



HANKOOK TIRE  
**2020 Results & 2021 Business Target**



**The information in this presentation is based upon management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, accuracy and completeness of all information available from public sources of which was provided by us or which was reviewed by us.**

**The information in this presentation does not take into account the effects of a possible transaction or transactions involving an actual or potential change of control, which may have significant valuation and other effects.**

- I. 2020 Annual Highlights**
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# I. 2020 Annual Highlights

## 2020 Global Performance (Consolidated)

[100 Million KRW, %]

|                  | 2019              | 2020              | YoY   |
|------------------|-------------------|-------------------|-------|
| Sales            | 68,833            | 64,540            | -6.2% |
| COGS             | 49,611<br>(72.1%) | 45,508<br>(70.5%) | -8.3% |
| Operating Profit | 5,440<br>(7.9%)   | 6,285<br>(9.7%)   | 15.5% |
| Ordinary Profit  | 5,899<br>(8.6%)   | 5,698<br>(8.8%)   | -3.4% |
| EBITDA           | 11,756<br>(17.1%) | 12,501<br>(19.4%) | 6.3%  |

# I. 2020 Annual Highlights

## Annual Results

### Market Environment

- Tire industry showed significant decline due to the COVID-19 pandemic
- Despite signals of market recovery, uncertainties remain as threat of the virus stalls full scale recovery

### Business Results

- 2020 Sales of 6 trillion 454 billion KRW down 6.2% YoY
- Strong RE sales in major regions in 2H, allowed partial recovery from 1H loss
- Improved profitability, operating profit of 628.5 billion KRW and OPM 9.7%, mainly due to increased high value products sales in 2H and decline of raw material costs

### Business Highlights

- Sales ratio of  $\geq 18$ inch within PCLT increased to 34.6% up 2.6%p YoY
- Increased competitiveness for SUVs and EV vehicle fitments
- ‘Laufenn’, Hankook’s strategic global brand, has been recognized by the global market for its good quality

## II. Financial Results - 2020 4th Quarter Results

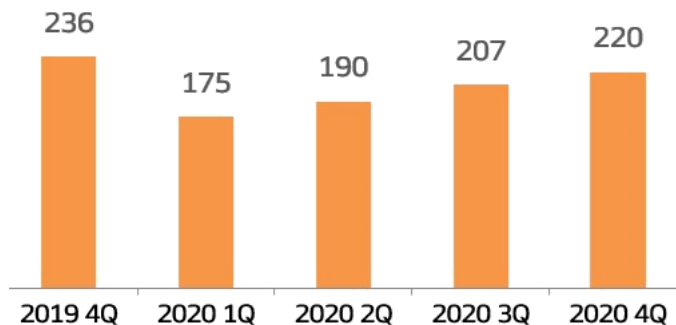
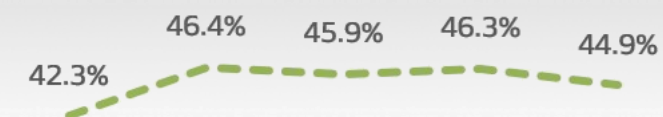
- COVID-19 pandemic continues to impact overall tire industry demand
- Despite slow market conditions, Europe and North America RE sales growth and lower raw material input cost led to marginal improvements

| [100 Million KRW, %] | 2019 4Q           | 2020 3Q           | 2020 4Q           | QoQ    | YoY    |
|----------------------|-------------------|-------------------|-------------------|--------|--------|
| Sales                | 16,650            | 18,861            | 17,677            | -6.3%  | 6.2%   |
| COGS                 | 12,027<br>(72.2%) | 13,339<br>(70.7%) | 11,877<br>(67.2%) | -11.0% | -1.2%  |
| Operating Profit     | 1,172<br>(7.0%)   | 2,247<br>(11.9%)  | 2,276<br>(12.9%)  | 1.3%   | 94.2%  |
| Ordinary Profit      | 801<br>(4.8%)     | 1,914<br>(10.1%)  | 1,744<br>(9.9%)   | -8.9%  | 117.7% |
| EBITDA               | 2,671<br>(16.0%)  | 3,797<br>(20.1%)  | 3,692<br>(20.9%)  | -2.8%  | 38.2%  |

## II. Financial Results - Regional Performance (1/2)

### KOREA

[Unit: Billion KRW, %]

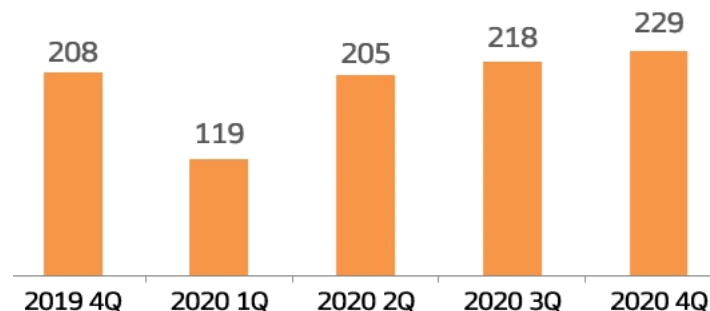
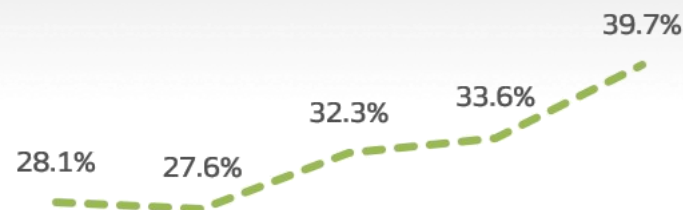


■ Sales    - - - ≥ 18"/PCLT

- Slight decline in RE sales YoY, yet decent results considering the slow market conditions with increase of ≥18 inch sales
- Decline of OE sales

### CHINA

[Unit: Billion KRW, %]



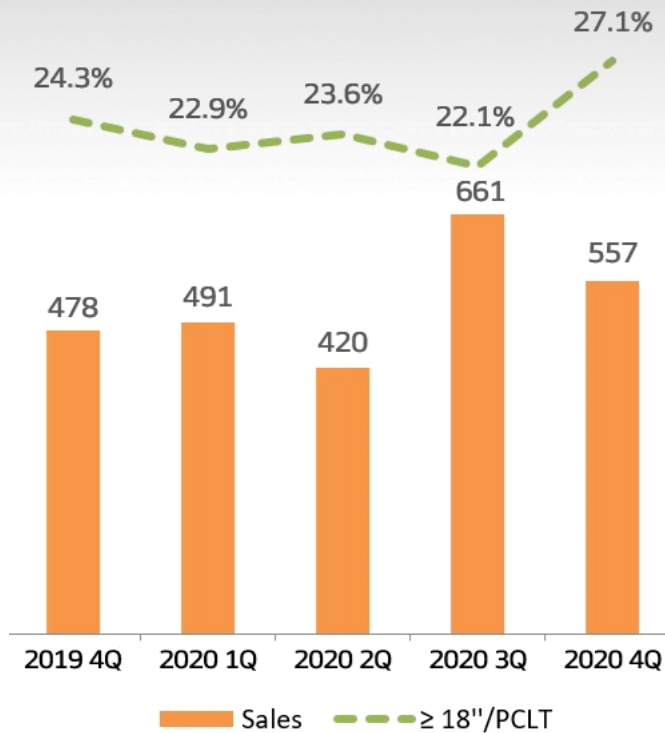
■ Sales    - - - ≥ 18"/PCLT

- Rapid increase of ≥18 inch sales portion led to RE sales growth YoY
- OE sales continue to grow YoY with recovery of auto production

## II. Financial Results - Regional Performance (2/2)

### EUROPE

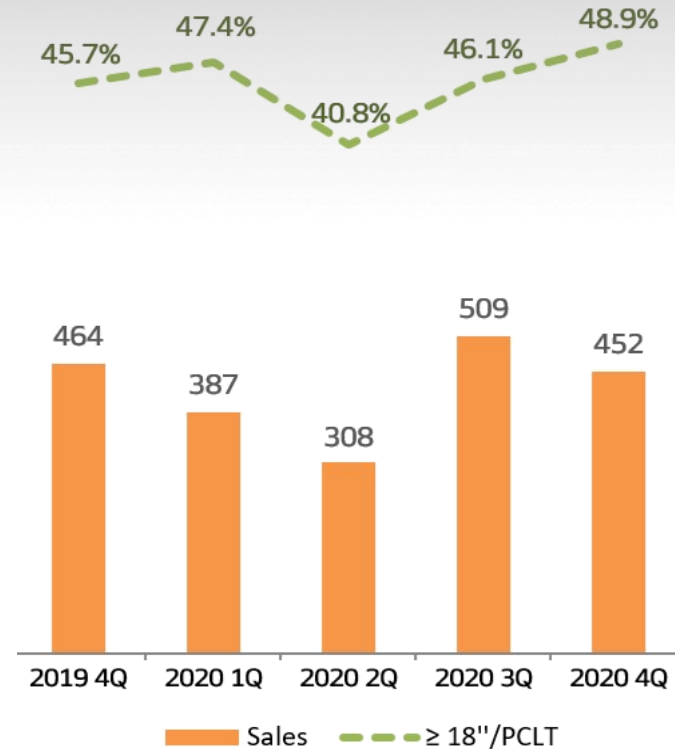
[Unit: Billion KRW, %]



- Despite sluggish market conditions, stronger RE sales resulted a slight gain of M/S
- OE sales decline due to slow auto production

### N.AMERICA

[Unit: Billion KRW, %]



- RE sales showed growth YoY, stronger than market average
- With slow automotive sales, production was cut, leading to lower OE sales YoY



# III. Business Highlights

## - AD Investigation of PVLT\*s from Korea



\* Passenger Vehicle Light Truck

- The DOC announced its preliminary determinations in the AD investigations of PVLT tires, and Hankook Tire was given a preliminary dumping rate of 38.07  
→ AD rates will be imposed on all products that are custom cleared from Jan 6, 2021
- The preliminary dumping rates may subject to change based on the final determinations. We will continue our vigorous advocacy until the final determination.

### Hankook's Response Strategy

| Product Relocation                                                                                                                                                                                        | Protecting Profitability                                                                                                                                                                                           | Risk Management                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>▪ Diversification of production</li> <li>▪ Yet, a selection of strategic products will be continued to be shipped from Korea due to the quality control</li> </ul> | <ul style="list-style-type: none"> <li>▪ Ramp up Tennessee plant and raise price position</li> <li>▪ Promote a method for sharing tariffs through individual consultation with automobile manufacturers</li> </ul> | <ul style="list-style-type: none"> <li>▪ Strive to minimize the dumping margin for the Administrative Review</li> </ul> |

### Timeline of Key Events



※ The above schedule is subject to change, due to the schedule of the DOC or ITC

## IV. 2021 GUIDANCE

- **2021 sales target of above 7 trillion KRW**
  - ▷ Sales growth of over 10% YoY
  
- **Increased sales ratio target of High Inch ( $\geq 18$  inch) sales within PCLT**
  - ▷ 2019 32% → 2020 35% → **2021 Target 38%**
  
- **EV portion target within Global OE to reach over 6% *(VS. 2020 approx. 3%)***
  
- **2021 CAPEX expected to be 600 billion KRW**
  - ▷ Investments of 300 billion KRW for expansion, of which includes 100 billion KRW for the 2<sup>nd</sup> phase of Tennessee plant, and 300 billion KRW for maintenance
  
- **2021 FCF expected to be over 300 billion KRW**
  - ▷ Maintaining strong financial position

### Governance

- Finding areas to further improve corporate governance and transparency

| Corporate governance improvement plans for 2021 - Independence, professionalism and diversity

- Role separation between the role of Chair of BOD and CEO
- Increase proportion of Independent Directors
- Gender diversity on the BOD
- Independent Directors with varied professional experience

### Shareholder Policy

- Based on our strong financial position we will move up our minimum payout ratio policy of 20% from 2024, and review long-term incremental growth
- Plan to increase total dividend in 2021 in comparison to 2020
- Maintain flexible cash allocation plans considering volatile market conditions and mid-term investment plans

# IV. 2021 GUIDANCE - Sustainable Growth



- The company seeks to contribute to the sustainable development of its society
- Listed in the Dow Jones Sustainability Indices(DJSI) World for the fifth consecutive year
- Received platinum medal for CSR engagement by French rating agency EcoVadis

## Integrated Environment Management

- Fully commit to attaining its mid-long term goals on environmental management
1. Reduce emission of air pollutants, generation of waste and consumption of water to minimize environmental impact on local communities
  2. Perform environmental impact assessments along the product lifecycle to quantitatively evaluate and identify necessary improvement areas
  3. Improve rolling resistance performance and develop products that are set at their optimal weight

## Climate Change And GHG Management

- To contribute to preventing global warming by transition to eco-friendly energy sources and curbing the consumption of fossil fuel over the long haul
- |                                                |                                              |
|------------------------------------------------|----------------------------------------------|
| Low-Carbon Management System                   | Introducing Innovative Mitigation Technology |
| Improving the Efficiency of Process Energy Use | Expanding Use of Renewable Energy            |

| Target                                                             | Deadline |
|--------------------------------------------------------------------|----------|
| ▷ Eco-friendly products 80%                                        | 2030     |
| ▷ Sustainable material consumption 100%                            | 2050     |
| ▷ Reduce water withdrawal intensity by 30% (in comparison to 2018) | 2030     |
| ▷ Reduce waste discharge intensity by 30% (in comparison to 2018)  | 2030     |
| ▷ Reduce GHG emission intensity by 15% (in comparison to 2013)     | 2030     |
| ▷ Reduce GHG emissions by 50% (in comparison to 2018)              | 2050     |



Hankook Tire & Technology

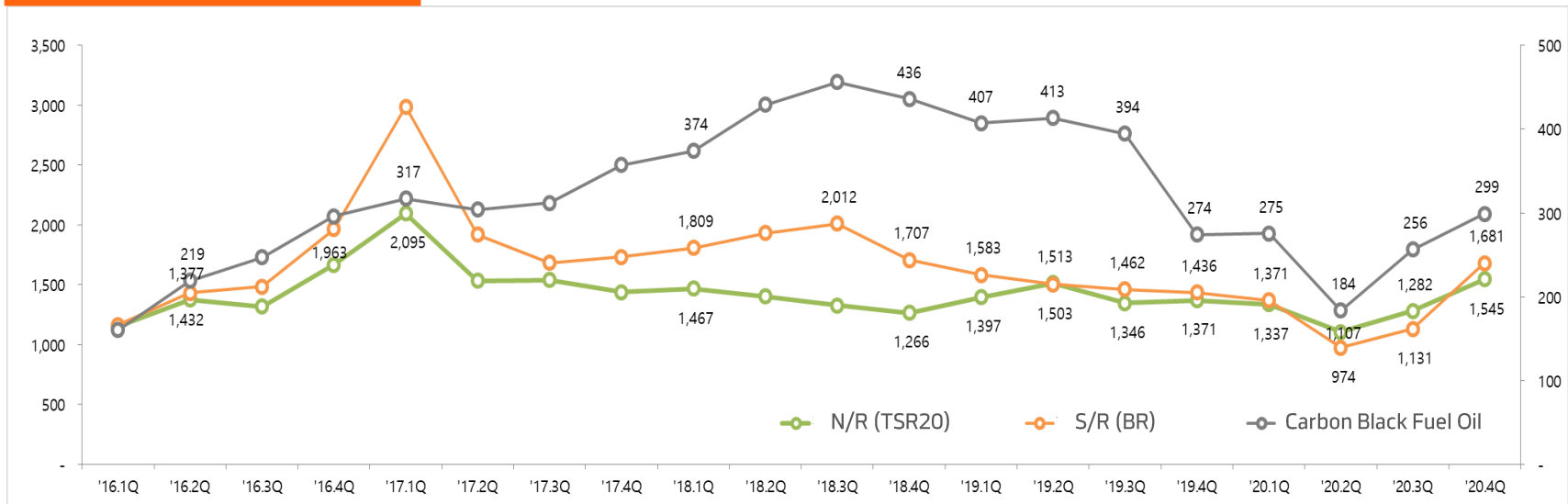
# IV. Appendix - Raw Material Trend



- N/R : As consumer sentiment rise with hopes for immunizations programs, tire plants start to show normalized utilization rates in 4Q, leading to increased demand of N/R. With shortage of supply due to the sudden surge of demand TSR20 prices skyrockets in Oct. 2020, but slowly stabilizes towards the end of the year
- S/R : Butadiene demand increased not only for S/R, but also for ABS and NBL products. Also temporary mismatch of supply and demand caused BD price to continued the rally into 4Q. With stabilization of supply BD prices are projected to weaken in 2021 1Q
- C/B : Due to the rise of oil prices, carbon black fuel oil also showed a similar rise. Such upward tendency is expected to continue into 2021

Raw material price trend

[ USD/ton]



Note1) TSR20 : SICOM Price (Natural Rubber)  
 Note2) BR(Butadiene Rubber) : ICIS CFR NE/SE Asia average price

Note3) Carbon Black Fuel Oil : Index price of refined oil

## IV. Appendix - Consolidated B/S

[100 Million KRW]

|                         | 2019    |        | 2020    |        | Diff.  |        |
|-------------------------|---------|--------|---------|--------|--------|--------|
|                         | Amt     | %      | Amt     | %      | Amt    | %      |
| Assets                  | 101,646 | 100.0% | 106,553 | 100.0% | 4,907  | 4.8%   |
| Current Assets          | 41,137  | 40.5%  | 46,786  | 43.9%  | 5,649  | 13.7%  |
| Cashable Assets         | 9,107   | 9.0%   | 12,859  | 12.1%  | 3,752  | 41.2%  |
| Accounts Receivable     | 13,769  | 13.5%  | 13,181  | 12.4%  | -588   | -4.3%  |
| Inventories             | 17,254  | 17.0%  | 15,620  | 14.7%  | -1,634 | -9.5%  |
| Non-current Assets      | 60,509  | 59.5%  | 59,767  | 56.1%  | -742   | -1.2%  |
| Tangible Assets         | 41,055  | 40.4%  | 39,099  | 36.7%  | -1,956 | -4.8%  |
| Liabilities             | 29,774  | 29.3%  | 32,407  | 30.4%  | 2,633  | 8.8%   |
| Current Liabilities     | 21,311  | 21.0%  | 18,135  | 17.0%  | -3,176 | -14.9% |
| Non-Current Liabilities | 8,463   | 8.3%   | 14,272  | 13.4%  | 5,809  | 68.6%  |
| Shareholder's Equity    | 71,872  | 70.7%  | 74,146  | 69.6%  | 2,274  | 3.2%   |
| Debt                    | 17,189  |        | 17,100  |        |        |        |
| Net Debt*               | 8,082   |        | -1,166  |        |        |        |

\* Net Debt = Debt - Cashable Assets - Short Term Financial Instruments

|                            |       |          |
|----------------------------|-------|----------|
| <b>Liability Ratio</b>     | 41.4% | 43.7%    |
| <b>Net Worth to Assets</b> | 70.7% | 69.6%    |
| <b>Net Debt Ratio</b>      | 11.2% | Net Cash |

## IV. Appendix - Consolidated I/S

[100 Million KRW]

|                                       | 2019 4Q |        | 2020 3Q |        | 2020 4Q |        | YoY    | QoQ    |
|---------------------------------------|---------|--------|---------|--------|---------|--------|--------|--------|
|                                       | Amt     | %      | Amt     | %      | Amt     | %      | (%)    | (%)    |
| Sales                                 | 16,650  | 100.0% | 18,861  | 100.0% | 17,677  | 100.0% | 6.2%   | -6.3%  |
| COGS                                  | 12,027  | 72.2%  | 13,339  | 70.7%  | 11,877  | 67.2%  | -1.2%  | -11.0% |
| Gross Profit                          | 4,622   | 27.8%  | 5,522   | 29.3%  | 5,800   | 32.8%  | 25.5%  | 5.0%   |
| SG&A                                  | 3,450   | 20.7%  | 3,275   | 17.4%  | 3,524   | 19.9%  | 2.1%   | 7.6%   |
| Operating Profit                      | 1,172   | 7.0%   | 2,247   | 11.9%  | 2,276   | 12.9%  | 94.2%  | 1.3%   |
| Other non-operating<br>income/expense | -263    | -1.6%  | -310    | -1.6%  | -153    | -0.9%  |        |        |
| Financial income/cost                 | -294    | -1.8%  | -78     | -0.4%  | -379    | -2.1%  |        |        |
| Equity-method gain(loss)              | 186     | 1.1%   | 55      | 0.3%   |         |        |        |        |
| Income before income tax              | 801     | 4.8%   | 1,914   | 10.1%  | 1,744   | 9.9%   | 117.7% | -8.9%  |
| E B I T D A                           | 2,671   | 16.0%  | 3,797   | 20.1%  | 3,692   | 20.9%  | 38.2%  | -2.8%  |
| Depreciation                          | 1,499   | 9.0%   | 1,550   | 8.2%   | 1,416   | 8.0%   | -5.5%  | -8.6%  |

\* '20. 4Q Investments in associates is currently included in Other non-operating income/expense and will be re-classified after the audit