



HANKOOK TIRE
2020 Results & 2021 Business Target



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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. 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 (72.1%)	45,508 (70.5%)	-8.3%
Operating Profit	5,440 (7.9%)	6,285 (9.7%)	15.5%
Ordinary Profit	5,899 (8.6%)	5,698 (8.8%)	-3.4%
EBITDA	11,756 (17.1%)	12,501 (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 ≥ 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

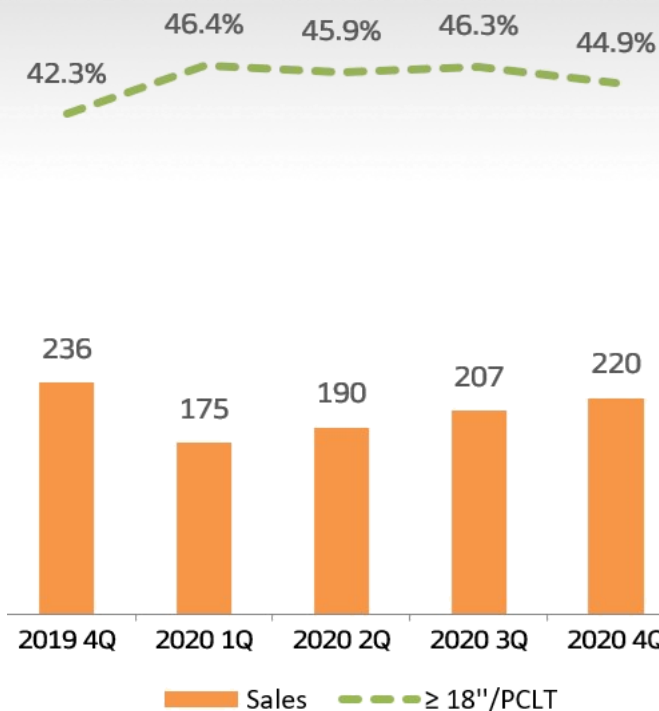
- COVID-19 pandemic continues to impact overall tire industry demand
- Despite slow market conditions, Europe and North America RE sales growth and lower raw material input cost led to marginal improvements

[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 (72.2%)	13,339 (70.7%)	11,877 (67.2%)	-11.0%	-1.2%
Operating Profit	1,172 (7.0%)	2,247 (11.9%)	2,276 (12.9%)	1.3%	94.2%
Ordinary Profit	801 (4.8%)	1,914 (10.1%)	1,744 (9.9%)	-8.9%	117.7%
EBITDA	2,671 (16.0%)	3,797 (20.1%)	3,692 (20.9%)	-2.8%	38.2%

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

KOREA

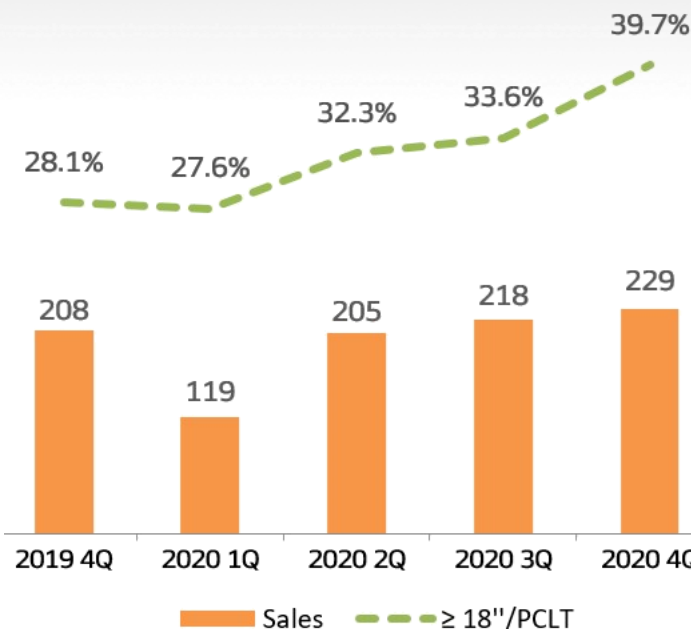
[Unit: Billion KRW, %]



- 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, %]

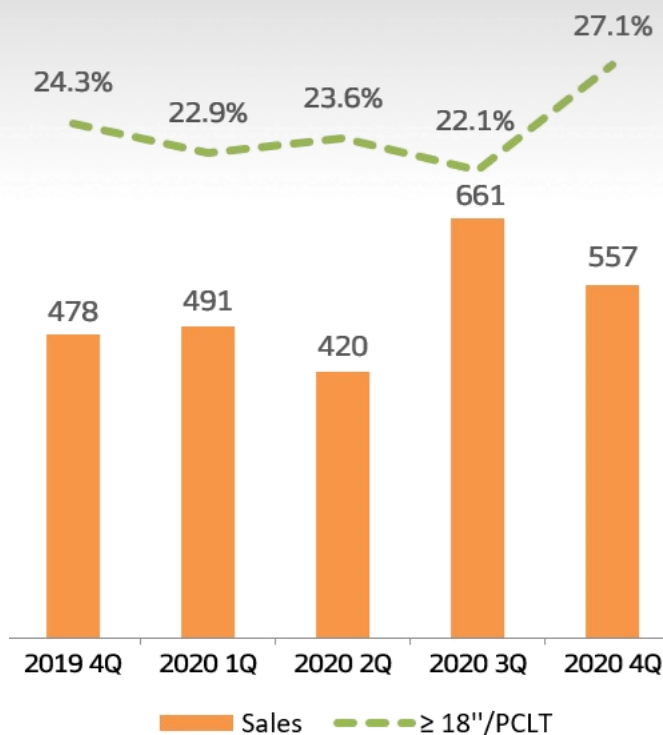


- Rapid increase of ≥18 inch sales portion led to RE sales growth YoY
- OE sales continue to grow YoY with recovery of auto production

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

EUROPE

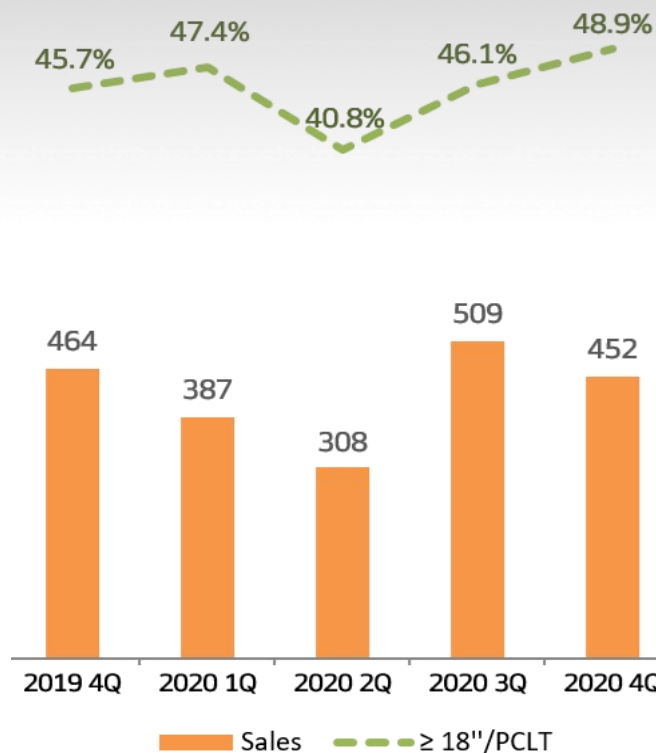
[Unit: Billion KRW, %]



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

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 (≥ 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 2nd phase of Tennessee plant, and 300 billion KRW for maintenance
- **2021 FCF expected to be over 300 billion KRW**
 - ▷ Maintaining strong financial position

IV. 2021 GUIDANCE - Governance & Shareholder Policy

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



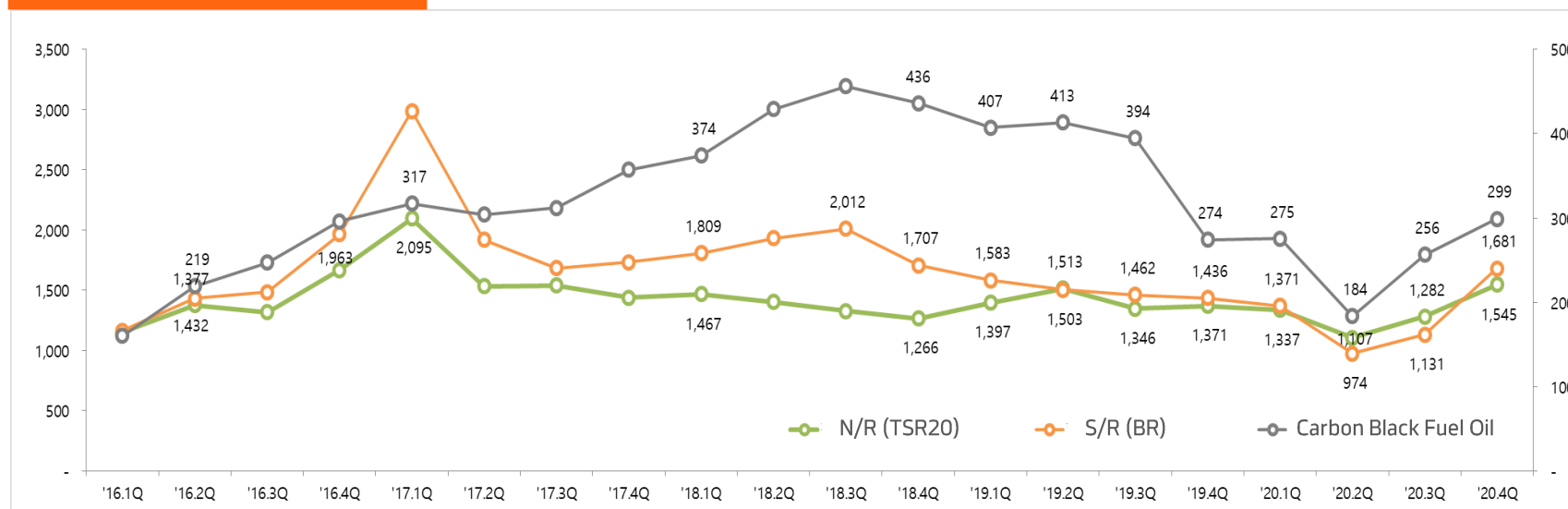
Hankook Tire & Technology

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

Liability Ratio 41.4% 43.7%

Net Worth to Assets 70.7% 69.6%

Net Debt Ratio 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 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