



# 2023 4Q Financial Results

Feb 5th, 2024

Hankook Tire & Technology



The information in this presentation is based upon management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this presentation, we have relied upon and assumed, without independent verification, accuracy and completeness of all information available from public sources of which was provided by us or which was reviewed by us.

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. 2023 Annual Highlights
- II. 2023 4th Quarter Results
- III. 2024 Outlook
- IV. Appendix

# I. 2023 Annual Highlights



## Market Environment

- The global tire market showed mixed trends throughout the year.
- The PCLT OE market showed steady growth due to the recovery in car production, while the RE market inventory levels stabilized in 2H. The TB tire market showed a reduction in demand due to the economic slowdown.

## Sales Performance

- Record high results with revenue of KRW 8 trillion 940 billion (YoY +6.5%), operating profit KRW 1 trillion 328 billion (YoY +88.1%), OPM 14.9%.
- Both OE and RE sales outperformed the market demand, and volumes increased in almost all regions.
- The high value products such as EV tires and SUV tires has increased, leading to an improved product mix.
- Operating margins showed strong rebound on lower freight costs and raw material price

## Business Highlights

- Sales ratio of  $\geq 18$  inch within PCLT increased to 44.2% up 3.3%p
- Successfully sponsored 'Formula E,' '24H Series,' and 'Lamborghini Super Trofeo' and earned recognition for high-performance technology
- Recognition by renowned European car magazine tires tests
  - ⇒ 'Kinergy 4S2' once again wins the All Season Product of the Year Award at Auto Express
- Global expansion of 'iON', designed for EVs and Introduction of New technology system for 'iON'
  - ⇒ Expanded sales territories and product lineup, including China and other regions
  - ⇒ The new technology system consists of four core technologies with 58 commercialized patent technologies of iON

## 2023 Global Performance (Consolidated)

[100 Million KRW, %]	2022	2023	YoY
Sales	83,942	89,396	+6.5%
COGS	62,917 <i>(75.0%)</i>	60,436 <i>(67.6%)</i>	-3.9%
Operating Profit	7,058 <i>(8.4%)</i>	13,279 <i>(14.9%)</i>	+88.1%
Ordinary Profit	8,584 <i>(10.2%)</i>	11,713 <i>(13.1%)</i>	+36.5%
EBITDA	12,417 <i>(14.8%)</i>	18,337 <i>(20.5%)</i>	+47.7%

## II. 2023 4th Quarter Results

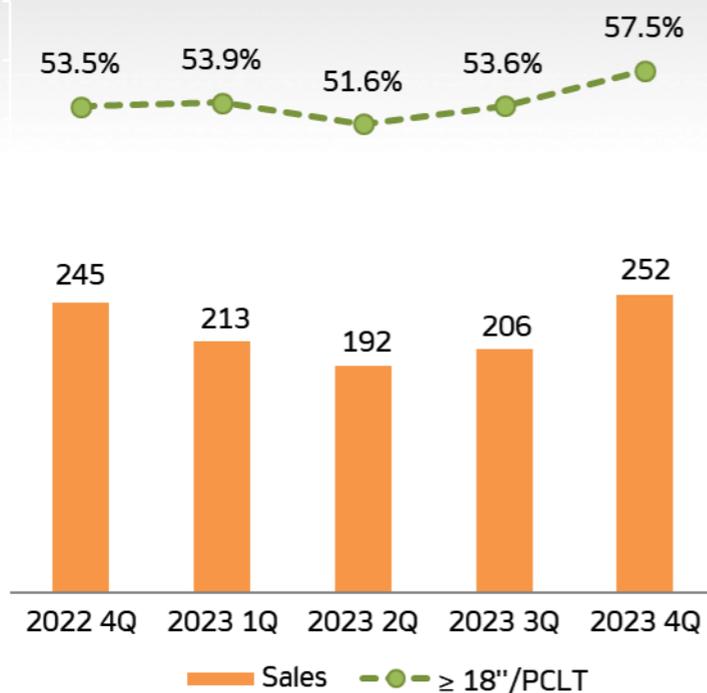
- PCLT market showed demand recovery, whereas TB tire market faced challenges with soft demand and high inventory levels in distribution
- Despite sales volume growth of PCLT, due to soft TB volumes 2024 4Q revenue showed slight decline YoY. However, operating margins continued to show strong rebound on lower freight costs and stabilized raw material costs.
- Sales ratio of ≥ 18 inch within PCLT increased to 46.2% up 2.3%p

[100 Million KRW, %]	2022 4Q	2023 3Q	2023 4Q	QoQ	YoY
Sales	22,638	23,401	22,320	-4.6%	-1.4%
COGS	16,664 (73.6%)	15,596 (66.6%)	13,134 (58.8%)	-15.8%	-21.2%
Operating Profit	2,120 (9.4%)	3,964 (16.9%)	4,924 (22.1%)	+24.2%	+132.2%
Ordinary Profit	539 (2.4%)	3,999 (17.1%)	4,041 (18.1%)	+1.1%	+649.2%
EBITDA	3,464 (15.3%)	5,227 (22.3%)	6,177 (27.7%)	+18.2%	+78.8%

## II. 2023 4th Quarter Results - Regional Performance (1/2)

### KOREA

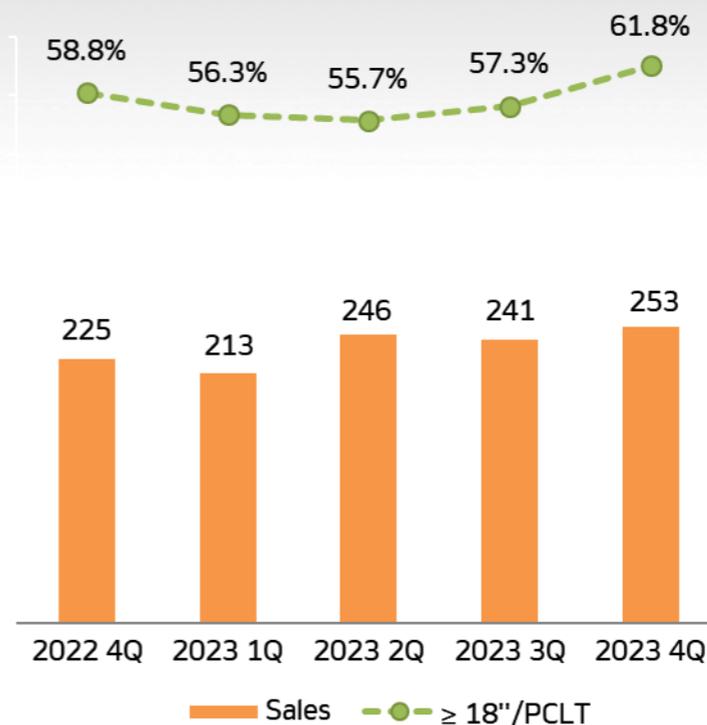
[Unit: Billion KRW, %]



- RE sales improved with increased sales of high value products such as EV, SUV, and Winter tires
- OE sales showed slight decline with the termination of consumption tax cut on passenger cars

### CHINA

[Unit: Billion KRW, %]

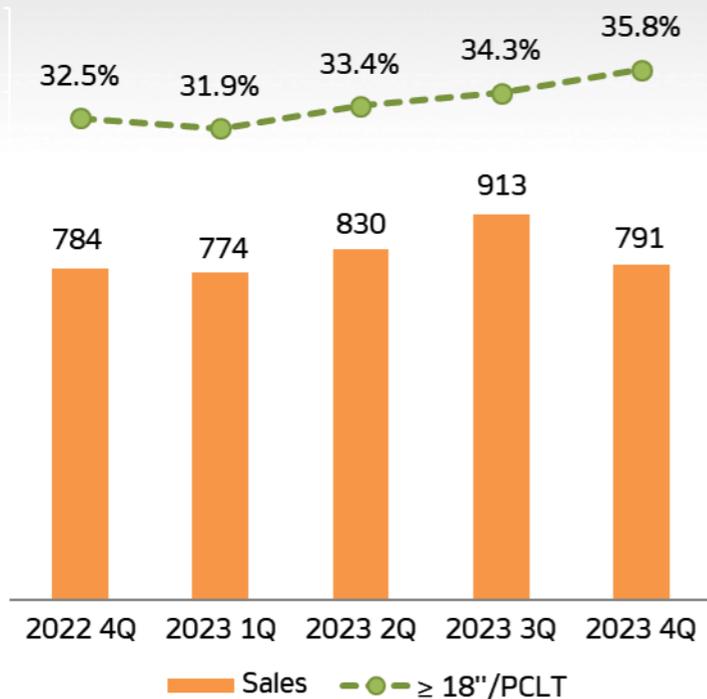


- RE sales increased with improved market conditions and continued inch mix improvement
- OE sales increased with a low base and higher car production

## II. 2023 4th Quarter Results - Regional Performance (2/2)

### EUROPE

[Unit: Billion KRW, %]

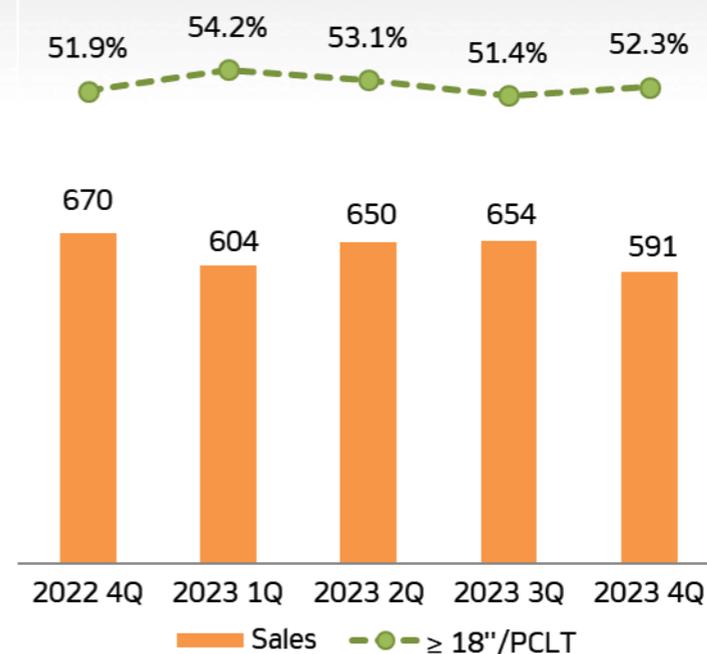


- Although PCLT sales outperformed the market, RE revenue showed a slight decline YoY due to declining demand in TB market.
- OE sales increased with higher car production

### N.AMERICA

[Unit: Billion KRW, %]

(\* Including Mexico OE)



- RE sales decreased due to increased competition and sluggish TB tire market conditions
- OE sales continued recovery with increase of new vehicle purchase

*Pursuing sustainable growth to achieve competitiveness in the mobility industry*



Sustainable Growth  
& Solid Profitability

Growth in revenue &  
Maintaining double-digit OPM

Further increase of High Inch sales ratio  
driving Value Growth

Sales ratio of  $\geq 18$  inch within PCLT  
2023 44% → 2024 Target 49%

Expanding supplement  
to EV vehicles

Sales ratio of EV tires within PCLT OE  
2023 15% → 2024 Target 25%



Hankook Tire & Technology

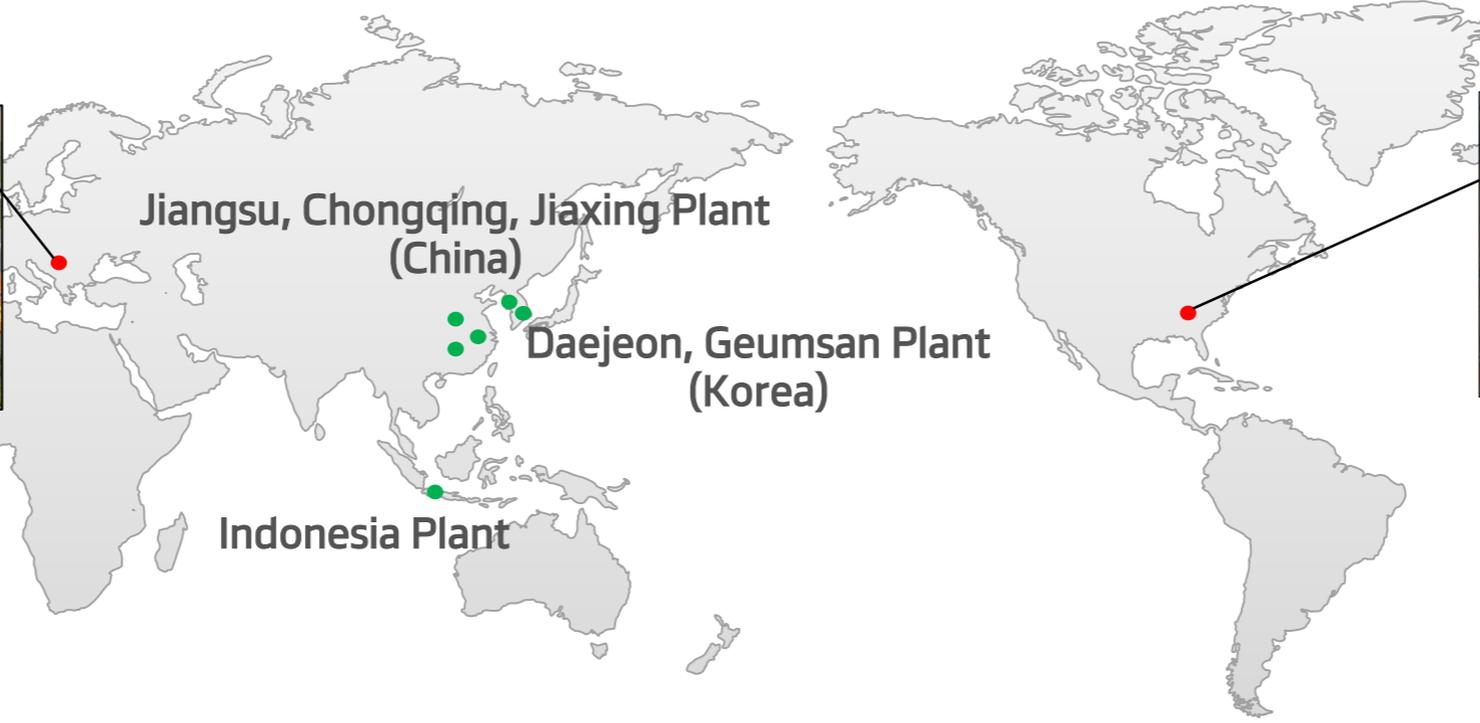
# IV. Appendix - Hungary Plant & Tennessee Plant Expansion Update



## Hungary Plant (Europe)



- Estimated Investment Amount : EUR 538 Mil.
- Scale of Expansion : TBR approx. 2,380 units per day
- Full-scale operation by 2027



## Tennessee Plant (USA)



- Estimated Investment Amount : USD 1,575 Mil.
- Scale of Expansion : PCLT approx. 16,000 units per day  
TBR approx. 3,000 units per day
- Full-scale operation by 2026

### Market Demand

- Production capacity increase to improve market position and actively respond to global tire market growth
- Capturing advantages of economies of scale

### Risk Management

- Operating a balanced production portfolio with increased local supply
- Hedging risk regarding increasing trade barriers and supply chain disruptions

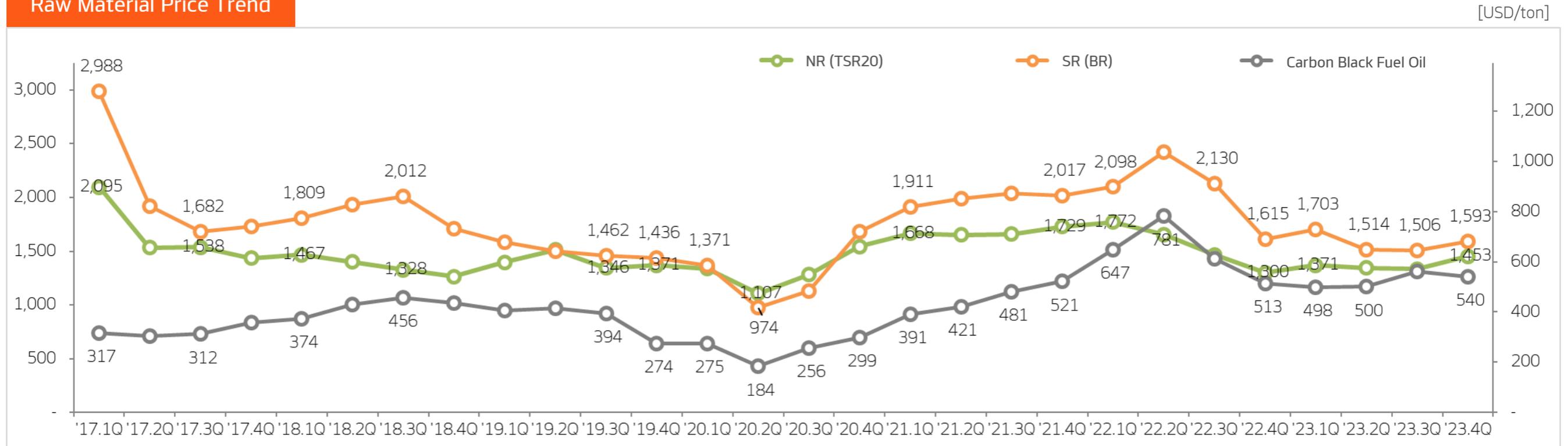
### Opportunity

- Improving brand equity in the US and Europe
- Increasing OE business opportunities by securing a stable supply chain

## IV. Appendix - Raw Material Trend

- N/R : SICOM TSR20 prices have been on an upward trend since recording low in '23 3Q due to concerns about a decrease in natural rubber supply caused by severe weather in southern Thailand and a warehouse fire in China. This upward trend is expected to continue in '24 1Q with pseudo demand during lunar new year holiday in China.
- S/R : Due to weak global demand since '22 2Q, BD prices have been on a downturn, but saw a slight increase in '23 4Q due to concerns about supply disruptions in Asia. With the Red Sea crisis there has been a shortage of US & Europe BD resulting to an increased demand for Asian BD, leading to expectations of continued price increases in the near term.
- C/B : Crude oil and FCC oil prices continued to decline from peak in '22 2Q until the 23 1Q. However, there was a reversal in the trend starting from '23 2Q due to OPEC+ decisions to cut production and extend the reduction period, leading to a decrease in oil inventories. However, crude oil and FCC oil showed slight decline in '23 4Q, due to hazy outlooks of the global economy in 2024.

### 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

## IV. Appendix - Consolidated B/S



[100 Million KRW]

	2022		2023		Diff.	
	Amt	%	Amt	%	Amt	%
<b>Assets</b>	<b>125,814</b>	<b>100.0%</b>	<b>127,890</b>	<b>100.0%</b>	<b>2,076</b>	<b>1.7%</b>
<b>Current Assets</b>	<b>64,363</b>	<b>51.2%</b>	<b>67,931</b>	<b>53.1%</b>	<b>3,568</b>	<b>5.5%</b>
Cash and cash equivalents	11,394	9.1%	22,439	17.5%	11,045	96.9%
Short term financial assets	5,948	4.7%	4,180	3.3%	-1,768	-29.7%
Trade and other receivables	17,101	13.6%	18,736	14.7%	1,635	9.6%
Inventories	24,496	19.5%	20,477	16.0%	-4,019	-16.4%
Other current assets	5,424	4.3%	2,100	1.6%	-3,324	-61.3%
<b>Non-current Assets</b>	<b>61,451</b>	<b>48.8%</b>	<b>59,959</b>	<b>46.9%</b>	<b>-1,492</b>	<b>-2.4%</b>
Tangible, Intangible assets and Investment properties	40,554	32.2%	40,818	31.9%	264	0.7%
Investments in associates	11,771	9.4%	11,174	8.7%	-597	-5.1%
Other non-current assets	9,126	7.3%	7,967	6.2%	-1,159	-12.7%
<b>Liabilities</b>	<b>37,057</b>	<b>29.5%</b>	<b>31,726</b>	<b>24.8%</b>	<b>-5,331</b>	<b>-14.4%</b>
<b>Current Liabilities</b>	<b>28,871</b>	<b>22.9%</b>	<b>23,243</b>	<b>18.2%</b>	<b>-5,628</b>	<b>-19.5%</b>
<b>Non-Current Liabilities</b>	<b>8,186</b>	<b>6.5%</b>	<b>8,482</b>	<b>6.6%</b>	<b>296</b>	<b>3.6%</b>
<b>Shareholder's Equity</b>	<b>88,757</b>	<b>70.5%</b>	<b>96,164</b>	<b>75.2%</b>	<b>7,407</b>	<b>8.3%</b>
Debt	19,365		11,668			
Net Debt	-3,170		-17,955			
Liability Ratio		41.8%		33.0%		
Net Worth to Assets		70.5%		75.2%		
Net debt Ratio			Net Cash		Net Cash	

## IV. Appendix - Consolidated I/S



[100 Million KRW]

	2022 4Q		2023 3Q		2023 4Q		YoY	QoQ
	Amt	%	Amt	%	Amt	%	(%)	(%)
Sales	22,638	100.0%	23,401	100.0%	22,320	100.0%	-1.4%	-4.6%
COGS	16,664	73.6%	15,596	66.6%	13,134	58.8%	-21.2%	-15.8%
Gross Profit	5,974	26.4%	7,805	33.4%	9,186	41.2%	53.8%	17.7%
SG&A	3,854	17.0%	-3,841	-16.4%	4,262	19.1%	10.6%	-211.0%
<b>Operating Profit</b>	<b>2,120</b>	<b>9.4%</b>	<b>3,964</b>	<b>16.9%</b>	<b>4,924</b>	<b>22.1%</b>	<b>132.2%</b>	<b>24.2%</b>
Other non-operating income/expense	-1,135	-5.0%	42	0.2%	-862	-3.9%		
Financial income/cost	-355	-1.6%	135	0.6%	-21	-0.1%		
Equity-method gain(loss)	-91	-0.4%	-142	-0.6%				
Income before income tax	539	2.4%	3,999	17.1%	4,041	18.1%	649.2%	1.1%
EBITDA	3,464	15.3%	5,227	22.3%	6,177	27.7%	78.3%	18.2%
Depreciation	1,344	5.9%	1,263	5.4%	1,253	5.6%	-6.7%	-0.8%

\* '23 4Q Investments in associates are currently included in Other non-operating income/expense and will be re-classified after the audit