



HANKOOK TIRE
2020 2Q 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

- COVID-19 pandemic had impact on the global tire industry causing steep decline in both sales and profit in 2020 2Q
- Despite drop in sales volume, high inch segment continued to show growth
→ 2020 2Q Sales ratio of ≥18 inch within PCLT reached 32.6% up 1.1%p YoY
- 2020 2H sales recovery expected with positive signals of demand in major regions

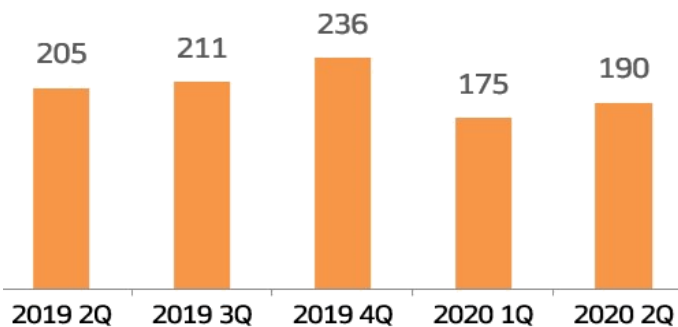
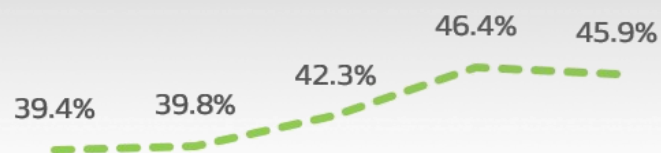
[100 Million KRW, %]	2019 2Q	2020 1Q	2020 2Q	QoQ	YoY
Sales	17,406	14,358	13,677	-4.7%	-21.4%
COGS	12,517 (71.9%)	10,333 (72.0%)	9,959 (72.8%)	-3.6%	-20.4%
Operating Profit	1,057 (6.1%)	1,060 (7.4%)	702 (5.1%)	-33.8%	-33.6%
Ordinary Profit	1,310 (7.5%)	1,812 (12.6%)	228 (1.7%)	-87.4%	-82.6%
EBITDA	2,635 (15.1%)	2,681 (18.7%)	2,277 (16.6%)	-15.1%	-13.6%

I. Financial Results - Regional Performance



Korea

[Unit: Billion KRW, %]

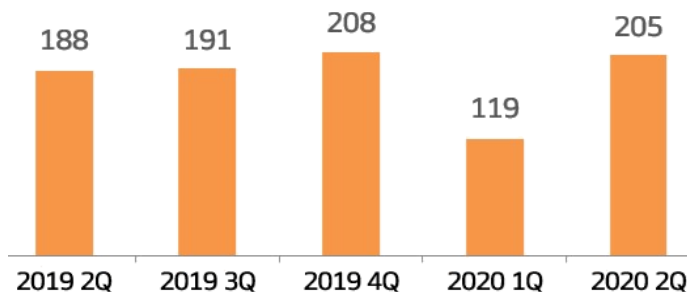
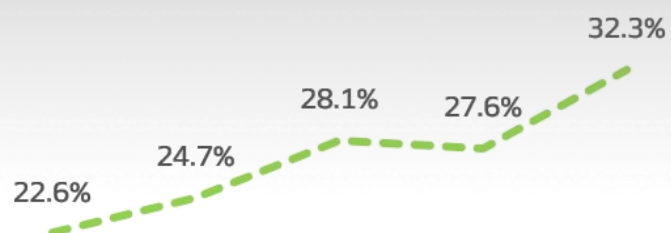


■ Sales - - - ≥ 18"/PCLT

- Strong RE sales with the launch of new products and sales growth of ≥18 inch segment
- Decline in OE sales

China

[Unit: Billion KRW, %]



■ Sales - - - ≥ 18"/PCLT

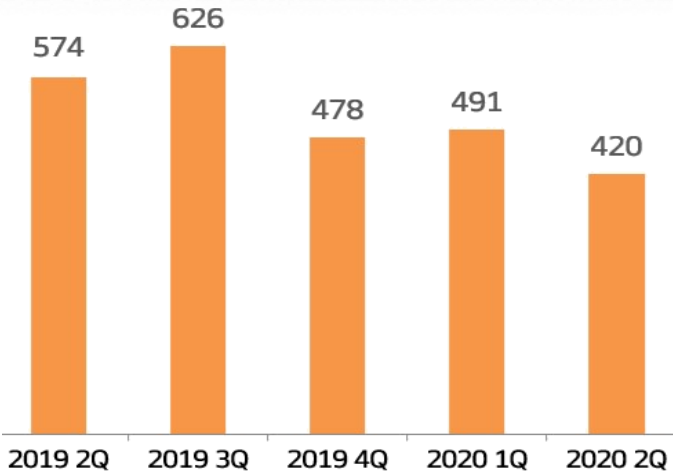
- With recovery from the COVID-19 shock, consumer sentiment improved leading to an increase in RE sales YoY
- OE sales growth YoY with rise of auto production

I. Financial Results - Regional Performance



Europe

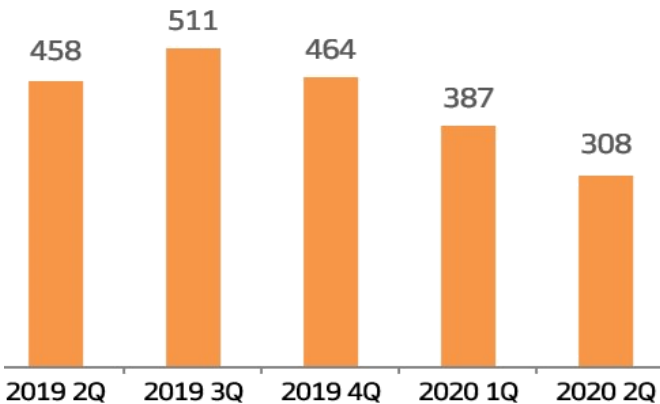
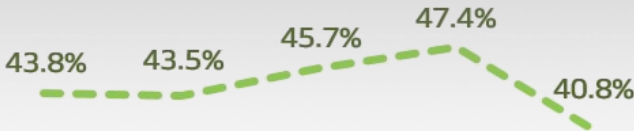
[Unit: Billion KRW, %]



Sales ≥ 18"/PCLT

North America

[Unit: Billion KRW, %]



Sales ≥ 18"/PCLT

- COVID-19 caused sharp decline in RE sales YoY, but major countries showing signs of recovery from May
- Lower auto production caused by COVID-19 led to reduced OE sales YoY

- COVID-19 triggered steep decline in market demand and RE sales YoY. 2020 2H expected to stabilize with economic activities restarting
- COVID-19 caused auto production shutdowns leading to lower OE sales YoY

II. Business Highlights

COVID-19 Impacts

▶ Industry demand and sales

- In April, Europe and North American sales dropped 50% YoY, but starting showing recovery in May, reaching up to a YoY increase in June
- With signals of economic rebound in China and Korea, RE sales were up YoY in the 2Q
- With the exception of China, OE sales are showing a much slower recovery and are seen to prolong such trend into 2H
- Despite sluggish OE sales, with affirmative sales recovery from ≥ 18 inch products in RE, the company targets improvements of over 30% compared to 1H

▶ Global Production

- With COVID-19 pandemic, all plants suspended production in April followed by a gradual recovery in utilization rate from May
- Global utilization rate in June, with the exception of U.S, reached 80% against plan
→ Global production in 2020 1H reached 78% against plan
- Tennessee Plant production in 2020 2Q was below 50% against plan, but will be recover to around 90% in August
- Although uncertainties including slower auto sales recovery and concerns of 2nd wave of COVID-19 remain, the company targets 2H production to increase over 27% in comparison to 1H

AD Investigation of PVLTs from Korea

- The United Steelworkers Union(USW) filed antidumping(AD) petitions on PVLt(passenger vehicle and light truck) tires from Korea, claiming that the imports had a negative impact on the US industry
- The USW claims the countries under investigation, that imports from South Korea, Taiwan, Thailand and Vietnam have dramatically increased after the AD/CVD upon Chinese import tires and coupled with lower pricing, has hurt the domestic industry
- Preliminary determination expected to be issued in early Nov, but if extended will be out around year end. Final determination is expected to be issued between March and July 2021

II. Business Highlights

- Hankook Tire will be the future tire supplier and technology partner for the ABB FIA Formula E World Championship from the 2022/23 season for Gen3 cars
- Hankook supplies Ventus S1 evo 3 ev, a specially developed e-tire for Porsche Taycan, the first all-electric sports cars from Porsche AG.
- Hankook launched a second generation e-tire, the Kinergy AS EV, in 2018, a tire specifically tailored for electric cars, being well prepared for the new demands in the field of electric cars



III. 2020 Outlook

- Due to COVID-19 impacts, the company is unlikely to meet the 2020 sales target of 7.2 trillion KRW in sales
- With global auto sales showing slow recovery, impact on OE sales remain severe, but RE sales in major markets are showing recovery signals MoM.
The company will actively prepare for 2H with promotions, new products and increased sales channels to rebound in sales
- However, as possibilities of 2nd wave of COVID-19 still remain a threat, the company will maintain flexibility in production to control inventory
- 2020 CAPEX adjusted to 360 billion KRW from initial plan of 490 billion KRW, reviewed and prioritized based upon urgency and significance
- FCF for 2020 expected to be approximately 200 billion KRW, maintaining strong financial position



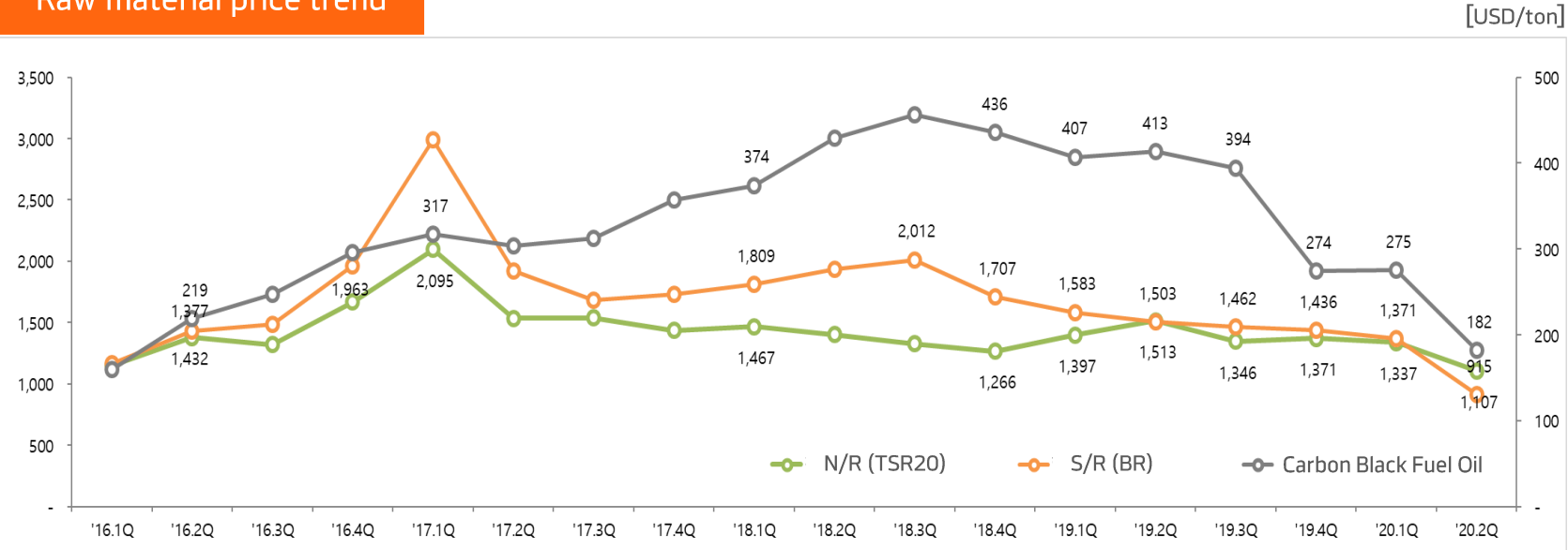
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IV. Appendix - Raw Material Trend



- N/R : NR prices showed sharp decline until April due to auto and tire manufacturers production shut down caused by COVID-19, but showed gradual recovery since May
 Uncertainties remain in the 3Q with possible development of COVID-19 vaccine and US-China trade tensions
 2020 2Q SICOM TSR 20 price up 26.9% YoY, down 17.2% QoQ
- S/R : Spread of COVID-19 caused crimp demand leading to butadiene price drop
 2020 2Q BR product price dropped 19.3% QoQ, but with base effect expected to show rebound in 3Q
- C/B : With the drop of WTI prices, carbon black fuel oil dropped around 34% QoQ, and expected to further decline 27% QoQ in the 3Q

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 - 2020 1H Financial Results

2020 1H Results

[100 Million KRW, %]

	2019 1H	2020 1H	YoY
Sales	33,830	28,034	-17.1%
COGS	24,148 (71.4%)	20,291 (72.4%)	-16.0%
Operating Profit	2,463 (7.3%)	1,762 (6.3%)	-28.5%
Ordinary Profit	2,899 (8.6%)	2,040 (7.3%)	-29.6%
EBITDA	5,669 (16.7%)	4,958 (17.7%)	-12.5%

IV. Appendix - Consolidated B/S

[100 Million KRW]

	2019		2020 1H		Diff.	
	Amt	%	Amt	%	Amt	%
Assets	101,646	100.0%	109,037	100.0%	7,391	7.3%
Current Assets	41,137	40.5%	48,042	44.1%	6,905	16.8%
Cashable Assets	9,107	9.0%	14,582	13.4%	5,475	60.1%
Accounts Receivable	13,769	13.5%	13,682	12.5%	-87	-0.6%
Inventories	17,254	17.0%	18,536	17.0%	1,282	7.4%
Non-current Assets	60,509	59.5%	60,995	55.9%	486	0.8%
Tangible Assets	41,055	40.4%	41,097	37.7%	42	0.1%
Liabilities	29,774	29.3%	36,519	33.5%	6,745	22.7%
Current Liabilities	21,311	21.0%	20,931	19.2%	-380	-1.8%
Non-Current Liabilities	8,463	8.3%	15,588	14.3%	7,125	84.2%
Shareholder's Equity	71,872	70.7%	72,518	66.5%	646	0.9%
Debt	17,189		23,661			
Net Debt	8,082		9,079			
Liability Ratio		41.4%		50.4%		
Net Worth to Assets		70.7%		66.5%		
Net Debt Ratio		11.2%		12.5%		

IV. Appendix - Consolidated I/S

[100 Million KRW]

	2019 2Q		2020 1Q		2020 2Q		YoY	QoQ
	Amt	%	Amt	%	Amt	%	(%)	(%)
Sales	17,406	100.0%	14,358	100.0%	13,677	100.0%	-21.4%	-4.7%
COGS	12,517	71.9%	10,333	72.0%	9,959	72.8%	-20.4%	-3.6%
Gross Profit	4,889	28.1%	4,025	28.0%	3,718	27.2%	-24.0%	-7.6%
SG&A	3,832	22.0%	2,965	20.7%	3,016	22.1%	-21.3%	1.7%
Operating Profit	1,057	6.1%	1,060	7.4%	702	5.1%	-33.6%	-33.8%
Other non-operating income/expense	426	2.4%	415	2.9%	-252	-1.8%	-	-
Financial income/cost	-282	-1.6%	311	2.2%	-222	-1.6%	-	-
Equity-method gain(loss)	109	0.6%	26	0.2%				
Income before income tax	1,310	7.5%	1,812	12.6%	228	1.7%	-82.6%	-87.4%
EBITDA	2,635	15.1%	2,681	18.7%	2,277	16.6%	-13.6%	-15.1%
Depreciation	1,578	9.1%	1,621	11.3%	1,575	11.5%	-0.2%	-2.8%

* '20. 2Q Investments in associates is currently included in Other non-operating income/expense and will be re-classified after the audit