



1Q 2024 Earnings Release

May 9, 2024

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Disclaimer

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1Q 2024: Key YoY Financial Metrics

Unit: KRW in billions

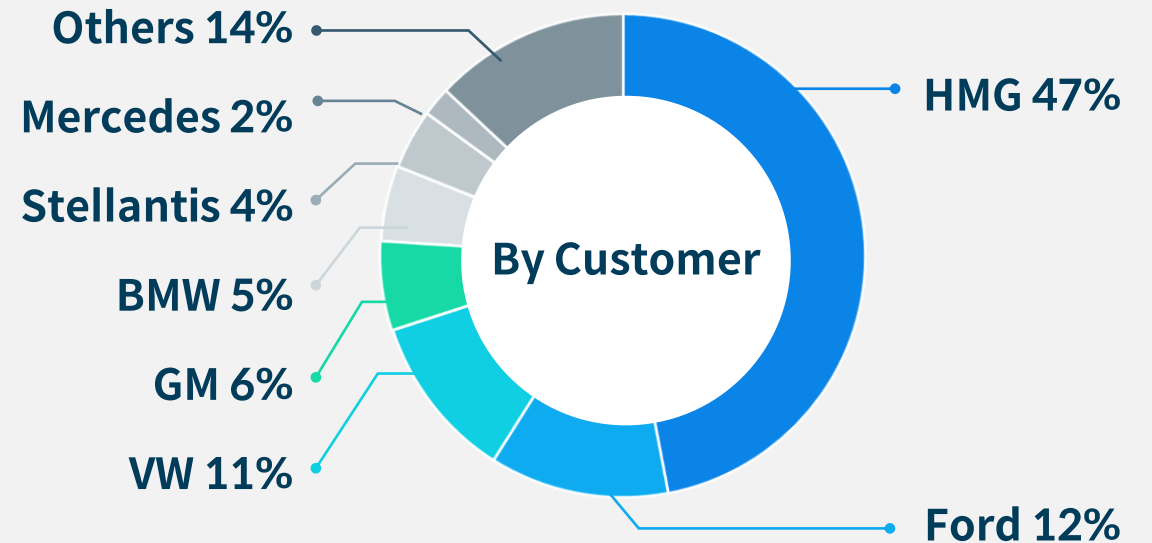
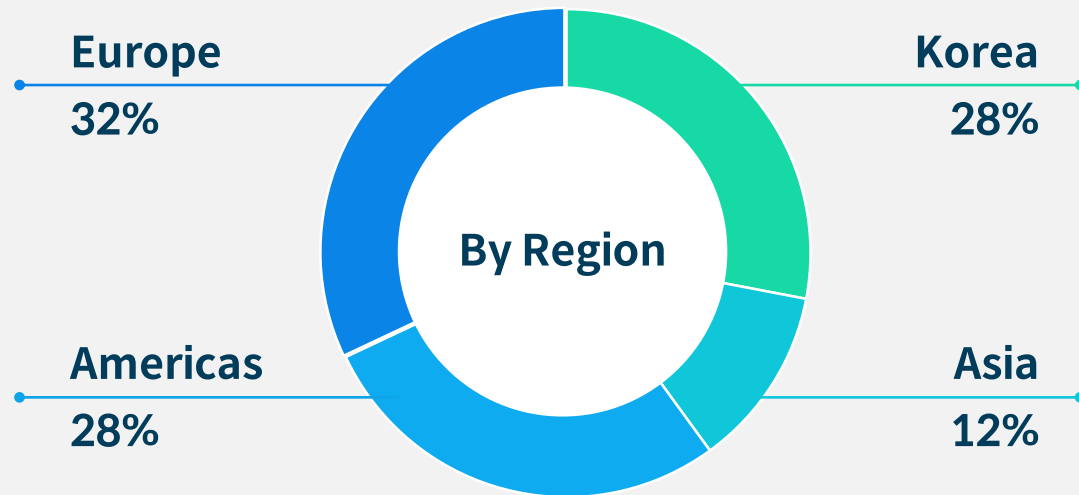
	1Q 2024	1Q 2023	YoY Variance	
Revenue	2,405	2,340	65	2.7%
COGS	2,185	2,126	59	2.7%
% of Sales	90.8%	90.8%	-	
SG&A (Incl. R&D)	155	154	1	0.5%
% of Sales	6.4%	6.6 %	(0.2%pt)	
EBITDA	223	202	21	10.4%
Margin (%)	9.3%	8.6%	0.7%pt	
Operating Income	65	60	5	8.5%
Margin (%)	2.7%	2.6%	0.1%pt	
Net Income¹	10	45	(35)	(77.6%)
Margin (%)	0.4%	1.9%	(1.5%pt)	

EBITDA Increased Fast on Cost Improvement and Recovery Actions

1. Net interest expense increase: -22B YoY
FX transaction, translation and revaluation: -23B YoY

1Q 2024 Highlights

Sales Breakdown (1Q 2024)



1Q 2024 Highlights

- Revenue increased 3% YoY on favorable currency and normalized pricing, EBITDA increased 10% YoY on cost improvement
- 1Q24 xEV revenue accounted for ~24% of total revenue on EV slowdown; Expect to improve xEV ratio for 2024 full year
- Secured significant re-win orders from key customer; Re-wins will positively impact profitability and reduce CAPEX requirements

Progress on Profitability Improvement Actions

Commitments¹



Operational Efficiency Improvement

~100 B KRW



Supply Chain Optimization

~80 B KRW



Additional Recovery and Repricing

~75 B KRW

Key Progress

- Optimized ~800 direct and indirect positions out of year-end target of 1,000 through efficiency improvement and right-sizing of the plants
- Headcount control will persist into 2Q to unlock full potential in 2H 2024

- Achieved 2.5% freight cost to sales ratio in 1Q 2024 (3.3% in FY2023)
- The company weighs various options to maintain current cost to sales ratio in 2024 despite global supply chain disruptions

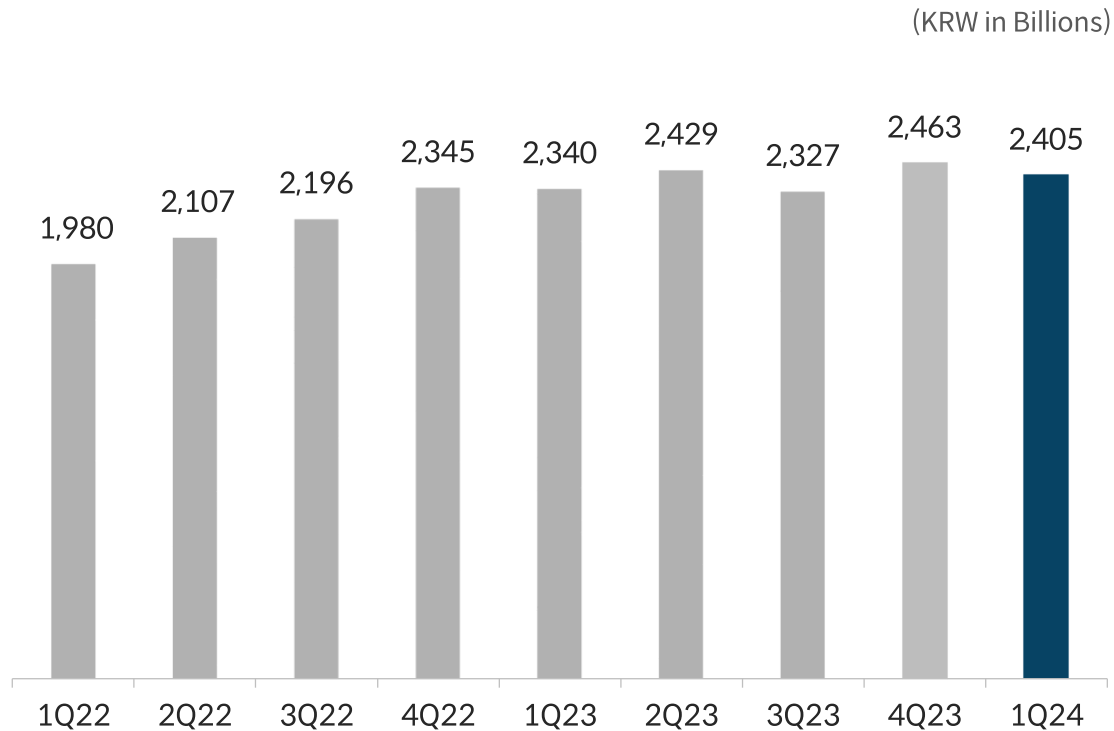
- Continuously engaging customers on the cost recovery and repricing
- Major negotiations still ongoing with key customers
- On-track to achieve yearly cost recovery target on top of price normalization

Continued Efforts on Achieving the 2024 Business Target

1. Annualized impact of EBIT improvement

Quarterly Sales

Consolidated Sales



Comments



- Increase in Americas (+9% YoY) and China (+7%); Korea remained flat while Europe decreased (-2%)

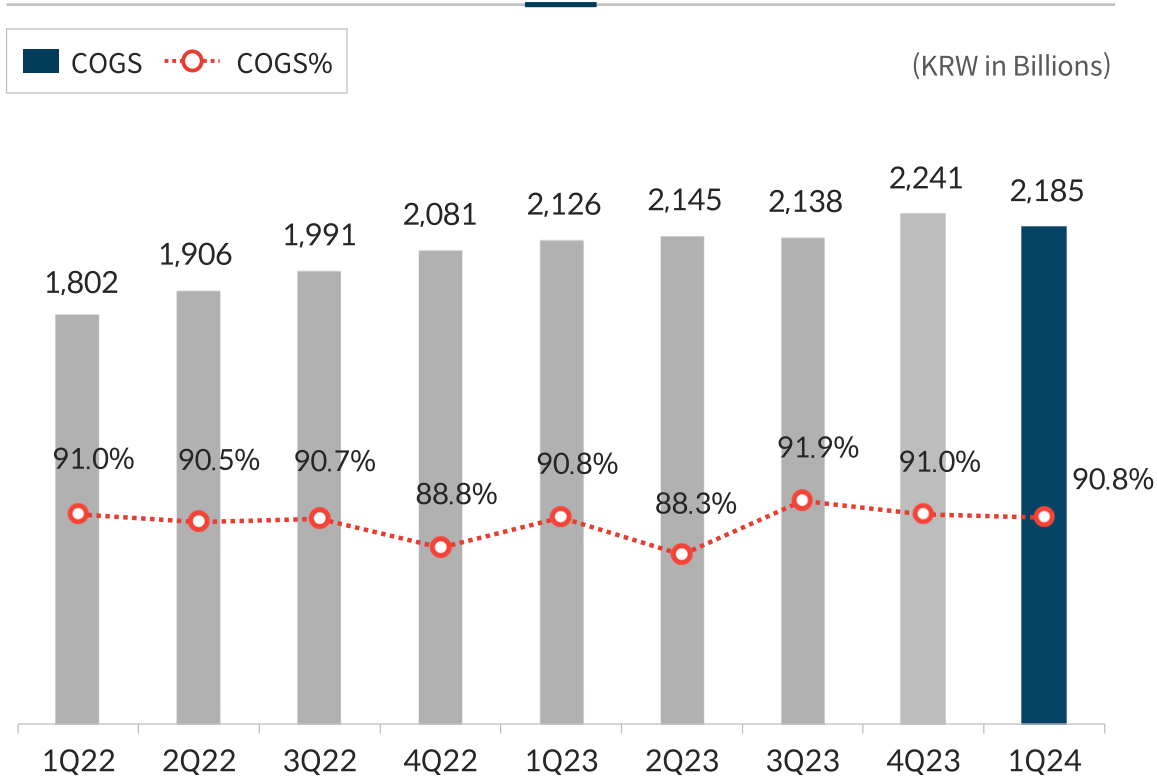


- Increase in BMW (+34%), Ford (+7%), GM (+5%), VW (+3%) and HMG (+2%); decrease in Mercedes (-26%)

Increase in 1Q24 Revenue by 3% YoY despite EV Volume Slowdown

Quarterly COGS

Quarterly Cost of Goods Sold



Comments

Positive Factors

- Expect COGS% to improve in 2H 2024 based on new programs
- Expect positive impacts from on-going profitability improvement actions

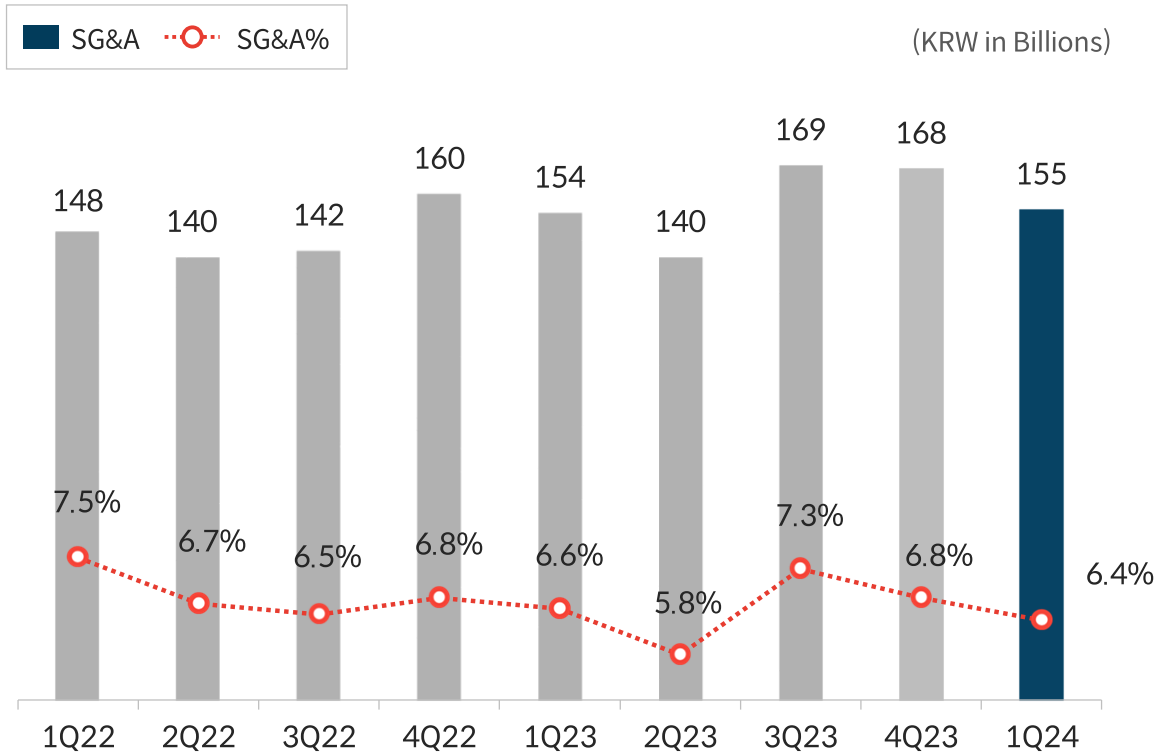
Negative Factors

- Lower-than-expected volume due to EV slowdown
- Continuing supply chain cost pressures

Expect Faster COGS Improvement in 2H 2024 through Cost Actions

Quarterly SG&A

Quarterly SG&A



Comments



- 1Q24 SG&A expense: 6.4% of total revenue (YoY improvement of 0.2%pt)

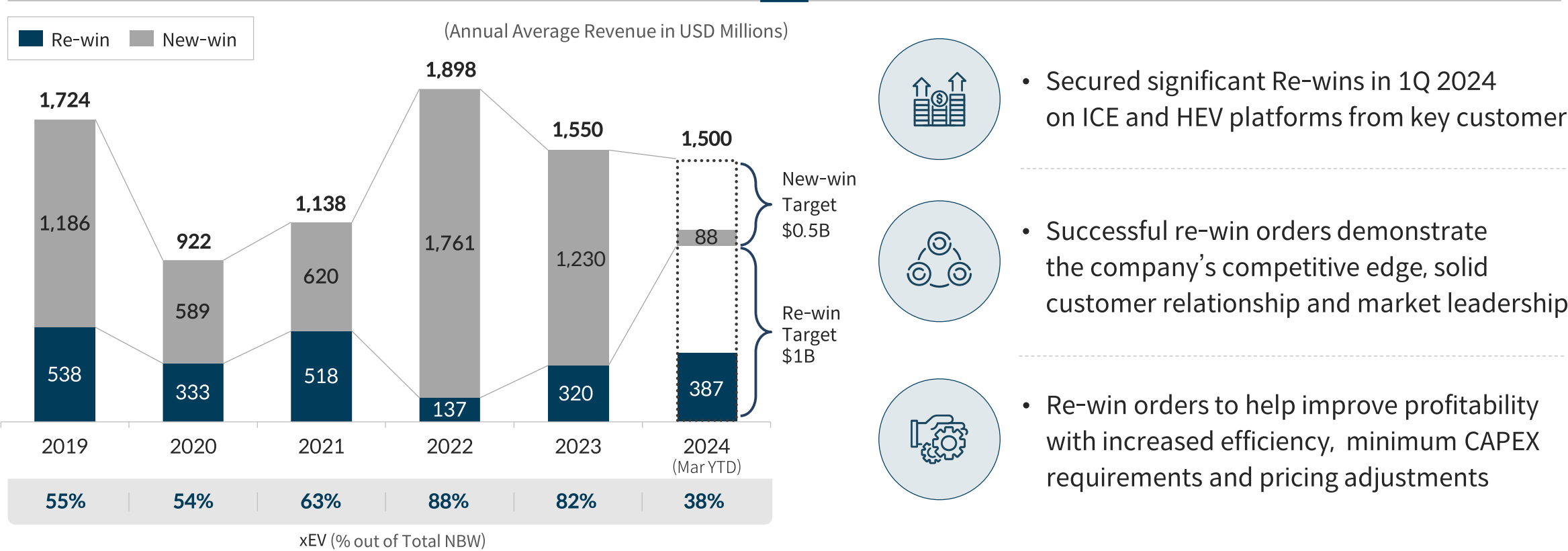


- 1Q24 R&D spending (incl. R&D capitalization) : 4.7% of total revenue (YoY increase of 0.4%pt)

Cost Actions Drove Year-over-Year SG&A% Improvements

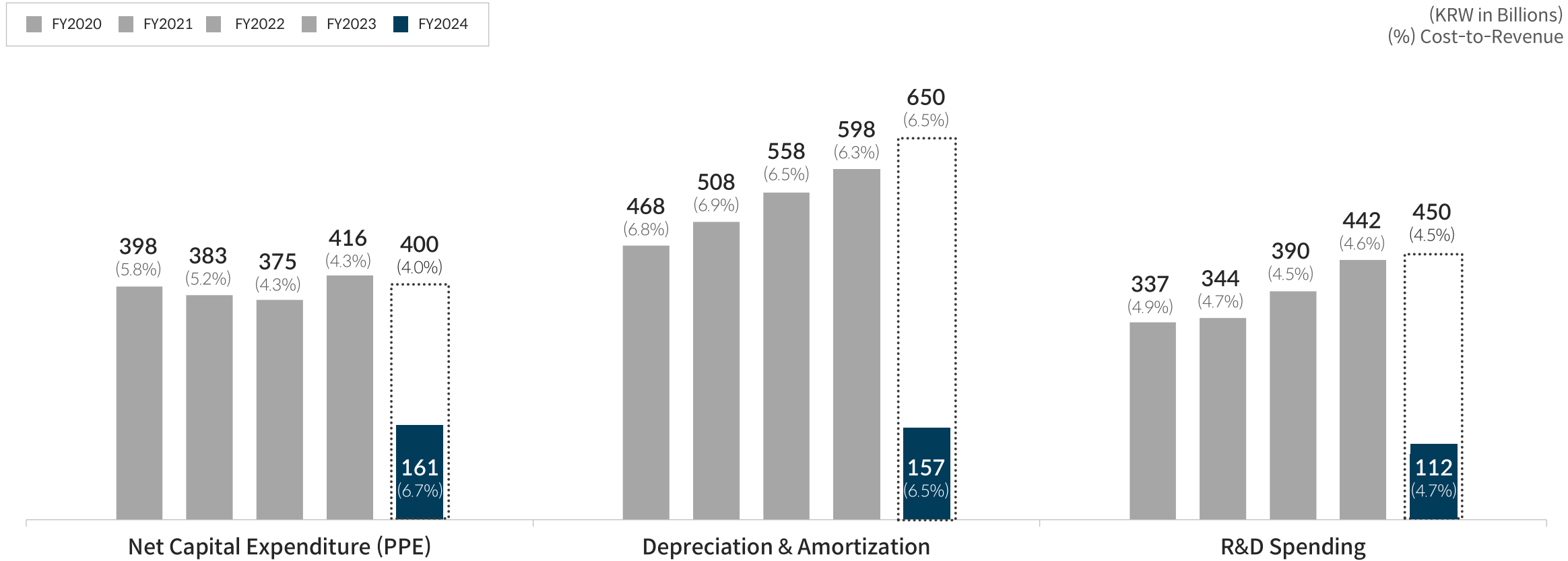
New Business Wins Update

FY 2024 New Business Wins



Strong Re-win Orders from Key Customer Enhances Market Leadership and Profitability

Trend of CAPEX, D&A and R&D Spending



Efforts Ongoing to Optimize CAPEX and R&D Spending

1Q 2024 Balance Sheet

Balance Sheet

(K-IFRS / KRW in Billions, x times)

	Mar 2024	Dec 2023	Dec 2022
Cash and cash equivalent	820	779	1,436
Account receivable	1,472	1,344	1,285
Inventories	1,243	1,140	972
Property and equipment	2,775	2,716	2,371
Intangible assets	2,210	2,126	1,923
Lease assets	340	295	249
Other assets	923	844	863
Total assets	9,783	9,244	9,099
Account payable	1,800	1,867	1,824
Debt	4,596	4,146	4,280
Other liabilities	829	722	625
Shareholder's equity	2,418	2,372	2,236
Non-controlling	140	137	134
Total liabilities & shareholders' equity	9,783	9,244	9,099

Cash and Debt

Cash Balance	Mar 2024	Dec 2023	Dec 2022
Net Debt	3,776	3,368	2,844
Net Debt Ratio	1.48	1.34	1.20
Debt to Equity	1.80	1.65	1.81

Leverage	2024E	2023	2022
EBITDA	1,050	876	814
Debt / EBITDA	4.19	4.74	5.26
Net Debt / EBITDA	3.25	3.85	3.49
EBITDA / Net Interest Expenses	5.30	5.59	8.78

2024E Reflects Increase of Paid-in Capital as Recently Announced

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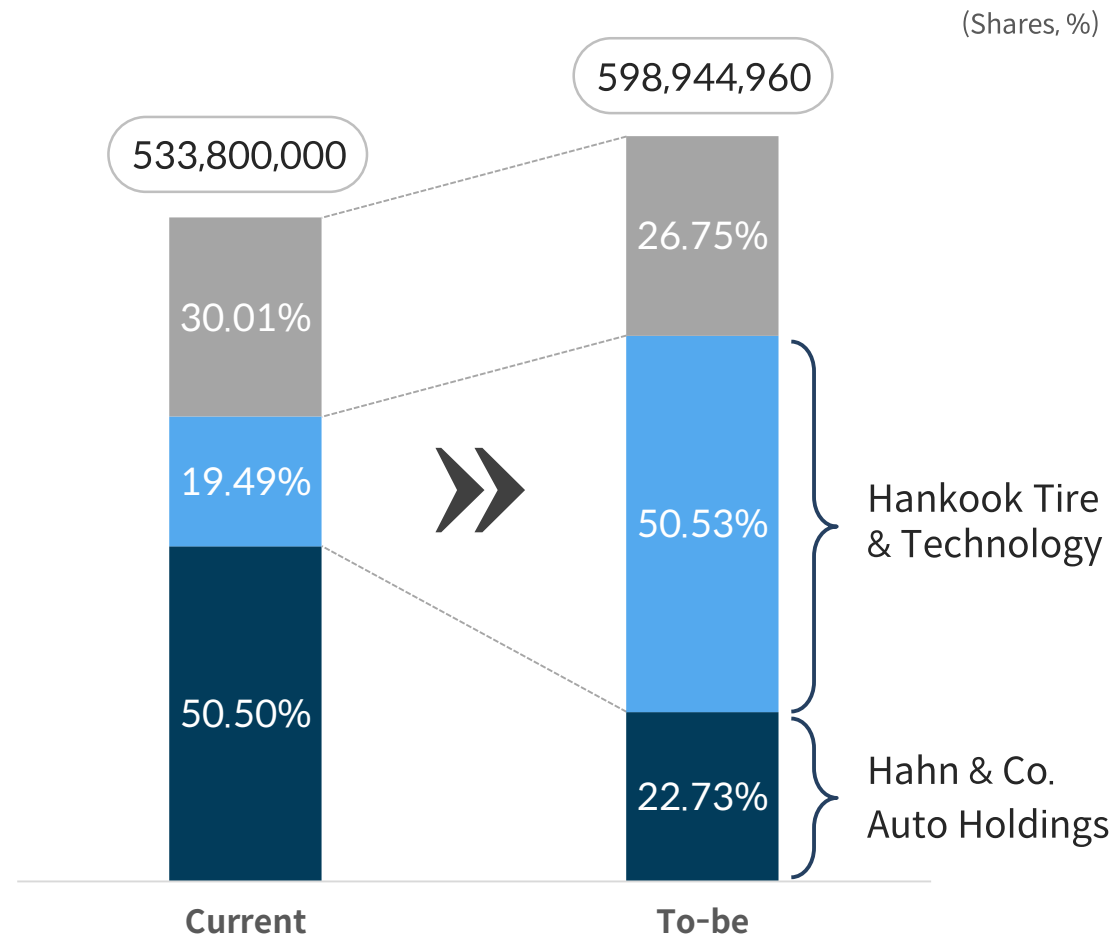
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Hankook Tire to Become the Largest Shareholder

Changes in Shareholding Structure



MOU(SPA) and Capital Increase

- Hahn & Co. Auto Holdings entered into an MOU with Hankook Tire & Technology to sell 133,450,000 shares out of 269,569,000 common shares, at 10,250 KRW/share
- Hankook Tire & Technology to acquire 65,144,960 of new shares at 5,605 KRW/share via third-party allotment in order to improve balance sheet and ensure financial stability for future growth
- Hankook Tire & Technology to become the largest shareholder with 50.53% of ownership as the result of the transactions
- The transactions to be completed within 2024

Management Expectations

- **Expects injected capital to be resourceful in improving cost structure to enhance operating cash flow, as well as improving balance sheet**
- **Forecasts ongoing profit improvement initiatives to be further accelerated and reinforce the company's original plan to generate positive cash flow from FY2025**
- **Expects to be able to return to past dividend cycle of quarterly payout from FY2025, if the company delivers its business plan commitment in FY2024**

Hanon Systems Major Achievements in 1Q 2024

Customer Recognition

- Named a 2023 Supplier of the Year Winner by General Motors for the seventh year in a row



PFAS-free Solution

- Hanon Systems Production of R744 eCompressors Surpasses 500,000 Units for European Customer



Sustainability

- Included in the S&P Global 2024 Sustainability Yearbook Member (Top 15% in the auto components industry)



Construction of EV-dedicated Plants is Underway

Hyundai Motor to launch production in 2H 2024



Photo source: Hanon Systems

- **HMGMA, the first Electric Vehicle mass-production plant to start production in 2H 2024**
 - HMG takes a strategic move to maximize the benefits of EV subsidies, outpacing competitors and seizing market share
 - Up to 300,000 Units of EVs annually, potential expansion to 500,000 units
 - Six models of Hyundai, Kia and Genesis brands, including IONIQ 7, Hyundai's first three-row electric SUV, slated for full-scale production next year
- **Hanon Systems provides integrated thermal management system including heat pump solution**
 - Hanon Systems to supply for E-GMP vehicles and upcoming eM vehicles

Hanon Systems to Supply for EV-dedicated Plants of Core Customer in the U.S.

Supplying Heat Pump Technology

KIA EV9, the Multi-award Winning All-electric SUV



Photo source: KIA Media Site

- **HVAC of EV9: “Innovative Heat Pump System”**
 - “EV9 to Set New Standards with High-Tech HVAC System” (Carscoops)
 - “KIA EV9 benefits from updated and rigorously tested HVAC” (Automotive Testing Technology International)
 - “The HVAC system is phenomenal, it’s as quiet as a tune” (Munro Live)
- **Hanon Systems provides heat pump system for EV 9**
 - Supplies HVAC system including eComp, heat pump and de-frost features
 - Supports heat pump control development and implementation
 - Optimization for efficiency, performance and NVH in a compact package
 - Will supply for production of EV9 in the U.S. starting in 2Q 2024

Hanon Systems Supplies Thermal Management System including Heat Pump for KIA EV9