

# 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
- V. Appendix

# I. 2021 Annual Highlights

## 2021 Global Performance (Consolidated)

[100 Million KRW, %]

	2020	2021	YoY
Sales	64,531	71,423	+10.7%
COGS	45,501 (70.5%)	51,938 (72.7%)	+14.1%
Operating Profit	6,283 (9.7%)	6,418 (9.0%)	+2.2%
Ordinary Profit	5,783 (9.0%)	7,193 (10.1%)	+24.4%
EBITDA	12,558 (19.5%)	12,341 (17.3%)	-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  $\geq 18$ 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  $\geq 18$ inch within PCLT at 38.9% up 1.5%p YoY

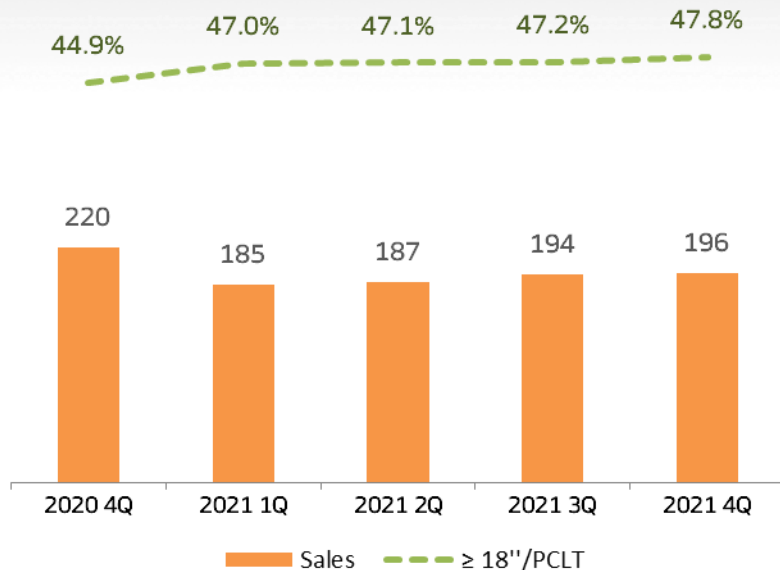
[100 Million KRW, %]	2020 4Q	2021 3Q	2021 4Q	YoY	QoQ
Sales	17,668	18,294	18,896	7.0%	3.3%
COGS	11,869 (67.2%)	13,178 (72.0%)	14,386 (76.1%)	21.2%	9.2%
Operating Profit	2,274 (12.9%)	1,808 (9.9%)	880 (4.7%)	-61.3%	-51.3%
Ordinary Profit	1,829 (10.3%)	2,272 (12.4%)	851 (4.5%)	-53.4%	-62.5%
EBITDA	3,748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

## II. 4Q Financial Results - Regional Performance



### KOREA

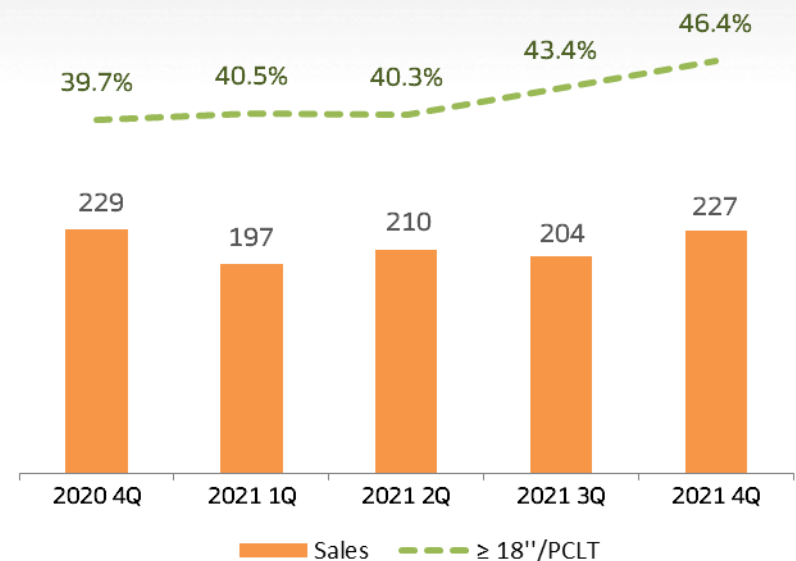
[Unit: Billion KRW, %]



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

### CHINA

[Unit: Billion KRW, %]

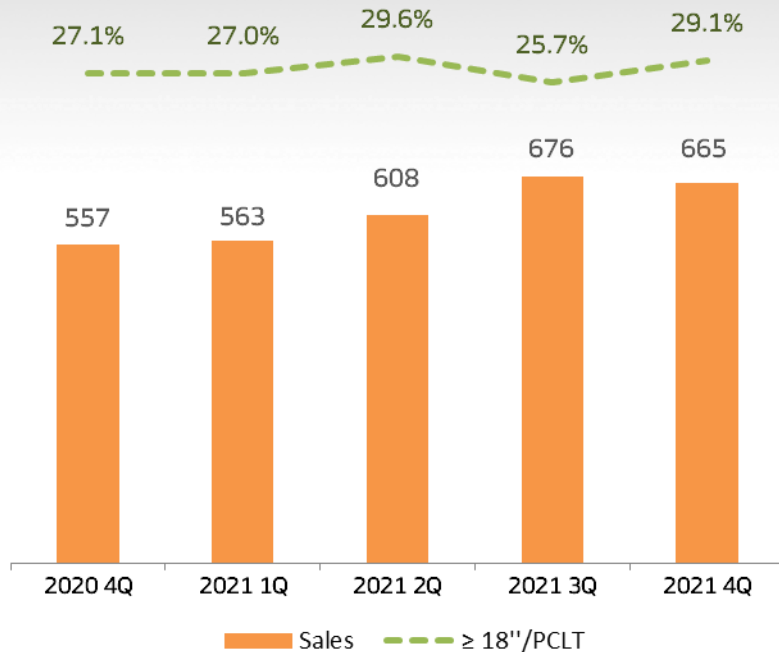


- Slowing economy and weak consumer sentiment lowered RE sales, but inch-mix showed impressive growth
- Although OE sales remain low YoY, sales improved QoQ with semiconductor availability stabilizing

## II. 4Q Financial Results - Regional Performance

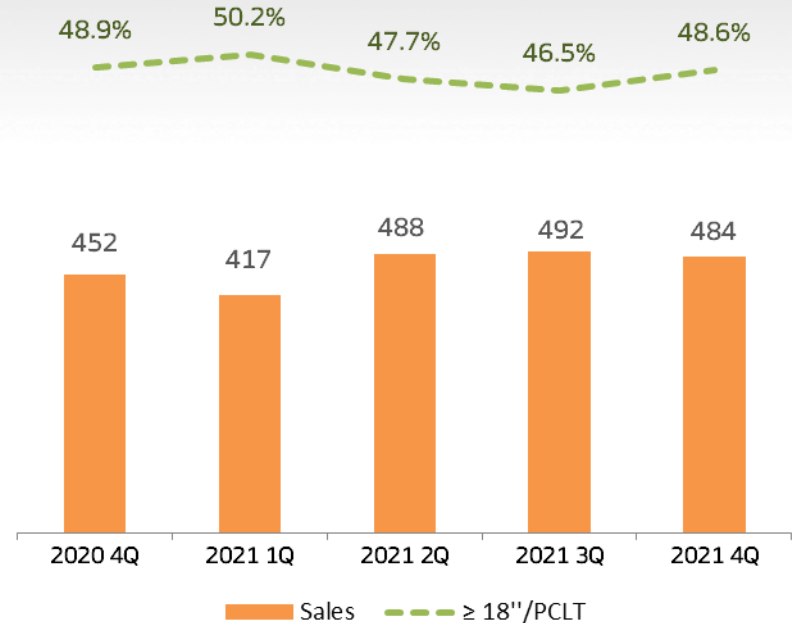
### EUROPE

[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 ( $\geq 18$  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%**

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

- Over 450 billion KRW expected for maintenance and modernization in 2022

## 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



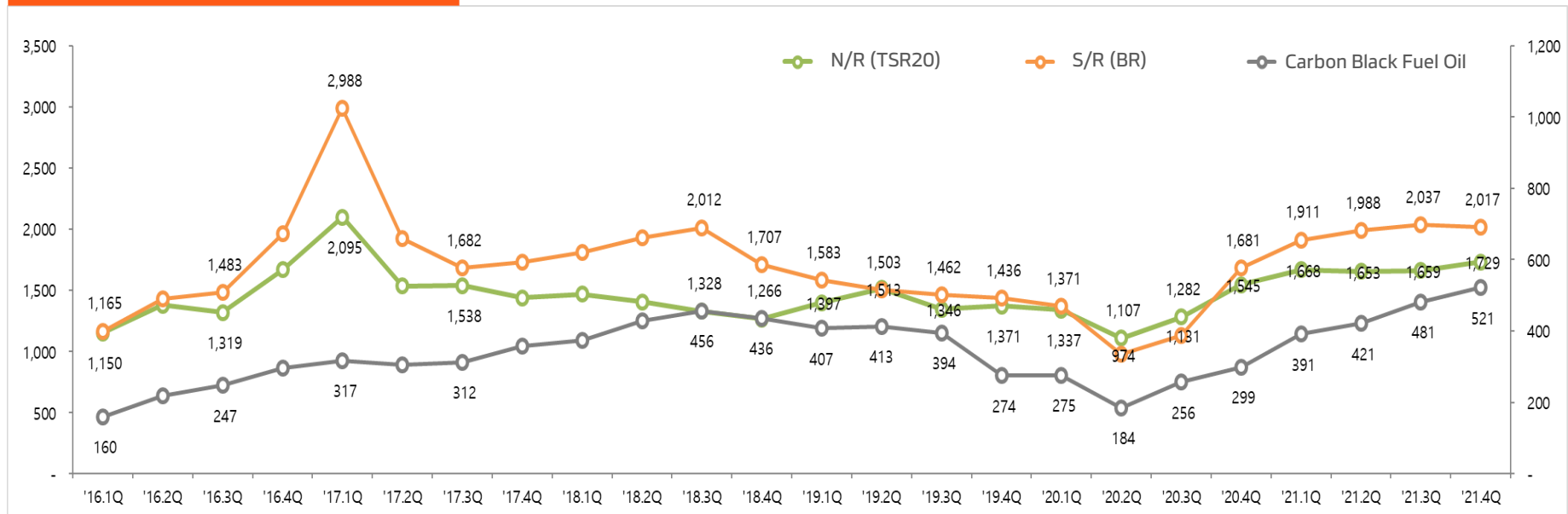


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## IV. Appendix - Raw Material Trend

- **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	%
<b>Assets</b>	<b>106,585</b>	<b>100.0%</b>	<b>116,383</b>	<b>100.0%</b>	<b>9,798</b>	<b>9.2%</b>
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%
<b>Liabilities</b>	<b>32,464</b>	<b>30.5%</b>	<b>34,273</b>	<b>29.4%</b>	<b>1,809</b>	<b>5.6%</b>
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%
<b>Shareholder's Equity</b>	<b>74,121</b>	<b>69.5%</b>	<b>82,111</b>	<b>70.6%</b>	<b>7,990</b>	<b>10.8%</b>
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	%	(%)	(%)
<b>Sales</b>	<b>17,668</b>	<b>100.0%</b>	<b>18,294</b>	<b>100.0%</b>	<b>18,896</b>	<b>100.0%</b>	<b>7.0%</b>	<b>3.3%</b>
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%
<b>Operating Profit</b>	<b>2,274</b>	<b>12.9%</b>	<b>1,808</b>	<b>9.9%</b>	<b>880</b>	<b>4.7%</b>	<b>-61.3%</b>	<b>-51.3%</b>
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%				
<b>Income before income tax</b>	<b>1,829</b>	<b>10.3%</b>	<b>2,272</b>	<b>12.4%</b>	<b>851</b>	<b>4.5%</b>	<b>-53.4%</b>	<b>-62.5%</b>
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