



2Q 2024 Earnings Release

August 8, 2024

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Disclaimer

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2Q 2024: Key YoY Financial Metrics

Unit: KRW in billions

	2Q 2024	1Q 2024	QoQ Variance	2Q 2023	YoY Variance
Revenue	2,560	2,405	6.5%	2,429	5.4%
COGS	2,327	2,185	6.5%	2,145	8.5%
% of Sales	90.9%	90.8%	0.1%pt	88.3%	2.6%pt
SG&A (Incl. R&D)	161	155	4.2%	140	15.0%
% of Sales	6.3%	6.4%	(0.1%pt)	5.8 %	0.5%pt
EBITDA	235	223	5.5%	289	(18.8%)
Margin (%)	9.2%	9.3%	(0.1%pt)	11.9%	(2.7%pt)
Operating Income	72	65	9.6%	143	(50.1%)
Margin (%)	2.8%	2.7%	0.1%pt	5.9%	(3.1%pt)
Net Income¹	(31)	10	-	111	-
Margin (%)	(1.2%)	0.4%	(1.6%pt)	4.6%	(5.8%pt)

OI Improved for Three Consecutive Quarters; NI Decreased on Interest and Currency Impact

1. Net interest expense increase: -24B YoY
FX transaction, translation and revaluation: -50B YoY

1H 2024: Key YoY Financial Metrics

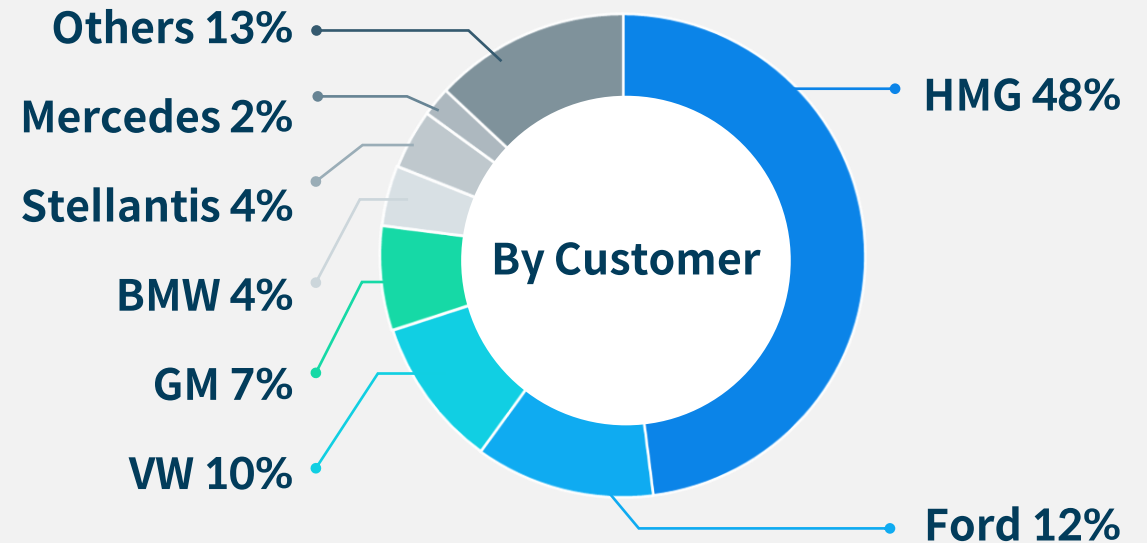
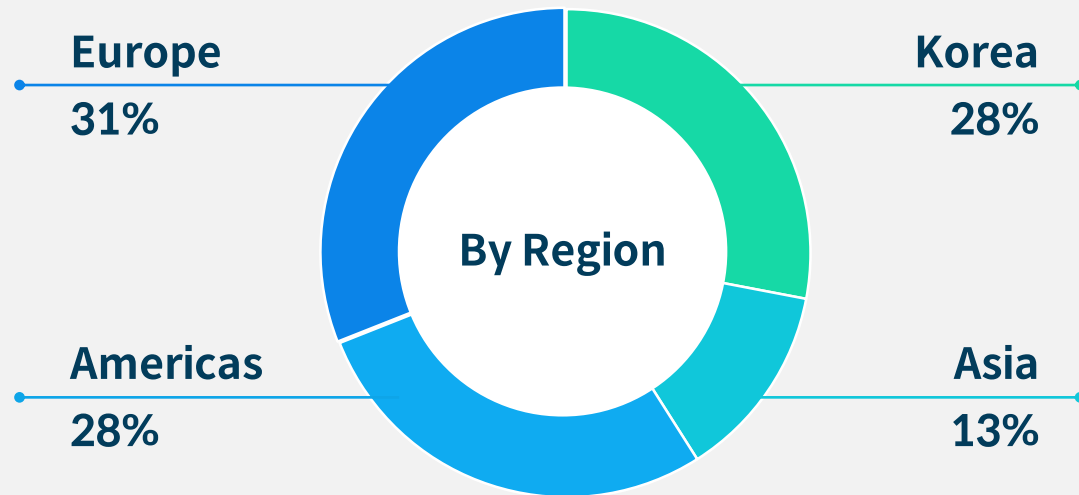
Unit: KRW in billions	1H 2024	1H 2023	YoY Variance	
Revenue	4,965	4,769	196	4.1%
COGS	4,512	4,272	240	5.6%
% of Sales	90.9%	89.6%	1.3%pt	
SG&A (Incl. R&D)	316	294	22	7.4%
% of Sales	6.4%	6.2 %	0.2%pt	
EBITDA	457	491	(34)	(6.8%)
Margin (%)	9.2%	10.3%	(1.1%pt)	
Operating Income	137	204	(67)	(32.8%)
Margin (%)	2.8%	4.3%	(1.5%pt)	
Net Income¹	(21)	156	(177)	-
Margin (%)	(0.4%)	3.3%	(3.7%pt)	

Headwinds due to Volume Decrease; Margins to Improve in 2H based on Cost Actions

1. Net interest expense increase: -46B YoY
FX transaction, translation and revaluation: -73B YoY

2Q 2024 Highlights

Sales Breakdown (1H 2024)



2Q 2024 Highlights

- Revenue increased by 5% YoY due to favorable currency effect, despite lower-than-expected volume
- 2Q24 xEV ratio remained ~24% of total revenue on EV chasm; Expect improvement for the full year due to new BEV launches
- New Business Wins on track to yearly target, key programs are mainly scheduled in 2H 2024

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

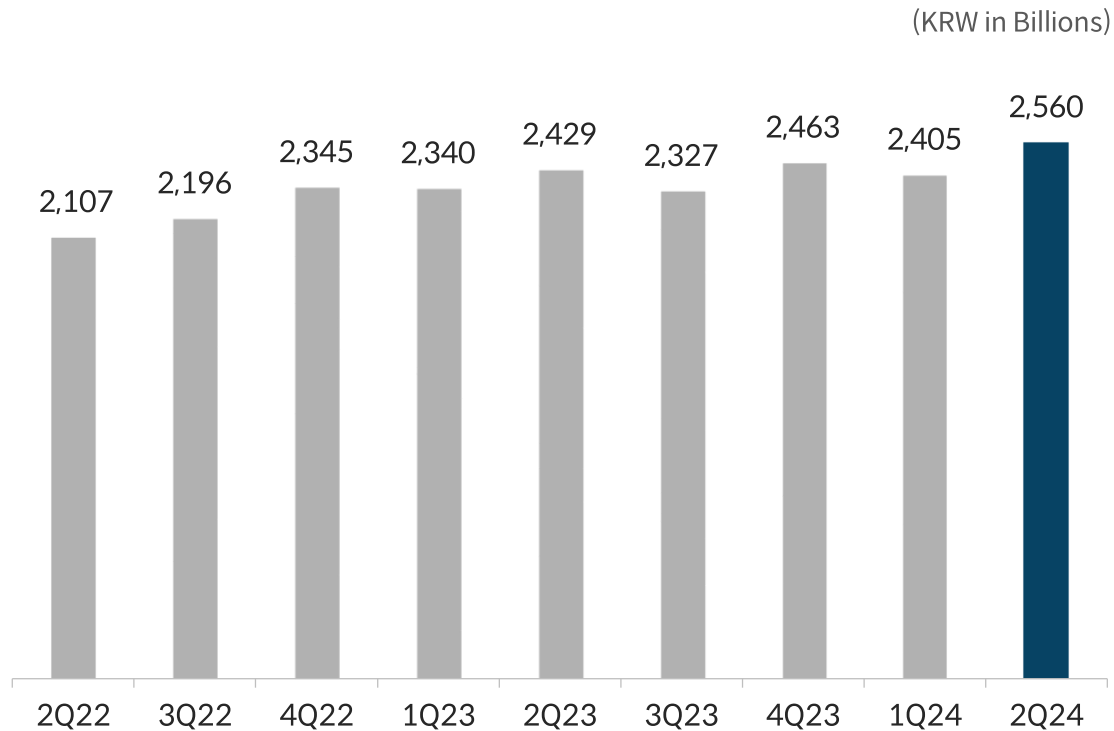
- Working progress toward 1000 headcount reduction
 - Continue to manage the additional inefficiencies generated from EV slowdown
-
- Achieved 2.6% freight cost to sales ratio in 1H 2024 (3.3% in FY2023)
 - Logistics costs to remain under 3% of sales in 2H 2024 despite the global supply chain disruptions
-
- Continuously engaging customers on repricing and the cost recovery
 - Negotiations ongoing on major programs with key customers
 - On-track to achieve yearly cost recovery target on top of price normalization

Continued Efforts on Profitability Improvement

1. Annualized impact of EBIT improvement

Quarterly Sales

Consolidated Sales



Comments



- 2Q24: Increase in Korea (+12% YoY), Americas (+11%), and Europe (+1%); Decrease in China (-8%)

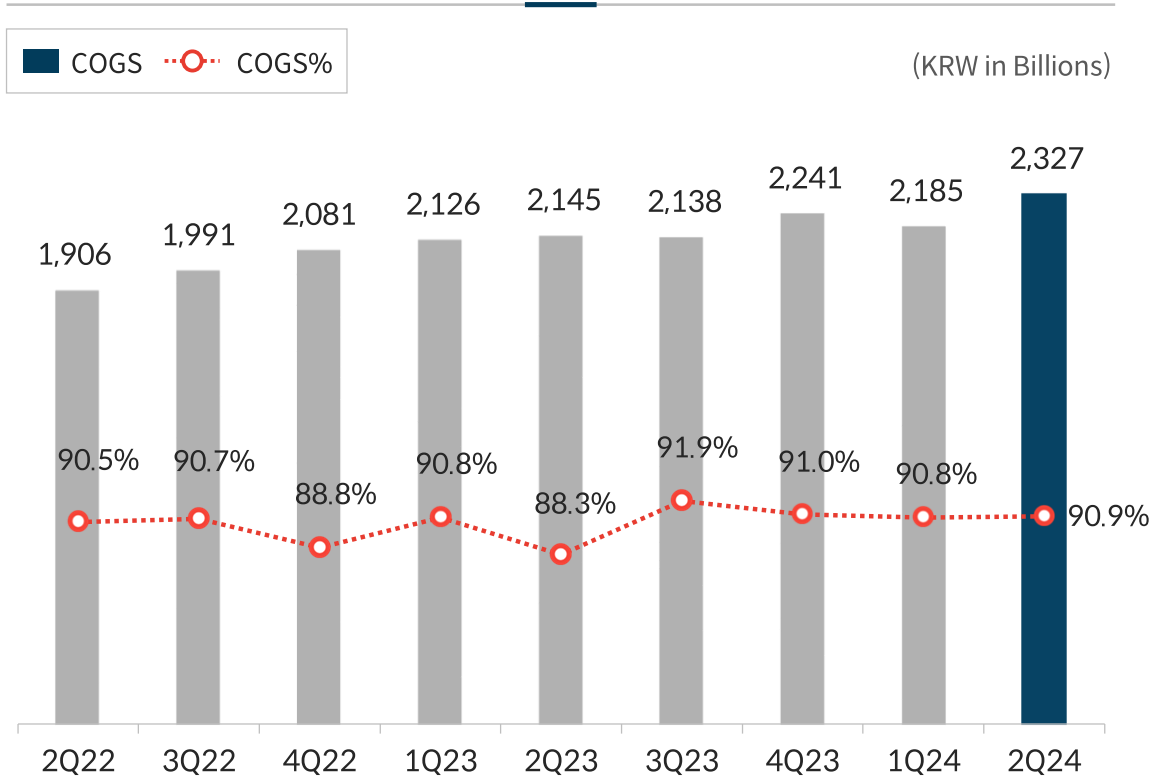


- 2Q24: Increase in BMW (+11% YoY), GM (+9%), HMG (+7%), Ford (+5%), and VW (+1%); decrease in Mercedes (-9%), Stellantis (-3%)

Increase in 2Q24 Revenue due to Favorable Currency, despite EV Volume Slowdown

Quarterly COGS

Quarterly Cost of Goods Sold



Comments

Positive Factors

- Expect positive impacts from on-going profitability improvement actions
- New launches to improve sales and margins in 2H

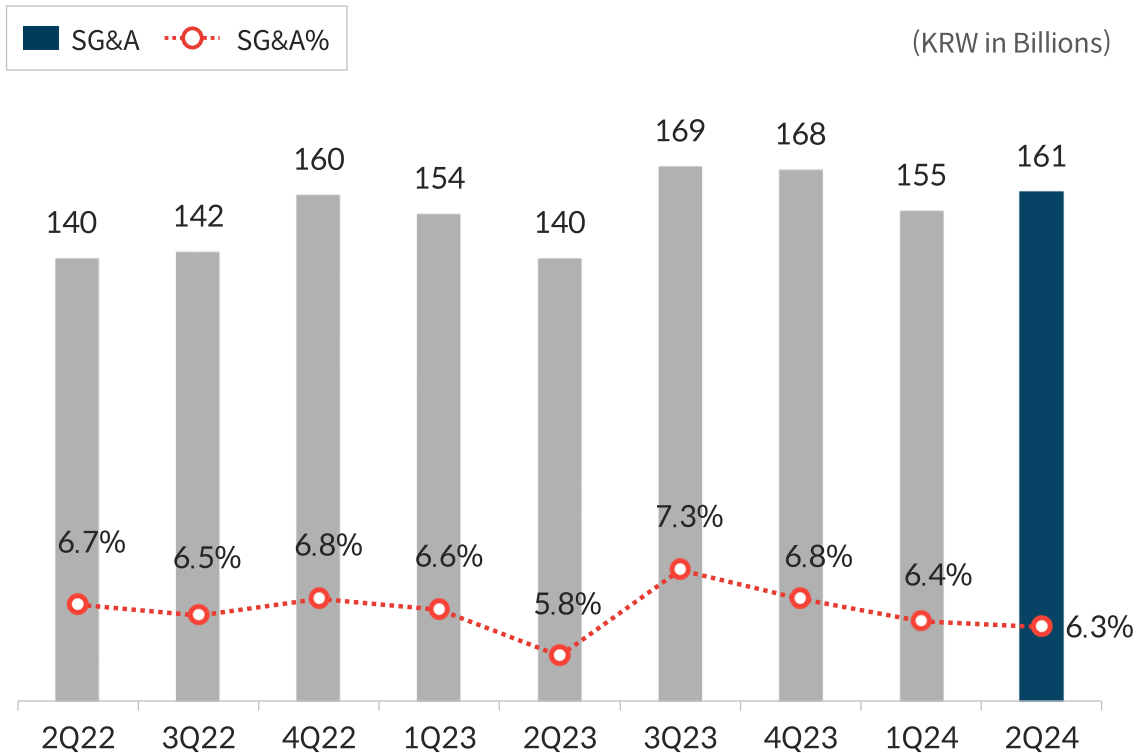
Negative Factors

- Lower-than-expected volume due to EV slowdown and weak consumer demands
- Continuing cost pressures in the supply chain

Expect Further COGS Improvement in 2H 2024 through Cost Actions and New Programs

Quarterly SG&A

Quarterly SG&A



Comments



- 2Q24: SG&A expense: 6.3% of total revenue

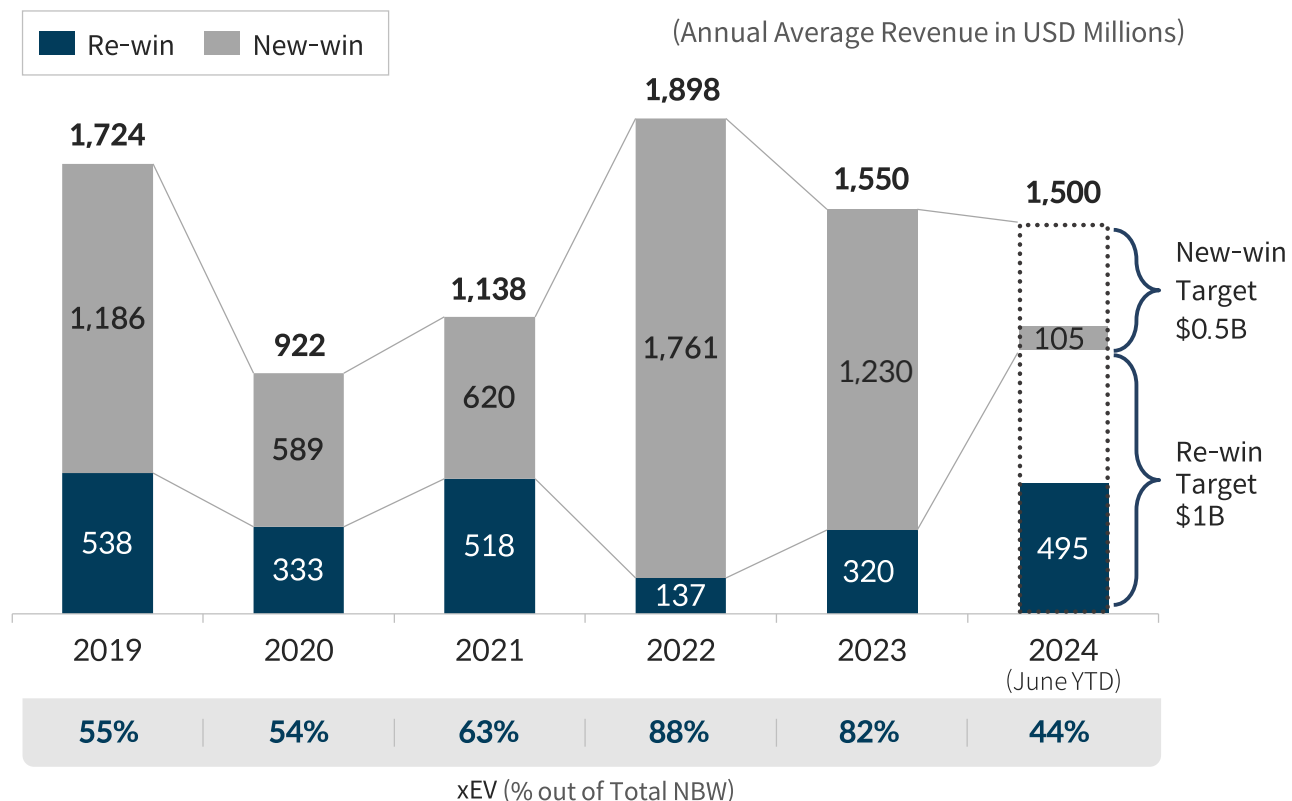


- 2Q24: R&D spending (incl. R&D capitalization) : 4.5% of total revenue (YoY increase of 0.1%pt)

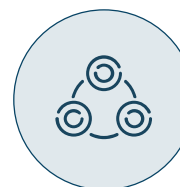
SG&A Costs are Effectively Controlled through Cost Actions

New Business Wins Update

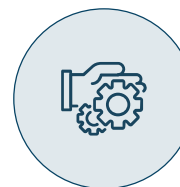
FY 2024 New Business Wins



- Secured significant Re-wins in 1H 2024 on ICE and HEV platforms from key customer



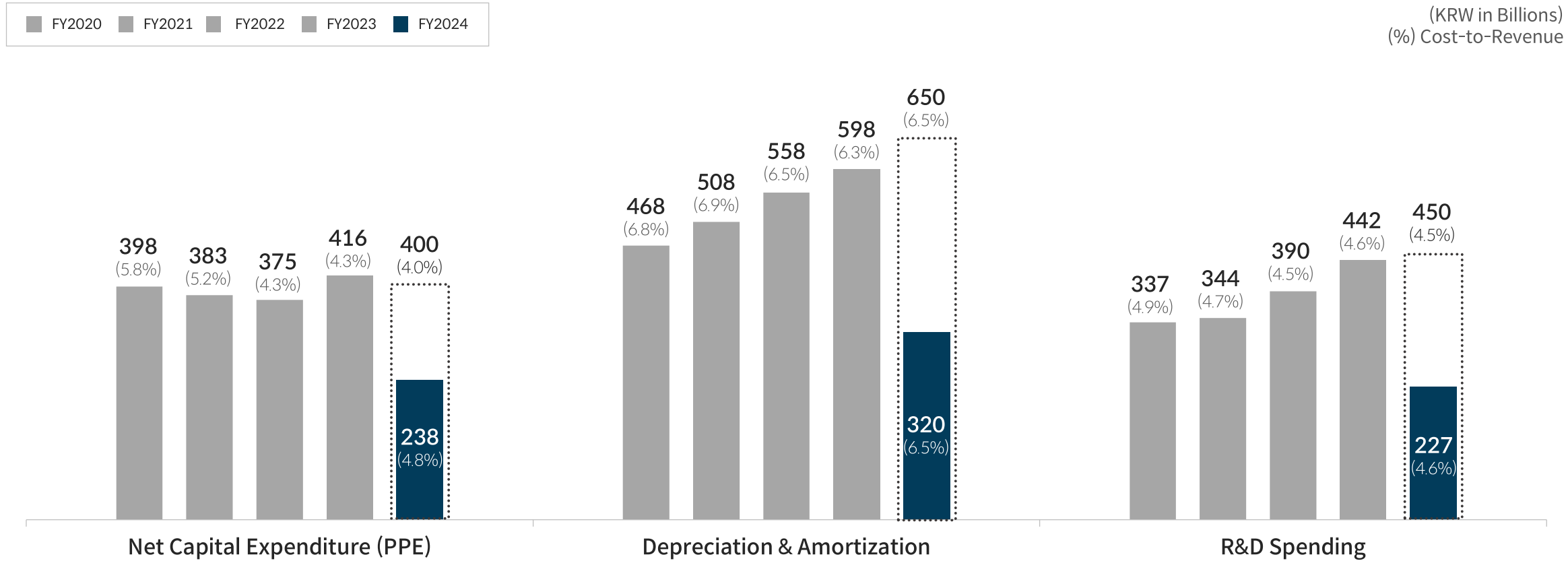
- Pursue potential opportunities arising from strategy changes of global OEMs, leveraging the company's competitive edge in hybrid vehicles



- Expect improved profitability through successful Re-win orders with increased efficiency, minimum CAPEX requirements and price adjustments

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

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



Cost Spending Controlled within the Guided Level; Efforts Ongoing to Optimize CAPEX

2Q 2024 Balance Sheet

Balance Sheet

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

	June 2024	Dec 2023	Dec 2022
Cash and cash equivalent	687	779	1,436
Account receivable	1,427	1,344	1,285
Inventories	1,194	1,140	972
Property and equipment	2,778	2,716	2,371
Intangible assets	2,292	2,126	1,923
Lease assets	354	295	249
Other assets	982	844	863
Total assets	9,714	9,244	9,099
Account payable	1,780	1,867	1,824
Debt	4,478	4,146	4,280
Other liabilities	859	722	625
Shareholder's equity	2,455	2,372	2,236
Non-controlling	142	137	134
Total liabilities & shareholders' equity	9,714	9,244	9,099

Cash and Debt

Cash Balance	June 2024	Dec 2023	Dec 2022
Net Debt	3,791	3,368	2,844
Net Debt Ratio	1.46	1.34	1.20
Debt to Equity	1.72	1.65	1.81

Leverage	2024E	2023	2022
EBITDA	1,050	876	814
Debt / EBITDA	4.07	4.74	5.26
Net Debt / EBITDA	3.26	3.85	3.49
EBITDA / Net Interest Expenses	5.30	5.59	8.78

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

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Supplying Heat Pump Module for KIA EV3

Newly designed heat pump module with enhanced energy efficiency



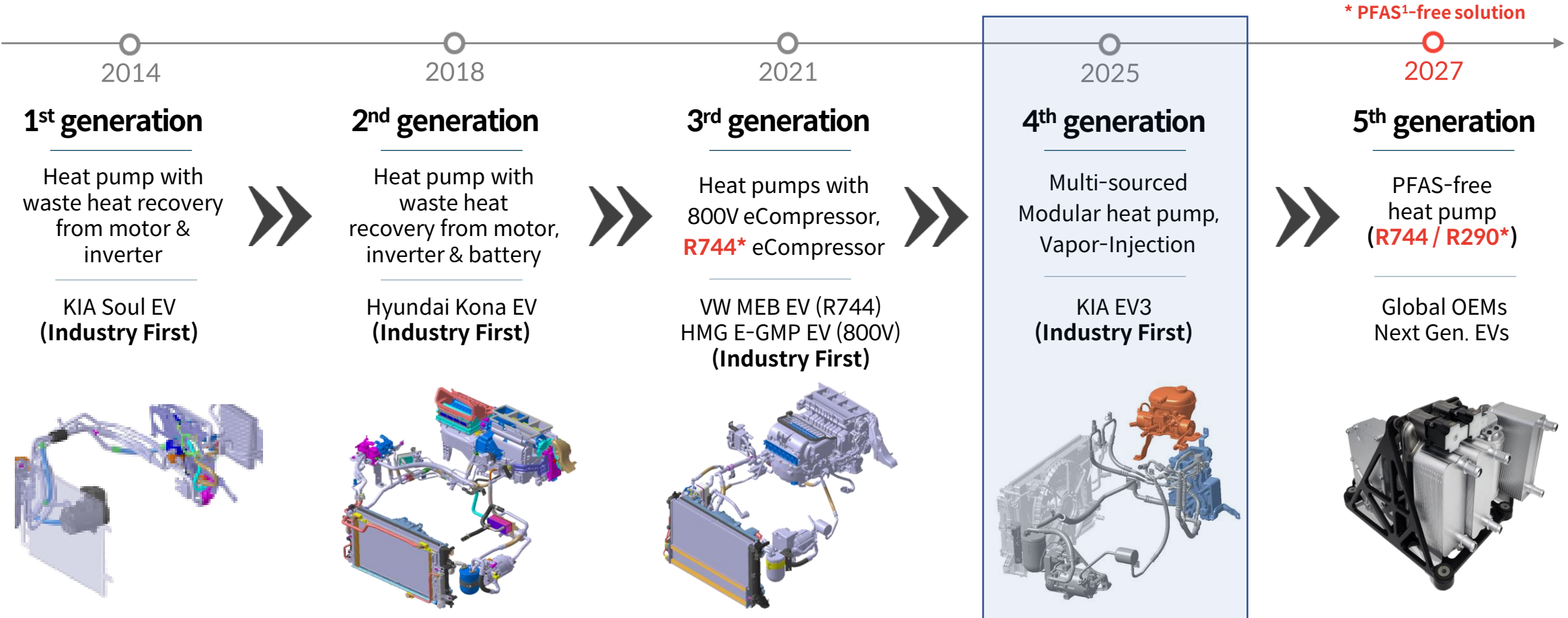
Photo source: KIA Media Site

- **KIA EV3: “Modular Heat Pump System and Thin HVAC”**
 - KIA EV3 adopts heat pump as a standard equipment for Korean market
 - Enhanced heating efficiency by 6~10% by a parallel heat recovery using multi-source energy (Industry first)
 - Thin HVAC: “The new (HVAC) system is a packaging miracle.” (CAR Magazine)
- **Hanon Systems provides industry first multi-source HP module**
 - Provides fully integrated thermal management system including coolant module and refrigerant module for Kia EV3
 - The 4th generation heat pump circuit with multi-source heat recovery
 - The most advanced and compact heat pump module in the market
 - Modular design minimizes time, costs and materials in manufacturing
 - Complies with ASPICE for electrified components including eCompressor

Hanon Systems Starts to Supply Modular Heat Pump System Beginning with KIA EV3

Heat Pump Technology Roadmap

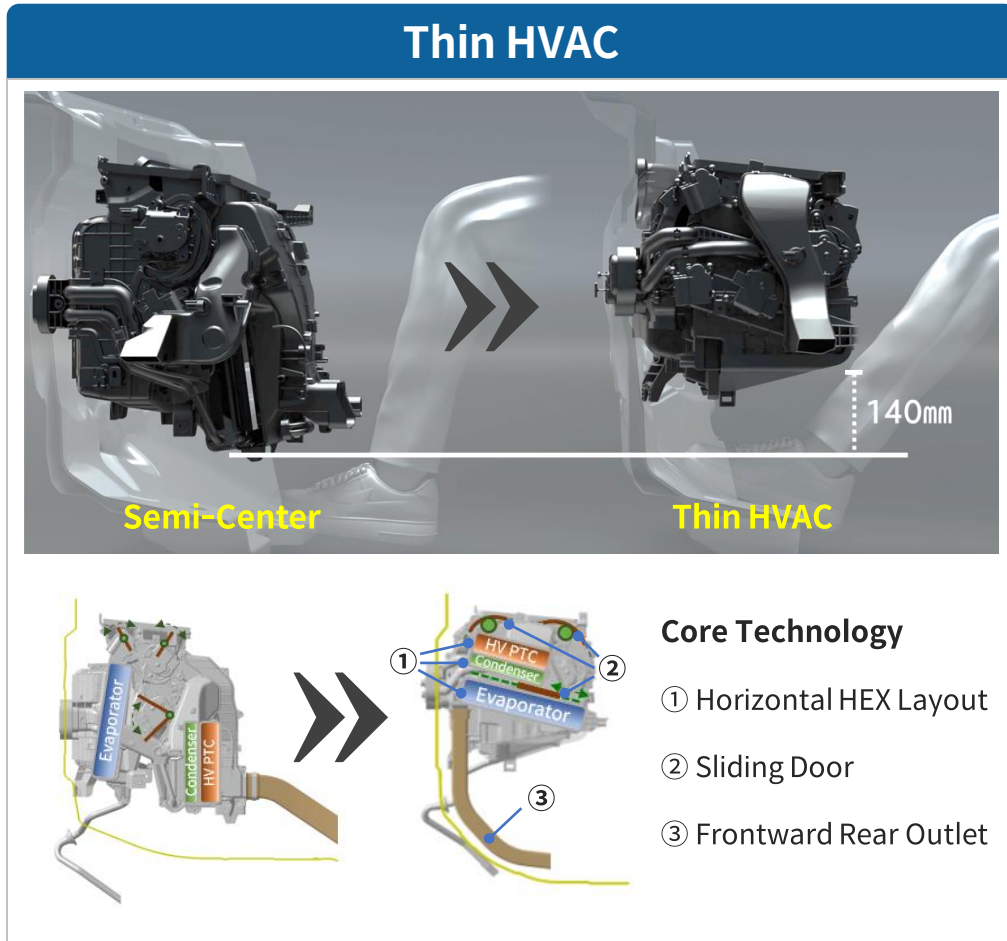
Continues to lead the EV thermal management technology



Global Leadership in Modular Heat Pump Solutions with Multi-source Energy Recovery

1. PFAS: Per- and Polyfluoroalkyl Substances ("forever chemicals")

Introducing Thin HVAC for EVs



■ HVAC of KIA EV3: “Thin HVAC”

- KIA EV3 adopts Thin HVAC in order to save interior space (industry first)
- Minimizes the size of HVAC while improving performance and quality
 - Reduces 33% in volume, 0.7kg in weight, 140mm in height
 - Improves air volume by 5%, noise by 7% and power consumption by 25%



Hanon Inside: Thin HVAC is located inside the passenger compartment of KIA EV3

■ Hanon Systems Innovates HVAC Design for Affordable EVs

- Premium design for affordable EVs by saving interior space for EVs
- Value-added design by reduction of material costs and weight
- Thin HVAC to become a dominant design for affordable EVs

Thin HVAC Saves Interior Space by Fundamental Rethinking and Innovative Designs