

Exclusive Tire for Electric Vehicles *ION*



# 2022 3Q Financial Results

Nov 2<sup>nd</sup>, 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.

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# I. Financial Results



## 2022 3Q Financial Results

[100 Million KRW, %]	2021 3Q	2022 2Q	2022 3Q	QoQ	YoY
Sales	18,294	20,400	22,997	12.7%	25.7%
COGS	13,178 <i>(72.0%)</i>	15,139 <i>(74.2%)</i>	17,492 <i>(76.1%)</i>	15.5%	32.7%
Operating Profit	1,808 <i>(9.9%)</i>	1,753 <i>(8.6%)</i>	1,924 <i>(8.4%)</i>	9.8%	6.4%
Ordinary Profit	2,272 <i>(12.4%)</i>	3,732 <i>(18.3%)</i>	3,023 <i>(18.3%)</i>	-19.0%	33.0%
EBITDA	3,286 <i>(18.0%)</i>	3,097 <i>(15.2%)</i>	3,251 <i>(14.1%)</i>	5.0%	-1.1%

## II. Business Highlights

### Market Environment

- With the ease of the semiconductor chip shortage issues the OE market grew, while demand for RE in major markets slowed down due to weak consumer sentiment weighed down by high inflation in 2022 3Q
- Although raw material prices and logistics costs are expected to decrease from 2022 4Q, concerns remain due to the possibility of a global economic downturn and rising energy costs

### Sales Performance

- Improvement in global OE sales volume from semiconductor chip shortage easing
- Weak consumer sentiment and geopolitical issues led to RE volume decline YoY in major regions, but RE volumes increased QoQ due to eased lockdowns in China and growth in winter tire sales
- Achieved double-digit sales growth YoY with price increases, improved product mix, volume growth and positive FX
  - ⇒ Sales ratio of ≥18 inch within PCLT increased to 41.1% up 4.71%p YoY

### Business Highlights

- Continued recognition by renowned UK car magazine in tires tests
  - ⇒ Kinergy 4S 2 - Auto Express All-Season tire test winner for the second year running
- Expansion of Global OE Partnerships
  - ⇒ OE fitment on the 'Ioniq 6', the first Hyundai Motors electric sedan
- First EV truck and bus radial tire in the 'iON' tire portfolio
  - ⇒ Expanding the 'iON' family portfolio to truck and bus EV tires, with improved ride quality, noise levels and overheating prevention
  - ⇒ Launch of the 'Smart iON AU06+' the first EV tire for truck and bus in Korea.
  - ⇒ Target to expand electric TBR tires - 'iON City' designed for urban areas, and the 'iON Flex' for mid-to-long distance journeys Which are currently in development for the European market and will be available in other global markets sequentially



## II. Business Highlights

### Tennessee Plant Expansion

- To build a balanced production portfolio and meet the increased market demand in North America
- Production capacity of Tennessee plant to reach approximately 12 million units per year by 2026
  - ⇒ Scale of Expansion : PCLT approx. 16,000 units per day, TBR approx. 3,000 units per day
  - ⇒ Estimated Investment Period : 2022~2026
  - ⇒ Estimated Investment Amount : USD 1,575 Mil.
  - ⇒ Production starting : Begin in 2024 and reach full capacity by 2026
- Expecting improved margins with economies of scale and to secure a stable supply chain for the North American market with reduced delivery time and lower logistics costs

### Formula E Partnership

- Hankook Tire will be the new and exclusive technical partner, and sole tire supplier of the ABB FIA Formula E World Championship
  - ⇒ First race will be held at the Mexico City E-Prix on January 14, 2023
- Official tire 'iON' to be fitted on the next-generation GEN3 vehicles
  - ⇒ In September, the electric car racing tire 'iON' was unveiled in Austria
  - ⇒ GEN3 is the fastest Formula E car with a top speed of over 320km/h
  - ⇒ Natural rubber and recycled fibers will make up about 30% of tires and all tires will be fully recycled after each race

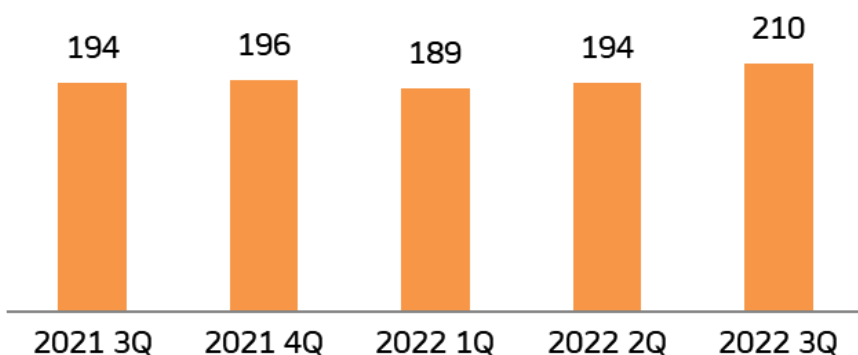
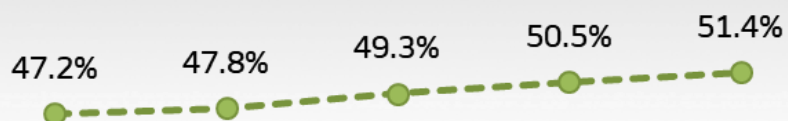


### III. 2022 3rd Quarter Results - Regional Performance



#### KOREA

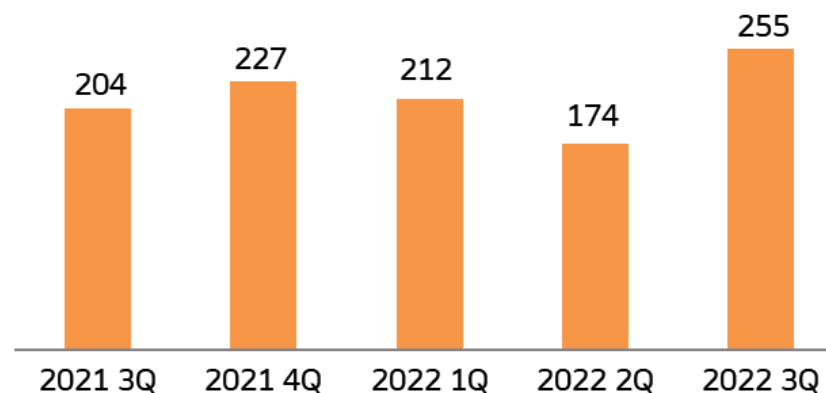
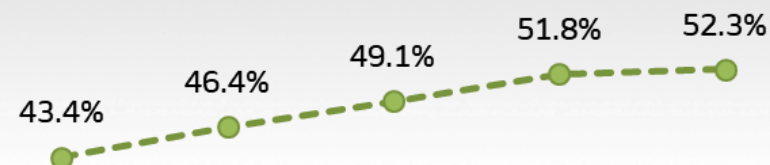
[Unit: Billion KRW, %]



— Sales —●— ≥ 18"/PCLT

#### CHINA

[Unit: Billion KRW, %]



— Sales —●— ≥ 18"/PCLT

- High inflation lowered consumer sentiment and market demand, but RE sales grew upon inch-mix and improved pricing
- OE sales increased both YoY and QoQ due to stabilization of semiconductor supply

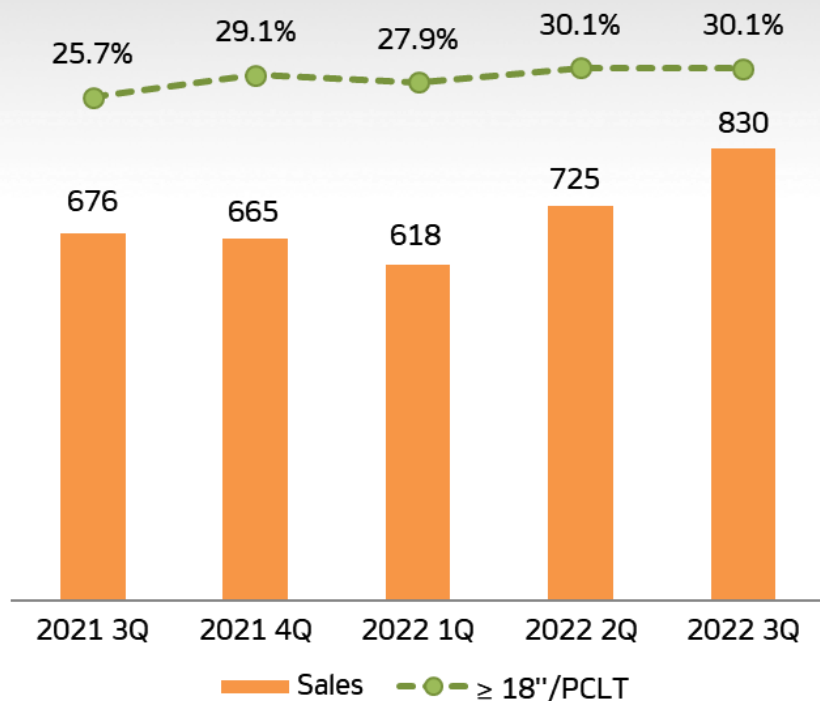
- RE volumes increased due to the economic stimulus policy, but recovery slowed with resurgence of COVID-19 and local lockdowns
- OE volumes increased YoY and QoQ due to the ease of COVID-19 restrictions

### III. 2022 3rd Quarter Results - Regional Performance



#### EUROPE

[Unit: Billion KRW, %]

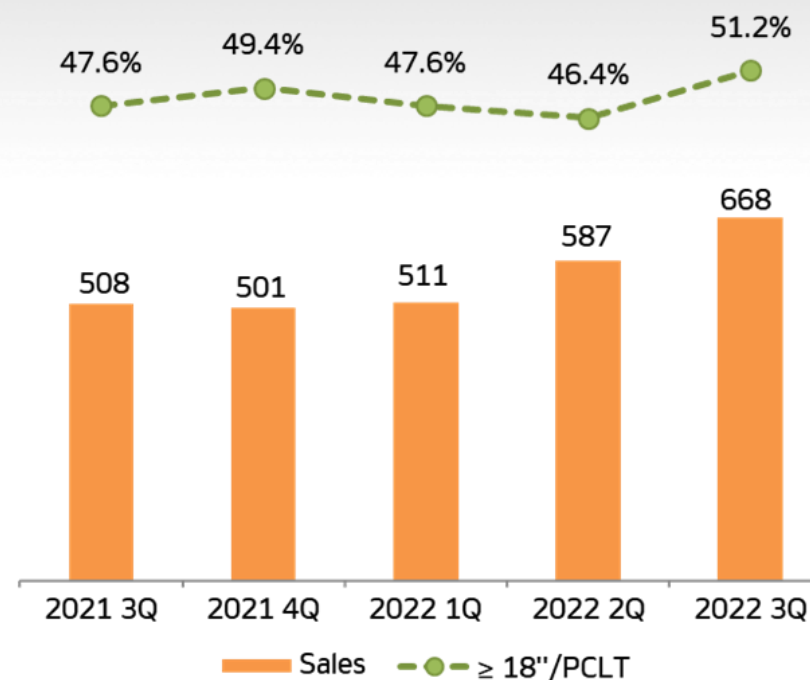


- RE sales rose YoY and QoQ with positive pricing and strong sales of All-Weather tires, despite volume decline due to Russia-Ukraine war impacts
- OE sales increased with ease of semiconductor chip shortage issues

#### N.AMERICA

[Unit: Billion KRW, %]

(\* Including Mexico OE)



- Weak consumer sentiment due to high inflation lowered RE volumes YoY, but RE sales grew upon inch-mix and better pricing
- OE sales increased as auto production increased with improvement in the semiconductor issue.



- **Targeting double-digit growth in sales YoY for 2022**
  - ▷ 2022 9M volumes were weak due to low consumer sentiment and geo-political issues, but double digit sales growth was achieved by positive price-mix effect
  - ▷ Raw materials and logistics cost expected to stabilize, while OE volumes continue to increase with improved semiconductor availability in 4Q
  - ▷ However, uncertainty remain regarding Macro environment and winter energy price surge possibilities
- **Further increase of High Inch ( $\geq 18$  inch) sales ratio within PCLT**
  - ▷ 2019 32% → 2020 35% → 2021 38% → **2022 Target 42%**
- **Target to increase Future Growth Segment\* sales ratio within PCLT (2021 36%)**

\* Future growth Segment : EV& I-Seg (BEV, Runflat, Sealant, Foam tech), SUV, PUP



Hankook Tire & Technology

## V. Appendix - 2022 9M Financial Results



### 2022 9M Financial Results

[100 Million KRW, %]	2021 9M	2022 9M	YoY
Sales	52,526	61,304	16.7%
COGS	37,552 <i>(71.5%)</i>	46,253 <i>(75.4%)</i>	23.2%
Operating Profit	5,539 <i>(10.5%)</i>	4,938 <i>(8.1%)</i>	-10.9%
Ordinary Profit	6,341 <i>(12.1%)</i>	7,918 <i>(12.9%)</i>	24.9%
EBITDA	9,969 <i>(19.0%)</i>	8,953 <i>(14.6%)</i>	-10.2%

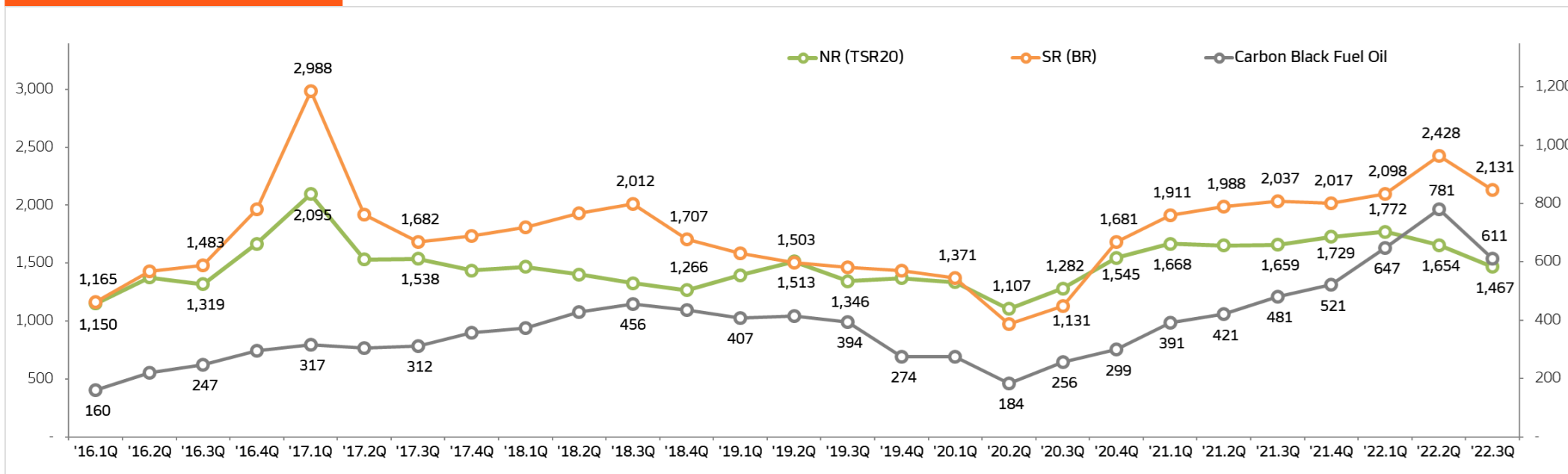
# V. Appendix - Raw Material Trend



- N/R** : SICOM TSR20 prices fell -11.4% in 2022 3Q from the previous quarter due to lower demand caused by economic recession. No clear signs of recovery in demand, but price fluctuations forecast due to U.S. Fed's interest rate hike and China's demand
- S/R** : Butadiene prices are expected to decline due to weak global demand. In Europe, SR prices continue to rise as high energy costs are reflected in product prices despite falling BD prices. In other regions, increased energy costs due to winter heating demand may also affect product prices.
- C/B** : Carbon black prices remained on the rise until '22 2Q due to rising oil prices, falling crude oil supply, high demand for ship oil. However, FCC Oil prices fell due to falling demand with lockdowns in China, strong dollar and the global economic downturn. ('22 3Q CBO index -21.8% QoQ) Although slight fluctuations are anticipated due to large-scale production cuts by OPEC+, prices are expected to remain around current level.

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

# V. Appendix - Consolidated B/S



[100 Million KRW]

	2021		2022 3Q		Diff.	
	Amt	%	Amt	%	Amt	%
<b>Assets</b>	<b>117,039</b>	<b>100.0%</b>	<b>134,451</b>	<b>100.0%</b>	<b>17,412</b>	<b>14.9%</b>
<b>Current Assets</b>	<b>55,092</b>	<b>47.1%</b>	<b>70,183</b>	<b>52.2%</b>	<b>15,091</b>	<b>27.4%</b>
Cash and cash equivalents	10,620	9.1%	8,696	6.5%	-1,924	-18.1%
Short-term financial assets	4,800	4.1%	6,936	5.2%	2,136	44.5%
Trade and other receivables	15,073	12.9%	20,666	15.4%	5,593	37.1%
Inventories	18,966	16.2%	26,151	19.4%	7,185	37.9%
Other current assets	5,633	4.8%	7,734	5.8%	2,101	37.3%
<b>Non-current Assets</b>	<b>61,947</b>	<b>52.9%</b>	<b>64,268</b>	<b>47.8%</b>	<b>2,321</b>	<b>3.7%</b>
Tangible, Intangible assets and Investment properties	42,178	36.0%	42,798	31.8%	620	1.5%
Investments in associates	11,866	10.1%	12,194	9.1%	327	2.8%
Other non-current assets	7,903	6.8%	9,276	6.9%	1,374	17.4%
<b>Liabilities</b>	<b>34,988</b>	<b>29.9%</b>	<b>42,694</b>	<b>31.8%</b>	<b>7,706</b>	<b>22.0%</b>
<b>Current Liabilities</b>	<b>18,692</b>	<b>16.0%</b>	<b>33,434</b>	<b>24.9%</b>	<b>14,742</b>	<b>78.9%</b>
<b>Non-Current Liabilities</b>	<b>16,296</b>	<b>13.9%</b>	<b>9,260</b>	<b>6.9%</b>	<b>-7,036</b>	<b>-43.2%</b>
<b>Shareholder's Equity</b>	<b>82,051</b>	<b>70.1%</b>	<b>91,757</b>	<b>68.2%</b>	<b>9,706</b>	<b>11.8%</b>
Debt	18,204		21,589			
Net Debt	-4,849		-725			
Liability Ratio		42.6%		46.5%		
Net Worth to Assets		70.1%		68.2%		
Net Debt Ratio			Net Cash		Net Cash	

## V. Appendix - Consolidated I/S



[100 Million KRW]

	2021 3Q		2022 2Q		2022 3Q		YoY	QoQ
	Amt	%	Amt	%	Amt	%	(%)	(%)
Sales	18,294	100.0%	20,400	100.0%	22,997	100.0%	25.7%	12.7%
COGS	13,178	72.0%	15,139	74.2%	17,492	76.1%	32.7%	15.5%
Gross Profit	5,116	28.0%	5,261	25.8%	5,505	23.9%	7.6%	4.6%
SG&A	3,308	18.1%	3,508	17.2%	3,581	15.6%	8.3%	2.1%
<b>Operating Profit</b>	<b>1,808</b>	<b>9.9%</b>	<b>1,753</b>	<b>8.6%</b>	<b>1,924</b>	<b>8.4%</b>	<b>6.4%</b>	<b>9.8%</b>
Other non-operating income/expense	425	2.3%	1,950	9.6%	861	3.7%	102.7%	-55.9%
Financial income/cost	12	0.1%	35	0.2%	237	1.0%	1886.8%	573.9%
Equity-method gain(loss)	27	0.1%	-6	0.0%				
Income before income tax	2,272	12.4%	3,732	18.3%	3,023	13.1%	33.0%	-19.0%
EBITDA	3,286	18.0%	3,097	15.2%	3,251	14.1%	-1.1%	5.0%
Depreciation	1,478	8.1%	1,344	6.6%	1,327	5.8%	-10.2%	-1.3%

\* '22 3Q Investments in associates is currently included in Other non-operating income/expense and will be re-classified after the audit