



HANKOOK TIRE
2020 1Q Results

 **HANKOOK** Tire &
Technology

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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. Financial Results**
- II. Business Highlights**
- III. 2020 Outlook**
- IV. Appendix**

I. Financial Results - Global

- Decline of both sales and profit in 2020 1Q
 - ▶ Global tire demand affected by COVID-19 pandemic
- COVID-19 uncertainties to continue to impact major regions throughout 2020 1H

[100 Million KRW, %]	2019 1Q	2019 4Q	2020 1Q	QoQ	YoY
Sales	16,425	16,650	14,358	-13.8%	-12.6%
COGS	11,631 (70.8%)	12,027 (72.2%)	10,334 (72.0%)	-14.1%	-11.2%
Operating Profit	1,406 (8.6%)	1,172 (7.0%)	1,059 (7.4%)	-9.6%	-24.7%
Ordinary Profit	1,590 (9.7%)	801 (4.8%)	1,820 (12.7%)	127.2%	14.5%
EBITDA	3,034 (18.5%)	2,671 (16.0%)	2,730 (19.0%)	2.2%	-10.0%

I. Financial Results - Regional Performance

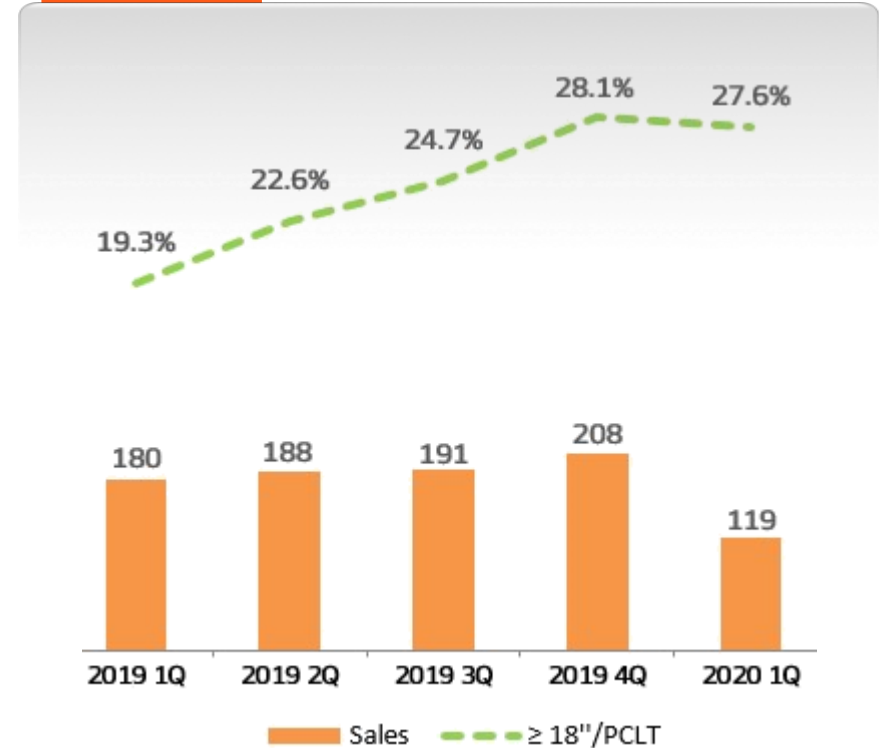
Korea

[Unit: Billion KRW, %]



China

[Unit: Billion KRW, %]



- Despite declining market trends, RE sales showed slight growth YoY with continued growth of high inch segments
- Decline in OE sales due to vehicle production shutdown

- Contraction of tire demand due to COVID-19 resulted sharp decline of RE sales, but maintained strong inch-mix trend
- Steep decline in OE sales with COVID-19 impact on auto manufacturers suspension of vehicle production

I. Financial Results - Regional Performance



Europe

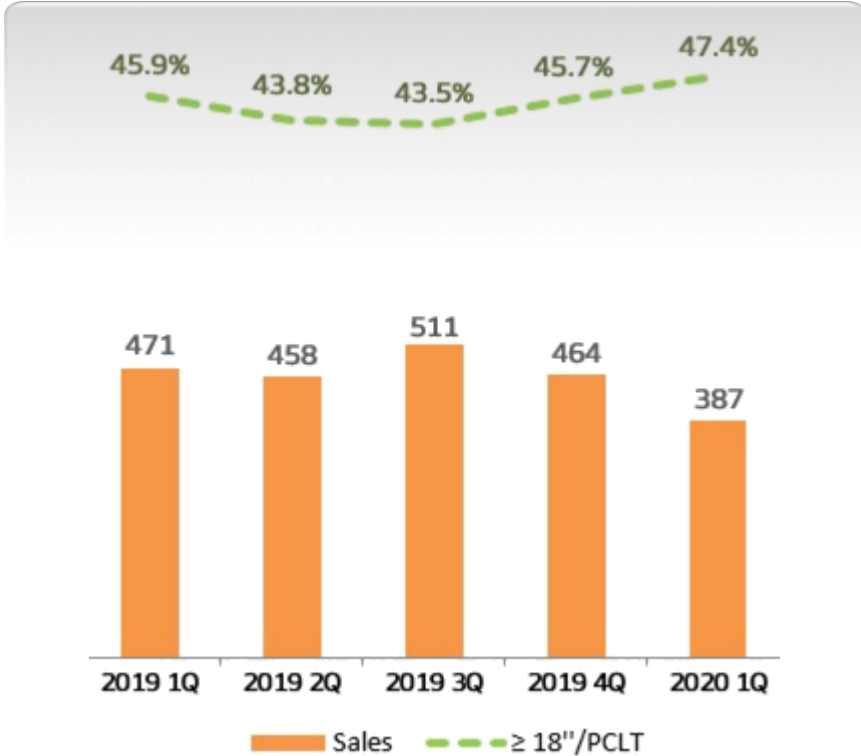
[Unit: Billion KRW, %]



- COVID-19 impacts in March drew back signs of market recovery in 1Q, leading to slight decline of RE sales YoY
- OE sales drop due to reduced vehicle product

North America

[Unit: Billion KRW, %]

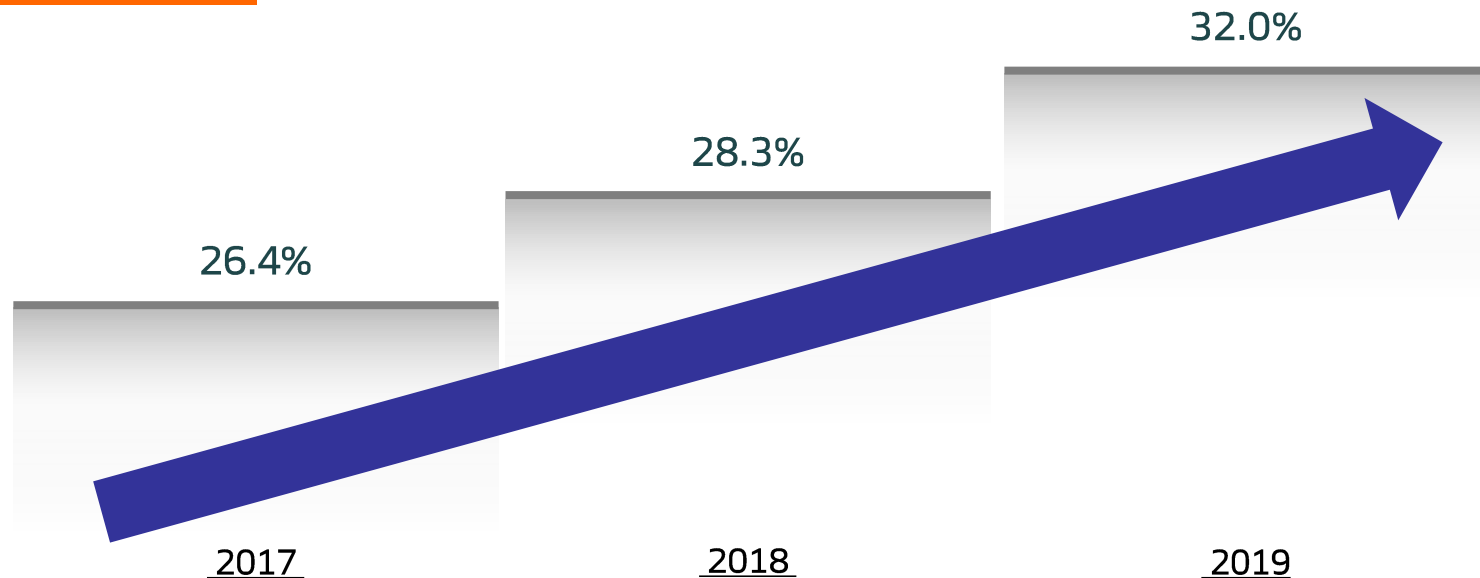


- Sales linear to market demand dropped considerably in March due to the COVID-19 pandemic effect
- Production cut on main OE supplies led to OE sales decline

II. Business Highlights - Inch-up Trend

- Despite COVID-19 impact on sales volume, **≥18 inch segments continue growth**
→ 2020 1Q Sales ratio of ≥18 inch within PCLT at 33.7% up 2.7%p YoY
- Sales ratio of ≥18 inch within PCLT in 2019 reached **32.0%**, up **+5.6%p** from 2017
- Global high inch(≥18 inch) market expected to grow by 7% CAGR ('17~'26)
- Aim to exceed high inch market growth, improving product mix and gaining market share in high profit segments

≥ 18"/PCLT Ratio



II. Business Highlights : COVID-19

Impact on Production

▶ Production adjustments

- Extended Lunar New Year's holiday in China led to 20% lower utilization rate against 2020 1Q plan in China (80% utilization rate against plan in China)
- All plants excluding China, achieved approximately 95% utilization rate against 2020 1Q plan
- COVID-19 impact on production expected to be more serious in 2Q, with suspended production in April. The company will maintain a flexible production policy until regional lockdown and restrictions ease

Impact on Sales

▶ Low industry demand

- COVID-19 crisis caused global market decline, with severe impact in March for Europe and U.S.
- Uncertainty and contraction continue in April, with April sales expected to be of approximately 40% YoY for Europe and U.S.
- Optimistic outlook states slight recovery expected earliest in May, but actual rebound expected to be in 2020 2H

Financial position

▶ Preemptive actions to secure liquidity

- In order to prepare for potential liquidity problems caused by COVID-19, the company has secured additional cash liquidity of 700 billion KRW from the borrowing
 - Over 350 billion is maturity of 3 years with a competitive pricing level

▶ Enhancing financial flexibility of subsidiaries via operation of global pooling system

▶ Strong liquidity position

- Total credit facility amount of approximately 4.7 trillion KRW, of which unused availability around 74%

III. 2020 Outlook

- Due to the uncertainty and limited visibility caused by COVID-19, the company is unlikely to meet the 2020 target of 7 trillion KRW in sales and improved OPM level YoY
- Although global recession will slow down market recovery, the company is also preparing several means for rebound once COVID-19 is under control
- However, the company will continue to maintain flexibility in production to control inventory, in case COVID-19 impact is extended
- Annual CAPEX remains at 490bil KRW, but will be reviewed and prioritized based upon market situations
- Stable financial position with additional credit lines secured

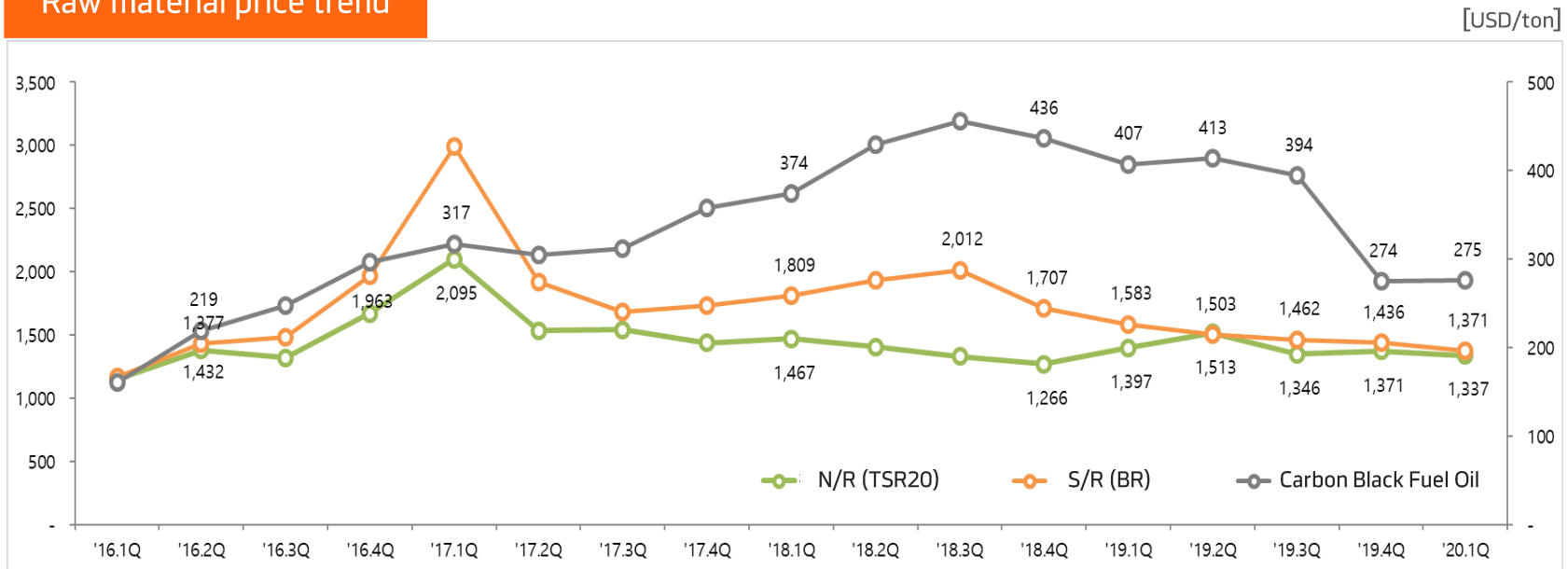


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IV. Appendix - Raw Material Trend

- N/R : NR prices rose in Jan 2020 due to expectation of China auto recovery, but showed sharp decline with the rapid spread of COVID-19. With sluggish market trend NR prices expected remain weak
- S/R : With the COVID-19 pandemic, plummet auto market led to low demand and weak SR prices
2020 1Q BR price down 13.4% YoY, down 4.5% QoQ
- C/B : MARPOL 2020 (Marine Pollution Treaty) led to continued decline of carbon black fuel oil since 2019 4Q. Moreover WTI prices dropped with increased oil production from Saudi Arabia, which will prolong weakness of carbon black fuel oil prices

Raw material price trend



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 - F/S) Consolidated B/S

[100 Million KRW]

	2019		2020 1Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	101,646	100.0%	106,854	100.0%	5,208	5.1%
Current Assets	41,137	40.5%	44,773	41.9%	3,636	8.8%
Cashable Assets	9,107	9.0%	11,837	11.1%	2,730	30.0%
Accounts Receivable	13,769	13.5%	13,391	12.5%	-378	-2.7%
Inventories	17,254	17.0%	18,401	17.2%	1,147	6.6%
Non-current Assets	60,509	59.5%	62,080	58.1%	1,571	2.6%
Tangible Assets	41,055	40.4%	42,302	39.6%	1,247	3.0%
Liabilities	29,774	29.3%	34,407	32.2%	4,633	15.6%
Current Liabilities	21,311	21.0%	21,866	20.5%	555	2.6%
Non-Current Liabilities	8,463	8.3%	12,541	11.7%	4,078	48.2%
Shareholder's Equity	71,872	70.7%	72,447	67.8%	575	0.8%
Debt	17,189		20,383			
Net Debt	8,082		8,545			
Liability Ratio		41.4%		47.5%		
Net Worth to Assets		70.7%		67.8%		
Net Debt Ratio		11.2%		11.8%		

IV. Appendix - F/S) Consolidated I/S

[100 Million KRW]

	2019 1Q		2019 4Q		2020 1Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	16,425	100.0%	16,650	100.0%	14,358	100.0%	-12.6%	-13.8%
COGS	11,631	70.8%	12,027	72.2%	10,334	72.0%	-11.2%	-14.1%
Gross Profit	4,794	29.2%	4,622	27.8%	4,024	28.0%	-16.1%	-12.9%
SG&A	3,388	20.6%	3,450	20.7%	2,965	20.7%	-12.5%	-14.1%
Operating Profit	1,406	8.6%	1,172	7.0%	1,059	7.4%	-24.7%	-9.6%
Other non-operating income/expense	398	2.4%	-263	-1.6%	441	3.1%	10.8%	-
Financial income/cost	-283	-1.7%	-294	-1.8%	320	2.2%	-	-
Equity-method gain(loss)	69	0.4%	186	1.1%	-	-	-	-
Income before income tax	1,590	9.7%	801	4.8%	1,820	12.7%	14.5%	127.2%
E B I T D A	3,034	18.5%	2,671	16.0%	2,730	19.0%	-10.0%	2.2%
Depreciation	1,628	9.9%	1,499	9.0%	1,671	11.6%	2.6%	11.5%

* '20. 1Q Investments in associates is currently included in Other non-operating income/expense and will be re-classified after the audit