



Hankook Technodome

2019 HANKOOK TIRE 3rd Quarter Results

 **HANKOOK** Tire & Technology

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2019 3Q Financial Highlights



2019 3Q Global Performance (Consolidated)

[100 Million KRW, %]

	<u>2018 3Q</u>	<u>2019 2Q</u>	<u>2019 3Q</u>	<u>QoQ</u>	<u>YoY</u>
Sales	17,554	17,406	18,332	5.3%	4.4%
COGS	12,193 (69.5%)	12,517 (71.9%)	12,835 (70.0%)	2.5%	5.3%
Operating Profit	1,875 (10.7%)	1,057 (6.1%)	1,801 (9.8%)	70.4%	-3.9%
Ordinary Profit	1,626 (9.3%)	1,310 (7.5%)	2,198 (12.0%)	67.8%	35.2%
EBITDA	3,437 (19.6%)	2,635 (15.1%)	3,328 (18.2%)	26.3%	-3.2%

Market Environment

- Intensified competition in tire market due to lower consumer sentiment and economic slowdown
 - Uncertainty lingers with the late arrival of winter weather conditions and seasonality sales
- Signs of auto production recovery with slower decline, but risks remain due to high level of inventory in the auto market

Business Highlights

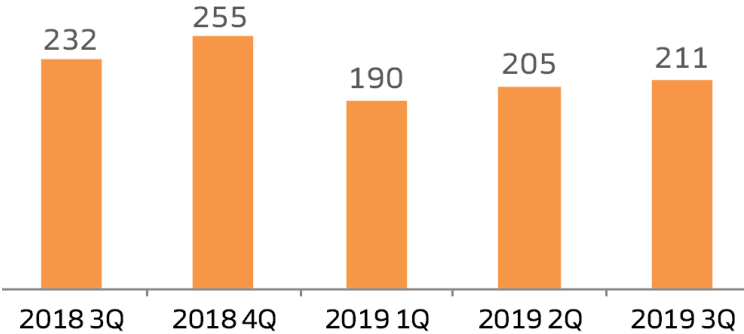
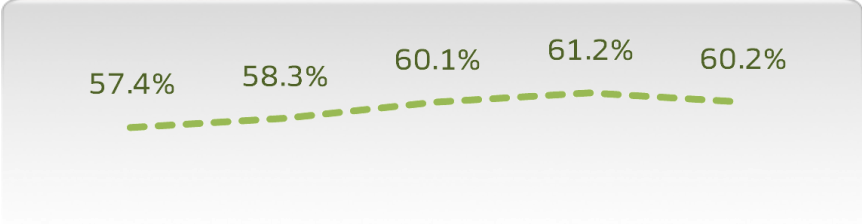
- Global RE sales declined due to weak sales in North America and Germany, but sustained growth in high inch segments in major regions
- Despite OE sales growth from Europe and ASEAN-India, unfavorable OE sales in China led to lower sales volume YoY
- Sales ratio of ≥ 17 inch within PC/LT increased to 55.0% which is up 3.0%p YoY
 - Growth led by ≥ 18 inch segments with sales increase of over 10% YoY
- Strengthening global SUV OE portfolio
 - OE supplements to Porsche Cayenne, The New Audi Q8 and All-New 2020 Ford Explorer
- New retail and distribution channels for future growth
 - New business with TBR service networks and increasing fleet business in USA and China

Regional Performance



Korea

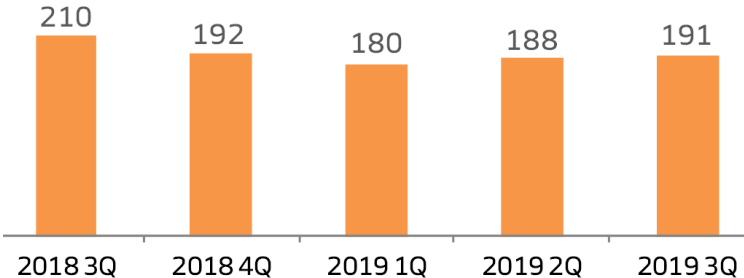
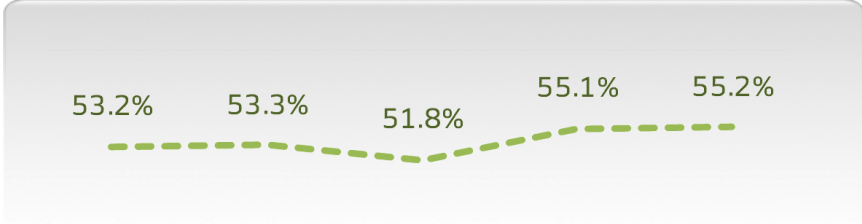
[Unit: Billion KRW, %]



■ Sales - - - ≥ 17"/PCLT

China

[Unit: Billion KRW, %]



■ Sales - - - ≥ 17"/PCLT

- RE sales decline due to continued issues with retail stock but growth momentum in the ≥17" segments continues
- Decline in OE sales

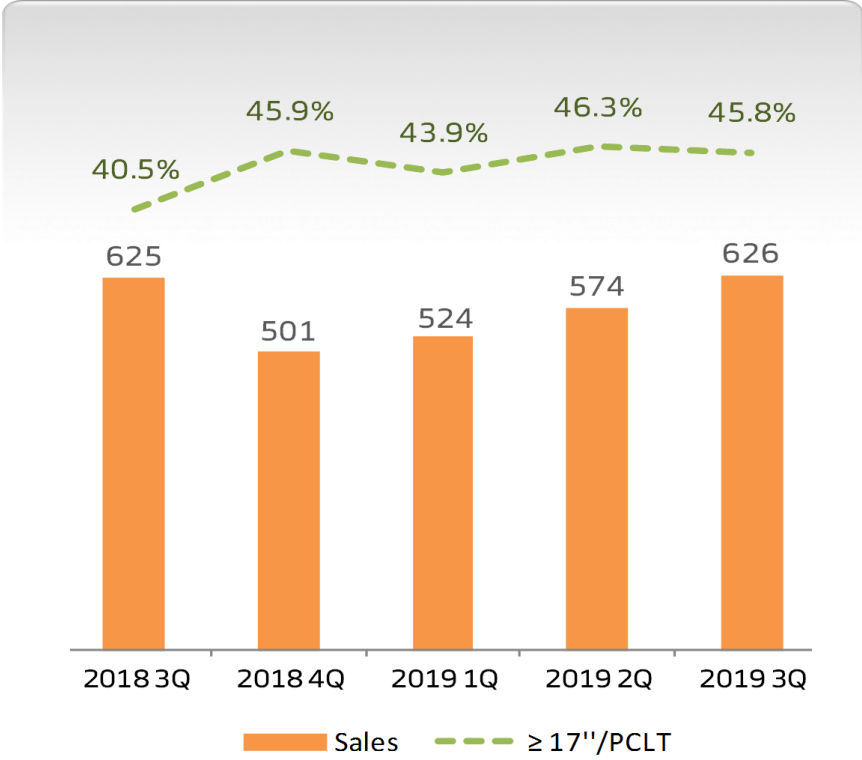
- Sustained growth of ≥17" sales and stable RE sales growth
- OE sales declined YoY with the extended downturn of the China auto industry

Regional Performance



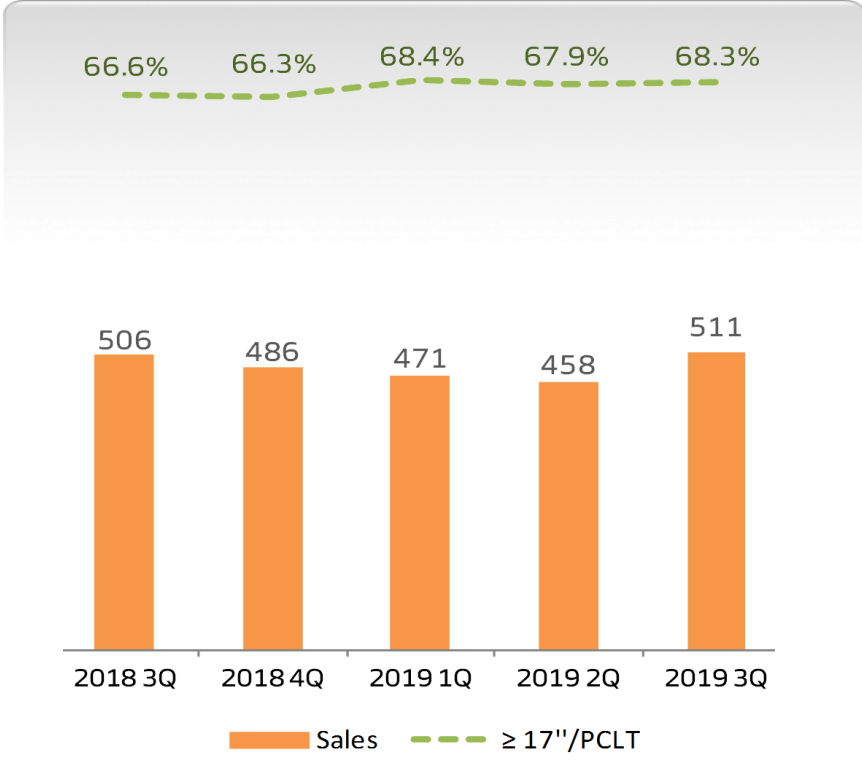
Europe

[Unit: Billion KRW, %]



North America

[Unit: Billion KRW, %]



- RE sales in line with weak market conditions showing slightly lower volumes YoY
- Regardless of weak auto production, increased business with premium auto brands led to favorable OE sales

- Strong FX and P-Mix offset weak RE volumes
- OE sales were slightly weak due to vehicle production delay

- 2019 sales of approximately 7 trillion KRW and OPM level of around 8%
 - 2019 9M Results : Sales 5,216.3 billion KRW (YoY 2.9%), operating profit 426.4 billion KRW (YoY -23.5%), and OPM 8.2%
 - 2019 9M sales ratio of ≥ 17 inch within PC/LT reached 54.6% up 3.0%p YoY, continuing quality growth
- Annual sales volume expected to decline with downturn of China and Europe auto market and unfavorable RE demand in Europe
- Despite lower raw material input costs, weakened sales increased fixed costs and lowered margin levels
- Sales improved but uncertainties remain from slow auto sales and weather conditions in 4Q

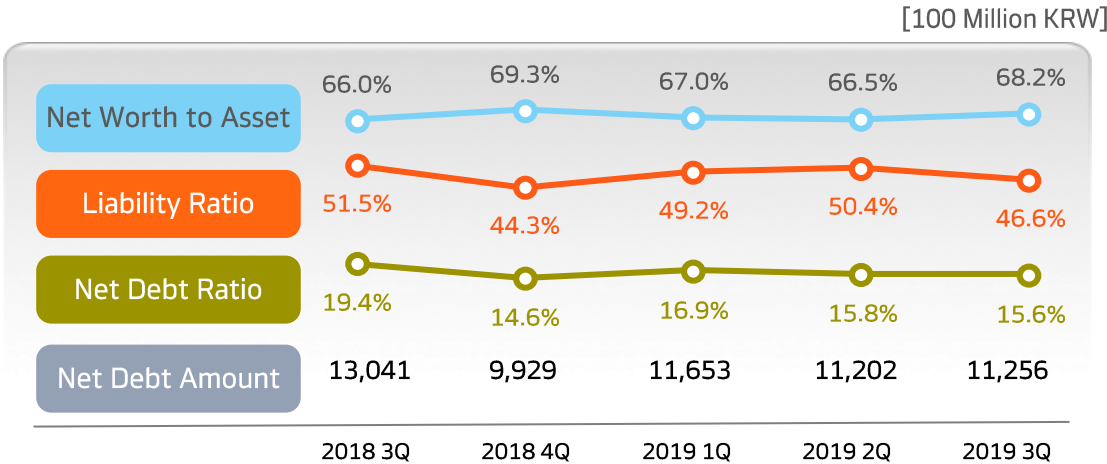
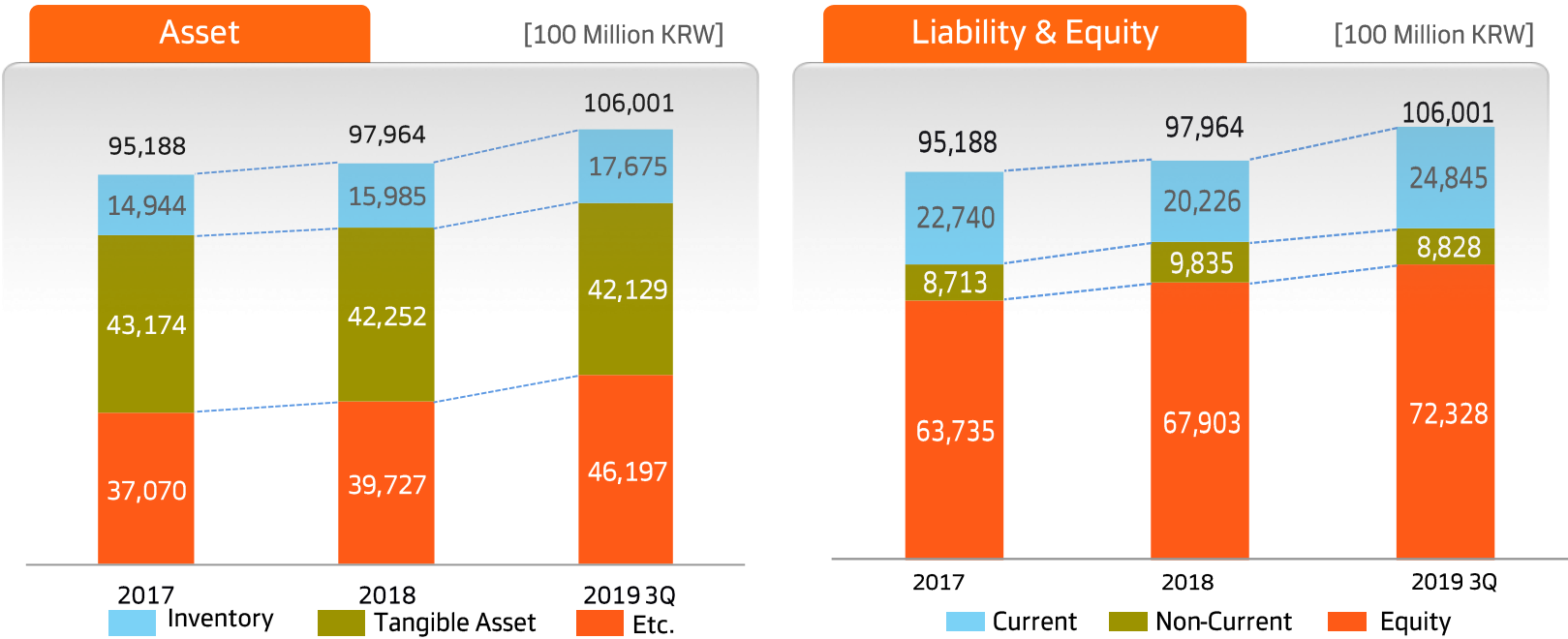
Positives

- Continued improvements in product mix and high inch production capacity
- Stable sales growth of associate brand
- Development of new retail and distribution channels

Negatives

- Lower market demand coupled with intensified competition
- Winter tire sales delayed with unpredictable weather conditions

Stability - Balance Sheet (Consolidated)



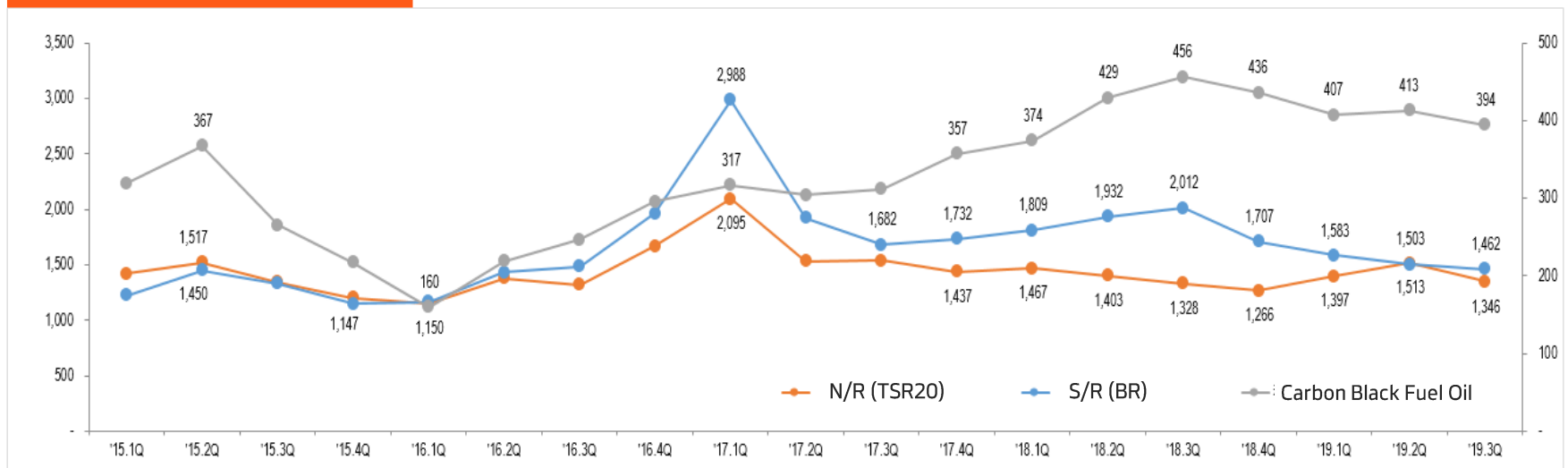


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Appendix. Raw Material Price Trend

- N/R : Weakness of SICOM prices continued since mid-June due to lower demand and less speculation forces
2019 3Q TSR20 price up 1.3% YoY, down 11.1% QoQ
- S/R : Continued weakness of Chinese auto market and global capacity increase of BD resulted to persisting weakness of S/R prices
2019 3Q BR prices down 27.3% YoY, down 2.7% QoQ
- C/B : Global economic slowdown resulted to lower oil prices and continue to weaken carbon black fuel oil price resulting -13.5% YoY, -4.6% QoQ

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

Appendix. F/S - Consolidated B/S

[100 Million KRW, %]

	2018		2019 3Q		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	97,964	100.0%	106,001	100.0%	8,037	8.2%
Current Assets	36,532	37.3%	43,805	41.3%	7,273	19.9%
Cashable Assets	6,396	6.5%	8,130	7.7%	1,734	27.1%
Accounts Receivable	13,327	13.6%	16,936	16.0%	3,609	27.1%
Inventories	15,985	16.3%	17,675	16.7%	1,690	10.6%
Non-current Assets	61,433	62.7%	62,196	58.7%	763	1.2%
Tangible Assets	42,252	43.1%	42,129	39.7%	-123	-0.3%
Liabilities	30,061	30.7%	33,673	31.8%	3,612	12.0%
Current Liabilities	20,226	20.6%	24,845	23.4%	4,619	22.8%
Non-Current Liabilities	9,835	10.0%	8,828	8.3%	-1,007	-10.2%
Shareholder's Equity	67,903	69.3%	72,328	68.2%	4,425	6.5%
Debt	16,324		19,386			
Net Debt	9,929		11,256			
Liability Ratio		44.3%		46.6%		
Net Worth to Assets		69.3%		68.2%		
Net Debt Ratio		14.6%		15.6%		

Appendix. F/S - Consolidated I/S

[100 Million KRW, %]

	2018 3Q		2019 2Q		2019 3Q		YoY	QoQ
	Amt.	%	Amt.	%	Amt.	%	(%)	(%)
Sales	17,554	100.0%	17,406	100.0%	18,332	100.0%	4.4%	5.3%
COGS	12,193	69.5%	12,517	71.9%	12,835	70.0%	5.3%	2.5%
Gross Profit	5,360	30.5%	4,889	28.1%	5,497	30.0%	2.6%	12.4%
SG&A	3,485	19.9%	3,832	22.0%	3,696	20.2%	6.1%	-3.5%
Operating Profit	1,875	10.7%	1,057	6.1%	1,801	9.8%	-3.9%	70.4%
Other Revenue	465	2.6%	682	3.9%	723	3.9%	55.5%	6.0%
Other Expense	627	3.6%	256	1.5%	300	1.6%	-52.2%	17.2%
Financial Revenue	227	1.3%	170	1.0%	447	2.4%	96.9%	162.9%
Financial Expense	378	2.2%	452	2.6%	473	2.6%	25.1%	4.6%
Equity-method gain(loss)	63	0.4%	109	0.6%				
Income before income tax	1,626	9.3%	1,310	7.5%	2,198	12.0%	35.2%	67.8%
EBITDA	3,437	19.6%	2,635	15.1%	3,382	18.2%	-3.2%	26.3%
Depreciation	1,562	8.9%	1,578	9.1%	1,527	8.3%	-2.2%	-3.2%

* '19. 3Q Investments in associates is currently included in Other Revenue and will be re-classified after the audit