

INNOVATION FOR THE FUTURE



HOW WE DRIVE  
THE FUTURE

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# CEO'S MESSAGE



A stylized, handwritten signature in black ink that reads "Cho". The signature is fluid and cursive, with the first letter being a large, prominent 'C'.

**Hyun Shick Cho**

Hankook Tire Worldwide, Vice Chairman & CEO

**Dear Shareholders,**

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

I'm sure you are aware of the sustained uncertainties in the business landscape throughout 2017 due to the low growth and trade protectionism across the global economy.

Still yet, Hankook Tire, which constitutes the core of our business portfolio, gained OE tire supply on such high-performance models of premium brands as the Audi RS5, successfully completed the construction of its Tennessee Plant in the U.S., and took over a top-tier Australian retailer JAX TYRES. Such a growth strategy for continued qualitative growth enabled us to generate intended business outcomes from both qualitative and quantitative aspects. Furthermore, we set the condition for horizontal communication and adopted HR programs that value self-initiated work immersion in order to promote innovative ways of working across the board.

**Valued Shareholders,**

Today, disruptive innovation often comes with its share of rule changing in most of the business sectors. As such, we at Hankook Tire Worldwide will build upon our already successful growth strategy to continuously improve our innovation-driven competitive edge in the upcoming years.

To this end, we will swiftly shift our focus from products to services and solutions, and leverage innovative ideas to fully embrace the upcoming future. We will continuously explore Open Innovation opportunities to develop our core competency to stimulate innovation while seeking a digital-enabled innovative business strategy and developing agility in responding to business uncertainties. Furthermore, we will be fully committed to building our edge across our entire business lifecycle, ranging from R&D to production and sales, and to solidify our status as a premium brand. This will enable Hankook Tire, as well as other affiliates, to evolve into global top-tier business leaders.

**Dear Shareholders,**

We at Hankook Tire Worldwide will proactively seek the growth of our core business and do so from the basis of our corporate culture that encourages innovation and communication while keeping a close watch on changing trends in the automobile industry. This will surely allow us to identify new growth drivers from multiple angles and provide a vantage point from which to pursue both organic and inorganic growth.

Once again, let me express our sincere gratitude to you, our valued shareholders, for your steadfast interest in and support for Hankook Tire Worldwide.

We wish you all health and happiness.

Thank you.

# CEO'S MESSAGE



A handwritten signature in black ink, appearing to read 'Hyun Bum Cho'. The signature is fluid and cursive, with the first name 'Hyun' and last name 'Cho' clearly distinguishable.

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

**Dear Shareholders,**

First of all, let me express my deepest gratitude to our shareholders for their unsparing support for our sustained growth at Hankook Tire.

In 2017, we faced extremely difficult business conditions mainly due to global protectionism and low economic growth. In spite of such challenges, however, we at Hankook Tire generated satisfactory business outcomes, posting KRW 6.8129 trillion in sales and KRW 793.4 billion in operating profit.

We also expanded our OE tire supply on such high-performance models as the Audi RS5, completed construction of our Tennessee Plant in the U.S., and acquired the Australian top-tier retailer JAX TYRES as a way to lay the foundation for our sustainable growth. Moreover, we were listed on the Dow Jones Sustainability Index (DJSI) World for two consecutive years which led to further market credibility in our commitment to socially-responsible investment.

**Valued Shareholders,**

We are keenly aware that disruptive innovation is the key to swiftly responding to today's shifting paradigm and to staying ahead of the competition. As such, we will be fully dedicated to add a layer of innovation to our strategy, process, and corporate culture so that we move beyond our existing success strategy and develop new growth drivers.

All this will start with taking our strategic innovation a notch higher. We will review our strategy to strengthen our global supply network in Latin America, ASEAN, India and other emerging markets and focus on increasing the sales of high-performance products and undertaking a customer-driven marketing strategy. Furthermore, we will innovate our business process across multiple dimensions to befit our status as a global tire manufacturer. In advancing our global leadership through a digitalization strategy and improved SCM efficiency, we will reinforce our process throughout the areas of production, distribution and sales to enable each organizational unit to generate high added value. Last but not least, we aim to establish a corporate culture of voluntary engagement based on work integrity. Driven by our unique Proactive Culture, we will facilitate horizontal communication to engage all our employees in building a creative and innovative corporate culture.

**Dear Shareholders,**

We at Hankook Tire will enhance our brand value through innovative strategy, process and corporate culture in order to strengthen our status as a global premium brand. In so doing, we aim to evolve into an innovative business leader with an unrivaled global competitive edge.

We look forward to your everlasting encouragement and support.  
We wish you all health and happiness.

Thank you.





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INNOVATION  
FOR THE FUTURE

### **Enhancing Brand Value through Increased OE Tire Supply**

The credibility we earned from global premium car makers has only grown stronger in 2017 as demonstrated by Increased OE tire supply: racing tires for BMW's new racing model, ultra-high-performance tires for Audi's 'New RS5 Coupe' and 'New RS4 Avant,' and increased OE tire supply on the Mercedes Benz GLC, the Toyota Camry, and the Honda Accord. Furthermore, we were named 'Supplier of the Year' by General Motors with whom we have maintained OE tire supply over the years. As demonstrated in our sustained and expanding track record as an original equipment tire supplier founded upon exceptional quality and technology, our brand value is recognized time and time again by global premium car makers.

A silver Audi sedan is shown from a side-rear perspective, parked on a concrete pier. The car is positioned on the right side of the frame, with its rear wheel and back door visible. The background features a rocky coastline and the ocean under a bright sky. The word "BUILD" is written in large, white, sans-serif capital letters on the left side of the image, with a horizontal line extending from its right edge across the middle of the page.

**BUILD**



P R E M I U M

### Emerging as a Global Top-tier Tire Maker with the Completion of the Tennessee Plant

Our eighth manufacturing facility initiated its full operation in Tennessee, the U.S. Completed in 2017, our Tennessee Plant is equipped with cutting-edge production facilities capable of producing nearly 5.5 million tires per year, and is expected to manufacture ultra-high-performance tires and high-quality tires and to swiftly deliver them to global car makers and consumers. With the addition of this new plant, we've come to operate a total of eight large-scale production sites across five global key regions to manufacture 104 million tires per year. In so doing, we established a more balanced production portfolio and this will surely enable us to accelerate our advancement into the global market by realizing the economy of scale and leveraging global top-tier technology.

# GROW





S T R A T E G I C

PLANT GRAND OPENING

### Leading the Future of Tire Technology through Expanded R&D Infrastructure

We added another key facility to our R&D infrastructure to develop forward-looking technology by opening Technotrac, designed to test the performance of winter tires, in the northernmost Finnish city of Ivalo, in February 2017. Situated on a 211,200-square-meter parcel of land and equipped with a total of four tracks, including flat tracks and handling tracks, Technotrac creates the optimal testing environment tailored for local European weather and road conditions. We aim to secure future-focused technology in this cutting-edge testing facility that will enable us to perform innovative tire technology tests. In so doing, we will develop winter tires that deliver top-notch performance even under extreme cold as well as ultra-high-performance tires.

# DRIVE

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P E R F E C T

OK

### Seeking Relentless Innovation and Growth through Proactive Culture

Proactive Culture seeks constant transformation and evolution. We recently introduced HR 3.0 to eliminate seniority and improve our promotion and assessment systems while further reinforcing horizontal communication by ensuring that our employees address each other simply by 'Mr.' or 'Ms.' regardless of job level. We also created a new intranet called 'Arena' to promote communication and cooperation among our employees across the globe and to transform Hankook Tire into a next-generation digital workplace. Within our corporate culture that values autonomy and creativity, Hankook Tire employees embrace innovative ways to work and rise to new challenges to develop into true Proactive Leaders.

# STAY

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PROACTIVE

**Globally Recognized for Our Commitment and Achievements in Sustainability**

Once again, we have gained global recognition for our endeavors to fulfill our social responsibility. For the two consecutive years of 2016-2017, we were listed on the Dow Jones Sustainability Index World (DJSI World). We earned high scores in supply chain management, corporate philanthropy and climate strategy and joined the league of global top-notch automobile component makers for our sustainability. This accomplishment is attributable to our integrated CSR management that enabled all our employees to fully dedicate themselves to company-wide CSR initiatives, and served to solidify our status as a true global leader in sustainability.



BE



S U S T A I N A B L E

# TOP MANAGEMENT



(From the upper left corner)

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

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

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

(From the upper left corner)

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

**Jong Ho Park**  
Hankook Tire, Coporate Management &  
Finance Division, Executive Vice President

**Hyung Nam Kim**  
Hankook Tire, R&D Staff Office,  
Executive Vice President

**Suk Joon Won**  
Hankook Tire, ASIA Headquarters,  
Executive Vice President

(From the left corner)

**Dong Hwan Moon**  
Hankook Tire, Production & Engineering  
Staff Office, Executive Vice President

**Ho Sung Seo**  
Hankook Tire, America Headquarters,  
Senior Vice President

As a global top-tier company, we at Hankook Tire conduct business in a sound and transparent manner. The Audit Committee and other expert committees work under the Board of Directors to protect the rights and interests of shareholders. This also serves to elevate our corporate value and assist senior management in conducting business in a stable way.



\* As of January 1<sup>st</sup>, 2018

## Board of Directors

It is essential for any global business to adopt transparent and advanced ways of conducting business. Numerous global corporate leaders have established such institutional systems as Boards of Directors (BOD) and audit committees with an aim to protect the rights and interests of shareholders and improve their transparency and expertise in business.

A BOD performs the three primary functions of monitoring top management on behalf of the shareholders, offering advice on business operations, and assisting the top management in successfully conducting business. Leading global companies have set the conditions for their BOD to stably fulfill its intended responsibilities of Control, Service, and Resource Dependence.

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

Our non-executive directors are appointed for their long-term careers either in academia or private sector companies and for their significant contribution to society. Their appointment follows transparent and fair procedures led by the Non-Executive Director Nomination Committee under the BOD. We select our non-executive directors for their extensive experience to ensure that our top management receives appropriate checks and restraints as well as advice in an accurate and objective manner.

(As of Mar. 26<sup>th</sup>, 2018)

### 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 of 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 / Chief 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 of Hermanus Partners

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

## BOD Committees: Role and Composition

At Hankook Tire, we operate a range of robust internal control systems to ensure transparency in business conduct. Notably, our BOD committees, created in their respective fields of expertise, are delegated by the BOD to allow committee members to review and process agenda issues in a systemic and organized manner. Currently, there are four committees - the Audit Committee, the Non Executive Director Nomination Committee, the Sustainability Management Committee, and the Internal Transactions Committee - operated under the BOD to enhance transparency in our business conduct.

### BOD Committee

Audit Committee  
Non Executive Director Nomination Committee  
Sustainability Management Committee  
Internal Transactions Committee



**Audit Committee** We operate the Audit Committee under the BOD and it solely consists of three non-executive directors to maintain its independence. Notably, Audit Committee members have the right to grant their consent on the appointment of the head of the auditing department, and this allows them to proactively conduct audits on business operations and to perform check and monitoring on top management on behalf of the shareholders. Our Audit Committee operational regulations stipulate that 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 the business information required to perform audits. The committee meets regularly on a quarterly basis, and ad-hoc meetings are convened when deemed necessary.

**Non Executive Director Nomination Committee** Our Non Executive Director Nomination Committee was established to maximize fairness and independence in recommending non-executive director candidates. This 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 abides by the provisions set forth regarding its establishment within the Hankook Tire Articles of Incorporation as well as relevant regulations, and our non-executive director nominations are approved through a vote at the general shareholders' meeting.

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

**Internal Transactions Committee** Our Internal Transactions Committee is responsible for closely supervising and monitoring internal transactions made with related parties. The committee performs preliminary reviews and decides whether to approve transactions conducted with affiliated parties in accordance with Korea's Fair Trade Act. Our Articles of Incorporation stipulate the basis to establish the committee and relevant regulations. If it is deemed necessary to deliberate on and approve agenda items, 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.

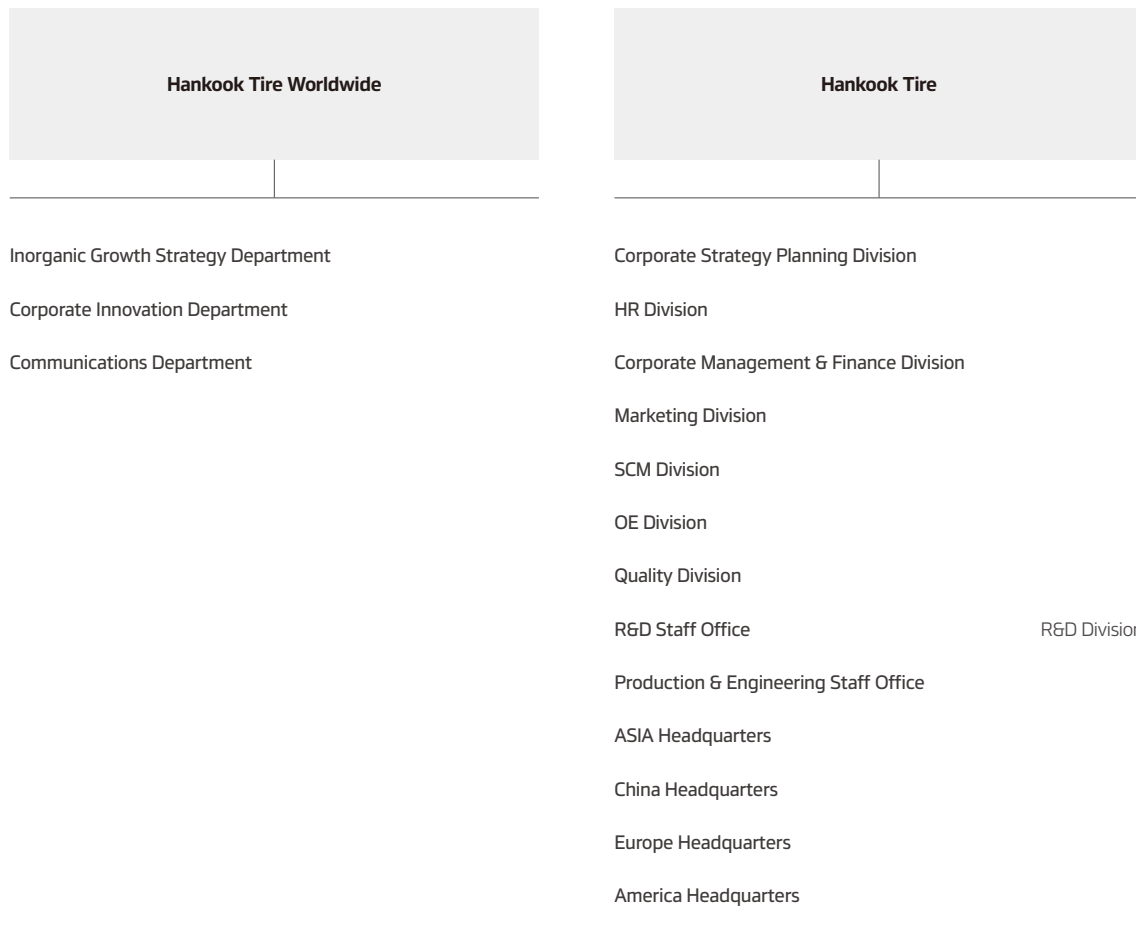
## Performance Assessment System

**Global Balance Diagnosis** At Hankook Tire, we manage operational risks across the board, and take a prevention-driven approach to conduct balanced performance diagnoses on respective job functions so as to ensure that our business conduct is not excessively focused on specific regions.

**Hankook Tire Performance Assessment System** Our business management teams at the headquarters and overseas worksites play a primary role in monitoring and assessing region-specific risks in the respective areas of cost, investment and general management. The Management Diagnosis Team performs thematic diagnoses with process improvement and management support in mind, life-expectancy assessments as directed by senior management, and report assessments based on the internal and external reports submitted. The team is also engaged in system-based constant risk monitoring and research on external risk cases as a way to reinforce our preemptive risk sensing capability. The Management Diagnosis Committee, serving as our top decision-making body concerning company-wide performance assessments, is responsible for diagnostic planning and management by reviewing assessment outcomes and follow up measures to prevent the reoccurrence of the same risks and contribute to attaining a company-wide strategy.

# ORGANIZATIONAL STRUCTURE

At Hankook Tire, we design and operate an optimized organizational structure to effectively undertake our business strategy in accordance with our mid/long-term vision. Striking the right balance between organic alignment and regional independence, our organizational structure is the key driving force that allows us to proactively respond to the shifting market landscape.



\* As of January 1<sup>st</sup>, 2018

# MISSION

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 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.

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#### 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.
- 

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.

### 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.

# VISION

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 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 in the global market and serve as the ultimate benchmark 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 pursue value-driven growth to build top-tier 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, which serves as the basis for 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.

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#### Moving Forward 2020

1<sup>st</sup> in Performance & Quality

1<sup>st</sup> in Productivity

1<sup>st</sup> Tier Premium Brand

Global Sales Market Share 5%

EBITDA: Minimum USD 2 billion

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## **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 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 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 ahead of 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 innovation DNA 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 but rather undertake a range of innovation programs to pursue sustainable growth even amid the rapidly-shifting 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.

# BUSINESS PORTFOLIO

With our brand strategy and distribution network that spans the entire world, we at Hankook Tire deliver top-notch products that meet regional specificities and customer needs. We disseminate cutting edge driving value to customers across the world and in so doing, take a step forward as a globally-admired top-tier brand.

## Brand Portfolio

We strategically operate four global tire brands to deliver an unrivaled and truly impressive driving experience to customers across the globe: 'Hankook' represents our flagship premium brand promoted in Korea and globally, 'Laufenn' targets global customers who pursue discerning products and a unique lifestyle, and 'Aurora' and 'Kingstar' are specialized brands that meet specific local needs.



As Hankook Tire's global flagship brand, Hankook has a range of sub-brands that respond 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



## AURORA

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



## Laufenn

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 start 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



## KINGSTAR

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

### Main product lines



## Distribution Channel Portfolio

With an aim to reach even closer to global customers, we completed a cutting-edge total automobile service system based on our diverse distribution channels ranging from T'Station and The Tire Shop to Hankook Masters, TBX, and Hankook Truck Masters. In 2017, we acquired the Australian tire distributor 'JAX TYRES' to strengthen our competitive edge in tire distribution. We provide our unique top-notch products and services to customers across the globe via 5,092 distribution contact points and further expand our global sales and service network in so doing.

### **T'Station**

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 'Smart Care.'

### **THE TIRE SHOP**

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

### **HANKOOK** *masters*

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.

### **TBX** *press* **HANKOOK** *TRUCK masters*

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 TBR-exclusive service network that serves the global market.

# AFFILIATES

Hankook Tire Worldwide and Hankook Tire have made strategic investments to add to its family of affiliate companies armed with globally-recognized exceptional technology in the respective areas of batteries, IT service, manufacturing equipment and molds & components. Joining hands with our top-performing affiliates, we will build capacity and tighten our cooperative ties to rise into a global top-tier tire brand.



Since its foundation back in 1944, ATLASBX has grown into Korea's leading battery maker by leveraging its creative innovation and the spirit of challenge over the past seven decades. In 1982, the company became Korea's first to launch maintenance-free batteries and has ceaselessly continued with R&D endeavors to strengthen its competitive edge in technology and quality. Driven by its outstanding technology, the company successfully developed an ultra-high-performance battery and AGM battery equipped with the idle stop & go function in 2013. Ever since then, the company has unveiled a series of premium products that meet performance and quality needs to enhance customer satisfaction and build its competitive advantage. In 2014, the company expanded its Jeonju Plant to increase its annual battery production capacity to nearly 13 million as a way to accelerate its growth in the global market. In 2017, the company took a step further by opening a sales subsidiary in the U.S. to pave the way to emerge as global battery maker. ATLASBX plans to push forward with its business expansion strategy in order to build a competitive edge in the global market. Staying true to its mission of becoming a 'Leading Global Energy Company Growing Together with Our Customers,' the company aims to deliver better quality and service as a way to improve customer satisfaction and contribute to a sustainable future.



emFrontier was established as an IT service and logistics engineering company when Hankook Tire spun off its Data Systems Division in 2000. The company provides professional ITSM service to Hankook Tire and its affiliates and has consistently developed innovative IT solutions that meet market demands to grow into a reliable business partner. Through extensive R&D on a range of IT systems, the company has acquired the ideal IT solutions and experiences optimized for Supply Chain Management, the Manufacturing Execution System, and Laws & Patents. Notably, the company was honored with the Grand Prize at the 'Korea Software Enterprise Competitiveness Awards,' 'Korea Logistics Grand Awards,' and 'Best Solution Awards' to demonstrate Korea's No.1 leadership in SCM solutions. Such proven

ATLASBX 2017 Sales

629,926 KRW million

542,420      554,835      629,926

2015                  2016                  2017

emFrontier 2017 Sales

65,354 KRW million

129,680      109,432      65,354

2015                  2016                  2017



excellence and experience in IT solution business, when combined with innovation in production and logistics engineering, have extended the scope of its business into smart logistics and smart factory in preparation for the Industry 4.0. The company is further upgrading its business operations to build a global competitive edge and contribute to innovation and value creation for customers in Korea and overseas.



Established in 1992, Daehwa Engineering & Machinery is playing a leading role in localizing our tire manufacturing and equipment technology as a company specialized in building key tire manufacturing equipment. Leveraging its own research center, the company has independently developed tire molding machines, curing presses, uniformity testers for mid-to-large size TBR tires, high-speed driving performance testers for 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. They then took over Hankook Tire's bead operations in 2007 to broaden its business scope. Daehwa obtained the ISO 9001 certification in 2009 to establish a globally-recognized quality management system and then gained the KOSHA/K-OHSMS 18001 certification in 2016 to develop its own health and safety management system. Furthermore, the company developed unmanned molding machines in 2015 and such high-end equipment as a high-output molding machine (PS-601) and high-speed/high-quality G.TRC in 2016. In 2017, the company completed the design of a high-output TBR molding machine (TS-201) as well as the design and in-house manufacturing of a G.SBC cutting machine. Such relentless commitment to technology innovation is driving Daehwa's growth into becoming a leading tire equipment maker.



Since its establishment in 1973, MK Technology has set the trend in the tire molding, tire-curing container, and precision parts industry and has completed its own technology roadmap leveraging its proprietary casting and five-axis precision milling technology. Driven by such proven technology, the company has supplied tire molds to global tire makers as well as Hankook Tire over the years and has become our affiliate in 2011. Following its adoption of metal 3D printers in 2015, the company successfully mass-produced tire molds and precision parts through sustained R&D. It then embraced laser processing technology in 2016 to develop and mass-produced highly-sophisticated design patterns, including textures and fine serrations difficult to express through CNC processing. In 2017, MK Technology continued to develop its independent technology for tire exterior enhancement, ranging from Split Mold, Compact Mold, and Ventless Puzzle Mold to polishing techniques and is growing continuously by leading the development of tire mold technology.

Daehwa Engineering & Machinery 2017 Sales

45,471 KRW million

116,072	70,367	45,471
2015	2016	2017

MK Technology 2017 Sales

75,614 KRW million

68,489	57,304	75,614
2015	2016	2017

# GLOBAL PRESENCE



At Hankook Tire, we deliver value and satisfaction to our customers based on business portfolio that ensures satisfaction at all customer contact points.

We adopt a region-specific strategy to pursue balanced growth in both advanced and emerging automobile markets to meet the preferences of local customers. We also operate communication channels dedicated to our Original Equipment tire business (OE offices) in Korea, China, Germany, the U.S., Japan, and Indonesia to forge close cooperation with global auto makers.

1 Headquarters, 1 Plant,  
4 Sales Subsidiaries,  
13 Sales Offices (11 in the U.S.)  
America Technical Center  
(ATC)

**AMERICA**

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

\* As of January 1<sup>st</sup>, 2018

# FINANCIAL HIGHLIGHTS

Sales

# 68,129



Operating Profit

# 7,934



Ordinary Profit

7,430



EBITDA\*

13,426



\* Earnings Before Interest, Taxes, Depreciation and Amortization

# MARKET ANALYSIS

## 2017 Global Economic Growth

(source: IMF, unit: %)

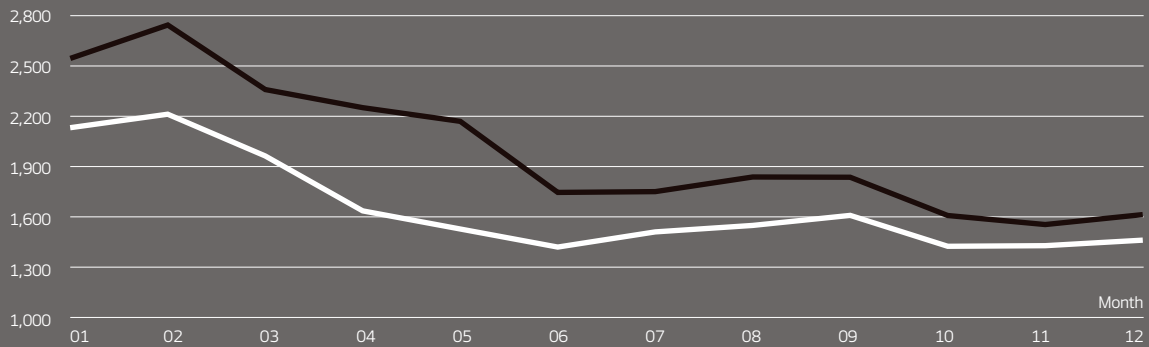
Global	U.S.	Europe	Japan	China	India	Korea
3.8	2.3	2.3	1.7	6.9	6.7	<b>3.1</b>

\* World Economic Outlook Database April 2018

\* Europe includes the following countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain

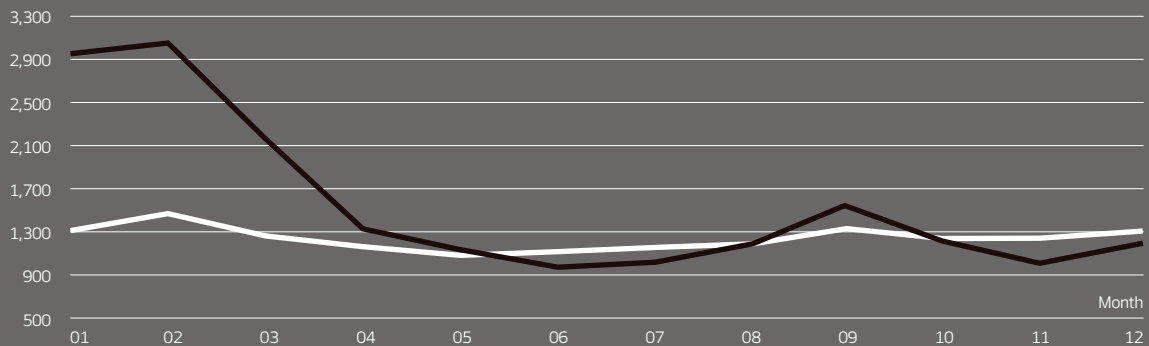
## 2017 Raw Materials Price Trajectory

Natural Rubber SICOM monthly price (unit: USD/ton) — RSS#3(Ribbed Smoked Sheet) — TSR20(Technically Specified Rubber)



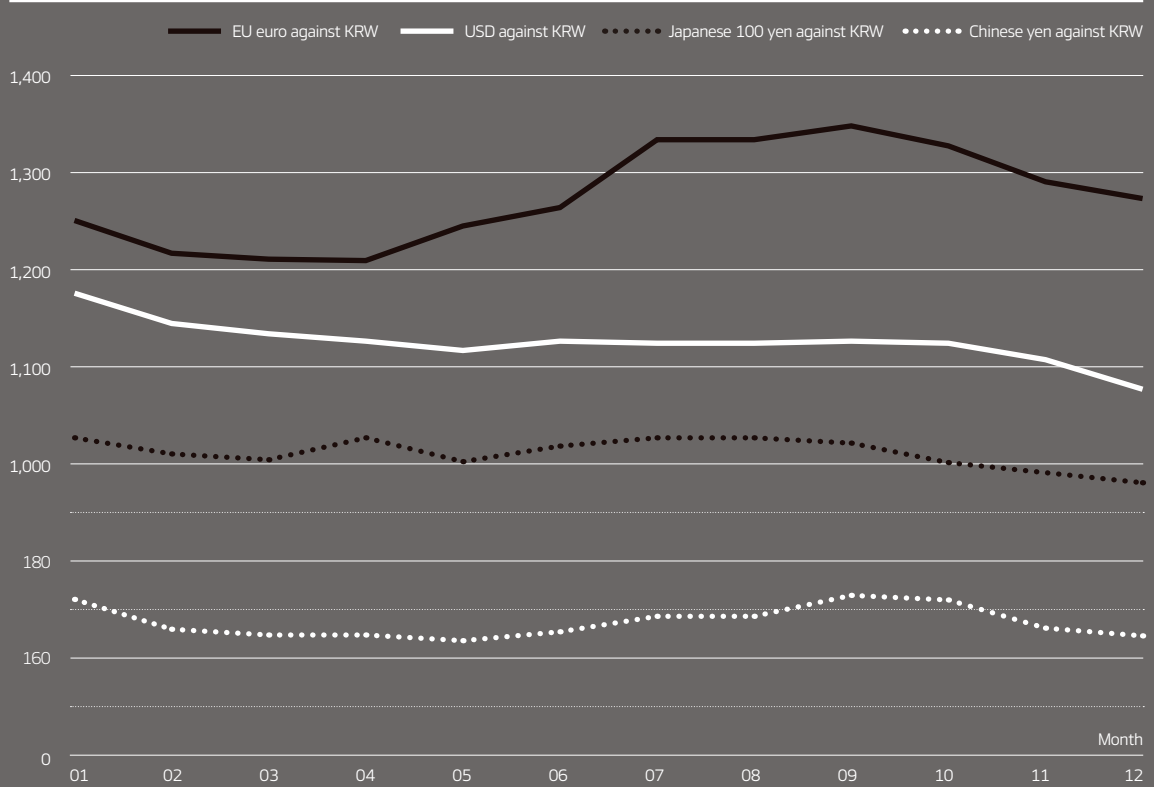
(source: BD-Platts (CFR Taiwan weekly spot price), SM-Platts (FOB Korea))

Synthetic Rubber Primary materials price trajectory (unit: USD/ton)



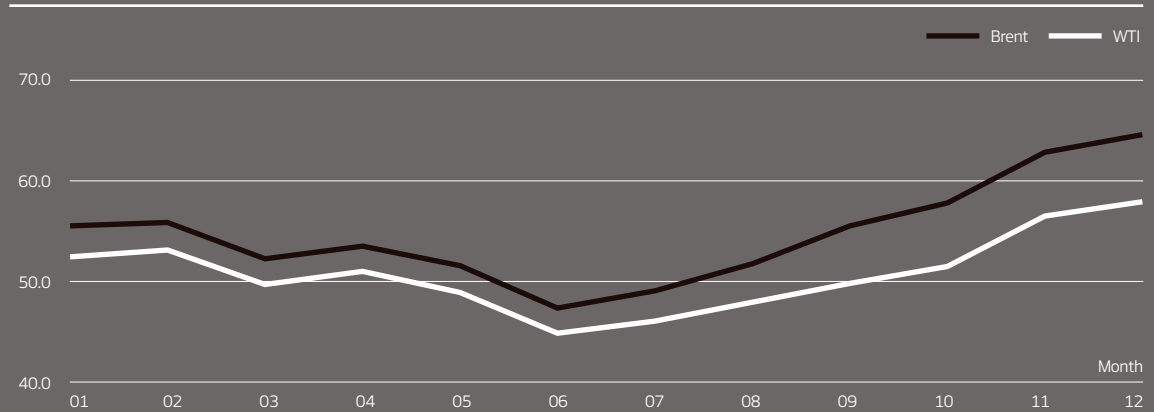
## 2017 Currency Rate Trajectory

(unit: KRW, source: OANDA)



## 2017 Oil Price Trajectory

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







Our journey toward enhancing future driving experiences is gaining even more speed. We expanded our R&D infrastructure to strengthen our technological capabilities, broadened our global production footprints to include the U.S., and undertook strategic M&As to increase our global distribution channels. Such acceleration is also occurring in our corporate culture as it embraces another layer of innovation through company-wide employee engagement. Our endeavors in so doing lead to consistent increases in OE fitment gains with global premium car makers, thereby constantly improving our brand value. As we continue to rise to challenges towards the best-possible driving experience, we take a step closer to realizing our vision of becoming a global top-tier tire maker.



INNOVATION  
IN PROGRESS

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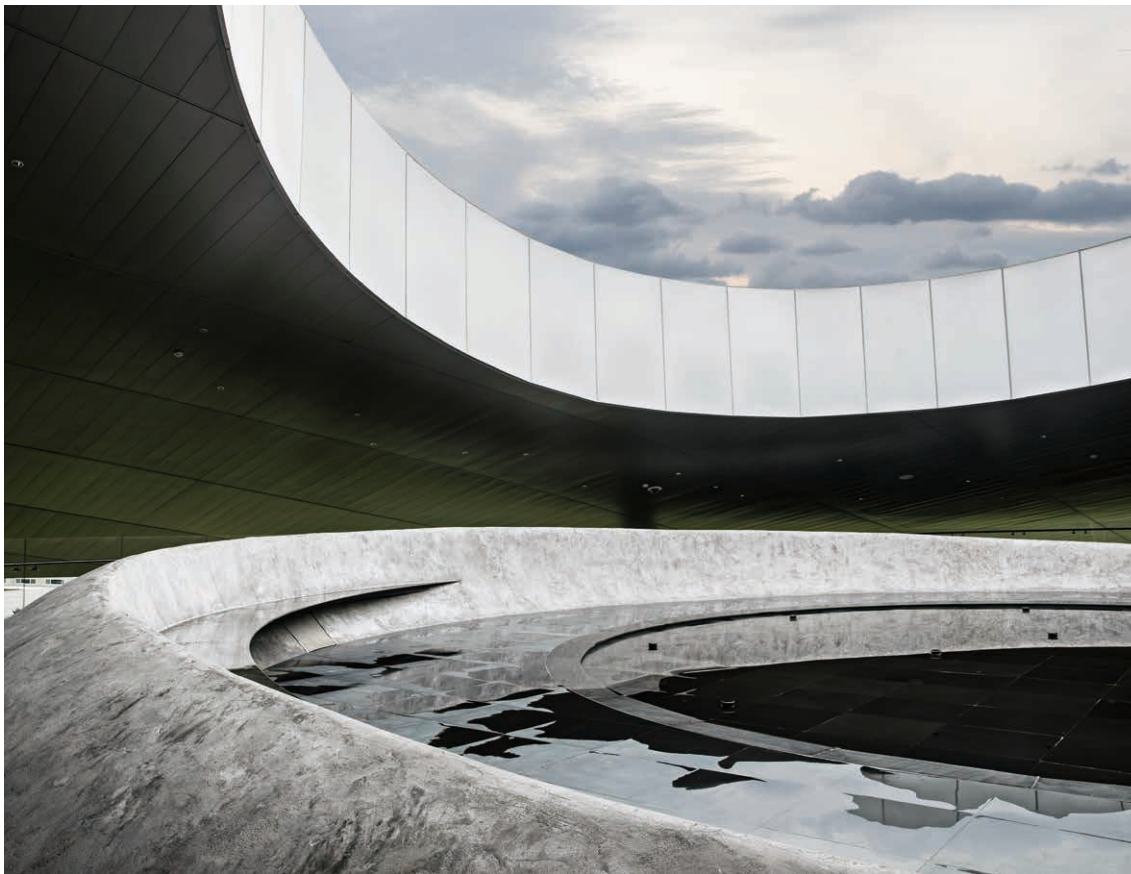
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# TECHNOLOGY

With Hankook Technodome playing a leading role as a cradle of breakthrough technology, we at Hankook Tire operate Technical Centers in key regions of the world to develop cutting-edge technology and innovative products that will set the trend across the global tire industry. Leveraging our advanced technology, our tires deliver the total package of solid performance, exceptional safety, and excellent design to provide our global customers with an unforgettable driving experience.

INNOVATION

# Steady Investment in R&D



Hankook Technodome Bar Cool

# 1,079

persons

Global R&D Workforce

### **Hankook Technodome, Cradle of R&D Innovation**

In 2016, we established Hankook Technodome as our central research facility to build global technology leadership and strengthen our future competitive edge. With 96,328m<sup>2</sup> in floor space, Technodome consists of a research building - four stories above the ground and two stories underground - and a residential building - seven stories above the ground and one story underground. The facility is armed with such advanced research and testing equipment as a driving simulator to perform virtual testing under real-life racing conditions and a world-class anechoic chamber to conduct tire noise tests. Equipped with such top-notch facility and infrastructure, Hankook Technodome will drive our endeavors to develop innovative future tire technology and build an unrivaled technological competitive edge.

### **Our R&D Value - 'People Hold the Key to Our Future'**

We are making discriminating investments in acquiring top talent. We launch impactful promotional events about technology and diverse industry-academy cooperation programs in alignment with Hankook Technodome while presenting the training roadmap for respective R&D positions and operating the 'Engineering University' to

To conduct R&D on tires that are manufactured based on the aggregate of cutting-edge technology, we constantly expand our pool of global top-notch researchers and invest in high-tech infrastructure. Hankook Technodome will surely play a leading role in developing forward-looking tire technology and reinforcing our competitive edge in technology.

# 1,010

patents

Patents Granted in Korea

# 149

patents

Patents Granted Overseas

offer systemic technical training as a way to strategically nurture our R&D workforce. Furthermore, we provide training programs at prestigious overseas universities and have helped establish the Department of Tire Technology at Chungnam National University as a graduate school for technology specialists in order to support our researchers with capacity-building.

### **Securing Patents to Dominate Future Tire Technology**

We make patent applications on our R&D outcomes to improve our competitive edge in R&D. As of the end of 2017, we had 1,010 patents granted in Korea and 129 patents granted overseas, and we are proactively investing in making patent registrations in the U.S., Europe, Japan, and China to gain a competitive advantage in the global technology landscape. We also plan to develop original technology on non-pneumatic tires (NPT), intelligent tires, and next-generation eco-friendly tire materials and create a pool of patents granted in core tire technology areas.



Hankook Technodome



# 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 the tire in motion can effectively control 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 eco-friendliness while bringing customer satisfaction.

We proudly attribute our sustained growth to our ceaseless endeavors in technology innovation. Leveraging our unique technology philosophy of 'Kontrol,' we develop optimal products that deliver never-before-possible driving experience to customers across the globe and elevate our value as a premium tire brand.



### 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 driving-related stress.

### ENVIRONMENT

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

# New & Innovative Products

At Hankook Tire, we set the global tire trend by swiftly launching new products that cater to market and customer needs through relentless technology innovation. We embrace a range of new technology to develop passenger car/light truck tires while unveiling truck and bus tires that deliver eco-friendliness and improved fuel efficiency as a way to make our products even more competitive.



### **ventus S2 AS**

Ultimate premium tire that delivers unrivaled comfort, silence, and an even dynamic high-speed driving performance



### **ventus S1 evo<sup>2</sup>**

Ultra-high-performance tire that unleashes the power of DTM technology on public highways



### **ventus R54**

Extreme performance tire that serves as the last solution to reduce lap times

### Passenger Car Radial (PCR) and Light Truck Radial (LTR) Tires

In line with the increasing importance of Safety Tire Technology, we are intensively investing in new technology that meets consumer demand. Our third-generation run-flat tires, developed with new materials, new manufacturing techniques and other core technology, are the result of combining our proprietary cutting-edge technology and will surely offer further improved safety to our customers behind the wheel. We are also developing sound-absorbing tires that shut out tire cavity noise. This reduction in cabin noise allows for a more comfortable and noise-free driving experience.

\* 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 response to the increasing global demand for eco-friendly and highly fuel-efficient truck and bus tires, we further segmented our new product offerings to satisfy customer requirements and cater to emerging market trends. Segmenting our TBR line-ups into Mild On & Off (regional + On & Off purposes) SMaRT WORK and SMaRT FLEx with improved fuel efficiency enabled us to further improve our competitive edge in the TBR tire sector. Our new product SMaRT City AU06, optimized for eco-friendly electric buses, will also help us increase our market share in the global electric bus market.



#### **KINERGY<sup>PT</sup>**

Premium touring all-season tire that delivers solid performance



#### **SMART<sup>WORK</sup> AM11**

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



#### **SMART<sup>WORK</sup> DM11**

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



#### **SMART<sup>FLEx</sup> DL15**

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

# Design Innovation



Industry-academia joint project undertaken with the School of Design, University of Cincinnati, U.S. in 2016

Our unique design identity 'Refined and Dynamic Style' embodies sophistication, delicate tension, and future-oriented dynamism, and it is through this design philosophy that we are able to meet the demand for presenting innovative tire designs. We collaborate with top brands in respective areas and closely communicate with customers in order to create the best-possible designs that also deliver a safe and driving experience.

## 2017 Award



## Technical Design for Customer Safety

Since user safety is paramount in our industry, designing tires demands that we do not tolerate even a 0.001% margin of error and pursue perfect and precise design technology. This is definitely what sets our industry apart from those of general products. We defined our design identity as 'Refined and Dynamic Style' to highlight the future-oriented dynamism and sophistication of our tire design and have since adopted optimized design concepts for respective product line-ups. Furthermore, we initiated biannual 'Design Innovation' projects in 2012 attended by students from prestigious design schools around the world. These projects intend to combine the creative ideas generated by students with our technological solutions to conduct joint research with an aim to present the vision of future driving and propose next-generation tire systems to realize such vision. We at Hankook Tire will constantly pursue design innovation to enable our customers to enjoy a safe yet dynamic driving experience and explore new possibilities.

# Global Quality Competitiveness

# 104,000,000 units

Global Production Output Forecast

We place quality as our top priority and seek relentless innovation to build top-notch quality competitiveness. By advancing customer-driven quality management across the board, we ensure customer satisfaction and solidify our reputation as a premium brand.

## World-Class Quality Management

With the firm belief that no compromise is acceptable when it comes to 'customer-oriented quality management,' we at Hankook Tire are constantly reinforcing our quality management. Notably, we are focused on 'quality differentiation' to satisfy and impress our customers through our robust quality management.

First, we established an innovative quality assurance infrastructure to ensure quality uniformity across each area - from product development to customer service. We also made continued investments in strengthening our quality assurance to further enhance quality uniformity in our manufacturing process. To continuously promote uniform quality (Global One Quality) in our manufacturing plants across the globe, we realigned our quality standards and are building a corporate culture that promotes communication all the way up from the shop floor. Such endeavors for quality management were widely recognized as we ranked 1<sup>st</sup> in the Korean Quality

Satisfaction Index for nine consecutive years and were named Outstanding Quality Competitiveness Enterprise for eight consecutive years.

Second, we were fully dedicated to innovating our quality assurance system to meet the requirements of global premium automakers and to strengthening our customer-focused service quality - from new technology development to production expansion. These proactive endeavors allowed us to increase our OE fitment gains and improve our brand image.

# Motorsports

We have demonstrated our exceptional technology and quality through sponsorships for motorsport teams and competitions, ranging from the Deutsche Tourenwagen Masters (DTM), the world's most prestigious touring car championship attended by top three premium automakers, to the 'FIA Formula 3 European Championship' and the Supercar Challenge. As a strong supporter of world-premier motorsports, we will usher in a new chapter in driving culture - together with motorsports fans across the globe.

## **Demonstrating Unrivalled Technology and Quality Leadership**

Since 1992, we have fully participated in such globally-recognized motorsport competitions as 'Super GT,' 'Nürburgring 24h,' and '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 Formula 3 European Championship since 2012. As one of the world's top three touring car championships, DTM serves as a venue for German premium auto makers, including Audi, BMW, and Mercedes-Benz, to showcase their technological prowess. Gaining recognition for our quality and technology through DTM, we have also become an official tire supplier to 'Audi Sport TT Cup,' a support event for DTM directly hosted by Audi Motorsport.

In 2014, we attended the 'Nürburgring 24h,' a 24-hour circuit race also known as 'Green-hell,' where drivers

push their limits to prove our exceptional technology and quality. We have steadily 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.

We have supplied tires to the 'ADAC TCR Germany,' a one-make touring car race initiated in Germany, and the 'TCR Nürburgring,' and the 'TCR Spain' since 2016. We are also 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



Deutsche Tourenwagen Masters (DTM) in Germany



#### Pikes Peak International Hill Climb

Hankook Tire-sponsored driver ranked 1<sup>st</sup>



#### DTM, FIA F3

Renewed the official exclusive tire supply contract



#### Supercar Challenge

Supercar Challenge in the Netherlands

Selected as an exclusive tire supplier

and a title sponsor

International Hill Climb, the world's top mountain motorsport competition. We became an exclusive 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 2018, we at Hankook Tire will surely meet the expectations and enthusiasm of global motorsport fans as a brand that brings honor to world's premier motorsport competitions. We will continue to attend global motorsport events to strengthen our brand power and product recognition and become a brand beloved by even more customers in the global market.

# BRAND

Hankook Tire is a global premium brand trusted and chosen by global automakers and numerous consumers. We implement an optimal region-specific business strategy and marketing communication while solidifying our partnership with global automakers to further elevate our reputation and value as a premium brand beloved by customers across the globe.



**INNOVATION**

# Marketing Communications





1. Real Madrid Sponsorship
2. MLB Sponsorship
3. 'The Next Driving Lab' Campaign

### Broadening Global Brand Communication

We signed a three-year marketing partnership agreement with 'Real Madrid,' one of the world's top football clubs, starting with the 2016-17 season, to elevate our premium brand image among global customers. Our 'Be One with It' campaign was launched in 2016 in key global markets except for the U.S. to disseminate the value of innovation shared by Real Madrid and Hankook Tire.

In Europe, we are actively undertaking brand marketing programs as an official partner for the UEFA Europa League by tapping into the areas of interest among local consumers. This partnership initiated back in 2012 was renewed for another three years starting from the 2018-19 season. In our strategic U.S. market, we launched the 'Never Halfway' campaign that reflects the unique sentiment of Americans to build consensus with local customers. In 2018, we signed an official sponsorship agreement with the Major League Baseball (MLB) which represents the American sports scene. We plan to enhance our brand reputation in the U.S. market by making use of MLB property in our marketing programs.

In China, we are actively engaging consumers through

In 2017, we continued to undertake diverse marketing communication programs to raise awareness of our brand among global consumers and to offer more opportunities to experience our brand firsthand. Driven by our systemic strategy that takes into account the characteristics of different markets and customers, we were engaged in sport sponsorships and exhibitions to globally promote our 'Hankook' brand and to reinforce our brand value in so doing.

Integrated Marketing Communication (IMC) and are constantly working to position our status as a premium brand and strengthen consumer preference.

In Korea, we launched the 'The Next Driving Lab' campaign to strengthen our image as an upcoming and innovative company. Our 'Smart Care' campaign undertaken through our distribution channel T'Station also helps set us apart from the competition in servicing our customers and in solidifying our premium brand status.

We also attend globally-renowned exhibitions such as the 'International Automobile-Ausstellung (IAA),' one of the top five global motor shows, and the Shanghai/Beijing International Automobile Exhibition (Auto China) to showcase our new products and research outcomes generated through exceptional technology.



# Global Automotive Partnerships

## Hankook Tire's OE Tires Partners



### **Increasing OE Tire Supply with Automakers**

We build close partnerships with globally-renowned automakers and supply Original Equipment (OE) tires to their main models. In 2017, we started supply to the Opel Insignia, the Nissan Rogue, and Audi's RS4 and RS5. Furthermore, 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 80km at the speed of 80km/h even when the tire air pressure is reduced to zero, to Volkswagen, BMW, and Mercedes-Benz. Following our successful supply of electric vehicle tires to the Hyundai Ioniq, we have become a new supplier for five EV models and are currently developing products.

### **Strengthening Trust-based Partnerships 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 presented by global automakers in developing future-oriented models and to fully respond to the development of tires that best meet local market needs. We also build cooperative relationships for shared growth by engaging

Even as the automotive landscape is shifting rapidly, we at Hankook Tire are consistently investing in R&D and developing cutting-edge technology to increase our OE tire supply and to further strengthen our trust-based partnerships with global automakers.

key automakers in conducting joint research, developing concept tires and promoting technology exchanges. In addition to regular business meetings, we also promote our OE tire business through global auto shows and exhibitions so that such diverse communication programs enable us to further solidify our trust-based relationship with global automakers.

# OE Tire Market Performance & Future Strategy

42%

2017 OE Tire Supply Sales Growth for Japanese Automakers

15%

2017 OE Tire Supply Sales Growth for TBR Tires

### 2017 Performance Analysis

We continued to expand our OE tire supply into 2017 even amid the rapidly-shifting automotive market landscape. Our OE tire supply in North America steadily grew in 2017 and our OE tire sales rose by more than 14% from the previous year thanks to our increasing supply for pick-up trucks, SUVs and Japanese automakers. Another significant achievement is that we successfully initiated our OE tire supply to the main models of these Japanese car makers, including the Toyota Camry and the Honda Accord. In Europe, our OE tire supply increased by more than 10% from the previous year, which can be attributed to our stable supply to Volkswagen and other existing customers, and our OE tire supply also expanded for such premium automakers as Porsche, Audi, and Mercedes-Benz. In China, we faced challenges in the OE tire market as local automakers reduced their production and competition intensified against local tire makers. Still yet, our OE tire supply increased for BMW, Mercedes-Benz and other premium brands as well as Toyota, Nissan and other Japanese auto brands, and our OE tire sales remained steady from the previous year.

Building on years of endeavors to diversify our global

**In 2017, our OE tire supply gains with Toyota, Nissan and other Japanese automakers rose by more than 42% from the previous year, and our OE tire sales for trucks and buses also increased by 15% from the previous year. Furthermore, we increased our supply of eco-friendly tires for electric vehicles and silent tires for premium models, which gained us recognition for our technological competency as a global tire maker.**

business and innovate our cost structure and business portfolio, we will minimize region-specific risks and continuously increase our sales in both emerging and advanced markets.

### 2018 Business Strategy

In 2018, we are developing an optimal business strategy to promote the stable growth of our OE tire business. First of all, we aim to further expand our OE tire supply to global top auto makers. In addition to our current OE tire customers including Hyundai Kia Motors, Volkswagen, Ford, GM, Toyota, Honda, and Nissan, we will also consistently increase our OE tire supply to such premium brands as BMW, Mercedes-Benz and Audi. We also plan to broaden our business with local automakers in Europe and China as well as Japanese auto brands in India and ASEAN.

Secondly, we will optimize our OE tire supply portfolio by region, brand, vehicle segment and product size. We aim to focus on securing strategic brands to create a steady stream of sales and profits. We will also expand our sourcing for the main models of automakers to reduce risks associated with vehicle production volume. Furthermore, we plan to continuously increase the share of high-inch products to establish a stable product portfolio amid increasingly intensifying competition. Thirdly, we will be committed to developing new technology that satisfies both changing global automobile

market trends and consumer needs. While expanding the supply of special tires such as run-flat tires, sealant tires and silent tires, we will also focus on developing advanced tires for electric vehicles, hybrid vehicles, plug-in hybrid vehicles and other future-oriented models.

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### 2018 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

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# Regional Analysis & Future Strategy

## Korea

As the domestic economy showed mild signs of recovery in 2017, the Korea Headquarters undertook more proactive marketing initiatives. We launched the 'The Next Driving Lab' campaign and diverse sponsorship marketing programs to broaden the exposure of our Hankook brand to ultimately enhance our brand image. Our OE tire

mindset. Furthermore, we added multiple tire brands to our service portfolio to offer a wider spectrum of product offerings for consumers to choose from and to cater to their diverse needs in order to enhance our retail competitive edge. We launched the Retail Business Headquarters to improve the operational efficiency of

**Our Korea Headquarters launched a range of marketing programs - from developing new products to innovating the distribution structure and strengthening retail services. Such proactive endeavors allowed us to further solidify our dominance in the Korean market and to bring greater customer satisfaction and improve our brand value.**

supply also increased to German premium automakers to consistently strengthen marketing partnerships with these global top-notch brands. Meanwhile, we are leading the SUV market by launching diverse line-ups from 'Ventus S2 AS X' for large-size and imported SUVs to 'Smart ST X' for mass-market SUVs and expanding our sales of run-flat tires that target the imported car segment.

our organization, human resource and logistics so as to strengthen our customer-driven execution capabilities. We also created a standardization task force team to solidify the franchise leadership of T'Stations. Building an O2O platform also allowed us to extend the scope of our online business and to bring ease and convenience to the tire purchase experience of our customers.

Our T'Stations, designed to provide tire-focused total automotive service, offer unique and differentiated service to consumers through their 'Smart Care' service

While the domestic economy is forecast to grow in 2018, we expect decreases in domestic tire demand due to shrinking private sector consumption and the widening wealth divide in the household economy. As such, our Korea Headquarters plans to reinforce its sales operations by launching new marketing programs and establishing B2B processes to respond to the rapidly-growing high-inch tire market and to ultimately build a stronger competitive edge. We also aim to expand our multi-brand strategy to improve the value of T'Stations as a total tire solution provider while initiating advertising campaigns that target new customer groups to strengthen our brand image.

# 46%

**2017 Ratio of 17 Inch or Larger PCR Replacement Tires against Total Sales in Korea**



# 13%

2017 Replacement Tire Sales Growth in China

## China

In 2017, the China Headquarters focused mainly on high-inch products in launching new products and improved the brand awareness of our premium products for passenger cars and SUVs. This resulted in a dramatic increase in our ultra-high-performance tire sales by more than 24% from the previous year in the replacement tire (RE) market. Meanwhile, we improved our distribution structure in response to the changing local tire market: we increased our tire supply to stand-alone tire franchise shops in addition to the continued expansion of our Hankook Masters and Hankook Truck Masters stores while initiating the sales of our products at the franchise shops of Mercedes-Benz and BMW. In so doing, we were able to pursue both the quantitative and qualitative improvement of our Hankook Tire brand distribution network.

Our global strategic brand, Laufenn, broadened its sales network to include more than 500 dedicated stores and to reach across the entire nation to witness a rapid growth of more than 30% in sales from the previous year. Another significant accomplishment was to gain OE fitments on the BMW 5 Series designed for the domestic Chinese market and expand our OE tire supply to the

Our China Headquarters further committed to increasing its competitive edge in products and distribution by developing a sales strategy in line with emerging market trends and by improving its tire distribution structure. This contributed to its stable yet rapid growth, as demonstrated through increases in OE tire supply gains with premium automakers and a more than 13% growth in RE tire sales.

premium models produced in China. We also drastically increased our tire supply to electric vehicles and other types of vehicles developed through new technology. Leveraging our sponsorship contract with Real Madrid, one of the top-notch soccer clubs in the world, we facilitated our sports marketing to disseminate our premium brand image and improve consumer preference for our brand.

In 2018, our China Headquarters aims to unveil new products in line with the rapidly-shifting local Chinese market and to promote our brand image by familiarizing local consumers with our brand to establish our status as a widely-recognized premium tire brand among Chinese consumers. We will also increase our OE tire supply to premium brands and focus on ultra-high-performance tires in expanding our RE tire sales so as to consistently seek quantitative and qualitative growth.

# 7%

2017 Market Share in the European Tire Market

## Europe

In 2017, our Europe Headquarters posted 26 million in tire sales and 7.4% in market share. Entering the 2<sup>nd</sup> year of the partnership contract signed with Real Madrid, one of the world's most prestigious soccer clubs, we also launched a range of communication programs to further solidify our premium brand image across Europe. We attended the 'IAA Frankfurt,' one of the largest motor shows in the world, and have continued to serve as the exclusive tire supplier to the 'Deutsche Tourenwagen Masters (DTM)' for seven consecutive years. Such multi-faceted endeavors enabled us to proactively promote our

Our Europe Headquarters is consistently increasing its market share by improving productivity, strengthening product competitiveness, adopting a segmented distribution strategy, and launching proactive marketing programs. Through our partnership with Real Madrid and sponsorships for motorsports, we strive to build our premium brand image across the entire European region.

status as a tire partner for Porsche, BMW, Audi, Mercedes-Benz and other global premium brands among customers, business/industry, and media.

Launched in 2016, Laufenn stabilized its position in the European market and reinforced the strength of our brand portfolio along with our incumbent brands of Aurora and Kingstar. This, in return, enabled us to satisfy diverse consumer needs and accelerate our endeavors to elevate our status as a premium brand. Furthermore, we were selected as a strategic partnership company by Schmitz Cargobull, a leading premium trailer maker in Europe, to pave the way to expand our technology leadership in the global TBR tire market.

In 2018, our Europe Headquarters will contribute in our quest to become a global top-tier brand by improving our brand value across the entire business process, from products and services to marketing, and by reaching out to European customers.

# 12%

2017 Truck and Bus Tire Sales Growth in the Americas

## The Americas

In 2017, our America Headquarters made notable achievements in the TBR tire sales market and in the sluggish Central and Latin American market. Our TBR tire sales rose by 12% from the previous year, and we laid the basis to pursue quantitative growth. This was mainly in the U.S., Canada and Mexico and spanned across multiple areas, including new account development as well as the trailer and bus OEM business. In the Central and Latin American market, we successfully diversified customer accounts in major countries and improved our service offerings with a focus on hyper chain distribution in Brazil, which resulted in a 22% y-o-y increase in our sales.

The year 2017 marked the full-scale operation of the Tennessee Plant in the U.S., which is our eighth manufacturing facility. Initiating its full-fledged operation in April, the plant hosted the completion ceremony with the state governor, key governmental officials and dealers in October. This significantly improved the expectations of Hankook Tire in the state and the plant is expected to duly fulfill its role as a key production and sales point in the Americas. Another notable achievement was to improve our logistics service in the Central and

Our America Headquarters is working along the entire product lifecycle - from sales and marketing to production and distribution in order to fuel our mid/long-term growth plan. These endeavors have resulted in a significant sales growth in the U.S. truck and bus tire market and in the Central and Latin American market.

Latin American regions. We opened a warehouse in the Colon Free Zone in Panama to provide a more expedient delivery service to customers and this will surely make sizable contributions to increasing our sales in the region.

In 2018, our America Headquarters will launch diverse products optimized for the American region and improve the operational efficiency and quality of its distribution channels to increase our market share in the RE tire market. Our sales portfolio will be strengthened through proactive sales of ultra-high-performance tires and sports marketing programs will be launched through our partnership with MLB and other sports so as to elevate our premium brand image.

### Middle East, Africa, & Asia Pacific

In 2017, we laid the basis for our sales operations and sustainable growth in response to the economic instability and political chaos in the Middle East and Africa. To pave the way for our quantitative and qualitative growth, we focused on such strategic locations as Saudi Arabia and Iran in the region to strengthen our competitive edge in distribution. This also served to optimize our product operations, enabling us to successfully post high growth mainly in the sales of ultra-high-performance products.

In the Asia Pacific region, our sales rose by 15.3% from the previous year. In addition to such quantitative growth, we added 74 locations to our network of Hankook Masters as a way to pursue qualitative expansion while developing Hankook shop signage to build a stable sales network. Sales surged by 21% from the previous year as a result of our commitment to selling high-inch products to improve profitability. Furthermore, we expanded our coverage in the Philippines to increase sales and created a sales subsidiary in India that holds abundant growth potential to pursue growth in this region.

Our 2018 plan in the Middle East and Africa is to advance

In the Middle East and Africa, our sales consistently grew by expanding our sales network to include previously uncovered business areas and downstreaming our distribution operations. In the Asia Pacific, we further developed our distribution network, expanded our coverage to business areas that had no previous brick-and-mortar presence, and stabilized our distribution operations to significantly increase our sales.

our distribution channels and improve our brand value to increase sales and improve profitability. In the Asia Pacific region, we aim to develop new accounts, further expand our coverage, and elevate the quality of our Hankook Masters channel while focusing on the sales of highly-profitable products for profitability gains. We will continuously increase our market share by leveraging our Indonesia Plant to make the Asia Pacific region another home market.

# 15%

2017 Tire Sales Growth in Asia Pacific

# Tire Market Performance by Product Group

# 15%

2017 Global Sales Growth of High-Inch Tires for Passenger Cars and Light Trucks

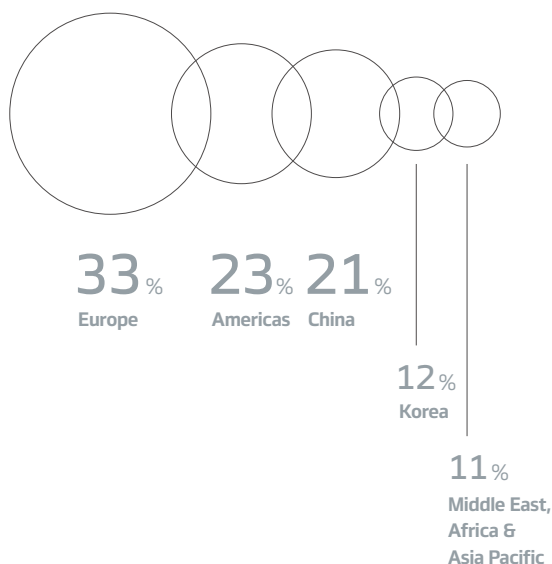
## 2017 Performance Analysis

The composition of our global tire sales by region is as follows: 12% in Korea, 21% in China, 23% in the Americas, 33% in Europe, and 11% in the Middle East, Africa and the Asia Pacific region. This demonstrates that we have a balanced sales portfolio across the globe, including such advanced markets as the Americas and Europe. By product line-up, our sales of PCR and LTR tires rose by

In 2017, our global tire sales amounted to approximately 101.27 million units. The ratio of RE tires and OE tires was 66% and 34% respectively. Our sales of high-inch PCR and LTR tires rose by 15% from the previous year and this significantly raised the ratio of highly profitable products in total sales.

## 2017 Tire Sales by Region

(based on global sell-in volume)



3.49 million units from the previous year to 96.17 million units. The ratio of RE tires and OE tires in total sales amounted to 66% and 34% respectively.

Notably, our sales of 17 inch or larger PCR/LTR tires that generate higher profits increased by 15% from the previous year to help broaden our presence in major markets. The ratio of such high-inch tires in PCR/LTR tire sales also increased by 3% from the previous year. By tire type, RE tires and OE tires accounted for 28% and 47% in high-inch PCR/LTR tire sales respectively. Given that OE tire sales and RE tire sales are aligned, this implies that our sales of high-inch tires is expected to increase continuously in the RE tire market over the mid-to-long term. The regional sales breakdown of TBR RE tires is as follows: 17% in Korea, 13% in China, 26% in the Americas, 31% in Europe, and 13% in the Middle East, Africa and the Asia Pacific region. Specifically, our sales in China and the Americas increased by 13% and 12% from the previous year respectively.

# SUSTAINABLE

Driven by Proactive Culture that embodies our unique corporate cultural DNA, we train global talent, innovate the way we work, and build a stronger competitive edge. As a responsible member of our society, we step to the plate to fulfill our corporate social responsibility, closely communicating and cooperating with all our stakeholders - customers, employees, partner companies, shareholders & investors, and local communities - to pursue mutual growth.



**INNOVATION**

# Proactive Culture



A researcher meeting hosted at Hankook Technodome



### **'Proactive Culture', Hankook Tire's Unique Corporate DNA**

It is based on our unique 'Proactive Culture' that we have achieved steady growth in the global market. The word 'proactive' is the combination of 'professional' and 'active' and defines our distinct corporate culture where employees are armed with a professional competitive edge, take ownership and become agents of innovation. At Hankook Tire, our 'Proactive Culture' forms an integral part of all our systems and institutions and assists each and every employee in playing a leading role to bring innovation to the way they work. Being proactive as such also defines 'Proactive Leader,' the ideal Hankook Tire employee we aim to nurture. Proactive leaders think and act with the 'Proactive Leadership' that encompasses our core values of 'Passion, Innovation, Collaboration, and Global' while seeking both corporate and individual growth.

### **'Proactive Friday' to Offer a Creative Work Environment**

Every month, we have a special Friday dubbed 'Proactive Friday' to provide an environment that nourishes creative talent. On Proactive Friday, all our executives and team leaders do not come to the office. Instead, our employees voluntarily plan and undertake a range of activities outside

### **Idea Suggestion Program 'Proactive 1 Grand Prix'**

Our special idea suggestion program 'Proactive 1 Grand Prix' motivates our employees to voluntarily propose creative ideas and assists them in putting them into action. Any Hankook Tire employee can join this program regardless of their job position and they are free to offer suggestions, even if they are completely unrelated to their own work scope and/or position and they personally choose someone who will evaluate and execute their ideas. In 2018, we have been creating the 'Proactive Lab' to allow employees who propose an idea to directly create and operate an execution unit to assist them in suggesting ideas and bring them into fruition. Proactive 1 Grand Prix serves as the driving force behind shared growth by strengthening the individual and corporate competitive edge on the basis of the proactive enthusiasm of each and every Hankook Tire employee.

### **'Proactive Concert', a Venue for Horizontal and Free Communication**

Our 'Proactive Concert' is held every quarter to gather all employees together by department. While this resembles an in-house IR event hosted quarterly to share business outcomes, respective departments can

**'Proactive Culture' represents our unique corporate culture at Hankook Tire and serves as the fundamental driving force to build employee capacity and strengthen our corporate competitive edge. It is through our free and creative Proactive Culture that agents of innovation achieve our corporate vision along with their individual goals.**

their typical scope of work, free from any regulations or rigidity in format. This offers employees an invaluable opportunity to engage in a variety of activities that are normally difficult to engage in with either colleagues or individually. These activities range from benchmarking other companies and participating in driving experiences to attending exhibitions. Our CoPs (Community of Practice) also enjoy new cultural experiences, perform volunteer work, or engage in other insightful activities both inside and outside their work scope. Our executives and team leaders who are out on Proactive Friday come to work the following Sunday for our 'Strategic Sunday' initiative. This enables them to host town hall meetings to discuss a range of issues and our strategic directions as a way to strengthen their leadership.

autonomously host Proactive Concerts when issues arise that require employee communication. The agenda is set by identifying the issues that interest employees the most and an 'open approach' is adopted to promote interactive communication and answer questions in real time. Our employees mingle freely as seats in this casual atmosphere are not designated by job position. Sensitive questions can be raised through anonymous text messaging and any questions left unanswered due to time limits are surely addressed at a later time through our corporate intranet. The Proactive Concert held in Q1 of 2018 received nearly 100 questions and a host of issues related to Hankook Tire were dealt with. The Proactive Concert is hosted at some of our overseas worksites as a way to disseminate a culture of horizontal communication across our entire workplace.

# Corporate Social Responsibility



Hankook Tire employees volunteer to paint murals

## 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

Hankook Tire has consistently endeavored to fulfill its corporate social responsibility since 2010 with the establishment of an integrated CSR management system. 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 implement various CSR initiatives on the basis of our 'CSR Vision 2020 Roadmap.' In 2017, we joined the Dow Jones Sustainability Indices World (DJSI) for two consecutive years, which solidified our status as a global top-tier company in sustainability. Furthermore, our achievements in disclosing information on our response to climate change and reducing GHG emissions were widely recognized as we were honored with the "Carbon Management Sector

Honors (in the consumer discretionary sector)" at the CDP Korea Climate Change Award in 2017. In 2018, we became the first company placed in 'CDP Supplier Engagement Leader Board' in Korea.

## Corporate Philanthropic Activities

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

### Korea

At Hankook Tire, we are actively engaged in corporate philanthropic activities in conjunction with the Hankook Tire Welfare Foundation and through employee volunteer activities and donations to pursue win-win partnerships with local communities.

### Operating the 'Donggeurami Employee Volunteer Team'

While some of our plants voluntarily operated volunteer groups, we took a step further in launching a company-wide employee voluntary force known as the 'Donggeurami Volunteer Team' in 2013. Our employees are engaged in a wide array of volunteer activities, from

To fulfill our social responsibility as a global corporate citizen, we established an integrated CSR management system and are implementing systematic CSR programs in the areas of product environment, EHS, climate change, employees, ethics management, corporate philanthropy and suppliers. The scope of such activities extends beyond Korea to overseas to contribute to resolving local community issues and promoting their sustainable growth.

**53** KRW 100 million

2017 Corporate Philanthropic Expenditures



MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

improving the environment of local communities and offering regular support for seniors to paying visits to social welfare centers.

### Making Donations to the Community Chest of Korea

Each year, we make financial donations to the Community Chest of Korea as part of our corporate philanthropic activities. In 2017, we made donations worth KRW 1.1 billion to spread the warmth of our sharing across society.

### Supporting the Development of Children's Traffic Safety Map

Since 2013, we have undertaken the Children's Traffic Safety Map project in conjunction with the Korean Association for Safe Communities with an aim to improve the traffic environment near elementary school zones and to create a culture of traffic safety. In 2017, we developed traffic safety maps with 587 students from 20 classes at four elementary schools in Seoul and Gyeonggi.

# 50 vehicles

Donated to Social Welfare Institutions in 2017  
(a total of 397 vehicles were donated between 2008 and 2017)

## Fulfilling Corporate Social Responsibility through the Hankook Tire Welfare Foundation

We established the Hankook Tire Welfare Foundation as a public foundation in 1990 and have since been undertaking a range of corporate philanthropic activities in a more professional and consistent manner. These include Three Major Mobility Projects, community engagement programs, children and youth support programs, and social housing programs.

### Three Major Mobility Projects

**Car Donation:** Our car donation program began in 2008 for social welfare facilities and we provided 50 vehicles in 2017. In addition to donating cars, we also take such follow-up measures as offering driving safety training to female drivers as well as incentives to top-performing users.

**Tire Donation:** Since 2010, we have provided tire replacement and wheel alignment services for vans used for business purposes by social welfare facilities and we have also provided compact cars to these institutions. In 2017, we donated a total of 2,004 tires to ensure the safety of the vehicles operated by social welfare institutions.

**Tuieum Bus Program:** Initiated in 2013, our Tuieum Bus Program offers large-size buses to social welfare institutions to access experience-based activities in the areas of culture, history, tradition, ecology and education. In 2017, we offered a total of 550 buses, and in July 2017, we provided Tuieum Buses in cooperation with Seoul City to help the North Chungcheong Province recover from the damage caused by a sudden flood.

### Community Engagement

We support charitable hospitals and social welfare institutions to help address pending local issues and bring positive change to local communities.

**Support for Charitable Hospitals:** Since 1991, we have provided medical equipment and helped pay operational expenses to five charitable hospitals across the nation in order to provide free-of-charge medical service to low-income individuals. In 2017, we donated KRW 110 million to a total of five charitable hospitals to assist the underprivileged in leading a healthy lifestyle and regain their value for life itself.

**Support for Social Welfare Institutions:** We have consistently supported social welfare institutions to contribute to improving the living environment and the quality of life for the socially underprivileged. In 2017, we extended our helping hands to a total of seven institutions to support the families of children suffering rare incurable diseases and to expand the infrastructure of residential welfare facilities.

### Children and Youth Support Programs

We undertake children and youth support programs so that children and teens, the future leaders of our nation, can nurture their hopes and dreams while becoming upstanding members of our society.

# 2,004 tires

Donated to Social Welfare Institutions in 2017

**Dream With:** Our 'Dream With' program enables businesses and broadcasters to select talented citizens and undergraduate volunteers to send to local children's centers across the nation with an aim to promote the mutual growth of children and volunteers. In 2017, this program was attended by 327 children from 19 local children centers and 191 volunteers from 19 different volunteer organizations.

# 550 buses

Provided in 2017 under the Tuieum Bus Program

**Protection and Self-Reliance Programs for at-Risk Youth:** These programs aim to ensure that runaway teens, teenagers who have dropped out of school or face the risk of living a life of crime or being neglected by their family or school - be it for social, financial or environmental reasons - become able members of society. Included in such endeavors are the social family 'Wonderland' to protect these at-risk youth and two 'Coffee Zoo' cafés operated to help in creating self-reliance. Since the inception of these programs in 2017, a total of 40 at-risk youth have attended our self-reliance programs.

**Support for Children and Teens from Low-Income Families:** We provide monthly tuition support to children and teens who face financial hardship in continuing their education or developing career paths. In 2017, this program benefited 17 children and teens from low-income families.

### Social Housing Program

Our 'Social Housing Program' was initiated in 2016 to help vulnerable individuals address residential insecurity by constructing new homes or remodeling existing homes and offering them below market prices (40~80% of the market prices). After 35 households relocated in in 2016, another 27 households moved in in 2017, and we were able to provide fine homes to a total of 62 households in four areas (Cheonho-dong, Changcheon-dong, and Yongdap-dong in Seoul and Sosa-dong in Bucheon). In addition to housing support, we also assist these vulnerable individuals in securing a vocation (at social enterprises) through private-public cooperation and align this program with the protection and self-reliance

program undertaken for at-risk youth by the Hankook Tire Welfare Foundation. In so doing, we contribute to bridging the financial gap in local communities and supporting at-risk youth.

### '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 gainful employment. The subsidiary known as 'Hankook Donggeurami Partners' officially opened in June 2016 and nearly 50% of the total employees (62 out of 126 employees) are mentally or physically challenged. These employees are responsible for supporting the administrative operation of Hankook Tire or operating cafeterias, cleaning centers (laundering company uniforms) and bakeries (supplying bread for 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 institutions.

### Overseas

Our overseas plants and regional headquarters undertake a range of corporate philanthropic activities that suit local conditions in order to contribute to the development of local communities and forge closer ties with local residents. Our China Headquarters provided medical expense support for children with disabilities and scholarship support for underprivileged individuals. In Europe, our Czech Republic sales subsidiary supported injured veterans and donated tires, our Italian sales subsidiary made donations to build hospitals, our German sales subsidiary made donations in alignment with our brand promotion, and our Hungary Plant operates its own employee volunteer force and made tire donations. Our America Headquarters provided medical expense support for children with disabilities and supports the Disabled American Veterans Charity (DAV). Our Indonesia Plant in the Asia Pacific region is constantly engaged in providing medical care support, offering safety training, addressing domestic water needs and improving school hygiene, in addition to our tire donations, in hopes to contribute to the development of local communities.

# Risk Management & Emergency Response

In line with increasing uncertainties in the business landscape, we at Hankook Tire are tightening our risk management and emergency response. We identified potential risks in the areas of finance, currency, liquidity, and law to set the course of our risk management, and we also established a business continuity management system and a systematic emergency response framework.

## Risk Management

**Financial Risk** · In 2017, interest rate hikes continued in the U.S. and internal/external political risks deteriorated along with emerging protectionism. Notably, the earlier-than-expected presidential election in Korea and geopolitical risks caused by North Korea brought instability to the Korean economic landscape. In the face of these challenges, we expanded our global investments and received investment grades from Moody's and S&P to improve our external credibility, while advancing risk management to further stabilize our business operations. We continued to raise the share of fixed-rate liabilities in response to the increasing interest rates in U.S., and are monitoring and managing our financial expenses and currency positions to minimize our risk exposure in the financial market. Furthermore, we maintain and improve our financial trend report system to pre-emptively identify variations in the financial market and to assist senior management with efficient decision-making while promptly sharing market information through continued

internal/external communications.

**Currency Risks** · As our business operations expand across the globe, we are dealing with 31 foreign currencies, including the USD and the Euro. To minimize relevant risks, we use local currencies in conducting current transactions concerning imports and exports that occur as part of our sales operations and for fund transactions concerning deposits and borrowings. We also diversify currency risks and minimize our exchange position by matching currency denominations of collections and payments in principle. However, if exchange positions exceed the set limit, they are managed in accordance with our currency risk management guidelines that cover the definition of currency risks, responsible employees, management procedures, and hedge ratios. In addition, the Financial Risk Management Committee meets regularly on a quarterly basis to set currency risk strategies by region

and currency. While we use natural hedging that matches foreign currency assets with foreign currency liabilities as the fundamental currency management principle, we also employ external risk aversion instruments that use financial products within the approved limits to address the currency exposure that has already occurred.

**Liquidity Risks** · We take a global perspective in managing the debt, liquidity, and short/long-term cash flow of our global headquarters and overseas subsidiaries. We also periodically forecast our future cash flow to preemptively manage global liquidity and take a more conservative stance in liquidity management when the financial market is subject to turbulent and rapid changes; this helps us strengthen the stability of our financial structure. We adopt integrated liquidity management systems such as cash pooling to control liquidity among our overseas worksites. Cash pooling allows for the real-time sharing of funds between companies facing fund shortages and companies with fund surpluses in order to minimize liquidity risks, lessen the burden of fund operations and reduce financial costs. Building on this system, we are fully operating a Global Cash Management System to manage funds in an integrated manner at all our global affiliates and respective regional headquarters.

**Legal Risks** · We thoroughly manage legal risks in reviewing contracts on our domestic and overseas business operations, in reviewing legal issues in relation to undertaking M&A and other projects, in offering advice on business conduct to working-level departments, and in resolving disputes that include domestic and overseas litigations and arbitrations. We also ensure that we prevent legal risks as a way to enhance our compliance management by evaluating and improving the collection and use of personal data in conformity with the Personal Information Protection Act. We also provide sexual harassment prevention training to domestic and overseas worksites, and assess and improve our compliance with the Monopoly Regulation and Fair Trade Act in conducting business with affiliates and subcontractors.

### Emergency Response

**Business Continuity Management System** · In 2016, our Daejeon and Keumsan Plants became the first in the tire industry to obtain the ISO22301 (BCMS: Business Continuity Management System) certification in Korea, and our Hungary Plant became our first-ever overseas production site to gain the same certification in 2017. The ISO22301 (BCMS) is an international standard that ensures that companies are able to maintain their business

continuity by swiftly normalizing their core functions when facing the risks of business discontinuation due to unexpected events such as accidents and disasters. We identified all our business activities that directly or indirectly support our production - from the procurement of raw and subsidiary materials to manufacturing and supply. We then developed our own business continuity plans to respond to any risks that may affect our business operations. We also created an emergency response task force and developed manuals to systematically and promptly respond to accidents or disasters according to the defined process while performing annual 'mock drills' to improve our proficiency in addressing emergency situations. We aim to extend the scope of the ISO certification across our production sites so that we ensure the safety of our employees and restore our business operations within the shortest timeframe possible and minimize the impact of any possible emergency on our customers and stakeholders.

**Fire Control** · To identify potential fire risks within buildings and facilities and to develop plans to bolster our fire preparedness, we performed company-wide fire assessments with internal/external experts on seven domestic/overseas plants, distribution centers, technology centers and employee dormitories. Based on the assessment outcomes, we set aside more than KRW 30 billion between 2015 and 2017 to consistently improve our fire-fighting facilities. We also assigned more fire safety managers and installed emergency response monitoring systems to expand our fire control infrastructure while upgrading the Disaster Prevention Centers previously operated by respective plants into the Integrated Control Centers. In addition, we developed and are operating systems to strengthen fire prevention capabilities for 'blind spots' at respective worksites and are expanding the scope of our simulation-based fire-fighting drills and emergency evacuation drills.

**Safety** · We created a global EHS organization to enhance our organizational expertise and to systematically manage our safety operations. For necessary improvements identified as a result of safety assessments, our labor union, the company and the government jointly review the progress made on a monthly basis to prevent any possible accidents. To fundamentally prevent risk factors, we installed automation equipment and fool proof safety systems in the mixing process of our Daejeon and Keumsan Plants. We also expanded our health and safety training provided by external experts to improve company-wide safety awareness in order to build a safety-driven corporate culture.





# FINANCIAL REPORT

## I . Company Overview

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### **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

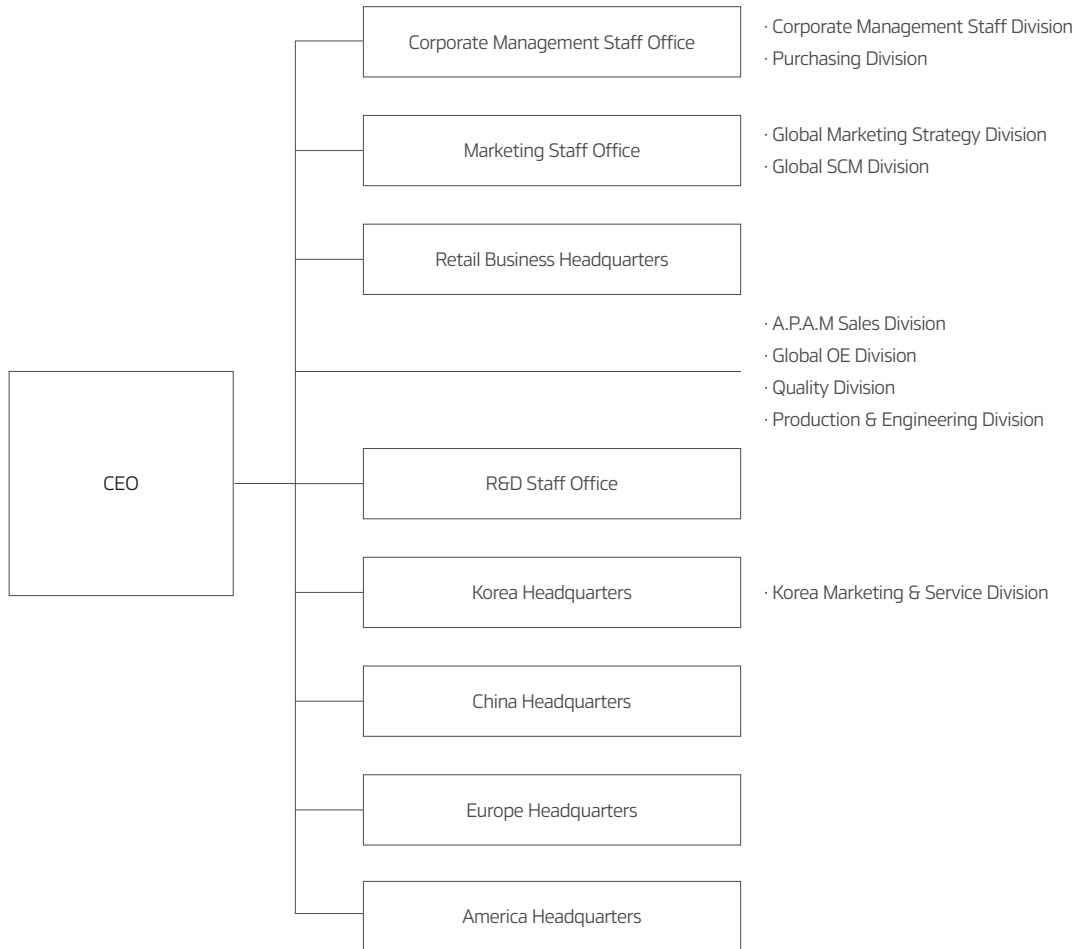
Name of Business Sites/Plants	Main Business or Product	Location
Headquarters	Sales and administration	133 Teheran-ro (Yeoksam-dong), Gangnam-gu, Seoul, Korea
Daejeon Plant	Tire manufacturing	40, Daedeok-daero 144beon-gil, Daedeok-gu, Daejeon, Korea
Keumsan Plant	Tire manufacturing	1, Geumgang-ro, Jewon-myeon, Geumsan-gun, South Chungcheong Province, Korea
Hankook Technodome (Main R&D center)	Technology research	50, Yuseong-daero 935beon-gil, Yuseong-gu, Daejeon, Korea
17 domestic sales offices and distribution centers including the Seoul TBR Sales Office	Tire sales	387, Ahasan-ro, Guri City, Gyeonggi Province, Korea, and other locations
29 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
33	2,199	4,634	6,866

\* As of December 31<sup>st</sup>, 2017

5. Organizational Structure



## 6. Stock Information

### ① Type and Number of Shares Issued

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

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		Description
			Capital Increase (Decrease)	Capital Increase (Decrease)	
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

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

## 7. Debenture Information

(unit: KRW 1,000)

Type of Debenture	Date of Issuance	Amount Issued	Interest Rate	Balance	Maturity Date	Guarantor
Non-guaranteed debenture No. 83-1	Mar. 12 <sup>th</sup> , 2015	250,000,000	2.05%	250,000,000	Mar. 12 <sup>th</sup> , 2018	-
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>500,000,000</b>		<b>500,000,000</b>		

\* As of December 31<sup>st</sup>, 2017

## 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			
	2017		2016	
	Quantity	Value	Quantity	Value
Tire	37,532,492	1,975,646,280	40,077,669	1,918,580,922
<b>Total</b>	<b>37,532,492</b>	<b>1,975,646,280</b>	<b>40,077,669</b>	<b>1,918,580,922</b>

### 3. Product Sales Performance

(unit: KRW 1,000)

Sales Status	Type of Sales	Category	2017	2016
Finished Goods	Tires	Domestic sales	801,694,760	969,201,445
		Exports	2,145,893,772	2,084,549,442
		Subtotal	2,947,588,532	3,053,750,887
Trading Goods	Tires, tubes, batteries, etc.	Domestic sales	184,977,933	161,794,305
		Exports	130,638,315	93,520,867
		Subtotal	315,616,248	255,315,172
Other Sales	Services, engineering services, leases, etc.	Domestic sales	3,414,461	3,097,164
		Exports	-	-
		Subtotal	3,414,461	3,097,164
<b>Total</b>		<b>Domestic sales</b>	<b>990,087,154</b>	<b>1,134,092,914</b>
		<b>Exports</b>	<b>2,276,532,087</b>	<b>2,178,070,309</b>
		<b>Subtotal</b>	<b>3,266,619,241</b>	<b>3,312,163,223</b>

#### 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> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	2,697,888
	Cost improvement	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	2,761,589
	Supplementary investment	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	29,243,805
	R&D	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	51,280,652
	IT investment	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	7,281,540
	Expansion investment	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	91,160,177
	Quality improvement	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	9,450,592
	Others	Jan. 1 <sup>st</sup> , 2017 ~ Dec. 31 <sup>st</sup> , 2017	20,928,457
<b>Total</b>			<b>214,804,699</b>

##### ② Funds Required and Raised

(unit: KRW 1,000)

Category	Funding Source	Amount	Note
Domestic Funds	Facility funds	-	
	Corporate bonds	-	
	Internal funds	214,804,699	
	Total domestic funds	214,804,699	
Overseas Funds	Loans in foreign currencies	-	
	Internal funds	-	
	Total overseas funds	-	
<b>Total Investment</b>	<b>Total funds raised</b>	<b>214,804,699</b>	

\* As of December 31<sup>st</sup>, 2017

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

#### 1. Status of the Parent Company N/A

#### 2. Status of Subsidiaries

Subsidiary	Relationship with the Company				
	Capital Stock	Primary Business	Shareholding (No. of shares)	Stock Ownership (%)	Business Relationship
<b>Hankook Tire America Corp.</b> Location: 1450 VALLEY ROAD, WAYNE, NEW JERSEY 07470, USA	USD 178,000,000.00	Tire sales	35,600	100.00	Tire sales
<b>Hankook Tire Canada Corp.</b> Location: 30 RESOLUTION DRIVE, BRAMPTON, ON, L6W 0A3, CANADA	CAD 50,000.00	Tire sales	50,000	100.00	Tire sales
<b>Hankook Tire DE Mexico, S.A. DE C.V.</b> Location: PASEO DE LAS PALMAS 735 PISO 7, Col. LOMAS DE CHAPULTEPEC, C.P. 11000, MEXICO, D.F.	MXN 3,600,000.00	Tire sales	9,999	99.99	Tire sales
<b>Hankook Tire de Colombia Ltda.</b> Location: Av. 19 # 97 - 05, Oficina 701, Bogota, Colombia	COP 203,500,000.00	Tire sales	999	99.99	Tire sales
<b>Hankook Tire Europe Holdings B.V.</b> Location: BEECH AVENUE 102,1119 PP SCHIPHOL-RIJK,THE NETHERLANDS	EUR 39,025,300.00	Holding Company	390,253	100.00	Others
<b>Hankook Tire Netherlands B.V.</b> Location: Koerilenstraat 2-6, 3199 LR Maasvlakte Rotterdam, Havennummer 8625, The Netherlands	EUR 1,593,676.12	Tire sales	(*)	100.00	Tire sales
<b>Hankook Tyre U.K. Ltd.</b> Location: Fawsley Drive, Heartlands Business Park, Daventry, Northamptonshire, NN11 8UG,U.K	GBP 25,000.00	Tire sales	25,000	100.00	Tire sales
<b>Hankook Reifen Deutschland GmbH</b> Location: Siemensstrasse 5a, 63263 Neu-Isenburg, Germany	EUR 127,822.97	Tire sales	(*)	100.00	Tire sales
<b>Hankook France S.A.R.L.</b> Location: Immeuble Le Patio, 35-37 Rue Louis Guérin 69100 Villeurbanne, France	EUR 1,190,561.27	Tire sales	(*)	100.00	Tire sales
<b>Hankook España S.A.</b> Location: Avda. De La Industrias, No 4 Edificio 3, 2-D Parque Empresarial Natea, 28108, Alcobendas, Spain	EUR 60,101.21	Tire sales	(*)	100.00	Tire sales
<b>Hankook Tire Japan Corp.</b> Location: 9F Naniwasuji Honmachi MID bldg. 2-3-2, Utsubo-honmachi, Nishi-ku, Osaka 550-0004 Japan	JPY 100,000,000.00	Tire sales	2,000	100.00	Tire sales
<b>Hankook Tyre Australia Pty., Ltd.</b> Location: Building A, Level 3, 11 Talavera Road, Macquarie Park, NSW 2113, Australia	AUD 1,575,000.00	Tire sales	(*)	100.00	Tire sales
<b>PT. Hankook Tire Indonesia</b> Location: Jl. Kenari Raya Blok G3-01 Delta Silicon 5 Industrial Park, Desa Cicau-Kec. Cikarang Pusat, Bekasi 17550, Jawa Barat, Indonesia	USD 271,000,000.00	Tire manufacturing	270,999	99.99	Tire sales



Subsidiary	Capital Stock	Relationship with the Company			
		Primary Business	Shareholding (No. of shares)	Stock Ownership (%)	Business Relationship
<b>Hankook Tire Thailand Co., Ltd.</b> Location: 11 <sup>th</sup> Floor, Two Pacific Place BLD, 142 Sukhumvit Rd., Klongtoey, Bangkok 10110 Thailand	THB 103,000,000.00	Tire sales	1,029,998	99.99	Tire sales
<b>Hankook Tire Malaysia Sdn. Bhd.</b> Location: 22-8, 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
<b>Hankook Tire Singapore PTE., Ltd.</b> Location: 24 Raffles Place #11-05 Clifford Centre, Singapore 048621	USD 1,000,000.00	Tire sales	(*)	100.00	Tire sales
<b>Hankook Tire China Co., Ltd.</b> Location: Dong Fang Road, 314003 Jiaxing Edg, Jiaxing Zhejiang, China	CNY 1,608,696,155.83	Tire manufacturing	(*)	96.37	Tire sales
<b>Jiangsu Hankook Tire Co., Ltd.</b> Location: No.1 South Hantai Road, Huaian Economic Development Zone, Jiangsu, China	CNY 1,575,973,631.23	Tire manufacturing	(*)	34.67	Tire sales
<b>Chongqing Hankook Tire Co., Ltd.</b> Location: NO.149 Dongfeng Road, Jiangbei Zone, Chongqing, China 401133	CNY 1,346,432,000.20	Tire manufacturing	(*)	100.00	Tire sales
<b>Hankook Tire Latam, S.A.</b> 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
<b>Hankook Tire Latin America Distribution Center, S.A.</b> 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
<b>Hankook Tire India LLP</b> Location: The Unit Number 703~705 Palm Spring Plaza, Golf Course Road, Sector-54, Gurgaon Haryana, India	USD 1,323,164.09	Tire sales	9,999	99.99	Tire sales
<b>Hankook Tyre Australia Retail Pty., Ltd.</b> 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
<b>MK Technology Co., Ltd.</b> Location: 45, Munpyeongseo-ro, Daedeok-gu, Daejeon, Korea	KRW 7,006,800,000	Mold manufacturing	3,507,000	50.10	Mold sales
<b>Daehwa Engineering &amp; Machinery Co., Ltd.</b> Location: 30, 52beon-gil, Daehwa-ro, Daedeok-gu, Daejeon, Korea	KRW 2,000,000,000	Machinery manufacturing	380,000	95.00	Facility sales
<b>Hankook Donggeurami Partners Co., Ltd.</b> Location: 40, 1447beon-gil (Moksang-dong), Daedeok-gu, Daejeon, Korea	KRW 900,000,000	Retail business	1,800,000	100.00	Others

\* As of December 31<sup>st</sup>, 2017

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

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

Directors Holding Multiple Positions		Interlocked Company		
Name	Position	Company Name	Position	Note
Han Jun Kim	Senior Vice President	Daehwa Engineering & Machinery	Auditor	
		MK Technology	Auditor	
		Hankook Donggeurami Partners	Auditor	
Ho Sung Seo	Senior Vice President	ATLASBX	Director	Non-executive director
Min Soo Choi	Vice President	Daehwa Engineering & Machinery	Director	Non-executive director

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

### 1. Operational Performance

(unit: KRW 1,000)

Item	6 <sup>th</sup> Period	5 <sup>th</sup> Period	4 <sup>th</sup> Period
Sales	3,266,619,241	3,312,163,223	3,358,416,967
Cost of sales	2,264,159,840	2,146,707,772	2,229,179,664
Gross profit	1,002,459,401	1,165,455,451	1,129,237,303
Selling and administrative expenses	677,385,395	656,092,521	683,468,912
R&D expenses	162,230,742	151,544,769	134,309,770
Operating profit	162,843,264	357,818,161	311,458,622
Financial income	106,805,307	83,444,468	98,196,811
Financial cost	92,511,032	117,369,770	104,414,885
Other income	269,834,701	342,409,766	266,777,330
Other expenses	108,907,098	99,457,728	103,755,755
Profit before income tax	338,065,143	566,844,898	468,262,122
Income tax expenses	48,627,535	141,888,743	116,067,389
Net income	289,437,607	424,956,155	352,194,734
Other comprehensive income	16,708,225	(6,722,653)	(14,664,984)
Total comprehensive income for the period	306,145,832	418,233,501	337,529,749
Earnings per share			
Basic and diluted earnings per share	KRW 2,337	KRW 3,431	KRW 2,844

\* As of December 31<sup>st</sup>, 2017

## 2. Assets

(unit: KRW 1,000)

Item	6 <sup>th</sup> Period	5 <sup>th</sup> Period	4 <sup>th</sup> Period
<b>Assets</b>			
<b>Current assets</b>	<b>1,849,739,350</b>	<b>1,874,163,605</b>	<b>1,711,032,001</b>
Cash and cash equivalents	130,080,012	72,963,541	216,889,941
Shor-term financial assets	-	94,181,814	30,066,914
Financial assets at fair value through profit or loss	-	-	40,000,000
Trade and other receivables	1,019,248,024	1,032,507,929	938,585,627
Inventories	342,250,881	349,874,862	378,272,465
Other financial assets	342,943,988	312,699,850	97,938,137
Other current assets	15,216,445	11,935,608	9,278,917
<b>Non-current assets</b>	<b>4,166,231,611</b>	<b>4,094,603,427</b>	<b>4,198,323,631</b>
Long-term financial assets	12,000	12,000	12,000
Available-for-sale financial assets	389,865	389,865	389,865
Investment in associates	1,061,740,386	1,061,740,386	1,061,740,386
Investment in subsidiaries	1,330,288,733	1,267,875,436	1,231,803,436
Tangible assets	1,531,654,215	1,545,616,412	1,500,907,051
Investment properties	108,275,471	109,004,831	107,190,417
Intangible assets	42,559,322	33,232,398	26,063,026
Other financial assets	17,297,426	19,255,119	230,061,693
Other non-current assets	55,155,097	57,476,980	40,155,756
Net defined benefit assets	11,690,944	-	-
Deferred tax assets	7,168,152	-	-
<b>Total assets</b>	<b>6,015,970,961</b>	<b>5,968,767,032</b>	<b>5,909,355,631</b>
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>1,421,202,051</b>	<b>1,359,986,720</b>	<b>1,485,735,707</b>
Trade and other payables	410,129,437	482,884,437	609,887,179
Borrowings	903,712,016	697,439,339	733,551,730
Current tax liabilities	27,041,249	83,525,356	55,917,272
Provisions	37,423,072	41,642,810	42,489,127
Other financial liabilities	6,915,600	8,546,063	7,697,025
Other current liabilities	35,980,678	45,948,716	36,193,375
<b>Non-current liabilities</b>	<b>287,165,093</b>	<b>557,781,254</b>	<b>741,313,295</b>
Borrowings	249,675,443	499,724,432	663,081,621
Net defined benefit liabilities	-	13,496,153	25,513,263
Deferred tax liabilities	-	1,151,948	11,921,619
Provisions	15,588,344	20,408,794	20,477,604
Other financial liabilities	4,617,955	5,655,063	5,241,039
Other non-current liabilities	17,283,351	17,344,863	15,078,149
<b>Total liabilities</b>	<b>1,708,367,144</b>	<b>1,917,767,974</b>	<b>2,227,049,002</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	1,788,558,292	1,531,953,532	1,163,261,103
<b>Total equity</b>	<b>4,307,603,818</b>	<b>4,050,999,058</b>	<b>3,682,306,629</b>
<b>Total liabilities and equity</b>	<b>6,015,970,961</b>	<b>5,968,767,032</b>	<b>5,909,355,631</b>

## V. Future Challenges

Refer to the 'CEO's Message'

## VI. Directors and Auditors

Executive/ Non-Executive	Name	Position	Main Responsibility	Transactions with the Company	Note
Executive	Seung Hwa Suh	Vice Chairman, CEO (inside director)	General management	-	
Executive	Hyun Bum Cho	President, CEO (inside director)	General management	-	
Non-Executive	Kun Ho Cho	Audit Committee Chair (outside director)	General management	-	
Non-Executive	Chung Hwan Cho	Audit Committee member (outside director)	Audit	-	
Non-Executive	Seong Phil Hong	Audit Committee member (outside director)	Audit	-	

※ Hyun Bum Cho was appointed as the CEO on January 2<sup>nd</sup> of 2018.

## VII. Major Shareholders

Shareholder Name	Shareholding (No. of shares)	Ownership (%)	Transactions with the Company	Note
Hankook Tire Worldwide Co., Ltd. and others	52,712,842	42.55%	-	
National Pension Service	9,777,618	7.89%	-	
THE GOVERNMENT OF SINGAPORE	2,226,346	1.79%	-	
NORGES BANK	1,825,534	1.47%	-	
MONETARY AUTHORITY OF SINGAPORE	1,343,709	1.08%	-	

\* As of December 31<sup>st</sup>, 2017

## VIII. Investments in Other Companies

Name of Company	Investor	Investment in Other Companies		Investment by Other Companies in the Company	
		Shareholding Ownership (%)	Ownership (%)	Shareholding (No. of shares)	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. Hankook Tire 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	-	-
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 Hankook Tire Co., Ltd.	Hankook Tire Co., Ltd.	(*)	100.00	-	-

Name of Company	Investor	Investment in Other Companies		Investment by Other Companies in the Company	
		Shareholding Ownership (%)	Ownership (%)	Shareholding Ownership (%)	Ownership (%)
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	-	-
Hanon Systems	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 Tire 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	-	-

(\*) Stock certificates unissued

## IX. Major Creditors

N/A

## X. Subsequent Events

1. As a result of the organizational restructuring performed at the Holding Company, a portion of its organizations were transferred to the Company on January 1st of 2018. The transfer of assets and liabilities in accordance with this relocation will be conducted in conformity with legitimate regulations.
2. After the end of the reporting period, the Company issued foreign currency-denominated unsecured public bonds valued at USD 300,000,000 in order to refinance existing borrowings and raise operational funds.

## XI. Other Important Events

N/A

\* As of December 31<sup>st</sup>, 2017

## XII . Audit Committee's Report

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### **Audit's Report**

The Audit Committee has completed an audit of the Company's accounting records and business operations for its third fiscal year that started on January 1, 2017 and ended on December 31, 2017 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.

February 28, 2018

**Kun Ho Cho**

Hankook Tire

Chairman

Audit Committee





## XIII. Independent Auditor's Report

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### Separate Financial Statements

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

We have audited the accompanying financial statements of Hankook Tire Co., Ltd. (the Company), which comprise the statements of financial position as of December 31, 2017 and 2016 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

#### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (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.

#### Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hankook Tire Co., Ltd. as at December 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with Korean IFRS.

#### Other Matters

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

Seoul, Korea  
March 16, 2018

*Samil PricewaterhouseCoopers*

This report is effective as of March 16, 2018, 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 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.

\* As of December 31<sup>st</sup>, 2017

## XIII. Independent Auditor's Report

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### Consolidated Financial Statements

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

We have audited the accompanying consolidated financial statements of Hankook Tire Co., Ltd. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statements of financial position as of December 31, 2017 and 2016 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 consolidated statements notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

#### Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (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.

#### Auditor's Responsibilities

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hankook Tire Co., Ltd. and its subsidiaries as of December 31, 2017 and 2016, and its consolidated financial performance and cash flows for the years then ended in accordance with Korean IFRS.

#### Other Matters

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.

Seoul, Korea  
March 16, 2018

*Samil PricewaterhouseCoopers*

This report is effective as of March 16, 2018, 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.

## XIV. Financial Statements

### Non-Consolidated Financial Statements

(unit: KRW)

Item	End of the (Current) 6 <sup>th</sup> Period	End of the (Preceding) 5 <sup>th</sup> Period
<b>Assets</b>		
<b>Current assets</b>	<b>1,849,739,350,300</b>	<b>1,874,163,605,200</b>
Cash and cash equivalents	130,080,012,134	72,963,541,200
Shor-term financial assets	-	94,181,814,320
Trade and other receivables	1,019,248,024,450	1,032,507,929,358
Inventories	342,250,880,692	349,874,862,297
Other financial assets	342,943,988,453	312,699,849,574
Other current assets	15,216,444,571	11,935,608,451
<b>Non-current assets</b>	<b>4,166,231,610,841</b>	<b>4,094,603,427,125</b>
Long-term financial assets	12,000,000	12,000,000
Available-for-sale financial assets	389,865,000	389,865,000
Investment in associates	1,061,740,386,000	1,061,740,386,000
Investment in subsidiaries	1,330,288,733,274	1,267,875,435,991
Tangible assets	1,531,654,215,107	1,545,616,411,795
Investment properties	108,275,471,339	109,004,831,072
Intangible assets	42,559,321,570	33,232,397,617
Other financial assets	17,297,425,858	19,255,119,188
Other non-current assets	55,155,096,986	57,476,980,462
Net defined benefit assets	11,690,943,909	-
Deferred tax assets	7,168,151,798	-
<b>Total assets</b>	<b>6,015,970,961,141</b>	<b>5,968,767,032,325</b>
<b>Liabilities</b>		
<b>Current liabilities</b>	<b>1,421,202,050,955</b>	<b>1,359,986,720,463</b>
Trade and other payables	410,129,437,001	482,884,437,331
Borrowings	903,712,015,726	697,439,338,780
Current tax liabilities	27,041,248,583	83,525,355,758
Provisions	37,423,071,650	41,642,809,967
Other financial liabilities	6,915,600,078	8,546,063,006
Other current liabilities	35,980,677,917	45,948,715,621
<b>Non-current liabilities</b>	<b>287,165,092,652</b>	<b>557,781,253,774</b>
Borrowings	249,675,442,708	499,724,431,552
Net defined benefit liabilities	-	13,496,153,157
Deferred tax liabilities	-	1,151,948,040
Provisions	15,588,343,529	20,408,794,423
Other financial liabilities	4,617,954,928	5,655,063,201
Other non-current liabilities	17,283,351,487	17,344,863,401
<b>Total liabilities</b>	<b>1,708,367,143,607</b>	<b>1,917,767,974,237</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
Retained earnings	1,788,558,291,562	1,531,953,532,116
<b>Total equity</b>	<b>4,307,603,817,534</b>	<b>4,050,999,058,088</b>
<b>Total liabilities and equity</b>	<b>6,015,970,961,141</b>	<b>5,968,767,032,325</b>

\* As of December 31<sup>st</sup>, 2017

## Non-consolidated Statements of Comprehensive Income

(unit: KRW)

Item	The (Current) 6 <sup>th</sup> Period	The (Current) 5 <sup>th</sup> Period
Sales	3,266,619,240,730	3,312,163,223,302
Cost of sales	(2,264,159,840,189)	(2,146,707,772,135)
<b>Gross profit</b>	<b>1,002,459,400,541</b>	<b>1,165,455,451,167</b>
Selling and administrative expenses	(677,385,394,874)	(656,092,520,573)
R&D expenses	(162,230,741,646)	(151,544,769,214)
<b>Operating profit</b>	<b>162,843,264,021</b>	<b>357,818,161,380</b>
Financial income	106,805,307,061	83,444,467,946
Financial cost	(92,511,031,826)	(117,369,770,078)
Other non-operating income	269,834,700,932	342,409,766,383
Other non-operating expenses	(108,907,097,625)	(99,457,727,753)
<b>Profit before income tax</b>	<b>338,065,142,563</b>	<b>566,844,897,878</b>
Income tax expenses	(48,627,535,323)	(141,888,742,984)
<b>Net income</b>	<b>289,437,607,240</b>	<b>424,956,154,894</b>
<b>Other comprehensive income</b>	<b>16,708,224,606</b>	<b>(6,722,653,418)</b>
Items that will not be reclassified to profit or loss	16,708,224,606	(6,722,653,418)
Remeasurements of net defined benefit liabilities	16,708,224,606	(6,722,653,418)
<b>Total comprehensive income for the period</b>	<b>306,145,831,846</b>	<b>418,233,501,476</b>
<b>Basic and diluted earnings per share</b>	<b>2,337</b>	<b>3,431</b>

## Non-Consolidated Statements of Changes in Equity

(unit: KRW)

Item	Other Paid-in Capital					Retained Earnings	Total
	Capital Stock	Share Premium	Other Share Premium	Treasury Shares			
Jan. 1 <sup>st</sup> , 2016 (beginning of the preceding period)	61,937,534,500	2,459,062,741,931	(866,732,654)	(1,088,017,805)		1,163,261,103,040	3,682,306,629,012
Annual dividends						(49,541,072,400)	(49,541,072,400)
Total comprehensive income	-	-	-	-	-	418,233,501,476	418,233,501,476
Net income	-	-	-	-	-	424,956,154,894	424,956,154,894
Remeasurements of net defined benefit liabilities	-	-	-	-	-	(6,722,653,418)	(6,722,653,418)
Dec. 31 <sup>st</sup> , 2016 (end of the preceding period)	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
Jan. 1 <sup>st</sup> , 2017 (beginning of the current period)	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
Annual dividends	-	-	-	-	-	(49,541,072,400)	(49,541,072,400)
Total comprehensive income	-	-	-	-	-	306,145,831,846	306,145,831,846
Net income	-	-	-	-	-	289,437,607,240	289,437,607,240
Remeasurements of net defined benefit liabilities	-	-	-	-	-	16,708,224,606	6,708,224,606
Dec. 31 <sup>st</sup> , 2017 (end of the current period)	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

\* As of December 31<sup>st</sup>, 2017

## Notes to the Non-Consolidated Statements of Retained Earnings

(unit: KRW)

Item	The (Current) 6 <sup>th</sup> Period	The (Current) 5 <sup>th</sup> Period
<b>1. Retained earnings before appropriation</b>	<b>1,658,787,755,362</b>	<b>1,428,137,103,156</b>
Unappropriated retained earnings carried over from the preceding period	1,352,641,923,516	1,009,903,601,680
Remeasurements of net defined benefit liabilities	16,708,224,606	(6,722,653,418)
Net income	289,437,607,240	424,956,154,894
<b>2. Appropriation of retained earnings</b>	<b>75,495,179,640</b>	<b>75,495,179,640</b>
Dividend equalization reserve	10,000,000,000	10,000,000,000
Directors' retirement bonus reserve	-	1,000,000,000
Voluntary reserve	11,000,000,000	10,000,000,000
Legal reserve	4,954,107,240	4,954,107,240
Cash dividends	49,541,072,400	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>1,583,292,575,722</b>	<b>1,352,641,923,516</b>

## Non-Consolidated Statements of Cash Flow

(unit: KRW)

Item	The (Current) 6 <sup>th</sup> Period	The (Current) 5 <sup>th</sup> Period
<b>I. Cash flow from business operation</b>	<b>363,539,142,113</b>	<b>477,141,542,624</b>
1. Cash generated from business operation	467,134,651,164	568,840,005,096
(1) Net income	289,437,607,240	424,956,154,894
(2) Adjustments of profits and expenses	318,138,756,611	385,140,928,611
(3) Changes in operating assets and liabilities	(140,441,712,687)	(241,257,078,409)
2. Interest received	12,171,201,384	7,564,484,025
3. Interest paid	(31,759,022,173)	(24,490,515,192)
4. Income tax paid	(119,355,248,262)	(110,559,095,305)
5. Dividends received	35,347,560,000	35,786,664,000
<b>II. Cash flow from investment</b>	<b>(238,359,420,266)</b>	<b>(344,968,860,144)</b>
Net change in short-term financial assets	94,181,814,320	(62,169,950,432)
Net change in financial assets at fair value through profit or loss	-	40,000,000,000
Payments for available-for-sale financial assets	(140,000)	(20,910,000)
Proceeds from the sale of available-for-sale financial assets	32,059	20,121,459
Payments for investment in subsidiary shares	(63,403,297,283)	(36,072,000,000)
Proceeds from investment in subsidiaries	921,287,280	-
Payments for tangible assets	(235,735,892,432)	(286,418,184,593)
Proceeds from the sale of tangible assets	4,161,962,557	9,969,633,587
Payments for investment properties	-	(353,509,190)
Payments for intangible assets	(6,062,314,501)	(14,276,226,927)
Settlement of derivatives	1,747,472,174	931,084,690
Payments for other financial assets	(375,023,479,930)	(152,869,330,108)
Proceeds from the sale of other financial assets	340,853,135,490	156,290,411,370
<b>III. Cash flow from financial operation</b>	<b>(67,047,597,100)</b>	<b>(276,103,942,286)</b>
Net change in short-term borrowings	149,813,475,300	(226,433,418,533)
Repayments of current portion of the long-term borrowings	(36,415,000,000)	(160,000,000)
Repayments of long-term borrowings	(480,000,000)	-
Redemption of bonds	(130,425,000,000)	-
Return of bond issuance costs	-	30,548,647
Dividends paid to shareholders	(49,541,072,400)	(49,541,072,400)
<b>IV. Net decrease in cash and cash equivalents</b>	<b>58,132,124,747</b>	<b>(143,931,259,806)</b>
<b>V. Cash and cash equivalents at the beginning of the financial year</b>	<b>72,963,541,200</b>	<b>216,889,941,351</b>
<b>VI. Effects of exchange rate changes on cash and cash equivalents</b>	<b>(1,015,653,813)</b>	<b>4,859,655</b>
<b>VII. Cash and cash equivalents at the end of the current period</b>	<b>130,080,012,134</b>	<b>72,963,541,200</b>

\* As of December 31<sup>st</sup>, 2017

## Consolidated Financial Statements

(unit: KRW)

Item	End of the (Current) 6 <sup>th</sup> Period	End of the (Current) 5 <sup>th</sup> Period
<b>Assets</b>		
<b>I. Current assets</b>	<b>3,534,446,756,214</b>	<b>3,293,061,658,481</b>
Cash and cash equivalents	694,151,215,540	465,349,712,619
Short-term financial assets	4,343,730,976	157,285,294,345
Trade and other receivables	1,254,005,058,087	1,184,360,079,693
Inventories	1,494,391,162,440	1,436,307,175,657
Other financial assets	11,673,899,579	11,955,148,829
Other current assets	75,881,689,592	37,804,247,338
<b>II. Non-current assets</b>	<b>5,984,339,394,930</b>	<b>6,328,911,580,272</b>
Long-term financial assets	60,994,982	66,969,706
Trade and other receivables	972,438,729	-
Available-for-sale financial assets	4,387,493,550	3,827,264,390
Investment in associates	1,090,392,140,128	1,081,080,298,279
Tangible assets	4,317,370,357,930	4,699,252,645,816
Investment properties	108,704,303,089	109,433,662,822
Intangible assets	195,528,099,616	146,188,065,877
Other financial assets	22,362,727,057	17,019,085,471
Other non-current assets	99,016,901,385	94,033,395,104
Deferred tax assets	145,543,938,464	178,010,192,807
<b>Total assets</b>	<b>9,518,786,151,144</b>	<b>9,621,973,238,753</b>
<b>Liabilities</b>		
<b>I. Current liabilities</b>	<b>2,273,979,163,975</b>	<b>2,446,786,103,859</b>
Trade and other payables	864,748,927,242	954,771,789,904
Borrowings	1,234,067,835,136	1,251,986,113,474
Income taxes payable	41,225,703,883	100,321,501,794
Provisions	37,442,036,017	41,663,152,356
Other financial liabilities	5,833,676,795	4,651,296,287
Other current liabilities	90,660,984,902	93,392,250,044
<b>II. Non-current liabilities</b>	<b>871,300,741,959</b>	<b>1,213,707,815,185</b>
Borrowings	739,391,689,078	1,075,349,043,429
Net defined benefit liabilities	5,268,711,331	18,647,689,790
Provisions	17,681,371,928	22,030,897,731
Other financial liabilities	1,351,942,551	1,047,697,500
Other non-current liabilities	85,140,077,659	94,959,144,649
Deferred tax liabilities	22,466,949,412	1,673,342,086
<b>Total liabilities</b>	<b>3,145,279,905,934</b>	<b>3,660,493,919,044</b>
<b>Equity</b>		
<b>I. Equity attributable to the owners of the parent company</b>	<b>6,358,671,187,799</b>	<b>5,949,384,662,990</b>
Capital stock	61,937,534,500	61,937,534,500
Other paid-in capital	2,992,377,720,089	2,992,377,720,089
Retained earnings	3,518,984,933,501	2,950,572,886,944
Other components of equity	(214,629,000,291)	(55,503,478,543)
<b>II. Non-controlling interest</b>	<b>14,835,057,411</b>	<b>12,094,656,719</b>
<b>Total equity</b>	<b>6,373,506,245,210</b>	<b>5,961,479,319,709</b>
<b>Total liabilities and equity</b>	<b>9,518,786,151,144</b>	<b>9,621,973,238,753</b>



## Consolidated Statements of Comprehensive Income

(unit: KRW)

Item	The (Current) 6 <sup>th</sup> Period	The (Current) 5 <sup>th</sup> Period
Sales	6,812,857,982,362	6,621,762,292,163
Cost of sales	(4,492,383,668,005)	(4,045,028,258,016)
<b>Gross profit</b>	<b>2,320,474,314,357</b>	<b>2,576,734,034,147</b>
Selling and administrative expenses	(1,349,380,913,732)	(1,306,433,391,448)
R&D expenses	(177,661,628,811)	(167,072,883,948)
<b>Operating profit</b>	<b>793,431,771,814</b>	<b>1,103,227,758,751</b>
Financial income	130,472,073,869	116,718,743,710
Financial cost	(145,023,595,777)	(206,290,491,361)
Other non-operating income	123,560,555,573	197,726,700,074
Other non-operating expenses	(195,509,241,242)	(163,818,353,807)
Gain on investment in associates	36,104,778,385	44,851,981,828
<b>Net income before income tax</b>	<b>743,036,342,622</b>	<b>1,092,416,339,195</b>
Income tax expenses	(136,579,501,221)	(213,326,123,464)
<b>Net income</b>	<b>606,456,841,401</b>	<b>879,090,215,731</b>
<b>Other comprehensive income</b>	<b>(140,767,103,500)</b>	<b>(8,858,026,114)</b>
1. Items that will not be reclassified to profit or loss	18,782,757,078	(6,984,770,783)
Remeasurements of net defined benefit liabilities	16,876,422,146	(6,648,493,924)
Retained earnings by applying equity method	1,906,334,932	(336,276,859)
2. Items that may be subsequently reclassified to profit or loss	(159,549,860,578)	(1,873,255,331)
Change in the fair value of available-for-sale financial assets	924,537,221	159,343,090
Share of associates' other changes in net assets	(163,648,963,268)	1,524,072,282
Exchange differences on translating foreign operations	3,174,565,469	(3,556,670,703)
<b>Total comprehensive income for the period</b>	<b>465,689,737,901</b>	<b>870,232,189,617</b>
<b>Profit is attributable to</b>		
Owners of the parent company	599,063,937,358	872,851,250,675
Non-controlling interest	7,392,904,043	6,238,965,056
<b>Total comprehensive income for the period attributable to</b>		
Owners of the parent company	458,827,597,209	864,572,228,826
Non-controlling interest	6,862,140,692	5,659,960,791
<b>Earnings per share</b>		
Basic and diluted earnings per share	4,837	7,047

\* As of December 31<sup>st</sup>, 2017

## Consolidated Statements in Changes in Equity

Item	Other Paid-in Capital			
	Equity Stock	Share Premium	Treasury Shares	Retained Earnings
Jan. 1 <sup>st</sup> , 2016 (beginning of the preceding period)	61,937,534,500	2,993,465,737,894	(1,088,017,805)	2,134,050,378,782
Annual dividends	-	-	-	(49,541,072,400)
Total comprehensive income	-	-	-	866,063,580,562
Net income	-	-	-	872,851,250,675
Retained earnings by applying equity method	-	-	-	(336,276,859)
Changes in the fair value of available-for-sale financial assets	-	-	-	-
Share of associates' other changes in net assets	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-
Remeasurements of net defined benefit liabilities	-	-	-	(6,451,393,254)
Dec. 31 <sup>st</sup> , 2016 (end of the preceding period)	61,937,534,500	2,993,465,737,894	(1,088,017,805)	2,950,572,886,944
Jan. 1 <sup>st</sup> , 2017 (beginning of the current period)	61,937,534,500	2,993,465,737,894	(1,088,017,805)	2,950,572,886,944
Annual dividends	-	-	-	(49,541,072,400)
Total comprehensive income	-	-	-	617,953,118,957
Net income	-	-	-	599,063,937,358
Retained earnings by applying equity method	-	-	-	1,906,334,932
Changes in the fair value of available-for-sale financial assets	-	-	-	-
Share of associates' other changes in net assets	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-
Remeasurements of net defined benefit liabilities	-	-	-	16,982,846,667
Dec. 31 <sup>st</sup> , 2017 (end of the current period)	61,937,534,500	2,993,465,737,894	(1,088,017,805)	3,518,984,933,501

(unit: KRW)

Other Components of Equity						
Changes in the fair value of available-for-sale financial assets	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	Total	
742,398,000	(54,779,360,713)	24,835,906	5,134,353,506,564	6,434,695,928	5,140,788,202,492	
-	-	-	(49,541,072,400)	-	(49,541,072,400)	
158,738,068	1,906,580,899	(3,556,670,703)	864,572,228,826	5,659,960,791	870,232,189,617	
-	-	-	872,851,250,675	6,238,965,056	879,090,215,731	
-	-	-	(336,276,859)	-	(336,276,859)	
158,738,068	-	-	158,738,068	605,022	159,343,090	
-	-	(3,556,670,703)	(3,556,670,703)	-	(3,556,670,703)	
-	1,906,580,899	-	1,906,580,899	(382,508,617)	1,524,072,282	
-	-	-	(6,451,393,254)	(197,100,670)	(6,648,493,924)	
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	
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	
-	-	-	(49,541,072,400)	(4,121,740,000)	(53,662,812,400)	
922,765,917	(163,222,853,134)	3,174,565,469	458,827,597,209	6,862,140,692	465,689,737,901	
-	-	-	599,063,937,358	7,392,904,043	606,456,841,401	
-	-	-	1,906,334,932	-	1,906,334,932	
922,765,917	-	-	922,765,917	1,771,304	924,537,221	
-	-	3,174,565,469	3,174,565,469	-	3,174,565,469	
-	(163,222,853,134)	-	(163,222,853,134)	(426,110,134)	(163,648,963,268)	
-	-	-	16,982,846,667	(106,424,521)	16,876,422,146	
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	

\* As of December 31<sup>st</sup>, 2017

## Consolidated Statements of Cash Flow

(unit: KRW)

Item	The (Current) 6 <sup>th</sup> Period	The (Current) 5 <sup>th</sup> Period
<b>I. Cash flow from business operation</b>	<b>851,731,235,059</b>	<b>1,217,766,385,941</b>
1. Cash generated from business operation	1,041,450,406,433	1,440,016,856,719
(1) Net income	606,456,841,401	879,090,215,731
(2) Adjustments of profits and expenses	805,282,614,201	797,535,595,196
(3) Changes in operating assets and liabilities	(370,289,049,169)	(236,608,954,208)
2. Interest received	13,903,988,391	16,459,847,860
3. Interest paid	(66,788,487,945)	(49,774,185,221)
4. Dividends received	31,279,070,610	35,969,386,225
5. Income taxes paid	(168,113,742,430)	(224,905,519,642)
<b>II. Cash flow from investment</b>	<b>(344,257,336,969)</b>	<b>(739,995,751,862)</b>
Net changes in short-term financial assets	150,051,710,528	(34,608,876,298)
Net changes in long-term financial products	(1,591,758)	-
Payments for available-for-sale securities	(140,000)	(20,910,000)
Proceeds from the sale of available-for-sale securities	100,032,059	167,840,097
Payments for tangible assets	(472,292,698,567)	(722,705,886,779)
Proceeds from the sale of tangible assets	39,422,188,256	39,339,947,540
Payments for investment properties	-	(353,509,190)
Payments for intangible assets	(7,128,051,204)	(22,854,645,351)
Proceeds from the sale of intangible assets	31,289,359	-
Settlement of derivatives	244,517,442	4,894,420,102
Net changes in other financial assets	(1,354,364,408)	(3,854,131,983)
Payments for subsidiary shares	(53,828,669,784)	-
Proceeds from the sale of subsidiary shares	498,441,108	-
<b>III. Cash flow from financial operation</b>	<b>(281,672,656,169)</b>	<b>(649,667,533,638)</b>
Net change in short-term borrowings	(49,381,443,769)	(645,211,263,321)
Proceeds from long-term borrowings	113,084,000,000	79,301,068,979
Issuance of debentures	-	91,086,492,169
Dividends paid to the owners of the controlling company	(4,121,740,000)	-
Repayments of current portion of the long-term borrowings	(291,232,400,000)	(125,302,759,065)
Repayment of long-term borrowings	(480,000,000)	-
Dividends paid to shareholders	(49,541,072,400)	(49,541,072,400)
<b>IV. Increases in cash and cash equivalents</b>	<b>225,801,241,921</b>	<b>(171,896,899,559)</b>
<b>V. Cash and cash equivalents</b>	<b>465,349,712,619</b>	<b>637,357,951,458</b>
<b>VI. Effects of exchange rate changes on foreign currency-denominated cash and cash equivalents</b>	<b>3,000,261,000</b>	<b>(111,339,280)</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>694,151,215,540</b>	<b>465,349,712,619</b>

\* As of December 31<sup>st</sup>, 2017

# GLOBAL NETWORK

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# 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 FAW-Volkswagen '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 ev0'
- 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

# 1941

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- 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'

# 2017

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\* Investor Relations information and public disclosures are available in the 'IR Center' section of our website.

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At Hankook Tire, innovation serves as the driving force that allows us to build capacity and generate outcomes. Our relentless pursuit of innovation earned us top-notch technology leadership, premium brand value, and unique corporate culture, and fueled our evolution into a global company with worldwide presence. We never rest on our laurels, however, and have initiated our quest for disruptive innovation across our entire business operations with a focus on strategy and corporate culture with an aim to usher in a new future. As each and every Hankook Tire employee joins our pursuit of disruptive innovation, we will surely solidify our status as a global company and build an unrivaled competitive edge.



