2Q 2022
Earnings Release

Aug. 10, 2022

2Q 2022: Key Financial Metrics

(KRW in Billions)

	2Q22	2Q21	YoY %	1Q22	QoQ %
Revenue	**2,107**	**1,852**	13.8%	**1,980**	6.4%
COGS	**1,906**	**1,627**	17.1%	**1,802**	5.8%
% of Sales	90.5%	87.9%		91.0%	
SG&A (Incl. R&D)	**140**	**124**	12.8%	**148**	-5.3%
% of Sales	6.7 %	6.7%		7.5%	
EBITDA	**198**	**225**	-11.9%	**162**	22.3%
Margin (%)	9.4%	12.2%		8.2%	
Operating Profit	**60**	**100**	-40.2%	**30**	97.2%
Margin (%)	2.9%	5.4%		1.5%	
Net Income	**15**	**100**	-85.4%	**22**	-34.5%
Margin (%)	0.7%	5.4%		1.1%	

Record high revenue on BEVs and weak KRW; OPM improved QoQ on cost recovery

1H 2022: Key Financial Metrics

(KRW in Billions)

	1H 2022	1H 2021	YoY Variance	
Revenue	**4,087**	**3,721**	366	9.8%
COGS	**3,708**	**3,274**	434	13.2%
% of Sales	90.7%	88.0%		
SG&A (Incl. R&D)	**289**	**252**	37	14.4%
% of Sales	7.1 %	6.8%		
EBITDA	**361**	**447**	-86	-19.3%
Margin (%)	8.8%	12.0%		
Operating Profit	**91**	**194**	-103	-53.4%
Margin (%)	2.2%	5.2%		
Net Income	**37**	**160**	-123	-76.9%
Margin (%)	0.9%	4.3%		

Revenue on track to yearly guidance; OPM to improve in 2H as material costs peaked out in 2Q

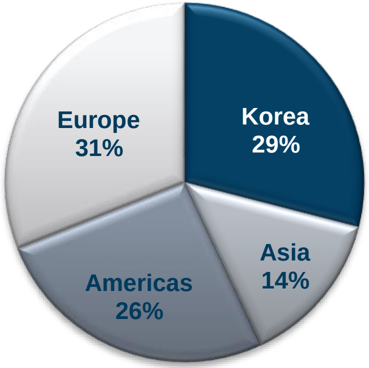
2Q 2022 Highlights

2Q22 Highlights

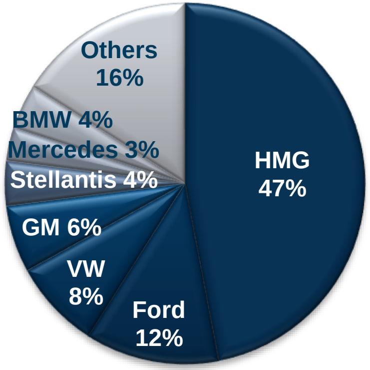
- Company reports highest quarterly revenue on eco-friendly programs despite industry headwinds
- OPM improves QoQ on cost recovery from customers; OPM to improve in 2H due to easing material cost pressure
- Robust New Business Wins from electrified vehicles with industry-leading technologies for BEVs

Sales Breakdown (1H22)

By Region



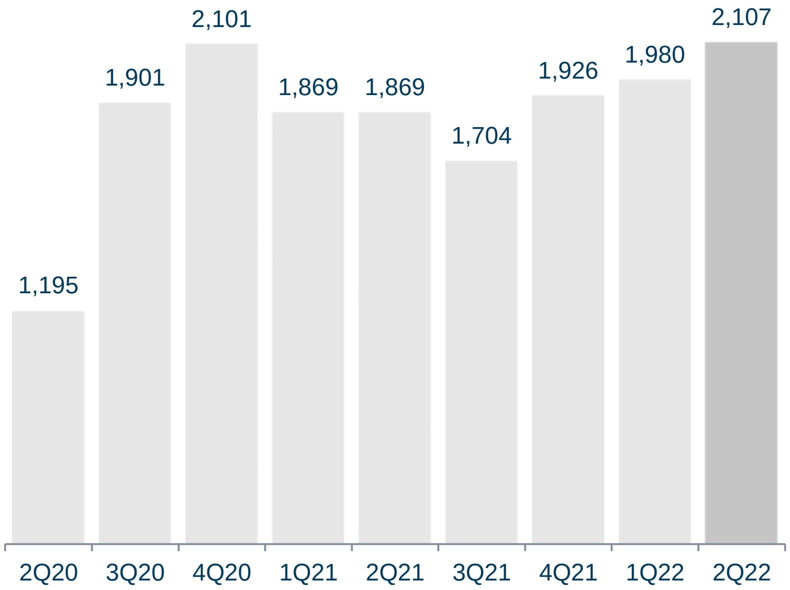
By Customer



Quarterly Sales

Consolidated Sales

(KRW in Billions)



Comments

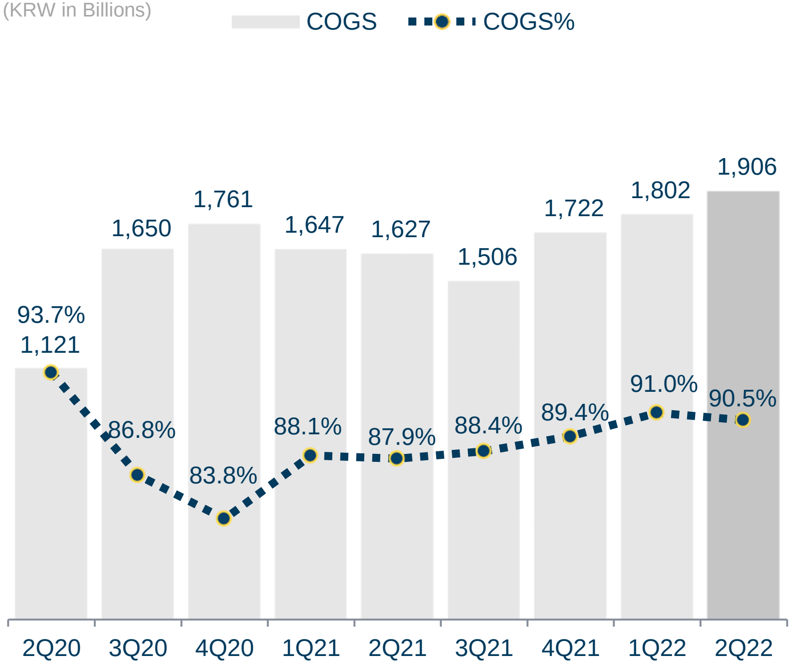
- 2Q22 revenue is the highest quarterly sales in company history
- Americas, Europe and Korea YoY revenue up by 36%, 17% and 2% respectively; while China YoY revenue down by 20% due to lockdown
- Increase in YoY revenue on production recovery with Ford (+39%), BMW (+37%), Stellantis (+31%), HMG (+12%) and Mercedes (+10%)
- Less-than-planned volume due to supply disruption in Europe and China with GM (+1%) and VW (+0% YoY)

2Q Revenue Increase of 14% YoY Driven by Production Recovery from Chip Shortage

Quarterly COGS

Quarterly Cost of Goods Sold

(KRW in Billions)



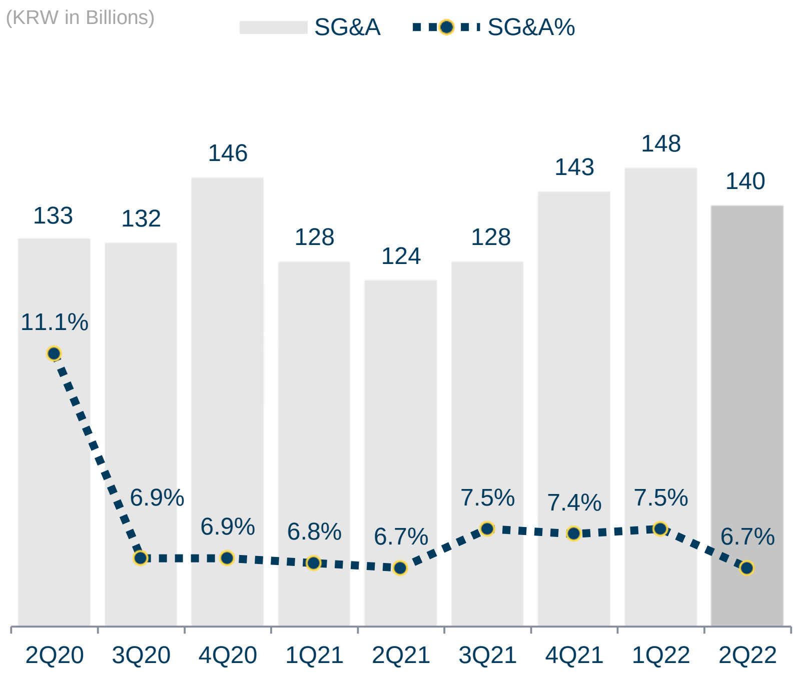
Comments

- Positive factors
  - COGS% improves 0.5%p QoQ as company mitigates supply chain headwinds through productive discussion with customers and internal cost improvement actions
  - Electrified component profit margins continue to improve driven by higher eco-friendly vehicle volumes
- Negative factors
  - COGS% increased by 2.6%p YoY due to raw material, logistics and utility/labor costs surge
  - Volume loss due to chip shortage and production disruption in Europe/China

Costs Stabilized at End of 2Q; Anticipate Further Improvements in 2H

Quarterly SG&A

Quarterly SG&A Status



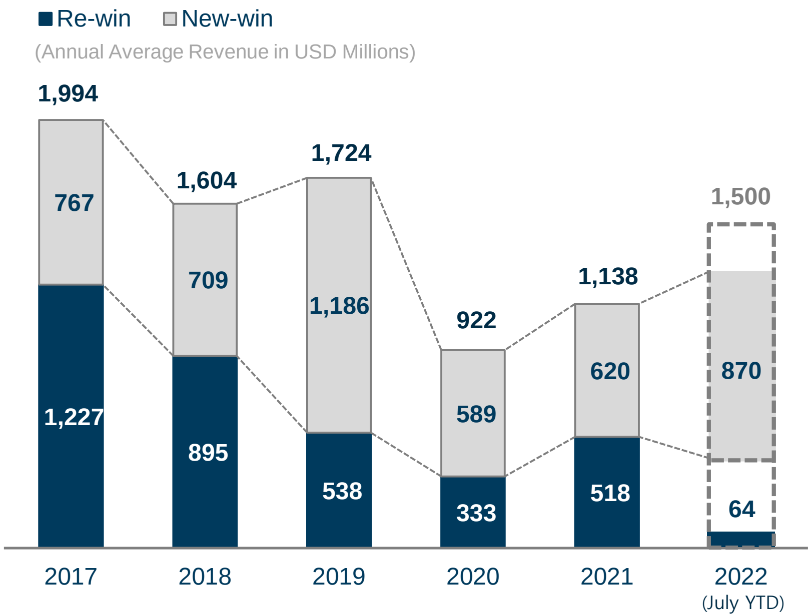
Comments

- SG&A expense: 6.7% of total revenue (remained flat YoY)
- R&D spend (incl. R&D capitalization): 4.5% of total revenue

SG&A% Remains at 2-Year Low Despite Inflation

New Business Wins Update

FY2022 New Business Wins

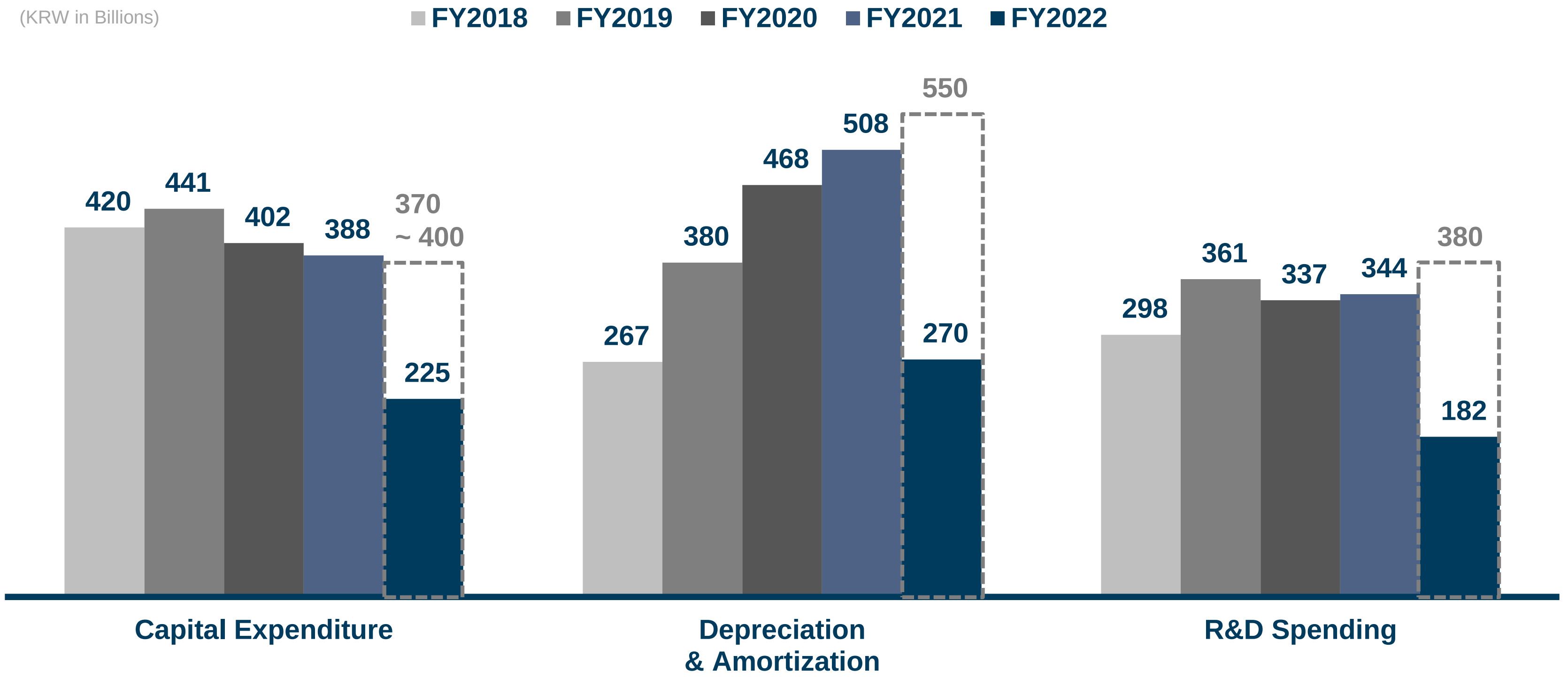


	2017	2018	2019	2020	2021	2022
Eco-friendly (% out of New win)	**36%**	**63%**	**73%**	**76%**	**81%**	**91%**

- A premium customer in Europe awarded major refrigerant module order for its global EV platform
- Eco-friendly ratio in new-win expected to reach 90% in 2022
- Ongoing focus to leading position in EV market with strong relationship with anchor and premium customers
- On track to yearly target of NBW or higher

New Business Wins to Increase Significantly in 2022 Based on Market Leadership in BEV Thermal Systems

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

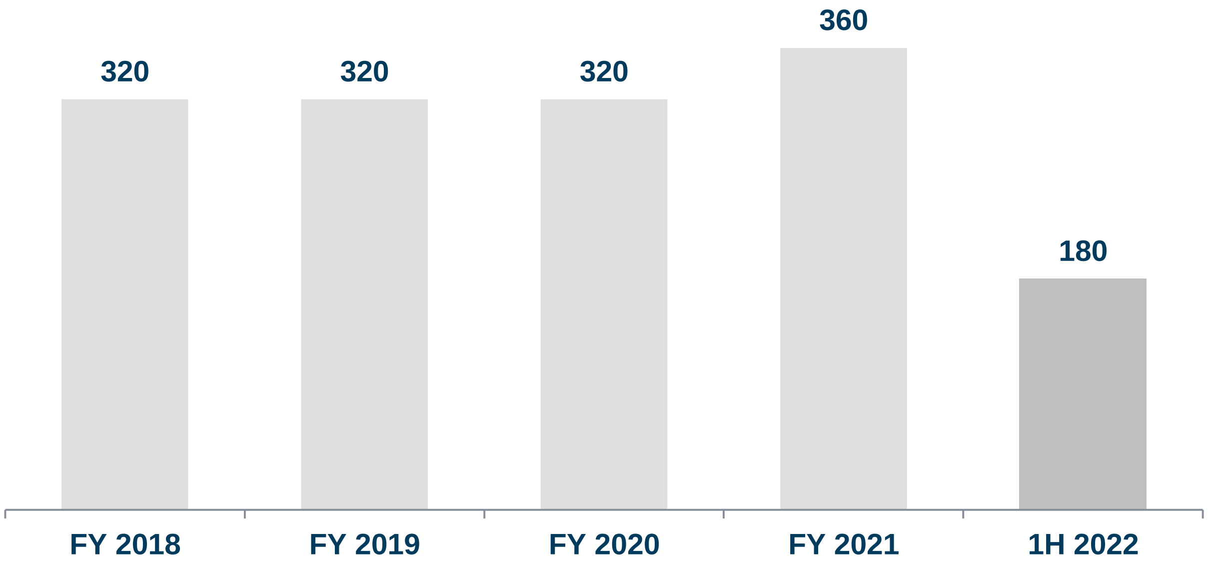


Efforts Ongoing to Balance R&D and CapEx Spending to Support Business Continuity and Future Growth

Note: E&FP consolidated since 2Q19

Dividend

2Q22 Quarterly Dividend (90 KRW per share)



2Q 2022 Balance Sheet

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

Balance Sheet

	Jun 2022	Dec 2021	Dec 2020
Cash and cash equivalent	900	1,404	1,325
Account receivable	1,136	1,025	1,202
Inventories	1,061	810	630
Property and equipment	2,348	2,336	2,224
Intangible assets	1,917	1,790	1,622
Lease assets	247	227	211
Other assets	825	642	593
Total assets	**8,434**	**8,234**	**7,807**
Account payable	1,644	1,475	1,581
Debt	3,637	3,723	3,430
Other liabilities	686	560	557
Shareholder's equity	2,326	2,343	2,117
Non-controlling	141	133	122
Total liabilities & shareholders' equity	**8,434**	**8,234**	**7,807**

Cash and Debt

Cash Balance	Jun 2022	Dec 2021	Dec 2020
Net Debt	2,737	2,319	2,104
Net Debt Ratio	1.1	0.9	0.9
Debt to Equity	1.5	1.5	1.5

Leverage	2021	2020
EBITDA	834	784
Debt / EBITDA	4.5	4.4
Net Debt / EBITDA	2.8	2.7
EBITDA / Net Interest Expenses	10.5	9.2

Supplying Heat Pump Technology for Mercedes-Benz Vision EQXX

Photo source: Mercedes-Benz Group media site

- **Vision EQXX - "The most efficient Mercedes-Benz ever"**
  - Prototype that demonstrates Mercedes' technical capabilities in e-mobility
  - Succeeded a road trip of 1,202 km on a single battery charge
  - Featured a new heat pump system that boosts driving range
- **Hanon Systems provides heat pump technology for Vision EQXX**
  - Supplies components including eComp, valves, fluid transport and HVAC
  - Heat pump control development and implementation
  - Optimization for efficiency, performance and NVH in a compact package

Hanon Systems Selected as Thermal Systems Technology Partner for Mercedes-Benz EV Concept

Integrated Thermal Management System for Hyundai IONIQ 6

Photo source: Hyundai Motor Company Media Site

- **IONIQ 6 - “One of the most energy-efficient vehicles in the market”**
  - Focus on energy consumption rate that enables a longer driving range
  - Estimated driving range over 610 km with long-range battery
  - Charge from 10 percent to 80 percent in just 18 minutes
- **Hanon Systems provides integrated thermal management system for IONIQ 6**
  - Supplies the integrated thermal management system for E-GMP vehicles
  - Manufactures from the EV Dedicated manufacturing plant in Gyeongju, Korea
  - Hanon Systems will supply for IONIQ 6 and upcoming E-GMP vehicles

Hanon Systems Provides Integrated Thermal Management System for E-GMP Vehicles Including IONIQ 6

Integrated Thermal Management System for Future EV Models of HMG

Hanon SYSTEMS

SEVEN Concept of Hyundai Motor

Photo source: Hyundai Motor Company Media Site

Kia Concept EV9

Photo source: Kia Media Site

Hanon Systems to Provide Integrated Thermal Management System for All-Electric SUVs Based on E-GMP

VW is Assembling MEB Vehicles in the U.S.

Hanon SYSTEMS

Photo source: VW Group of America media site

- **VW's MEB assembly in the U.S. – "A milestone in VW's electrification strategy"**
  - ID.4 assembly began in July (Chattanooga, Tenn.)
  - VW aims to increase monthly units to 7,000 through 2022 and to increase further in 2023
- **Hanon Systems supplies for MEB production in Chattanooga**
  - Supplying components including eComp, battery chiller and heat pump valves
  - Supporting two refrigerants: R1234yf (U.S.) and R744 (Canada)

Hanon Systems is the Thermal Systems Technology Partner for the VW MEB Platform

Thank You

Investor Relations Team

Chungkwan Shin
Head of IR
cshin1@hanonsystems.com

Eunbin Kim
Sr. Manager
ekim16@hanonsystems.com

Cheri Im
Manager
clim10@hanonsystems.com