

2021 2Q Results

Aug 4, 2021

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.

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I. 2021 1H Highlights



2021 1H Global Performance (Consolidated)

[100 Million KRW, %]

	2020 1H	2021 1H	YoY
Sales	28,002	34,232	+22.2%
COGS	20,292 <i>(72.5%)</i>	24,373 <i>(71.2%)</i>	+20.1%
Operating Profit	1,761 <i>(6.3%)</i>	3,732 <i>(10.9%)</i>	+111.9%
Ordinary Profit	2,040 <i>(7.3%)</i>	4,069 <i>(11.9%)</i>	+99.5%
EBITDA	5,007 <i>(17.9%)</i>	6,680 <i>(19.5%)</i>	+33.4%

I. 2021 1H Highlights



Market Environment

- Tire market shows dramatic recovery YoY on COVID-19 rebound
- Global supply chain disruptions cause imbalance of supply-demand in major regions
- Tire industry announce price hikes due to rising costs including raw material and sea freight logistics

Sales Performance

- 1H Global tire sales volume growth of approx. 20% YoY
 - ▷ RE sales back to pre-COVID-19 levels, surpassing 2019 1H RE sales volume by 5.6%
 - ▷ Yet overall 2021 1H sales lower than 2019 1H, due to slow recovery of the OE market
- Sales ratio of ≥ 18 inch within PCLT in 2021 2Q increased to 38.0% up 5.4%p YoY
- 2Q Sales in Europe and North America showed robust growth, with Europe over 30% volume growth and North America over 50% volume growth YoY
- Price increase will be conducted between July and August on PCLTs by 3% to 5% in Europe and North America, and may consider additional price adjustments in 2H based on global market conditions

I. 2021 1H Highlights



Business Highlights

- Global OE partnerships continues to increase
 - ❖ Hankook becomes BMW M GmbH's new partner, fitting the BMW X3 M and X4 M with its Ventus S1 evo Z
 - ❖ ID.4, Volkswagen's first all-electric SUV and the performance version VW ID.4 GTX will both be fitted with Ventus S1 evo 3 ev tires
 - ❖ Audi's first all-electric sports car, Audi e-tron GT will be equipped with Hankook's Ventus S1 evo 3 ev e-tires
 - ❖ Hankook Tire equips Kinergy EX tires on two of Malaysia's best-selling vehicles ; Perodua Axia and Bezza, popular daily use and family cars
- Hankook Tire BOD sets up a new ESG committee within the board to strengthen ESG management policies, strategies and activities. Outside director Mira Lee will serve as chairman of the committee



Business Challenges

- Final determination in the AD investigations of PCLT tires at 27.05%
- Shipping container shortage and auto production-cuts caused by semiconductor shortage limiting global utilization rate to 85% against plan in June

II. 2021 2nd Quarter Results - Financial Results



2021 2Q Global Performance (Consolidated)

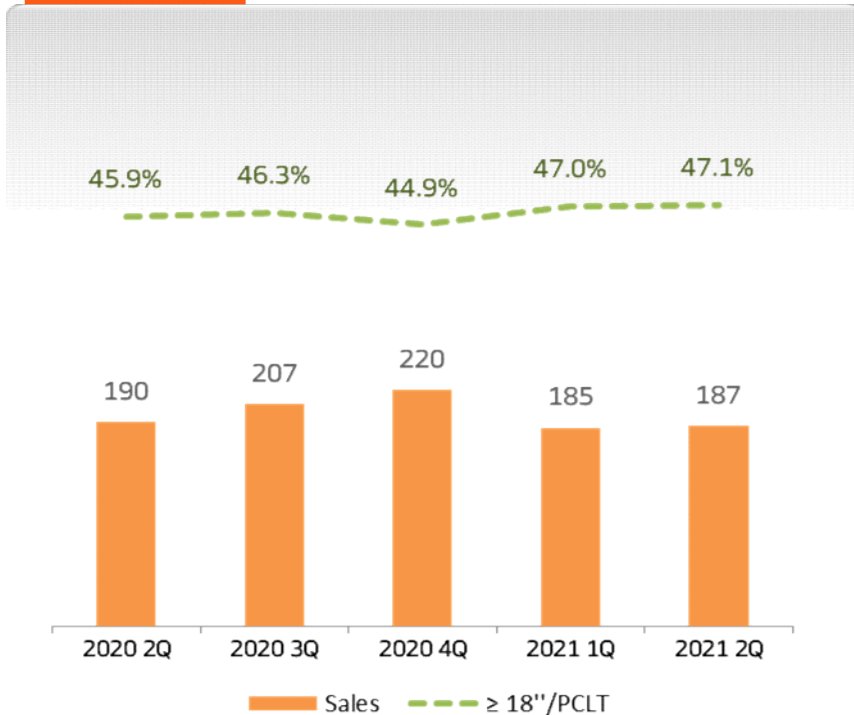
[100 Million KRW, %]	2020 2Q	2021 1Q	2021 2Q	QoQ	YoY
Sales	13,644	16,168	18,063	11.7%	32.4%
COGS	9,959 (73.0%)	11,319 (70.0%)	13,053 (72.3%)	15.3%	31.1%
Operating Profit	701 (5.1%)	1,860 (11.5%)	1,872 (10.4%)	0.6%	167.1%
Ordinary Profit	228 (1.7%)	2,244 (13.9%)	1,825 (10.1%)	-18.7%	700.7%
EBITDA	2,327 (17.1%)	3,337 (20.6%)	3,343 (18.5%)	0.2%	43.7%

II. 2021 2nd Quarter Results - Regional Performance



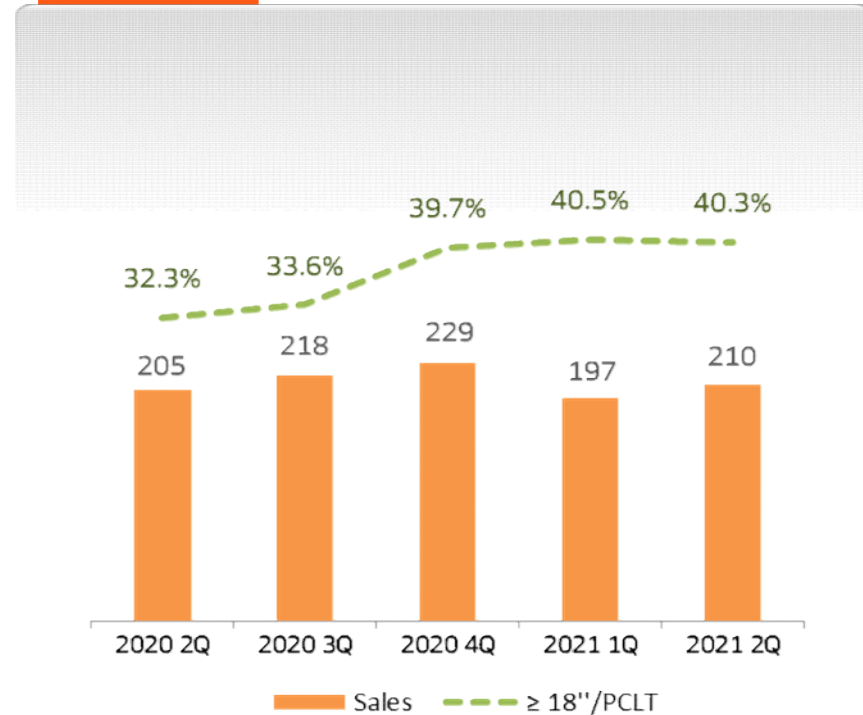
KOREA

[Unit: Billion KRW, %]



CHINA

[Unit: Billion KRW, %]



- Slight decline in RE sales YoY but in line with market
- Flat OE sales YoY caused by lower auto production due to auto chip shortage

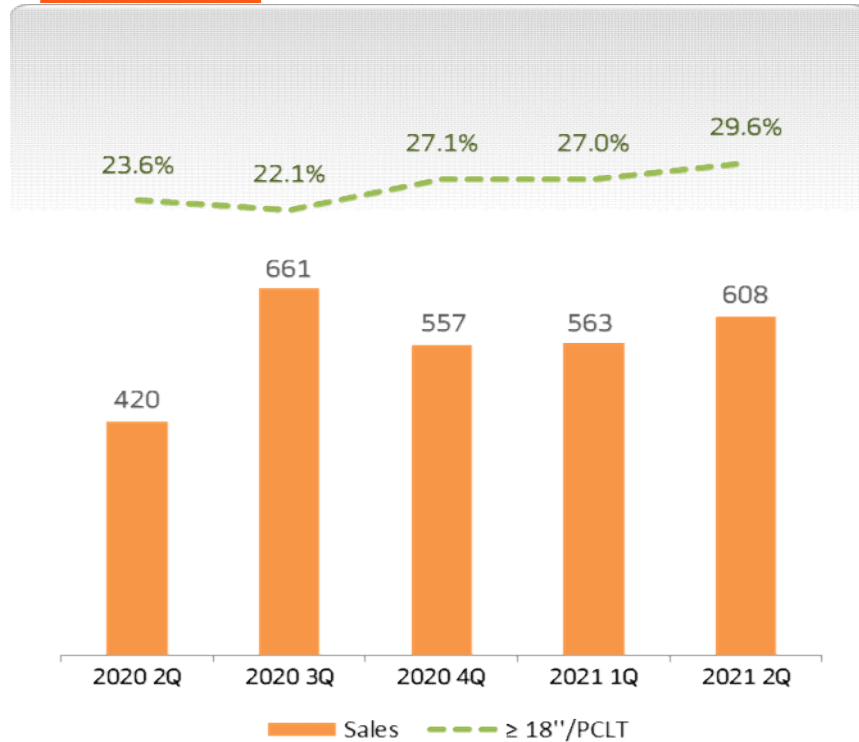
- Slower than expected market demand caused slight RE sales decline YoY, but ≥18 ratio within PCLT up 8%p YoY
- Auto production shutdowns caused by semiconductor shortage resulted to lower OE sales YoY

II. 2021 2nd Quarter Results - Regional Performance



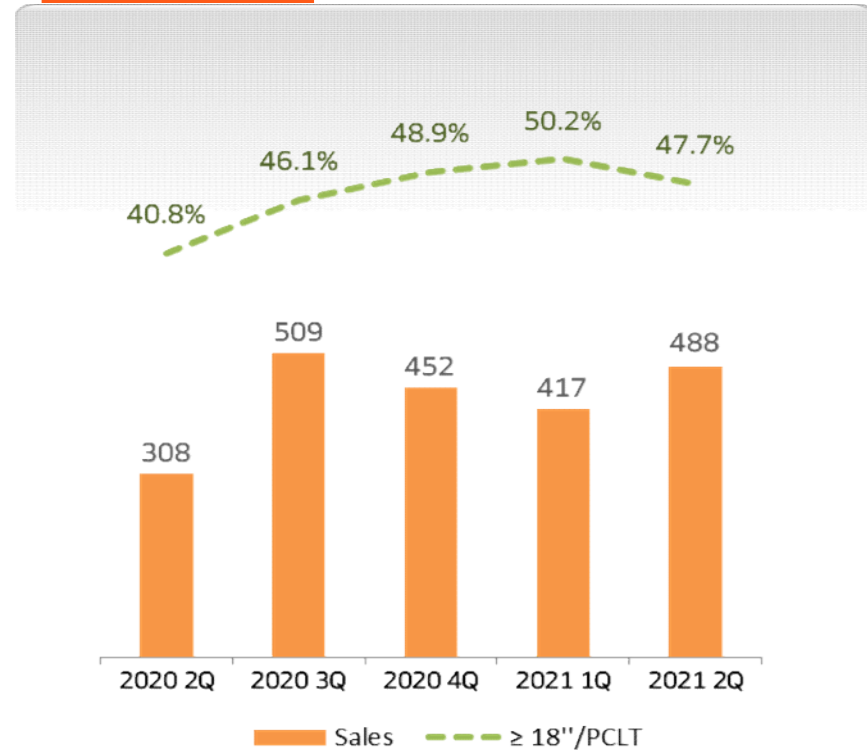
EUROPE

[Unit: Billion KRW, %]



N.AMERICA

[Unit: Billion KRW, %]



- Robust RE sales growth YoY with market recovery
- Stronger than expected economic growth, car sales increase led stronger OE sales YoY

- Strong market recovery, but stronger RE sales growth
- OE sales growth YoY on low base, but slower recovery compared to RE sales due to auto chip shortage

III. 2021 Outlook



Guidance - Confirmed

- **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%)**
- **CAPEX of 600 billion KRW and FCF to be over 300 billion KRW**

Uncertainty Factors Remaining

- Slow recovery in global auto sales with continued shortage of semiconductors
- Prolonging global supply chain bottlenecks
- Uncertainties due to COVID-19

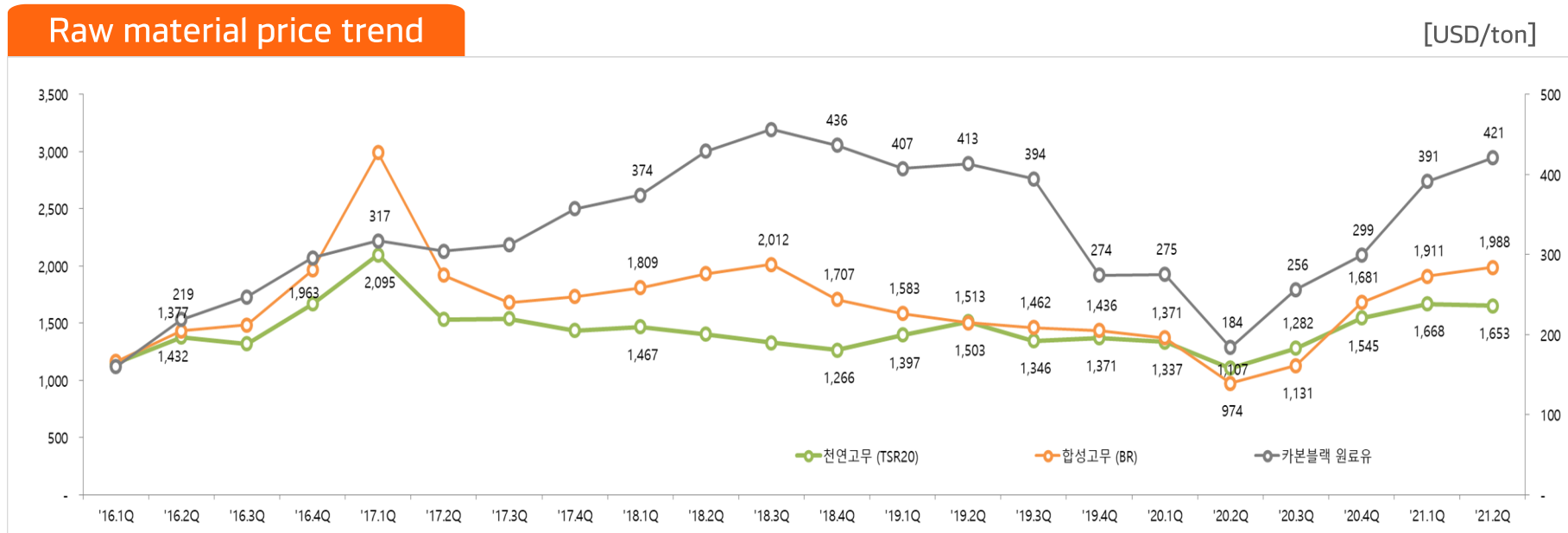


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III. Appendix - Raw Material Trend



- N/R : Despite less stockpiling from China, less supply due to severe situation of COVID-19 in Indonesia caused TSR20 prices to go down 0.9% QoQ in 2021 2Q, and prices are expected to remain stable until 3Q
- S/R : With BD demand increase in ABS resin and Nitrile Butadiene Latex and the winter storm impact on Texas butadiene production earlier in the year, prolonged shortage of supply causing uptrend in prices BR product spot prices in 2021 2Q were up 4% QoQ, and expected go up again in 3Q
- C/B : Economic recovery, oil price rising and record high sea freight all resulting to increased marine fuel oil demand tightening carbon black fuel supply. 2021 2Q CBO Index were up 7.5% QoQ, and uptrend in price is expected to continue for the following few quarters



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

III. Appendix - Consolidated B/S



[100 Million KRW]

	2020		2021 2Q		Diff.	
	Amt	%	Amt	%	Amt	%
Assets	106,585	100.0%	113,701	100.0%	7,116	6.7%
Current Assets	46,882	44.0%	54,139	47.6%	7,257	15.5%
Cash and cash equivalents	10,609	10.0%	10,769	9.5%	160	1.5%
Short-term financial assets	2,398	2.2%	4,044	3.6%	1,646	68.7%
Trade and other receivables	13,144	12.3%	14,350	12.6%	1,206	9.2%
Inventories	15,628	14.7%	18,346	16.1%	2,718	17.4%
Other current assets	5,103	4.8%	6,629	5.8%	1,526	29.9%
Non-current Assets	59,703	56.0%	59,562	52.4%	-141	-0.2%
Tangible, Intangible assets and Investment properties	42,867	40.2%	39,494	34.7%	-3,373	-7.9%
Investments in associates	10,708	10.0%	11,053	9.7%	345	3.2%
Other non-current assets	6,128	5.7%	9,015	7.9%	2,887	47.1%
Liabilities	32,464	30.5%	35,315	31.1%	2,851	8.8%
Current Liabilities	17,810	16.7%	18,917	16.6%	1,107	6.2%
Non-Current Liabilities	14,654	13.7%	16,398	14.4%	1,744	11.9%
Shareholder's Equity	74,121	69.5%	78,386	68.9%	4,265	5.8%
Debt	17,190		18,707			
Net Debt	-1,224		-1,510			
Liability Ratio		43.8%		45.1%		
Net Worth to Assets		69.5%		68.9%		
Net Debt Ratio			Net Cash	Net Cash		

III. Appendix - Consolidated I/S



[100 Million KRW]

	2020 2Q		2021 1Q		2021 2Q		YoY	QoQ
	Amt	%	Amt	%	Amt	%	(%)	(%)
Sales	13,644	100.0%	16,168	100.0%	18,063	100.0%	32.4%	11.7%
COGS	9,959	73.0%	11,319	70.0%	13,053	72.3%	31.1%	15.3%
Gross Profit	3,685	27.0%	4,849	30.0%	5,010	27.7%	36.0%	3.3%
SG&A	2,984	21.9%	2,989	18.5%	3,138	17.4%	5.2%	5.0%
Operating Profit	701	5.1%	1,860	11.5%	1,872	10.4%	167.0%	0.6%
Other non-operating income/expense	-97	-0.7%	231	1.4%	136	0.8%	-	-41.1%
Financial income/cost	-221	-1.6%	79	0.5%	-183	-1.0%	-	-
Equity-method gain(loss)	-155	-1.1%	74	0.5%				
Income before income tax	228	1.7%	2,244	13.9%	1,825	10.1%	700.3%	-18.7%
E B I T D A	2,327	17.1%	3,337	20.6%	3,343	18.5%	43.7%	0.2%
Depreciation	1,626	11.9%	1,477	9.1%	1,471	8.1%	-9.5%	-0.4%

* '21. 2Q Investments in associates is currently included in Other non-operating income/expense and will be re-classified after the audit