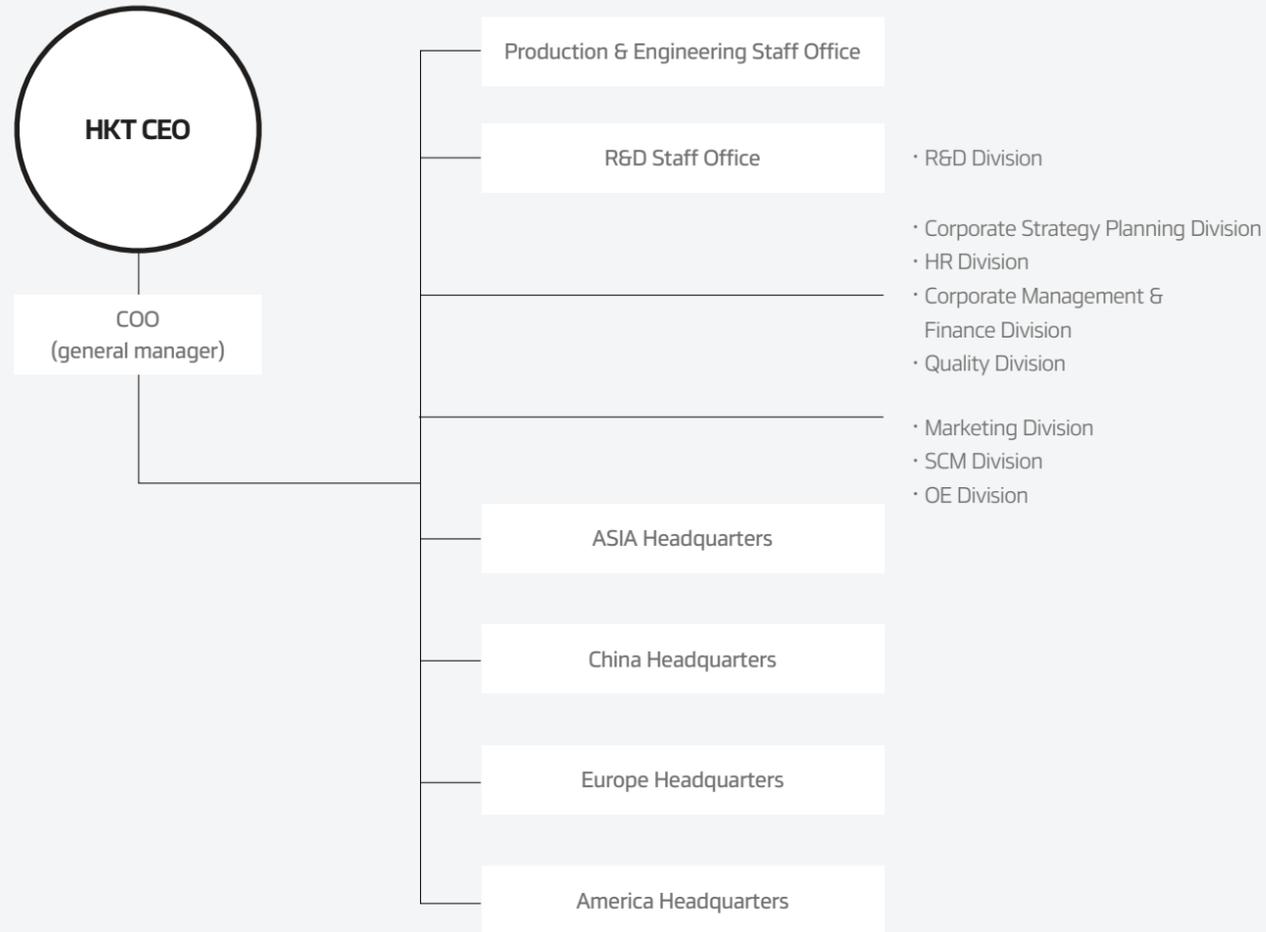
2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

5. Organizational Structure



6. Stock Information

(unit: No. of shares / KRW 1,000)

① Type and Number of Shares Issued

Type of Stock	Number of Shares	Amount	Ratio	Note
Common stock	123,875,069	61,937,535	100%	
<b>Total</b>	<b>123,875,069</b>	<b>61,937,535</b>	<b>100%</b>	

② Change in Capital Stock

(unit: No. of shares / KRW 1,000)

Date	Type of Stock	Number of Shares	Capital Stock after Capital Increase (Decrease)	Capital Increase (Decrease)	Description
2012.09.01	Common stock	123,875,069	61,937,535	61,937,535	Established through spin-off

※ No change occurred in capital stock over the past five years

③ Stock Administration

Closing Date	December 31 <sup>st</sup>			
Book Closure Period	January 1 <sup>st</sup> to January 31 <sup>st</sup>	Record Date	December 31 <sup>st</sup>	
Announcement	http://kr.hankooktire.com / Seoul Economic Daily			
Type of Stock	Registered common stock			
Stock Administration	Name of Agent	Korea Securities Depository		
Agency	Administration Office	40, Munhyeongeumyung-ro (Munhyeon-dong, Busan International Finance Center), Nam-gu, Busan, Korea		

7. Debenture Information

(unit: No. of shares / KRW 1,000)

Type of Debenture	Date of Issuance	Amount Issued	Interest Rate	Balance	Maturity Date	Guarantor
Non-guaranteed debenture No. 83-2	Mar. 12 <sup>th</sup> , 2015	250,000,000	2.23%	250,000,000	Mar. 12 <sup>th</sup> , 2020	-
<b>Total</b>		<b>250,000,000</b>		<b>250,000,000</b>		

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

## II . Operational Progress and Performance

### 1. Business Overview

Refer to the 'CEO's Message'

### 2. Production Status by Main Business Unit or Product

(unit: No. of tire / KRW 1,000)

Business Unit/Main Product	Production			
	2018		2017	
	Quantity	Value	Quantity	Value
Tire	36,750,562	1,930,055,911	37,532,492	1,975,646,280
<b>Total</b>	<b>36,750,562</b>	<b>1,930,055,911</b>	<b>37,532,492</b>	<b>1,975,646,280</b>

### 3. Product Sales Performance

(unit: KRW 1,000)

Sales Status	Type of Sales	Category	2018	2017
Finished Goods	Tires	Domestic sales	754,746,434	805,718,900
		Exports	2,024,819,185	2,141,869,632
		Subtotal	2,779,565,619	2,947,588,532
Trading Goods	Tires, tubes, batteries, etc.	Domestic sales	158,685,885	184,977,933
		Exports	134,044,407	130,638,315
		Subtotal	292,730,292	315,616,248
Other Sales	Services, engineering services, leases, etc.	Domestic sales	2,431,416	3,414,461
		Exports	118,501,933	-
		Subtotal	120,933,349	3,414,461
<b>Total</b>		Domestic sales	915,863,735	994,111,294
		Exports	2,277,365,525	2,272,507,947
		Subtotal	3,193,229,260	3,266,619,241

### 4. Major Facility Construction, Expansion, and Financing

#### ① Expansion

(unit: KRW 1,000)

Site	Investment Details	Investment Schedule	Investment Size
Hankook Tire	Capacity building	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	12,827,174
	Cost improvement	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	948,636
	Supplementary investment	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	51,291,016
	R&D	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	37,956,955
	IT investment	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	3,307,698
	Expansion investment	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	68,895,791
	Quality improvement	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	4,800,333
	Others	Jan. 1 <sup>st</sup> , 2018 ~ Dec. 31 <sup>st</sup> , 2018	7,108,358
	<b>Total</b>		<b>187,135,962</b>

#### ② Funds Required and Raised

(unit: KRW 1,000)

Category	Funding Source	Amount	Note
Domestic Funds	Facility funds	-	
	Corporate bonds	-	
	Internal funds	187,135,962	
	Total domestic funds	187,135,962	
Overseas Funds	Loans in foreign currencies	-	
	Internal funds	-	
	Total overseas funds	-	
<b>Total Investment</b>	<b>Total funds raised</b>	<b>187,135,962</b>	

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

## III. Snapshot of the Parent Company, Subsidiaries, and Affiliated Companies

### 1. Status of the Parent Company

N/A

### 2. Status of Subsidiaries

Company Name and Location	Relationship with the Company				
	Capital Stock	Primary Business	Shareholding (No. of shares)	Stock Ownership (%)	Business Relationship
Hankook Tire America Corp. Location: 333 Commerce st. Suite 600. Nashville, TN 37201, U.S.A.	USD 178,000,000.00	Tire sales	35,600	100.00	Tire sales
Hankook Tire Canada Corp. Location: 30 Resolution Drive, Brampton, ON, L6W 0A3, Canada	CAD 50,000.00	Tire sales	50,000	100.00	Tire sales
Hankook Tire DE Mexico, S.A. DE C.V. Location: Av. Paseo de las Palmas 735, 7º Piso Col. Lomas de Chapultepec III Seccion, C.P 11000, Mexico, D.F.	MXN 3,600,000.00	Tire sales	9,999	99.99	Tire sales
Hankook Tire de Colombia Ltda. Location: Calle 100 N° 19 -54 Oficina 301, Bogotá, Colombia	COP 203,500,000.00	Tire sales	999	99.99	Tire sales
Hankook Tire Europe Holdings B.V. Location: Siriusdreef 35, 2132 WT, Hoofddorp, The Netherlands	EUR 39,025,300.00	Holding Company	390,253	100.00	Others
Hankook Tire Netherlands B.V. Location: Siriusdreef 35, 2132 WT, Hoofddorp, The Netherlands	EUR 1,593,676.12	Tire sales	(*)	100.00	Tire sales
Hankook Tyre U.K. Ltd. Location: Fawsley Drive, Heartlands Business Park, Daventry, Northamptonshire NN11 8UG, U.K.	GBP 25,000.00	Tire sales	25,000	100.00	Tire sales
Hankook Reifen Deutschland GmbH Location: Siemensstraße 14, 63263, Neu-Isenburg, Germany	EUR 127,822.97	Tire sales	(*)	100.00	Tire sales
Hankook France S.A.R.L. Location: Immeuble Le Patio, 35-37 Rue Louis Guérin, 69100 Villeurbanne, France	EUR 1,190,561.27	Tire sales	(*)	100.00	Tire sales
Hankook España S. A. Location: Calle Teide nº 3, Planta 3ª, Oficina 3, 28703 San Sebastián de los Reyes Madrid, Spain	EUR 60,101.21	Tire sales	(*)	100.00	Tire sales
Hankook Tire Japan Corp. Location: 9th Fl, Naniwasuji Honmachi Mid Bldg.2-3-2, Utsubo-Honmachi, Nishi-ku, Osaka, Japan	JPY 100,000,000.00	Tire sales	2,000	100.00	Tire sales
Hankook Tyre Australia Pty., Ltd. Location: Building A, Level 3, 11 Talavera Road, Macquarie Park, NSW 2113, Australia	AUD 1,575,000.00	Tire sales	(*)	100.00	Tire sales
PT. HANKOOKTIRE INDONESIA Location: Jl. Sultan Iskandar Muda, Gandaria 8 Office tower, 22nd Floor, Kebayoran Lama, Jakarta Selatan, 12240 Jakarta, Indonesia	USD 271,000,000.00	Tire manufacturing	270,999	99.99	Tire sales

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

2. Status of Subsidiaries

Company Name and Location	Relationship with the Company				
	Capital Stock	Primary Business	Shareholding (No. of shares)	Stock Ownership (%)	Business Relationship
Hankook Tire Thailand Co.,Ltd. Location: #140 One Pacific Place Bldg, 15 floor, Rm 1505-1506 Sukhumvit Rd., Klongtoey, Bangkok 10110, Thailand	THB 103,000,000.00	Tire sales	1,029,998	99.99	Tire sales
Hankook Tire Malaysia Sdn.Bhd. Location: 32-01(a), Premier Suite, Menara 1MK, Kompleks 1 Mont' Kiara, No.1, Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur, Malaysia	MYR 1,218,440.00	Tire sales	1,000,000	100.00	Tire sales
Hankook Tire Singapore Pte. Ltd Location: 24 Raffles Place, 11-05 Clifford Centre, Singapore 048621	USD 1,000,000.00	Tire sales	(*)	100.00	Tire sales
Hankook Tire China Co., Ltd. Location: Dong Fang Road, Jiaxing Edg, Jiaxing Zhejiang, China 314003	CNY 1,608,696,155.83	Tire manufacturing	(*)	96.37	Tire sales
Jiangsu Hankook Tire Co., Ltd. Location: No.108 Changan Avenue, Yuzui town, Jiangbei district, Chongqing, China 401133	CNY 1,575,973,631.23	Tire manufacturing	(*)	34.67	Others
Chongqing Hankooktire Co., Ltd. Location: No.108 Changan Avenue, Yuzui town, Jiangbei district, Chongqing, China 401133	CNY 1,346,432,000.20	Tire manufacturing	(*)	100.00	Tire sales
Hankook Tire Latam, S.A.. Location: Oceania Business Plaza, Torre 1000, Oficina 30C, Punta Pacifica, Panama, Republica de Panama	USD 50,000.00	Tire sales	100	100.00	Tire sales
Hankook Tire Latin America Distribution Center, S.A. Location: Oceania Business Plaza, Torre 1000, Oficina 30C, Punta Pacifica, Panama, Republica de Panama	USD 300,000.00	Tire sales	300	100.00	Tire sales
Hankook Tires India LLP Location: The Unit Number 703~705 Palm Spring Plaza, Golf Course Road, Sector-54, Gurgaon Haryana, India	USD 1,323,164.09	Tire sales	9,99	99.99	Tire sales
Hankook Tyre Australia Retail Pty.,Ltd. Location: Building A, Level 3, 11 Talavera Road, Macquarie Park, NSW 2113, Australia	AUD 70,812,000.00	Tire sales	7,081,200	100.00	Tire sales
MK Technology Co., Ltd. Location: 45, Munpyeongseo-ro, Daedeok-gu, Daejeon, Korea	KRW 7,006,800,000	Mold manufacturing	3,507,000	50.10	Mold sales
Daehwa Engineering & Machinery Co., Ltd. Location: 30, 52beon-gil, Daehwa-ro, Daedeok-gu, Daejeon, Korea	KRW 2,000,000,000	Machinery manufacturing	380,000	95.00	Facility sales
Hankook Donggeurami Partners Co., Ltd. Location: 40, 1447beon-gil (Moksang-dong), Daedeokgu, Daejeon, Korea	KRW 900,000,000	Retail business	1,800,000	100.00	Others
KCG No. 1 private equity joint venture Location: 101, Yeouigongwon-ro, Youngdeungpo-gu, Seoul	KRW 23,750,000,000	Financing	-	80.00	Others
Model Solution, Ltd. 333-22, Doksan-dong, Geumcheon-gu, Seoul	KRW 938,235,000	Mold manufacturing	140,735	75.00	Others

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report



### 3. Interlocking Directors between the Parent and Subsidiary Companies

Directors Holding Multiple Positions		Interlocked Company		
Name	Position	Company Name	Position	Note
Hyun Bum Cho	CEO	MK Technology	Director	Non-executive director
Jong Ho Park	Executive Vice President	MK Technology	Auditor	-
	Executive Vice President	Model Solution, Ltd.	Auditor	-
Chang Hee Choi	Vice President	Hankook Donggeurami Partners	CEO	Non-executive director
Min Soo Choi	Vice President	Daehwa Engineering & Machinery	Director	-
Young Kook Choi	Vice President	Daehwa Engineering & Machinery	Auditor	-
Young Su Choi	Vice President	Hankook Donggeurami Partners	Auditor	-

## IV. Operational Performance and Assets over the Past Three Years

### 1. Operational Performance

(unit: KRW 1,000)

Item	7 <sup>th</sup> Period	6 <sup>th</sup> Period	5 <sup>th</sup> Period
Sales	3,193,229,260	3,266,619,241	3,312,163,223
Cost of sales	2,295,365,671	2,264,159,840	2,146,707,772
Gross profit	897,863,589	1,002,459,401	1,165,455,451
Selling and administrative expenses	567,078,572	677,385,395	656,092,521
R&D expenses	174,940,328	162,230,742	151,544,769
Operating profit	155,844,689	162,843,264	357,818,161
Financial income	72,404,435	106,805,307	83,444,468
Financial cost	96,922,712	92,511,032	117,369,770
Other income	278,107,897	269,834,701	342,409,766
Other expenses	59,844,998	108,907,098	99,457,728
Profit before income tax	349,589,311	338,065,143	566,844,898
Income tax expenses	105,653,555	48,627,535	141,888,743
Net income	243,935,756	289,437,607	424,956,155
Other comprehensive income	7,426,426	16,708,225	(6,722,653)
Total comprehensive income for the period	236,509,330	306,145,832	418,233,501
Earnings per share			
Basic and diluted earnings per share	KRW 1,970	KRW 2,337	KRW 3,431

### 2. Assets

(unit: KRW 1,000)

Item	7 <sup>th</sup> Period	6 <sup>th</sup> Period	5 <sup>th</sup> Period
<b>Assets</b>			
<b>Current assets</b>	<b>2,029,213,971</b>	<b>1,849,739,350</b>	<b>1,874,163,605</b>
Cash and cash equivalents	144,575,887	130,080,012	72,963,541
Shor-term financial assets	-	-	94,181,814
Trade and other receivables	1,075,534,874	1,019,248,024	1,032,507,929
Inventories	339,777,939	342,250,881	349,874,862
Other financial assets	454,423,262	342,943,988	312,699,850
Other current assets	14,902,008	15,216,445	11,935,608
<b>Non-current assets</b>	<b>4,255,293,388</b>	<b>4,166,231,611</b>	<b>4,094,603,427</b>
Long-term financial assets	12,000	12,000	12,000
Available-for-sale financial assets	-	389,865	389,865
Financial assets at fair value through other comprehensive income	20,219,105	-	-
Financial assets at fair value through profit or loss	1,500,000	-	-
Investment in associates	1,061,740,386	1,061,740,386	1,061,740,386
Investment in subsidiaries	1,418,204,397	1,330,288,733	1,267,875,436
Tangible assets	1,504,947,783	1,531,654,215	1,545,616,412
Investment properties	106,800,884	108,275,471	109,004,831
Intangible assets	35,468,767	42,559,322	33,232,398
Other financial assets	19,866,331	17,297,426	19,255,119
Other non-current assets	52,586,640	55,155,097	57,476,980
Net defined benefit assets	-	11,690,944	-
Deferred tax assets	33,947,096	7,168,152	-
<b>Total assets</b>	<b>6,284,507,359</b>	<b>6,015,970,961</b>	<b>5,968,767,032</b>
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>1,160,191,241</b>	<b>1,421,202,051</b>	<b>1,359,986,720</b>
Trade and other payables	451,424,872	410,129,437	482,884,437
Borrowings	543,863,284	903,712,016	697,439,339
Current tax liabilities	82,901,023	27,041,249	83,525,356
Provisions	45,318,677	37,423,072	41,642,810
Other financial liabilities	5,605,246	6,915,600	8,546,063
Other current liabilities	31,078,138	35,980,678	45,948,716
<b>Non-current liabilities</b>	<b>629,744,044</b>	<b>287,165,093</b>	<b>557,781,254</b>
Borrowings	582,893,733	249,675,443	499,724,432
Net defined benefit liabilities	3,585,793	-	13,496,153
Deferred tax liabilities	-	-	1,151,948
Provisions	24,161,982	15,588,344	20,408,794
Other financial liabilities	2,394,857	4,617,955	5,655,063
Other non-current liabilities	16,707,679	17,283,351	17,344,863
<b>Total liabilities</b>	<b>1,789,935,284</b>	<b>1,708,367,144</b>	<b>1,917,767,974</b>
<b>Equity</b>			
Capital stock	61,937,535	61,937,535	61,937,535
Other paid-in capital	2,457,107,991	2,457,107,991	2,457,107,991
Retained earnings	1,987,821,618	1,788,558,292	1,531,953,532
<b>Total equity</b>	<b>4,494,572,075</b>	<b>4,307,603,818</b>	<b>4,050,999,058</b>

OUR INNOVATION

FUTURE INNOVATED

- 2018 Highlights
- CEO's Message
- Company Profile
- Financial Highlights
- Market Analysis

INNOVATION REALIZED

- Technology Innovation Realized
- Brand Innovation Realized
- Sustainable Innovation Realized

→ Financial Report

## V. Future Challenges

Refer to the 'CEO's Message'

## VI. Directors and Auditors

Executive/ Non-Executive/ Executive	Name	Position	Main Responsibility	Transactions with the Company	Note
	Hyun Bum Cho	President, CEO (inside director)	General management	-	President, Hankook Tire Worldwide (non-registered executive) Director, MK Technology
	Soo Il Lee	President, COO (inside director)	General management		
	Chung Hwan Cho	Audit Committee Chair (outside director)	Audit	-	
	Seong Phil Hong	Audit Committee member (outside director)	Audit	-	
	Chang Wha Chung	Audit Committee member (outside director)	Audit	-	

※ As a result of the regular General Shareholders' Meeting held on March 26th of 2018, Executive Director Seung Hwa Suh resigned, Executive Director Hyun Bum Cho was re-appointed, Executive Director Soo Il Lee was newly appointed, Non-Executive Director Kun Ho Cho resigned, Non-Executive Directors Choong Hwan Cho and Seong Phil Hong were re-appointed, and Non-Executive Director Chang Wha Chung was newly appointed.

## VII. Major Shareholders

Shareholder Name	Shareholding (No. of shares)	Ownership (%)	Transactions with the Company	Note
Hankook Tire Worldwide Co., Ltd. and others	52,965,847	42.75	-	
National Pension Service	8,825,371	7.12	-	
THE GOVERNMENT OF SINGAPORE	1,935,913	1.56	-	
HARDING, LOEVNER FUNDS, INC.INSTITUTIONA	1,606,759	1.29	-	
HARDING LOEVNER FUNDS,INC-EMERGING MARKET	1,264,462	1.02	-	

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

## VIII. Investments in Other Companies

Name of Company	Investor	Investment in Other Companies		Investment by Other Companies in the Company	
		Shareholding Ownership (%)	Ownership (%)	Shareholding Ownership (%)	Ownership (%)
Hankook Tire America Corp.	Hankook Tire Co., Ltd.	35,600	100.00	-	-
Hankook Tire Canada Corp.	Hankook Tire Co., Ltd.	50,000	100.00	-	-
Hankook Tire DE Mexico, S.A. DE C.V.	Hankook Tire Co., Ltd.	9,999	99.99	-	-
	Hankook Tire America Corp.	1	0.01	-	-
Hankook Tire de Colombia Ltda.	Hankook Tire Co., Ltd.	999	99.90	-	-
	Hankook Tire America Corp.	1	0.10	-	-
Hankook Tire Manufacturing Tennessee LP	Hankook Tire America Holdings I, LLC	340	1.00	-	-
	Hankook Tire America Holdings II, LLC	33,660	99.00	-	-
Hankook Tire America Holdings I, LLC	Hankook Tire America Corp.	342	100.00	-	-
Hankook Tire America Holdings II, LLC	Hankook Tire America Corp.	33,662	100.00	-	-
Hankook Tire Europe Holdings B.V.	Hankook Tire Co., Ltd.	390,253	100.00	-	-
Hankook Tire Netherlands B.V.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tyre U.K. Ltd.	Hankook Tire Co., Ltd.	25,000	100.00	-	-
Hankook Reifen Deutschland GmbH	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire France S.A.R.L.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Italia S.R.L.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook España S. A.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Hankook Tire Europe GmbH	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Hungary Ltd.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Budapest Kereskedelmi Kft.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Rus LLC	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Sweden AB	Hankook Tire Europe Holdings B.V.	500	100.00	-	-
Hankook Lastikleri A.S.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Polska Sp. z o.o.	Hankook Tire Europe Holdings B.V.	100	100.00	-	-
Hankook Tire Česká republika s.r.o.	Hankook Tire Europe Holdings B.V.	(*)	100.00	-	-
Hankook Tire Japan Corp.	Hankook Tire Co., Ltd.	2,000	100.00	-	-
Hankook Tyre Australia Pty., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
PT. HANKOOKTIRE INDONESIA	Hankook Tire Co., Ltd.	270,999	99.99	-	-
Hankook Tire Thailand Co.,Ltd.	Hankook Tire Co., Ltd.	1,029,998	99.99	-	-
	Hankook Tire Singapore Pte. Ltd	1	0.01	-	-
Hankook Tire Malaysia Sdn.Bhd.	Hankook Tire Co., Ltd.	1,000,000	100.00	-	-
Hankook Tire Singapore Pte. Ltd	Hankook Tire Co., Ltd.	(*)	100.00	-	-

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Name of Company	Investor	Investment in Other Companies		Investment by Other Companies in the Company	
		Shareholding Ownership (%)	Ownership (%)	Shareholding Ownership (%)	Ownership (%)
Hankook Tire China Co., Ltd.	Hankook Tire Co., Ltd.	(*)	96.37	-	-
	Hankook Tire America Corp.	(*)	3.63	-	-
Jiangsu Hankook Tire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	34.67	-	-
	Hankook Tire China Co., Ltd.	(*)	64.86	-	-
	Hankook Tire America Corp.	(*)	0.47	-	-
Shanghai Hankook Tire Sales Co., Ltd.	Hankook Tire China Co., Ltd.	(*)	66.00	-	-
	Jiangsu Hankook Tire Co., Ltd.	(*)	34.00	-	-
Chongqing Hankooktire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-
Beijing Jielun Trading Company Co.,Ltd.	Shanghai Hankook Tire Sales Co., Ltd.	(*)	100.00	-	-
MK Technology Co., Ltd.	Hankook Tire Co., Ltd.	3,507,000	50.10	-	-
MK Mold(Jiaxing) Co., Ltd.	MK Technology Co., Ltd.	(*)	100.00	-	-
MK Technology(CHONGQING) Mould Co., Ltd.	MK Technology Co., Ltd.	(*)	100.00	-	-
Daehwa Engineering & Machinery Co., Ltd.	Hankook Tire Co., Ltd.	380,000	95.00	-	-
Hankook Donggeurami Partners Co., Ltd.	Hankook Tire Co., Ltd.	1,800,000	100.00	-	-
Daehwa Eng&Machinery Jiaxing Co.,Ltd.	Daehwa Engineering & Machinery Co., Ltd.	(*)	15.00	-	-
Hankook Donggeurami Partners Co., Ltd.	Hankook Tire Co., Ltd.	20,806,200	19.49	-	-
Hankook Tire Latam, S.A.	Hankook Tire Co., Ltd.	100	100.00		
Hankook Tire Latin America Distribution Center, S.A.	Hankook Tire Co., Ltd.	300	100.00		
Hankook Tires India LLP	Hankook Tire Co., Ltd.	9,999	99.99		
	Hankook Tire Singapore Pte. Ltd	1	0.01		
Hankook Tyre Australia Retail Pty.,Ltd.	Hankook Tire Co., Ltd.	7,081,200	100.00		
JAX Quickfit Franchising Systems Unit Trust.	Hankook Tyre Australia Retail Pty.,Ltd.	(*)	100.00		
JAX Quickfit Franchising Systems Pty Ltd.	Hankook Tyre Australia Retail Pty.,Ltd.	(*)	100.00		
JAX Quickfit Properties Pty Ltd.	Hankook Tyre Australia Retail Pty.,Ltd.	(*)	100.00		
KCG No. 1 private equity joint venture	Hankook Tire Co., Ltd.	(*)	80.00		
Model Solution, Ltd.	Hankook Tire Co., Ltd.	140,735	75.00		
Hankook Tire Ukraine LLC	Hankook Tire Europe Holdings B.V.	(*)	100.00		
Reifen-Muller KG	Hankook Tire Europe GmbH	25,000	100.00		
Reifen-Muller Runderneuerung BV	Hankook Tire Europe GmbH	(*)	100.00		
RM Verwaltungs GmbH	Hankook Tire Europe Holdings B.V.	25,000	100.00		
ModelSolution Inc.	Model Solution Ltd.	(*)	100.00		

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report



## IX. Major Creditors

N/A

## X. Subsequent Events

N/A

## X I . Other Important Events

N/A

## X II . Audit Committee's Report

### Audit's Report

The Audit Committee has completed an audit of the Company's accounting records and business operations for for its 7<sup>th</sup> fiscal year that started on January 1, 2018 and ended on December 31, 2018 and the results are as follows:

#### 1. Audit Methodology Overview

Accounting ledgers, related documents, financial statements and supplementary schedules were closely reviewed for the purpose of the accounting audit. The Committee made comparisons, performed due diligence, called on relevant personnel, raised inquiries and took other appropriate audit procedures, if deemed necessary.

To audit business operations, the Committee Members attended Board of Directors' meetings and other important meetings; asked directors for operational reports if found necessary; read and closely reviewed documents related to key business processes and took other appropriate measures.

#### 2. Statement of Financial Position, Income Statement and Cash Flow Statement

Hankook Tire's property, profits and losses as well as cash flows are accurately presented in its statement of financial position, income statement and cash flow statement according to relevant laws and regulations as well as its Articles of Incorporation.

#### 3. Statement of Appropriations of Retained Earnings

The Statement of Appropriations of Retained Earnings is in line with relevant laws and regulations as well as the Company's Articles of Incorporation. It also presents the Company's financial status and other conditions appropriately.

#### 4. Operating Reports

Operating reports accurately capture the Company's circumstances according to relevant laws and regulations as well as its Articles of Incorporation.

Mar. 12<sup>th</sup>, 2019

**Choong Hwan Cho**

Hankook Tire

Chairman Audit Committee

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

## X III. Independent Auditor's Report - Separate Financial Statements

To the Board of Directors and Shareholders of Hankook Tire Co., Ltd.

### Opinion

We have audited the accompanying separate financial statements of Hankook Tire Co., Ltd. (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of Hankook Tire Co., Ltd. as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of Finished Goods Inventories

##### Key Audit Matter

As disclosed in Note 10 to the separate financial statements, the Company's finished goods amount to ₩140,994 million as at December 31, 2018. Inventories are initially measured at cost, and the amount of write down should be recognized when inventories have become damaged, obsolete, or if their net realizable value have declined, and is less than the cost. We considered that valuation of finished goods inventories is a key audit matter because the determination of the net realizable value of the finished goods inventories involves the significant level of management's judgements.

##### How our audit addressed the Key Audit Matter

We have performed the following audit procedures in relation to the above key audit matter:

- We reviewed appropriateness of accounting policy on valuation of finished goods inventories.
- We assessed design and effectiveness of major internal controls relating to the valuation process of net realizable value and obsolescence of finished goods inventories.
- We tested the accuracy and completeness of aging data for finished goods inventories through sampling.
- We verified whether the Company's actual recent selling price is consistent with the estimated selling price used in calculation of net realizable value of finished goods inventories through sampling.
- We recalculated valuation allowance of finished goods prepared by the Company.

##### Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report



provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Kwon Ryoo, Certified Public Accountant.

Seoul, Korea

March 20, 2019

This report is effective as of March 20, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

## OUR INNOVATION

### FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

### INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

## X III. Independent Auditor's Report - Consolidated Financial Statements

To the Board of Directors and Shareholders of  
Hankook Tire Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of Hankook Tire Co., Ltd. and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### (1) Valuation of Finished Goods Inventories

##### Key Audit Matter

As disclosed in Note 10 to the consolidated financial statements, the Group's finished goods amount to ₩1,087,672 million as at December 31, 2018, representing 11.1% of total assets which is significant to the Group. Inventories initially measured at cost are to be decreased in value if those inventories are damaged, if they have become obsolete, or if their estimated net realizable value is less than the cost. We considered that valuation of finished goods inventories is a key audit matter because the determination of the net realizable value of the finished goods inventories involves the significant level of management's judgements.

##### How our audit addressed the Key Audit Matter

We have performed the following audit procedures in relation to the above key audit matter:

- We reviewed appropriateness of accounting policy on valuation of finished goods inventories.
- We assessed design and effectiveness of major internal controls on net realizable value and valuation process of obsolescence of finished goods inventories.
- We tested the accuracy and completeness of aging data for finished goods inventories through sampling.
- We verified whether the Group's actual recent selling price is consistent with the estimated selling price used in calculation of net realizable value of finished goods inventories through sampling.
- We recalculated valuation allowance of finished goods prepared by the Group

#### (2) Appropriateness of allocation of purchase consideration when Business Combination over Model Solution Co.,Ltd.

##### Key Audit Matter

As disclosed in Note 37 to the consolidated financial statements, in May 2018, the Group acquired 75% of issued shares of Model Solution Co.,Ltd. and obtained control over Model Solution Co., Ltd. The Group accounted for the acquisition in accordance with K-IFRS 1103 Business Combinations. The purchase consideration of ₩68,625 million was allocated to various assets and liabilities acquired. The purchase price allocation relies on fair value estimates. The Group engaged an independent external expert to assist the Group in valuation of the main tangible and intangible assets acquired. We considered that the appropriateness of allocation of purchase consideration is a key audit matter given the size of the purchase consideration and the significant level of management's judgment involved for the valuation.

##### How our audit addressed the Key Audit Matter

We have performed the following audit procedures for the key audit matter. We included expert in value assessment when performing audit procedure.

- We tested the terms of acquisition through reviewing shares acquisition agreement.
- We reviewed capability and related experience (independence and suitability) of the expert that the management used in value-in-use valuation.
- We assessed the adequacy of the method to determinate valuation in acquired identifiable intangible asset and other assets and liability acquired.
- We assessed whether key basic assumptions and variables used to determine fair value are consistent with valuation in other area, and whether if it is rational, and tested the accuracy of calculation.
- We assessed the adequacy of past business plan estimation by comparing the past business plan against the performance for Model Solution Co.,Ltd.
- We assessed the appropriateness of disclosed note in the consolidated financial statements related to purchase price allocation.

## OUR INNOVATION

### FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

### INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report



### Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit

evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Seung-Kwon Ryoo, Certified Public Accountant.

Seoul, Korea  
March 20, 2019

*Sanil PricewaterhouseCoopers*

This report is effective as of March 20, 2019, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

## X IV. Financial Statements

### Non-Consolidated Financial Statements

(unit: KRW)

#### Hankook Tire Co., Ltd.

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
<b>Assets</b>		
<b>Current assets</b>	<b>2,029,213,970,981</b>	<b>1,849,739,350,300</b>
Cash and cash equivalents	144,575,886,793	130,080,012,134
Trade and other receivables	1,075,534,874,419	1,019,248,024,450
Inventories	339,777,939,326	342,250,880,692
Other financial assets	454,423,262,117	342,943,988,453
Other current assets	14,902,008,326	15,216,444,571
<b>Non-current assets</b>	<b>4,255,293,388,422</b>	<b>4,166,231,610,841</b>
Long-term financial assets	12,000,000	12,000,000
Available-for-sale financial assets	-	389,865,000
Financial assets at fair value through other comprehensive income	20,219,105,000	-
Financial assets at fair value through profit or loss	1,500,000,000	-
Investment in associates	1,061,740,386,000	1,061,740,386,000
Investment in subsidiaries	1,418,204,396,744	1,330,288,733,274
Tangible assets	1,504,947,782,547	1,531,654,215,107
Investment properties	106,800,883,990	108,275,471,339
Intangible assets	35,468,767,433	42,559,321,570
Other financial assets	19,866,330,715	17,297,425,858
Other non-current assets	52,586,639,539	55,155,096,986
Net defined benefit assets	-	11,690,943,909
Deferred tax assets	33,947,096,454	7,168,151,798
<b>Total assets</b>	<b>6,284,507,359,403</b>	<b>6,015,970,961,141</b>

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>1,160,191,240,766</b>	<b>1,421,202,050,955</b>
Trade and other payables	451,424,872,165	410,129,437,001
Borrowings	543,863,284,186	903,712,015,726
Current tax liabilities	82,901,022,686	27,041,248,583
Provisions	45,318,677,429	37,423,071,650
Other financial liabilities	5,605,246,001	6,915,600,078
Other current liabilities	31,078,138,299	35,980,677,917
<b>Non-current liabilities</b>	<b>629,744,043,576</b>	<b>-</b>
Borrowings	582,893,732,917	249,675,442,708
Net defined benefit liabilities	3,585,792,696	-
Provisions	24,161,981,775	15,588,343,529
Other financial liabilities	2,394,856,883	4,617,954,928
Other non-current liabilities	16,707,679,305	17,283,351,487
<b>Total liabilities</b>	<b>1,789,935,284,342</b>	<b>-</b>
<b>Equity</b>		
Capital stock	61,937,534,500	61,937,534,500
Other paid-in capital	2,457,107,991,472	2,457,107,991,472
Other components of equity	(12,295,068,985)	-
Retained earnings	1,987,821,618,074	1,788,558,291,562
<b>Total equity</b>	<b>4,494,572,075,061</b>	<b>4,307,603,817,534</b>
<b>Total liabilities and equity</b>	<b>6,284,507,359,403</b>	<b>6,015,970,961,141</b>

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Non-consolidated Statements of Comprehensive Income

(unit: KRW)

Hankook Tire Co., Ltd.

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
I. Sales	3,193,229,259,746	3,266,619,240,730
II. Cost of sales	(2,295,365,670,551)	(2,264,159,840,189)
III. Gross profit	897,863,589,195	1,002,459,400,541
Selling and administrative expenses	(567,078,571,856)	(677,385,394,874)
R&D expenses	(174,940,327,953)	(162,230,741,646)
IV. Operating profit	155,844,689,386	162,843,264,021
Financial income	72,404,434,510	106,805,307,061
Financial cost	(96,922,712,279)	(92,511,031,826)
Other non-operating income	278,107,897,290	269,834,700,932
Other non-operating expenses	(59,844,998,319)	(108,907,097,625)
V. Profit before income tax	349,589,310,588	338,065,142,563
VI. Income tax expenses	(105,653,554,778)	(48,627,535,323)
VII. Net income	243,935,755,810	289,437,607,240
VIII. Other comprehensive income for the year, net of tax	(7,426,425,883)	16,708,224,606
Items that may be subsequently reclassified to profit or loss	(5,432,247,782)	-
Cash flow hedges	(5,432,247,782)	-
Items that will not be reclassified to profit or loss	(1,994,178,101)	16,708,224,606
Remeasurements of net defined benefit liabilities	4,868,643,102	16,708,224,606
Financial assets at fair value through other comprehensive income	(6,862,821,203)	-
IX. Total comprehensive income for the year	236,509,329,927	306,145,831,846
X. Earnings per share		
Basic and diluted earnings per share	1,970	2,337

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Non-Consolidated Statements of Changes in Equity

(unit: KRW)

Hankook Tire Co., Ltd.

Item	Capital Stock	Other Paid-in Capital			Other components of equity	Retained Earnings	Total
		Share Premium	Other Share Premium	Treasury Shares			
I. Balance as at January 1, 2017	61,937,534,500	2,459,062,741,931	(866,732,654)	(1,088,017,805)	-	1,531,953,532,116	4,050,999,058,088
<b>Total comprehensive income</b>							
Profit for the year	-	-	-	-	-	289,437,607,240	289,437,607,240
Remeasurements of net defined benefit liabilities	-	-	-	-	-	16,708,224,606	16,708,224,606
<b>Transactions with owners</b>							
Annual dividends	-	-	-	-	-	(49,541,072,400)	(49,541,072,400)
II. Balance as at December 31, 2017	61,937,534,500	2,459,062,741,931	(866,732,654)	(1,088,017,805)	-	1,788,558,291,562	4,307,603,817,534
III. Balance as at January 1, 2018	61,937,534,500	2,459,062,741,931	(866,732,654)	(1,088,017,805)	-	1,788,558,291,562	4,307,603,817,534
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	243,935,755,810	243,935,755,810
Cash flow hedges	-	-	-	-	(5,432,247,782)	-	(5,432,247,782)
Financial assets at fair value through other comprehensive income	-	-	-	-	(6,862,821,203)	-	(6,862,821,203)
Remeasurements of net defined benefit liabilities	-	-	-	-	-	4,868,643,102	4,868,643,102
<b>Transactions with owners</b>							
Annual dividends	-	-	-	-	-	(49,541,072,400)	(49,541,072,400)
IV. Balance as at December 31, 2018	61,937,534,500	2,459,062,741,931	(866,732,654)	(1,088,017,805)	(12,295,068,985)	1,987,821,618,074	4,494,572,075,061

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Notes to the Non-Consolidated Statements of Retained Earnings

(unit: KRW)

Item	The (Current) 7 <sup>th</sup> Period	The (Current) 6 <sup>th</sup> Period
<b>1. Retained earnings before appropriation</b>	<b>1,832,096,974,634</b>	<b>1,658,787,755,362</b>
Unappropriated retained earnings carried over from the preceding period	1,583,292,575,722	1,352,641,923,516
Net income	243,935,755,810	289,437,607,240
Remeasurements of net defined benefit liabilities	4,868,643,102	16,708,224,606
<b>2. Appropriation of retained earnings</b>	<b>82,307,077,095</b>	<b>75,495,179,640</b>
Dividend equalization reserve	10,000,000,000	10,000,000,000
Voluntary reserve	11,000,000,000	11,000,000,000
Legal reserve	5,573,370,645	4,954,107,240
Cash dividends	55,733,706,450	49,541,072,400
(Dividends per share (%): KRW 400 for the current period (80%) KRW 400 for the preceding period (80%))		
<b>3. Unappropriated retained earnings to be carried forward to the subsequent period</b>	<b>1,749,789,897,539</b>	<b>1,583,292,575,722</b>

※ The expected date of appropriation of the above surplus for this term is March 28<sup>th</sup> of 2019, and its confirmed date of appropriation for the previous term is March 26<sup>th</sup> of 2018.

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report



Non-Consolidated Statements of Cash Flow

(unit: KRW)

Hankook Tire Co., Ltd.

Item	The (Current) 7 <sup>th</sup> Period	The (Current) 6 <sup>th</sup> Period
<b>I. Cash flow from business operation</b>	<b>505,125,867,527</b>	<b>363,539,142,113</b>
1. Cash generated from business operation	551,162,161,424	467,134,651,164
(1) Net income	243,935,755,810	289,437,607,240
(2) Adjustments of profits and expenses	376,199,782,012	318,138,756,611
(3) Changes in operating assets and liabilities	(68,973,376,398)	(140,441,712,687)
2. Interest received	16,119,579,956	12,171,201,384
3. Interest paid	(28,323,730,082)	(31,759,022,173)
4. Dividends received	40,054,414,602	35,347,560,000
5. Income tax paid	(73,886,558,373)	(119,355,248,262)
<b>II. Cash flow from investment</b>	<b>(406,085,630,861)</b>	<b>(238,359,420,266)</b>
Net change in short-term financial assets	-	94,181,814,320
Payments for financial assets at fair value through profit or loss	(61,500,000,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	60,223,201,896	-
Payments for equity instruments at fair value through other comprehensive income	(29,295,200,280)	-
Payments for debt instruments at fair value through other comprehensive income	(458,810,000)	-
Proceeds from disposal of debt instruments at fair value through other comprehensive income	439,192,276	-
Payments for available-for-sale financial assets	-	(140,000)
Proceeds from the sale of available-for-sale financial assets	-	32,059

Item	The (Current) 7 <sup>th</sup> Period	The (Current) 6 <sup>th</sup> Period
Payments for investments in subsidiaries	(87,915,663,470)	(63,403,297,283)
Proceeds from investment in subsidiaries	-	921,287,280
Payments for tangible assets	(184,868,201,736)	(235,735,892,432)
Proceeds from the sale of tangible assets	10,327,937,943	4,161,962,557
Payments for investment properties	651,468,465	-
Payments for intangible assets	(4,136,039,624)	(6,062,314,501)
Proceeds from disposal of intangible assets	201,028,810	-
Settlement of derivatives	(9,414,797,855)	1,747,472,174
Payments for other financial assets	(260,111,320,139)	(375,023,479,930)
Proceeds from the sale of other financial assets	159,771,572,853	340,853,135,490
<b>III. Cash flow from financial operation</b>	<b>(84,578,765,004)</b>	<b>(67,047,597,100)</b>
Net change in short-term borrowings	(101,635,838,004)	149,813,475,300
Repayments of current portion of the long-term borrowings	-	(36,415,000,000)
Repayments of long-term borrowings	-	(480,000,000)
Issuance of debentures	319,440,000,000	-
Return of bond issuance costs	(2,841,854,600)	-
Repayments of debentures	(250,000,000,000)	(130,425,000,000)
Dividends paid to shareholders	(49,541,072,400)	(49,541,072,400)
<b>IV. Net decrease in cash and cash equivalents</b>	<b>14,461,471,662</b>	<b>58,132,124,747</b>
<b>V. Cash and cash equivalents at the beginning of the financial year</b>	<b>130,080,012,134</b>	<b>72,963,541,200</b>
<b>VI. Effects of exchange rate changes on cash and cash equivalents</b>	<b>34,402,997</b>	<b>(1,015,653,813)</b>
<b>VII. Cash and cash equivalents at the end of the current period</b>	<b>144,575,886,793</b>	<b>130,080,012,134</b>

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Consolidated Financial Statements

(unit: KRW)

Hankook Tire Co., Ltd. and Subsidiaries

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
<b>Assets</b>		
<b>Current assets</b>	<b>3,653,188,149,178</b>	<b>3,534,446,756,214</b>
Cash and cash equivalents	611,977,138,677	694,151,215,540
Short-term financial assets	27,568,026,718	4,343,730,976
Trade and other receivables	1,332,681,424,135	1,254,005,058,087
Inventories	1,598,471,564,390	1,494,391,162,440
Other financial assets	28,742,241,203	11,673,899,579
Other current assets	53,747,754,055	75,881,689,592
<b>Non-current assets</b>	<b>6,143,254,097,841</b>	<b>5,984,339,394,930</b>
Long-term financial assets	59,288,197	60,994,982
Trade and other receivables	1,086,846,238	972,438,729
Available-for-sale financial assets	-	4,387,493,550
Financial assets at fair value through other comprehensive income	46,083,105,880	-
Financial assets at fair value through profit or loss	1,500,000,000	-
Investment in associates	1,085,601,269,039	1,090,392,140,128
Tangible assets	4,225,226,631,989	4,317,370,357,930
Investment properties	107,340,268,147	108,704,303,089
Intangible assets	366,016,746,920	195,528,099,616
Other financial assets	28,076,264,456	22,362,727,057
Other non-current assets	83,060,506,715	99,016,901,385
Deferred tax assets	199,203,170,260	145,543,938,464
<b>Total assets</b>	<b>9,796,442,247,019</b>	<b>9,518,786,151,144</b>

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>2,022,633,978,826</b>	<b>2,273,979,163,975</b>
Trade and other payables	931,208,621,843	864,748,927,242
Borrowings	843,802,335,618	1,234,067,835,136
Current tax liabilities	113,084,279,069	41,225,703,883
Provisions	45,338,531,405	37,442,036,017
Other financial liabilities	11,230,587,563	5,833,676,795
Other current liabilities	77,969,623,328	90,660,984,902
<b>Non-current liabilities</b>	<b>983,495,300,368</b>	<b>871,300,741,959</b>
Borrowings	788,579,777,225	739,391,689,078
Net defined benefit liabilities	11,907,587,329	5,268,711,331
Provisions	27,829,813,105	17,681,371,928
Other financial liabilities	26,551,059,943	1,351,942,551
Other non-current liabilities	89,047,736,880	85,140,077,659
Deferred tax liabilities	39,579,325,885	22,466,949,412
<b>Total liabilities</b>	<b>3,006,129,279,194</b>	<b>3,145,279,905,934</b>
<b>Equity</b>		
<b>Equity attributable to the owners of the parent company</b>	<b>6,765,543,098,968</b>	<b>6,358,671,187,799</b>
Capital stock	61,937,534,500	61,937,534,500
Other paid-in capital	2,971,745,780,697	2,992,377,720,089
Other components of equity	(264,043,085,611)	(214,629,000,291)
Retained earnings	3,995,902,869,382	3,518,984,933,501
Non-controlling interest	24,769,868,857	14,835,057,411
<b>Total equity</b>	<b>6,790,312,967,825</b>	<b>6,373,506,245,210</b>
<b>Total liabilities and equity</b>	<b>9,796,442,247,019</b>	<b>9,518,786,151,144</b>

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Consolidated Statements of Comprehensive Income

(unit: KRW)

Hankook Tire Co., Ltd. and Subsidiaries

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
Sales	6,795,088,815,835	6,812,857,982,362
Cost of sales	(4,691,443,619,488)	(4,492,383,668,005)
Gross profit	2,103,645,196,347	2,320,474,314,357
Selling and administrative expenses	(1,209,646,385,119)	(1,349,380,913,732)
R&D expenses	(191,348,211,238)	(177,661,628,811)
Operating profit	702,650,599,990	793,431,771,814
Financial income	82,358,444,742	130,472,073,869
Financial cost	(139,228,507,047)	(145,023,595,777)
Other non-operating income	159,477,563,731	123,560,555,573
Other non-operating expenses	(145,560,211,357)	(195,509,241,242)
Gain on investment in associates	38,002,359,420	36,104,778,385
Net income before income tax	697,700,249,479	743,036,342,622
Income tax expenses	(167,319,565,591)	(136,579,501,221)
Net income	530,380,683,888	606,456,841,401
Other comprehensive income for the year, net of tax	(45,450,893,404)	(140,767,103,500)
Items that will not be reclassified to profit or loss	(4,907,665,985)	18,782,757,078
Financial assets at fair value through other comprehensive income	(8,964,268,532)	-
Remeasurements of net defined benefit liabilities	4,209,587,444	16,876,422,146

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
Remeasurements of net defined benefit liabilities of associates	(152,984,897)	1,906,334,932
Items that may be subsequently reclassified to profit or loss	(40,543,227,419)	(159,549,860,578)
Change in the fair value of available-for-sale financial assets	0	924,537,221
Cash flow hedges	(5,432,247,782)	-
Share of other comprehensive income of associates	(7,050,524,469)	3,174,565,469
Exchange differences on translating foreign operations	(28,060,455,168)	(163,648,963,268)
<b>Total comprehensive income for the period</b>	<b>484,929,790,485</b>	<b>465,689,737,901</b>
Profit is attributable to		
Owners of the parent company	522,214,845,405	599,063,937,358
Non-controlling interest	8,165,838,483	7,392,904,043
Total comprehensive income for the period attributable to		
Owners of the parent company	477,044,922,961	458,827,597,209
Non-controlling interest	7,884,867,524	6,862,140,692
Earnings per share		
Basic and diluted earnings per share	4,216	4,837

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Consolidated Statements in Changes in Equity

(unit: KRW)

Hankook Tire Co., Ltd. and Subsidiaries

Item	Other Paid-in Capital				Other Components of Equity							Total
	Equity Stock	Share Premium	Consolidated reserve within equity	Treasury Shares	Retained Earnings	Accumulated other comprehensive income - fair value	Cash flow hedges	Exchange differences on translating foreign operations	Share of associates' other changes in net assets	Attributable to the owners of the controlling company	Non-controlling interest	
Balance as at January 1, 2017	61,937,534,500	2,993,465,737,894	-	(1,088,017,805)	2,950,572,886,944	901,136,068	-	(52,872,779,814)	(3,531,834,797)	5,949,384,662,990	12,094,656,719	5,961,479,319,709
Annual dividends	-	-	-	-	(49,541,072,400)	-	-	-	-	(49,541,072,400)	(4,121,740,000)	(53,662,812,400)
Total comprehensive income	-	-	-	-	617,953,118,957	922,765,917	-	(163,222,853,134)	3,174,565,469	458,827,597,209	6,862,140,692	465,689,737,901
Net income	-	-	-	-	599,063,937,358	-	-	-	-	599,063,937,358	7,392,904,043	606,456,841,401
Changes in the fair value of available-for-sale financial assets	-	-	-	-	-	922,765,917	-	-	-	922,765,917	1,771,304	924,537,221
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	3,174,565,469	3,174,565,469	-	3,174,565,469
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	(163,222,853,134)	-	(163,222,853,134)	(426,110,134)	(163,648,963,268)
Remeasurements of net defined benefit liabilities	-	-	-	-	16,982,846,667	-	-	-	-	16,982,846,667	(106,424,521)	16,876,422,146
Remeasurements of net defined benefit liabilities of associates	-	-	-	-	1,906,334,932	-	-	-	-	1,906,334,932	-	1,906,334,932
Balance at December 31, 2017	61,937,534,500	2,993,465,737,894	-	(1,088,017,805)	3,518,984,933,501	1,823,901,985	-	(216,095,632,948)	(357,269,328)	6,358,671,187,799	14,835,057,411	6,373,506,245,210
Balance as at January 1, 2018	61,937,534,500	2,993,465,737,894	-	(1,088,017,805)	3,518,984,933,501	1,823,901,985	-	(216,095,632,948)	(357,269,328)	6,358,671,187,799	14,835,057,411	6,373,506,245,210
Annual dividends	-	-	-	-	(49,541,072,400)	-	-	-	-	(49,541,072,400)	(6,686,600,000)	(56,227,672,400)
Repurchase obligation of treasury shares	-	-	(20,631,939,392)	-	-	-	-	-	-	(20,631,939,392)	-	(20,631,939,392)
Business combination	-	-	-	-	-	-	-	-	-	-	8,736,543,922	8,736,543,922
Total comprehensive income	-	-	-	-	526,459,008,281	(8,966,803,928)	(5,432,247,782)	(27,964,509,141)	(7,050,524,469)	477,044,922,961	7,884,867,524	484,929,790,485
Net income	-	-	-	-	522,214,845,405	-	-	-	-	522,214,845,405	8,165,838,483	530,380,683,888
Remeasurements of net defined benefit liabilities	-	-	-	-	4,397,147,773	-	-	-	-	4,397,147,773	(187,560,329)	4,209,587,444
Remeasurements of net defined benefit liabilities of associates	-	-	-	-	(152,984,897)	-	-	-	-	(152,984,897)	-	(152,984,897)
Cash flow hedges	-	-	-	-	-	-	(5,432,247,782)	-	-	(5,432,247,782)	-	(5,432,247,782)
Loss on valuation of equity instruments at fair value through other comprehensive income	-	-	-	-	-	(8,966,803,928)	-	-	-	(8,966,803,928)	2,535,396	(8,964,268,532)
Share of other comprehensive income	-	-	-	-	-	-	-	-	(7,050,524,469)	(7,050,524,469)	-	(7,050,524,469)
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	(27,964,509,141)	-	(27,964,509,141)	(95,946,027)	(28,060,455,168)
Balance at December 31, 2018	61,937,534,500	2,993,465,737,894	(20,631,939,392)	(1,088,017,805)	3,995,902,869,382	(7,142,901,943)	(5,432,247,782)	(244,060,142,089)	(7,407,793,797)	6,765,543,098,968	24,769,868,857	6,790,312,967,825

OUR INNOVATION

FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

Consolidated Statements of Cash Flow

(unit: KRW)

Hankook Tire Co., Ltd. and Subsidiaries

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
<b>I. Cash flow from business operation</b>	<b>1,123,539,949,009</b>	<b>851,731,235,059</b>
1. Cash generated from business operation	1,277,942,218,571	1,041,450,406,433
(1) Net income	530,380,683,888	606,456,841,401
(2) Adjustments of profits and expenses	843,913,868,866	805,282,614,201
(3) Changes in operating assets and liabilities	(96,352,334,183)	(370,289,049,169)
2. Interest income received	12,321,532,004	13,903,988,391
3. Interest paid	(54,136,553,493)	(66,788,487,945)
4. Dividends received	33,416,876,112	31,279,070,610
5. Income taxes paid	(146,004,124,185)	(168,113,742,430)
<b>II. Cash flow from investment</b>	<b>(594,820,650,141)</b>	<b>(344,257,336,969)</b>
Net change in short-term financial assets	(23,048,764,623)	150,051,710,528
Net change in long-term financial assets	3,552,717	(1,591,758)
Payments for available-for-sale securities	-	(140,000)
Proceeds from the sale of available-for-sale securities	-	100,032,059
Payments for financial assets at fair value through profit or loss	(61,500,000,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	60,223,201,896	-
Payments for equity instruments at fair value through other comprehensive income	(52,724,874,780)	-
Payments for debt instruments at fair value through other comprehensive income	(458,810,000)	-
Proceeds from disposal of debt instruments at fair value through other comprehensive income	439,192,276	-
Payments for tangible assets	(323,635,830,928)	(472,292,698,567)
Proceeds from the sale of tangible assets	18,852,878,936	39,422,188,256
Payments for intangible assets	(5,327,535,761)	(7,128,051,204)

Item	End of the (Current) 7 <sup>th</sup> Period	End of the (Current) 6 <sup>th</sup> Period
Proceeds from the sale of intangible assets	1,150,856,025	31,289,359
Payments for investment properties	651,468,465	-
Settlement of derivatives	(10,065,391,842)	244,517,442
Net changes in other financial assets	(548,904,496)	(1,354,364,408)
Proceeds from disposal of other investment assets	464,539,965	-
Payments for investments in subsidiaries	(199,296,227,991)	(53,828,669,784)
Proceeds from disposal of investments in subsidiaries	-	498,441,108
<b>III. Cash flow from financial operation</b>	<b>(582,770,973,720)</b>	<b>(281,672,656,169)</b>
Net change in short-term borrowings	(81,597,132,360)	(49,381,443,769)
Proceeds from long-term borrowings	-	113,084,000,000
Repayments of long-term borrowings	(110,011,000,000)	(480,000,000)
Issuance of debentures	316,598,145,400	-
Repayments of debentures	(536,028,600,000)	(130,425,000,000)
Repayments of current portion of the long-term borrowings	(120,254,714,360)	(160,807,400,000)
Dividends paid to owners of the Parent Company	(49,541,072,400)	(49,541,072,400)
Increase in financial liabilities to non-controlling interests	4,750,000,000	-
Dividends paid to non-controlling Interests	(6,686,600,000)	(4,121,740,000)
<b>IV. Net increase (decrease) in cash and cash equivalents</b>	<b>(54,051,674,852)</b>	<b>225,801,241,921</b>
<b>V. Cash and cash equivalents</b>	<b>694,151,215,540</b>	<b>465,349,712,619</b>
<b>VI. Effects of exchange rate changes on cash and cash equivalents</b>	<b>(28,122,402,011)</b>	<b>3,000,261,000</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	<b>611,977,138,677</b>	<b>694,151,215,540</b>

# GLOBAL NETWORK

## OUR INNOVATION

## FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

## INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
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→ Financial Report

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## OUR INNOVATION

### FUTURE INNOVATED

2018 Highlights  
CEO's Message  
Company Profile  
Financial Highlights  
Market Analysis

### INNOVATION REALIZED

Technology Innovation Realized  
Brand Innovation Realized  
Sustainable Innovation Realized

→ Financial Report

# MILESTONES

## 1941

· Founded the Company

## 1979

· Completed the Daejeon Plant in Korea

## 1981

· Established the Hankook Tire America Corporation

## 1982

· Established the Main R&D Center in Korea

## 1992

· Established the America Technical Center (ATC) in the U.S.

## 1994

· Established the Beijing Sales Office in China

## 1996

· Established the Europe Technical Center (ETC)

## 1997

· Completed the Keumsan Plant in Korea

## 1998

· Established the China Technical Center (CTC) in China

## 1999

· Completed the Jiangsu and Jiaying Plants in China

## 2000

· Introduced the ERP system

## 2001

· Completed the Europe Distribution Center (EDC) in the Netherlands

## 2004

· Unveiled a new corporate identity

## 2005

· Launched T'Station as a premium automobile service franchise  
· Selected as a strategic partner by Ford  
· Completed the Geumsan Test Track (G'Trac)

## 2006

· Became the sole tire maker to receive the FAWVolkswagen '10 Best Suppliers' Award  
· Signed a technical agreement with Audi  
· Ranked 7<sup>th</sup> in the global tire industry based on sales volume  
· Started the construction of the Hungary Plant

## 2007

· Completed the Hungary Plant  
· Opened T'Station in China as a total automobile service franchise

## 2008

· Expanded the Keumsan Plant in Korea  
· Launched Kontrol Technology  
· Launched 'enfren' as a eco-friendly tire line-up

## 2009

· Received a top score in the winter tire test performed by the prestigious German automobile trade magazine <ADAC>  
· Selected as the official OE tire supplier to Audi  
· Received the Product Design Award for the 'enfren Optimo 4S' at the iF Design Award

## 2010

· Awarded at the Red Dot Design Award for the 'Winter i\*cept evo'

## 2011

· Selected as the official tire supplier to the Deutsche Tourenwagen Masters (DTM)  
· Started the construction of the Chongqing Plant in China and the Indonesia Plant  
· Selected as the official OE tire supplier to BMW  
· Selected as the official OE tire supplier to Toyota  
· Produced the 100 millionth tire in China

## 2012

· Performed a spin-off and newly listed on the stock market  
· Became the official sponsor for the 'UEFA Europa League'  
· Chairman Yang Rai Cho received the Distinguished Service Cross in Hungary  
· Launched the 'enfren eco' as an eco-friendly tire line-up

## 2013

· Listed on the Dow Jones Sustainability Index Asia Pacific  
· Completed the Chongqing Plant in China and the Indonesia Plant  
· Gained OE fitments on the New S-Class and E-Class of Mercedes-Benz  
· Gained OE fitments on the 5 Series and X5 of BMW  
· Selected as the official OE tire supplier to Honda

## 2014

· Launched the 'Laufenn' as a global strategic brand  
· Started the construction of the Tennessee Plant in the U.S.  
· Gained OE run-flat fitments on the New C-Class of Mercedes-Benz and the New Mini of BMW  
· Started the construction of 'Hankook Technodome' as a new main R&D center  
· Selected as the official tire supplier to the World Rally Championship (WRC), one of the top three motorsports competitions

## 2015

· Gained OE fitments on the Macan of Porsche  
· Supplied self-sealing tires as OE fitments on the Touran of Volkswagen  
· Received the Red Dot Design Award for Design Concept

## 2016

· Gained OE run-flat fitments on the New 7 Series of BMW  
· Completed Hankook Technodome  
· Established Hankook Donggeurami Partners as a standard site subsidiary that hires mentally/physically-challenged individuals  
· Signed the marketing partnership agreement with Real Madrid  
· Listed on the Dow Jones Sustainability Index World

## 2017

· Completed the European winter tire test center 'Technotrac'  
· Expanded OE fitments with Japanese automakers  
· Completed the Tennessee Plant in the U.S.  
· Acquired JAX TYRES  
· Listed on the Dow Jones Sustainability Index World for two consecutive years  
· Opened the digital workplace 'Arena'

## 2018

· Acquired 'Model Solution Ltd.', a high-tech digital prototype solution provider  
· Acquired 'Reifen-Müller', a leading German premium tire retailer  
· Launched 'Kinergy AS ev', a 2<sup>nd</sup>-generation electric vehicle tire  
· Listed on the Dow Jones Sustainability Index World (DJSI World) for three consecutive years



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The Moments