



Hankook Technodome

HANKOOK TIRE
FY2019 Results & 2020 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.

Annual Results

Market Environment

- Industry faced challenging market conditions in 2019 with slow global economy, US-China uncertainties, decline of auto sales, softening demand and intense competition in the tire industry

Business Results

- 2019 Sales of 6 trillion 896.4 billion KRW up 1.5% YoY
- Despite sales volume decline in major markets, positive FX effect, improved P-Mix and changes in scope of consolidation (mainly integration of Reifen-Müller) resulted to sales growth
- Sales ratio of ≥ 17 inch within PCLT increased to 55.4% up 3.1%p YoY
- Operating profit of 542.9 billion KRW and OPM 7.9% decline YoY due to weak sales in profitable regions and increased fixed cost with lowered utilization rate

Highlights

- Actively meeting rising global demand of high inch fitments for SUV and EV tires
- Stabilization of Tennessee Plant, reaching annual production target

Financial Results



[100 Million KRW, %]

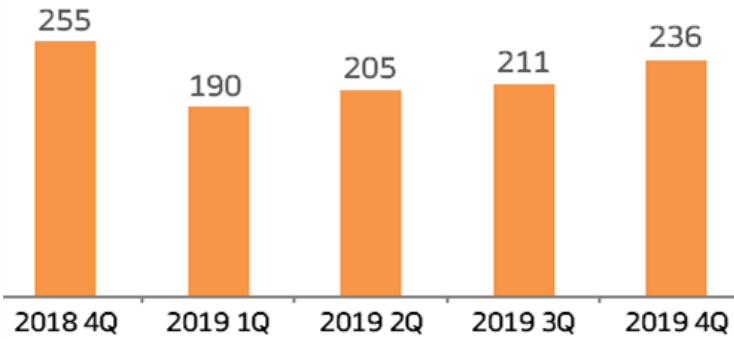
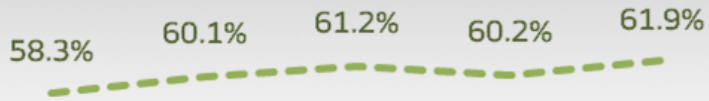
	2018	2018FY	2019				2019FY	YoY	QoQ
	4Q		1Q	2Q	3Q	4Q			
Sales	17,252	67,951	16,425	17,406	18,353	16,781	68,964	-2.7%	-8.6%
Gross Profit	5,226	21,036	4,794	4,889	4,917	5,443	20,043	4.2%	10.7%
Operating Profit	1,450	7,027	1,406	1,057	1,804	1,162	5,429	-19.9%	-35.6%
OPM (%)	8.4%	10.3%	8.6%	6.1%	9.8%	6.9%	7.9%		
Ordinary Profit	1,241	6,977	1,590	1,310	2,198	868	5,966	-30.1%	-60.5%
EBITDA	2,989	12,817	3,034	2,635	3,415	2,771	11,855	-7.3%	-18.9%
≥ 17"/PCLT	54.6%	52.3%	53.9%	54.9%	55.0%	57.9%	55.4%		

Regional Performance (1/2)



Korea

[Unit: Billion KRW, %]

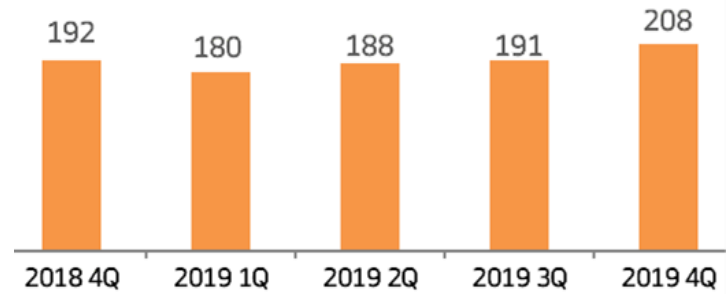
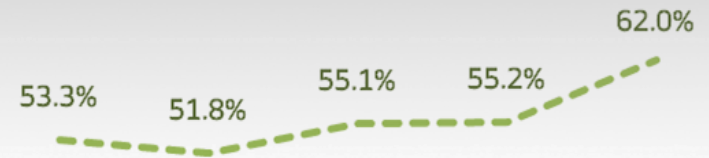


Sales ≥ 17"/PCLT

- Growth momentum in the ≥17" segments continues, but increase of retail stock cause RE sales decline
- Decline in OE sales

China

[Unit: Billion KRW, %]



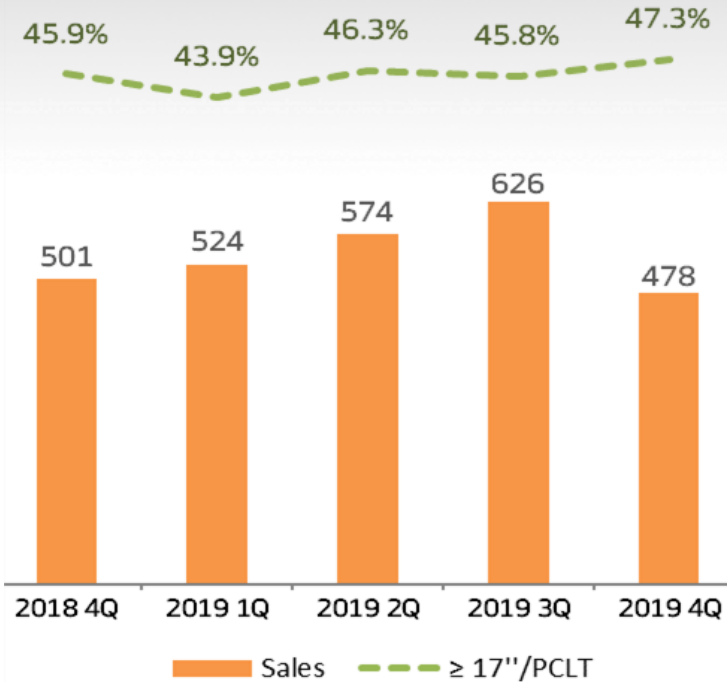
Sales ≥ 17"/PCLT

- Sustained growth of RE sales driven by stable increase of ≥17" sales
- OE sales growth YoY with low base effect and signs of auto sales recovery

Regional Performance (2/2)

Europe

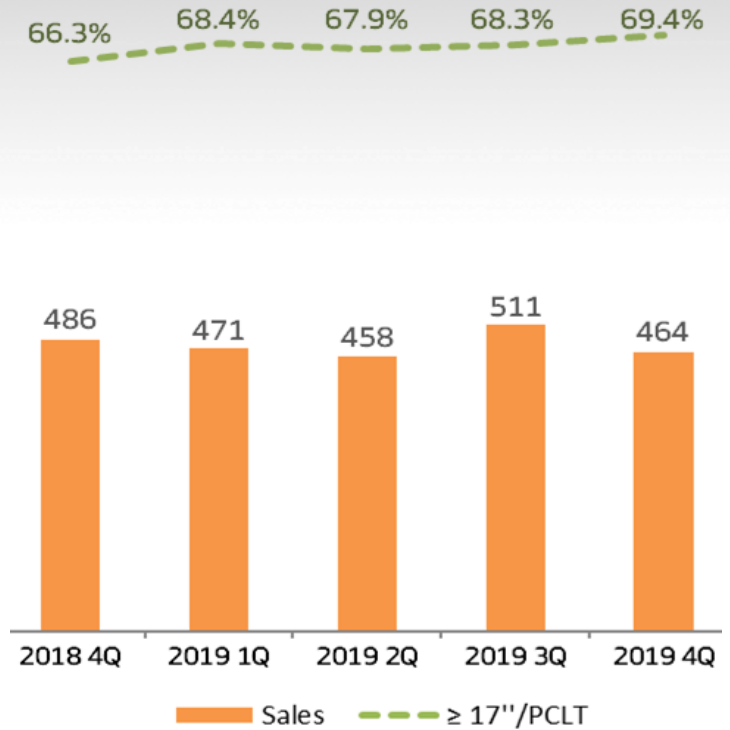
[Unit: Billion KRW, %]



- Weak RE sales with slow demand and warm winter weather conditions
- Decline of OE sales from weak automotive market

North America

[Unit: Billion KRW, %]



- US sales showed slight recovery but weak sales in Canada lowered overall RE sales YoY
- Decreased vehicle production resulted in OE sales decline

2020 Guidance

- Focus on tire business to strengthen market competitiveness
Holding company to develop future business with long term perspectives
- 2020 sales target at 7.2 trillion with aim to improve OPM YoY

Sales growth by targeting customers from all ends

* Based on sales growth YoY

High Inch (PC/LT 18"≤) sales growth of over 20%

Associate Br. Sales growth of over 30%

Growing with key partners and developing new channels

* Based on sales growth YoY

Sales ratio to new channels(PCLT) increase by 50%

OE/RE Synergy & Key Dealer Partnership

- 2020 CAPEX expected to be 490 billion KRW
- 2020 FCF expected to be over 450 billion KRW

Shareholder Policy

- Planning for incremental increase of dividend level, looking to reform the mid-term 10%~12% payout ratio guidance announced last year
- Minimum payout ratio for 2019 will be slightly higher YoY and cash allocation will be reviewed with considerations of mid-long term growth plans and industry outlook

Brand Royalty

- Brand royalty revaluated using intangible asset valuation method with an accredited financial service institution
- Brand royalty rate adjusted from 0.75% to 0.5% of revenue*
 - Renewed contract period : Jan 1, 2020 ~ Dec 31, 2020

* Consolidated revenue - consolidated advertising expenses



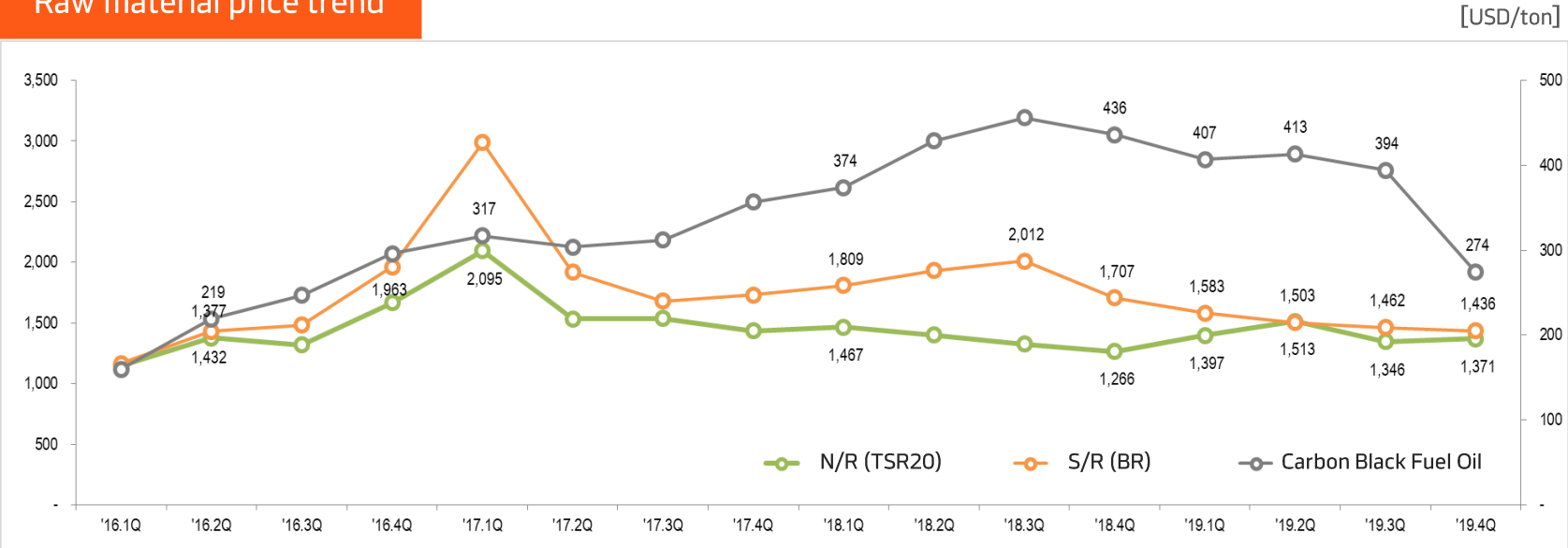
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Appendix. Raw Material Trend



- N/R** : SICOM price weakness continued until mid-Oct 2019, but US-China trade war breakthrough expectations caused a slight change of course for N/R prices
 2019 4Q SICOM TSR20 price up 8.3% YoY, up 1.9% QoQ
- S/R** : Weakness of basic materials such as butadiene and styrene monomer triggered decline of S/R prices
 2019 4Q BR price down 25.9% YoY, down 1.8% QoQ
- C/B** : With the expected implementation of MARPOL 2020 (Marine Pollution Treaty) demand of LSFO spiked in contrast with the decrease of HSFO demand, which led to continued decline of carbon black fuel oil in 2H
 2019 4Q fuel oil price down 37.2% YoY, down 31.5% QoQ

Raw material price trend



NOTE 1) TSR20 : SICOM Price (Natural Rubber)

NOTE 2) BR(Butadiene Rubber) : ICIS CFR NE/SE Asia average price

NOTE 3) Carbon Black Fuel Oil : Index price of refined oil

Appendix. F/S - Consolidated B/S

[100 Million KRW, %]

	2018		2019		Diff.	
	Amt.	%	Amt.	%	Amt.	%
Assets	97,964	100.0%	102,011	100.0%	4,047	4.1%
Current Assets	36,532	37.3%	41,280	40.5%	4,748	13.0%
Cashable Assets	6,396	6.5%	9,114	8.9%	2,718	42.5%
Accounts Receivable	13,327	13.6%	13,827	13.6%	500	3.8%
Inventories	15,985	16.3%	17,198	16.9%	1,213	7.6%
Non-current Assets	61,433	62.7%	60,731	59.5%	-702	-1.1%
Tangible Assets	42,252	43.1%	41,308	40.5%	-944	-2.2%
Liabilities	30,061	30.7%	30,333	29.7%	272	0.9%
Current Liabilities	20,226	20.6%	21,600	21.2%	1,374	6.8%
Non-Current Liabilities	9,835	10.0%	8,733	8.6%	-1,102	-11.2%
Shareholder's Equity	67,903	69.3%	71,678	70.3%	3,775	5.6%
Debt	16,324		17,480			
Net Debt	9,929		8,366			
Liability Ratio		44.3%		42.3%		
Net Worth to Assets		69.3%		70.3%		
Net Debt Ratio		14.6%		11.7%		

Appendix. F/S - Consolidated I/S

[100 Million KRW, %]

	2018 4Q		2019 3Q		2019 4Q		YoY (%)	QoQ (%)
	금액	%	금액	%	금액	%		
Sales	17,252	100.0%	18,353	100.0%	16,781	100.0%	-2.7%	-8.6%
COGS	12,026	69.7%	13,436	73.2%	11,337	67.6%	-5.7%	-15.6%
Gross Profit	5,226	30.3%	4,917	26.8%	5,443	32.4%	4.2%	10.7%
SG&A	3,776	21.9%	3,113	17.0%	4,281	25.5%	13.4%	37.5%
Operating Profit	1,450	8.4%	1,804	9.8%	1,162	6.9%	-19.9%	-35.6%
Other non-operating income/expense	-243	-1.4%	326	1.8%	-192	-1.1%	-	-
Financial income/cost	-103	-0.6%	-27	-0.1%	-314	-1.9%	-	-
Equity-method gain(loss)	137	0.8%	95	0.5%	212	1.3%	54.7%	123.2%
Income before income tax	1,241	7.2%	2,198	12.0%	868	5.2%	-30.1%	-60.5%
E B I T D A	2,989	17.3%	3,415	18.6%	2,771	16.5%	-7.3%	-18.9%
Depreciation	1,538	8.9%	1,611	8.8%	1,609	9.6%	4.6%	-0.1%