

Hankook Tire & Technology 2021 Financial Results

Feb 4, 2022

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. 2021 Annual Highlights
- II. 4Q Financial Results
- III. 2022 Outlook
- IV. 2021 ESG Highlights
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I. 2021 Annual Highlights

2021 Global Performance (Consolidated)

[100 Million KRW, %]

	2020	2021	YoY
Sales	64,531	71,423	+10.7%
COGS	45,501 <i>(70.5%)</i>	51,938 <i>(72.7%)</i>	+14.1%
Operating Profit	6,283 <i>(9.7%)</i>	6,418 <i>(9.0%)</i>	+2.2%
Ordinary Profit	5,783 <i>(9.0%)</i>	7,193 <i>(10.1%)</i>	+24.4%
EBITDA	12,558 <i>(19.5%)</i>	12,341 <i>(17.3%)</i>	-1.7%

I. 2021 Annual Highlights

Market Environment

- Tire market shows mixed trends with strong recovery in RE market and slow OE market with prolonged auto semiconductor shortage
- Tire industry conducts price hikes with continued rise in costs
- Resurgence of COVID-19 and global supply chain disruptions slows global growth

Business Results

- Sales of 7 trillion 142 billion KRW up 10.7% YoY
- Improved pricing and robust growth in 1H offset negative volume growth in 2H
- Operating profit of 641.8 billion KRW, OPM of 9.0%
- Unprecedented rise in costs, global supply chains constraints and labor strike at Korean plants minimized positive pricing effects

Business Highlights

- Sales ratio of ≥ 18 inch within PCLT increased to 37.7% up 3.1%p
- Increased competitiveness for SUVs, high-performance vehicles and EV fitments
- Recognition for quality and performance by renowned car magazines
- Listed in DJSI World for sixth consecutive year, ranking highest among auto components

II. Financial Results - 2021 4th Quarter Results

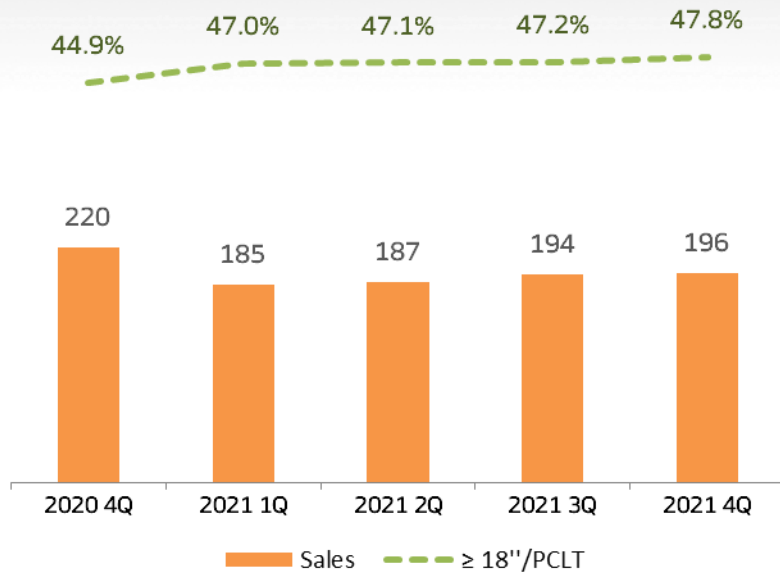
- Despite volume decline caused by global supply chain bottlenecks and continued auto semiconductor shortage, improved pricing in major markets brought sales growth YoY
- Unparalleled rise of freight and raw material cost, followed by a labor strike in Korea hindered margins
- High inch segment growth continued with 2021 4Q Sales ratio of ≥ 18 inch within PCLT at 38.9% up 1.5%p YoY

[100 Million KRW, %]	2020 4Q	2021 3Q	2021 4Q	YoY	QoQ
Sales	17,668	18,294	18,896	7.0%	3.3%
COGS	11,869 (67.2%)	13,178 (72.0%)	14,386 (76.1%)	21.2%	9.2%
Operating Profit	2,274 (12.9%)	1,808 (9.9%)	880 (4.7%)	-61.3%	-51.3%
Ordinary Profit	1,829 (10.3%)	2,272 (12.4%)	851 (4.5%)	-53.4%	-62.5%
EBITDA	3,748 (21.2%)	3,286 (18.0%)	2,372 (12.6%)	-36.7%	-27.8%

II. 4Q Financial Results - Regional Performance

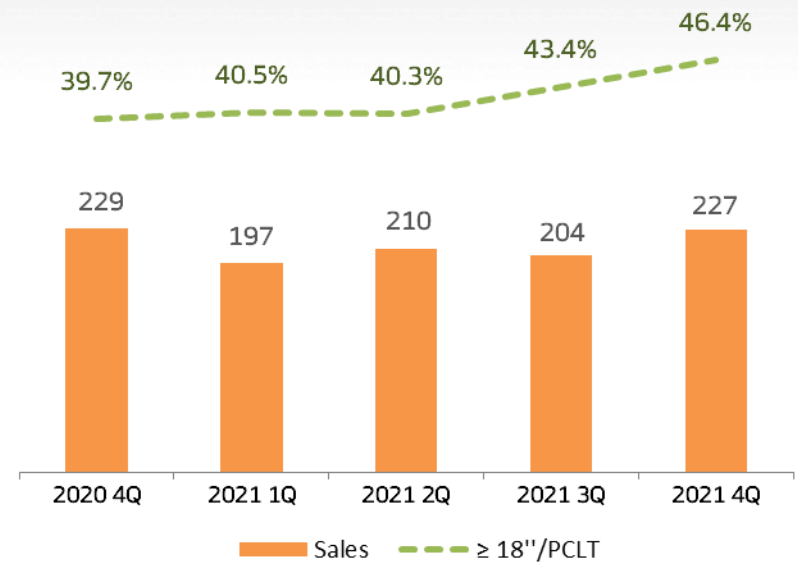
KOREA

[Unit: Billion KRW, %]



CHINA

[Unit: Billion KRW, %]



- RE sales decline from slow market trends and labor strike
- Decline in OE sales with lingering chip shortage

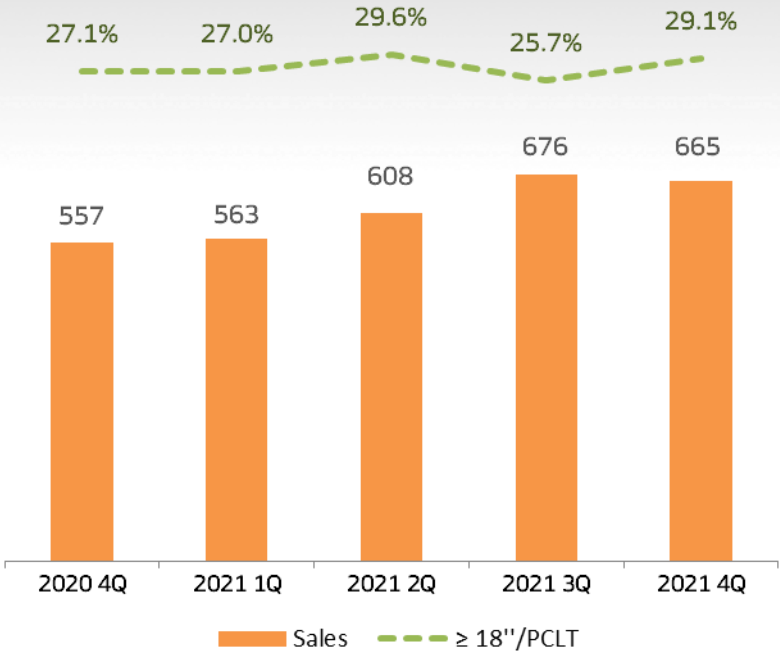
- Slowing economy and weak consumer sentiment lowered RE sales, but inch-mix showed impressive growth
- Although OE sales remain low YoY, sales improved QoQ with semiconductor availability stabilizing

II. 4Q Financial Results - Regional Performance



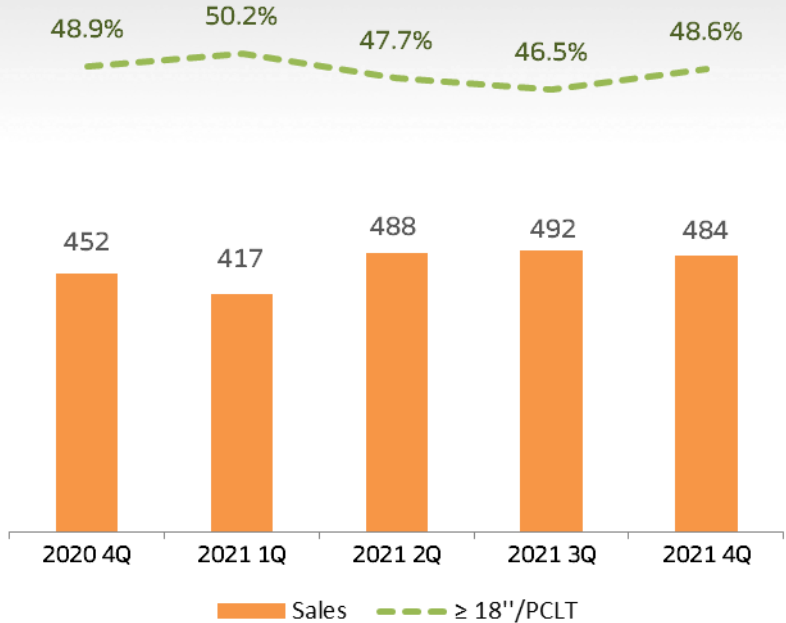
EUROPE

[Unit: Billion KRW, %]



N.AMERICA

[Unit: Billion KRW, %]



- RE sales grew YoY with decent volume growth and improved pricing offset logistic disturbance effect
- Although OE sales remain low YoY, sales improved QoQ with semiconductor availability stabilizing

- Despite elevated supply chain constraints, RE sales showed growth YoY with better pricing
- Auto semiconductor shortage continued to lower OE sales

III. 2022 Outlook

Business Environment

CHALLENGES

- ✓ Volatile business environment
- ✓ COVID-19 resurgence
- ✓ Unprecedented cost escalation (raw material, freight, energy, labor etc.)

OPPORTUNITIES

- ✓ Global tire market growth
- ✓ Opportunity to reposition brand
- ✓ EV market growth
- ✓ Investment of sustainable growth opportunities

2022 TARGET

- Targeting double-digit growth in sales YoY for 2022
 - ▷ Volume growth above market demand, additional price hikes and improved product-mix
- Further increase of High Inch (≥ 18 inch) sales ratio within PCLT
 - ▷ 2019 32% → 2020 35% → 2021 38% → 2022 target **42%**
- Sales ratio target of Future Growth Segment* within PCLT
 - ▷ 2020 34% → 2021 37% → 2022 target **42%**
- Over 450 billion KRW expected for maintenance and modernization in 2022

* Future Growth Seg: EV & i-Seg (BEV, Runflat, Sealant, Foam tech), SUV, PUP

IV. 2021 ESG Highlights

ESG Implementation

- Gender diversity on the BOD
- Established ESG Committee under the BOD
- Directors & Officers Liability Insurance
- Strengthens sustainable natural rubber policy in compliance with Global Platform for Sustainable Natural Rubber (GPSNR).

ESG Recognition

- Dow Jones Sustainability™ World Index (DJSI World) for 6 consecutive years
 - ▷ Ranked on top of Auto Components Industry
- EcoVadis highest CSR ratings for 3 consecutive years
 - ▷ 2021 platinum medal, awarded to only top 1% in each industry
- ISCC(International Sustainability & Carbon Certification) Plus
 - ▷ Kinergy 4S 2 All-Weather tires a representative product made of sustainable raw materials, was recognized for its outstanding performance by Europe's renowned car magazines

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



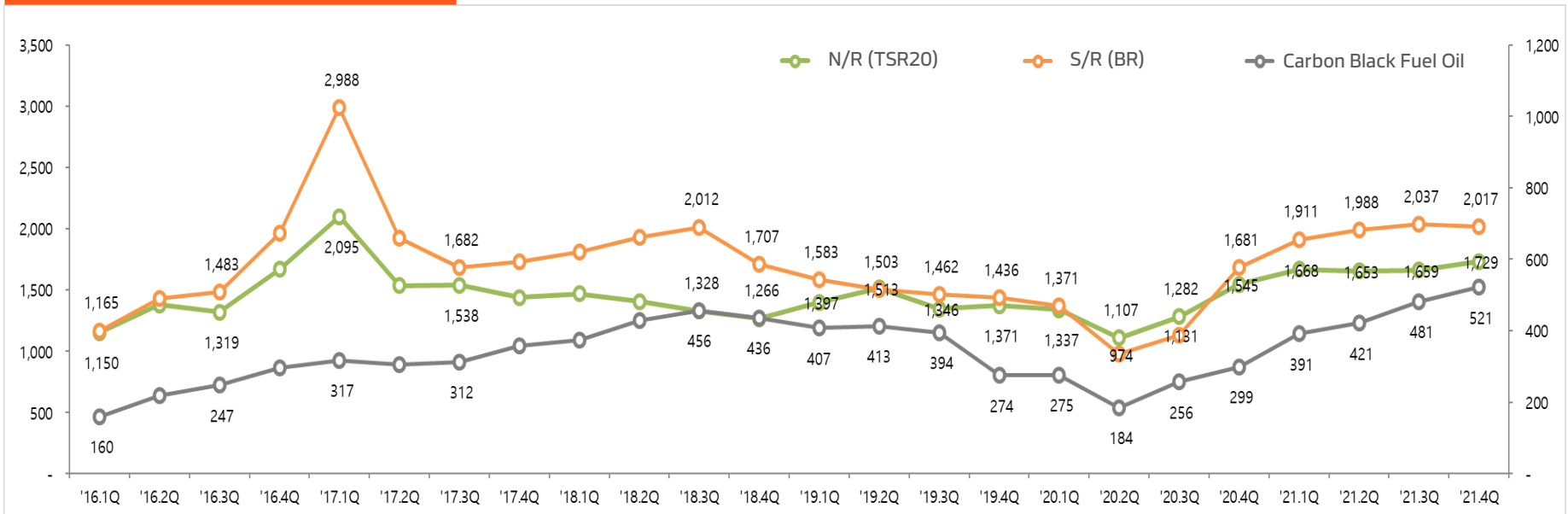


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IV. Appendix - Raw Material Trend

- N/R : Due to the raw material inflation trend, SICOM TSR20 prices were up 4.2% QoQ in 2021 4Q
2022 1Q prices will be dependent on the level of Chinese demand and inflation
- S/R : BD prices in U.S. and Europe has stabilized, thus BR prices were down 1.0% QoQ in 2021 4Q
China's power crunch caused BR supply shortage maintained prices above\$2,000
2022 1Q prices are expected to decline with stabilization of BR supply in China
- C/B : Rising oil prices and increased marine fuel oil demand continue to push up FCC oil and CBO prices
CBO Index has rose 8.3% QoQ in 2021 4Q, and this uptrend is expected to continue into 2021 1Q
High LSFO demand caused by climate regulations and green investments may further drive up price

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

V. Appendix - Consolidated B/S

[100 Million KRW]

	2020		2021		Diff.	
	Amt	%	Amt	%	Amt	%
Assets	106,585	100.0%	116,383	100.0%	9,798	9.2%
Current Assets	46,882	44.0%	54,405	46.7%	7,523	16.0%
Cash and cash equivalents	10,609	10.0%	10,620	9.1%	11	0.1%
Short-term financial assets	2,398	2.2%	4,800	4.1%	2,402	100.2%
Trade and other receivables	13,144	12.3%	14,266	12.3%	1,122	8.5%
Inventories	15,628	14.7%	19,091	16.4%	3,463	22.2%
Other current assets	5,103	4.8%	5,628	4.8%	525	10.3%
Non-current Assets	59,703	56.0%	61,979	53.3%	2,276	3.8%
Tangible, Intangible assets and Investment properties	42,867	40.2%	42,146	36.2%	-721	-1.7%
Investments in associates	10,708	10.0%	11,846	10.2%	1,138	10.6%
Other non-current assets	6,128	5.7%	7,987	6.9%	1,859	30.3%
Liabilities	32,464	30.5%	34,273	29.4%	1,809	5.6%
Current Liabilities	17,810	16.7%	18,048	15.5%	238	1.3%
Non-Current Liabilities	14,654	13.7%	16,225	13.9%	1,571	10.7%
Shareholder's Equity	74,121	69.5%	82,111	70.6%	7,990	10.8%
Debt	17,190		18,140			
Net Debt	-1,224		-4,849			
Liability Ratio		43.8%		41.7%		
Net Worth to Assets		69.5%		70.6%		
Net Debt Ratio		Net Cash		Net Cash		

V. Appendix - Consolidated I/S



[100 Million KRW]

	2020 4Q		2021 3Q		2021 4Q		YoY	QoQ
	Amt	%	Amt	%	Amt	%	(%)	(%)
Sales	17,668	100.0%	18,294	100.0%	18,896	100.0%	7.0%	3.3%
COGS	11,869	67.2%	13,178	72.0%	14,386	76.1%	21.2%	9.2%
Gross Profit	5,799	32.8%	5,117	28.0%	4,510	23.9%	-22.2%	-11.8%
SG&A	3,524	19.9%	3,308	18.1%	3,631	19.2%	3.0%	9.7%
Operating Profit	2,274	12.9%	1,808	9.9%	880	4.7%	-61.3%	-51.3%
Other non-operating income/expense	-192	-1.1%	425	2.3%	-74	-0.4%		
Financial income/cost	-379	-2.1%	12	0.1%	45	0.2%		
Equity-method gain(loss)	125	0.7%	27	0.1%				
Income before income tax	1,829	10.3%	2,272	12.4%	851	4.5%	-53.4%	-62.5%
EBITDA	3,748	21.2%	3,286	18.0%	2,372	12.6%	-36.7%	-27.8%
Depreciation	1,474	8.3%	1,478	8.1%	1,492	7.9%	1.2%	1.0%

* '21. 4Q Investments in associates(Equity-method gain/loss) is currently included in Other non-operating income/expense and will be re-classified after the audit