



3Q 2024 Earnings Release

November 13, 2024

Table of Contents

I ▪ 3Q 2024 Earnings Release

II ▪ Business Update

Disclaimer

Hanon Systems does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Any information expressed herein on this date is for understanding purposes before the audit, and may be subject to change without notice.

3Q 2024: Key YoY Financial Metrics

Unit: KRW in billions

	3Q 2024	2Q 2024 ¹	QoQ Variance	3Q 2023 ¹	YoY Variance
Revenue	2,500	2,559	(2.3%)	2,311	8.2%
COGS	2,249	2,325	(3.3%)	2,124	5.9%
% of Sales	90.0%	90.9%	(0.9%pt)	91.9%	(1.9%pt)
SG&A (Incl. R&D)	157	161	(2.6%)	168	(7.1%)
% of Sales	6.3%	6.3%	-	7.3%	(1.0%pt)
EBITDA	254	236	7.8%	171	48.6%
Margin (%)	10.2%	9.2%	1.0%pt	7.4%	2.8%pt
Operating Income	94	73	28.3%	19	391.1%
Margin (%)	3.7%	2.9%	0.8%pt	0.8%	2.9%pt
Net Income ^{2, 3}	(19)	(31)	-	(42)	-
Margin (%)	(0.8%)	(1.2%)	0.4%pt	(1.8%)	1.0%pt

Revenue Increase Despite Volume Decrease; Net Loss on Interest and FX Impact

1. Provided for comparison reflecting discontinued operations
2. Net interest expense: -57B / FX Impact: -54B
3. Includes 3Q24 Net Income from discontinued operations -7.4B

3Q YTD 2024: Key YoY Financial Metrics

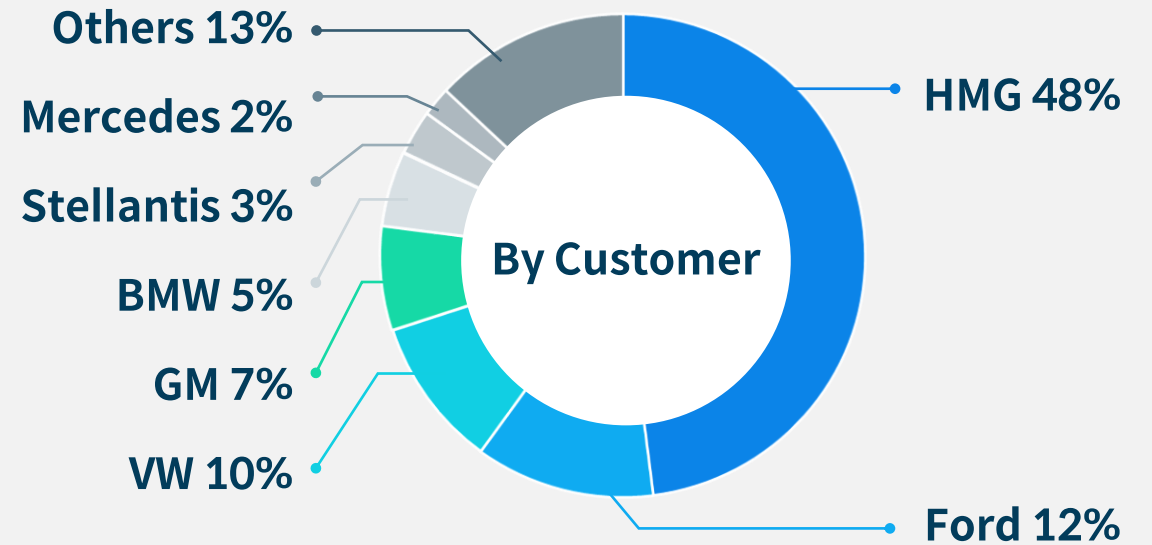
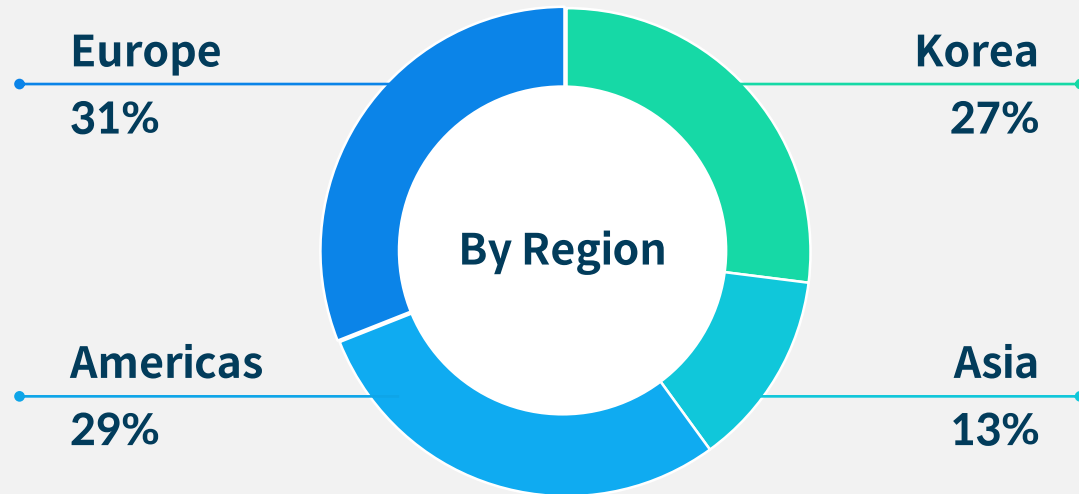
Unit: KRW in billions	3Q YTD 2024	3Q YTD 2023 ¹	YoY Variance	
Revenue	7,463	7,065	398	5.6%
COGS	6,758	6,380	378	5.9%
% of Sales	90.6%	90.3%	0.3%pt	
SG&A (Incl. R&D)	472	460	12	2.5%
% of Sales	6.3%	6.5%	(0.2%pt)	
EBITDA	712	662	50	7.6%
Margin (%)	9.5%	9.4%	0.1%pt	
Operating Income	233	225	8	3.4%
Margin (%)	3.1%	3.2%	(0.1%pt)	
Net Income ^{2, 3}	(41)	113	(154)	-
Margin (%)	(0.5%)	1.6%	(2.1%pt)	

EBITDA Increased on Cost Actions; Net Loss on Interest and FX Impact

1. Provided for comparison reflecting discontinued operations
 2. Net interest expense: -171B / FX Impact: -65B
 3. Includes 3Q YTD 2023 Net Income from discontinued operations -9.6B

3Q YTD 2024 Highlights

Sales Breakdown (3Q24 YTD)

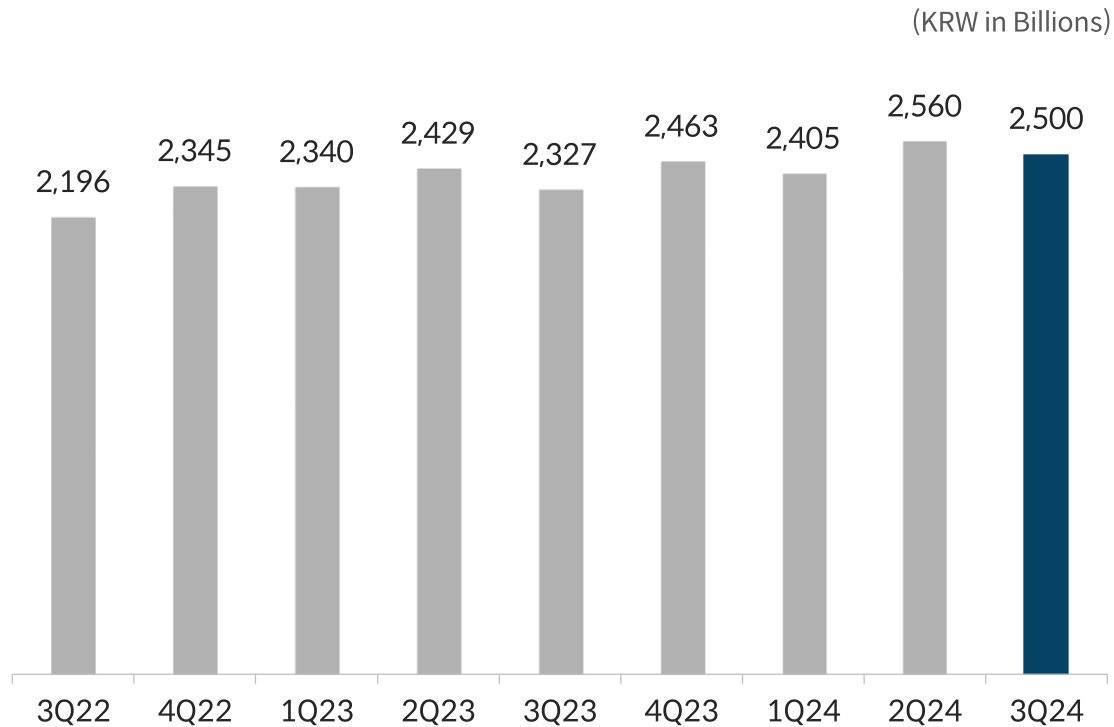


3Q 2024 Highlights

- Quarterly revenue increased by 8% YoY due to favorable FX, recovery and launch of new BEV with 4th Gen. heat pump systems
- 3Q24 xEV ratio improved to 26% of total revenue based on HMG, VW, BMW and GM
- Quarterly operating income increased through continuous efforts on recovery, pricing and cost actions

Quarterly Sales

Consolidated Sales



Comments



- 3Q24: Increase in Americas (+20% YoY), Korea (+6%) and Europe (+4%); Decrease in China (-16%)

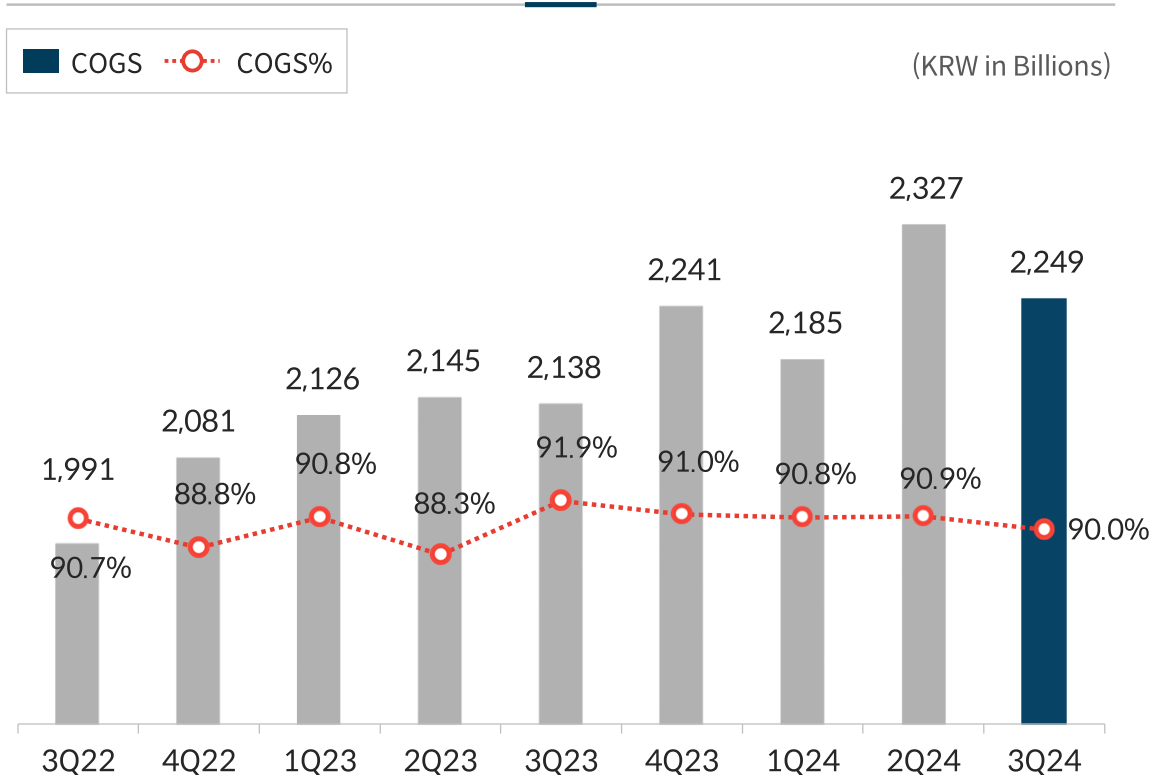


- 3Q24: Increase in VW (+22% YoY), HMG (+12%), Ford (+10%), BMW (+10%), and GM (+5%); decrease in Stellantis (-36%), Mercedes (-3%)

Increase in 3Q24 Revenue due to Favorable FX and Cost Recovery

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 2025

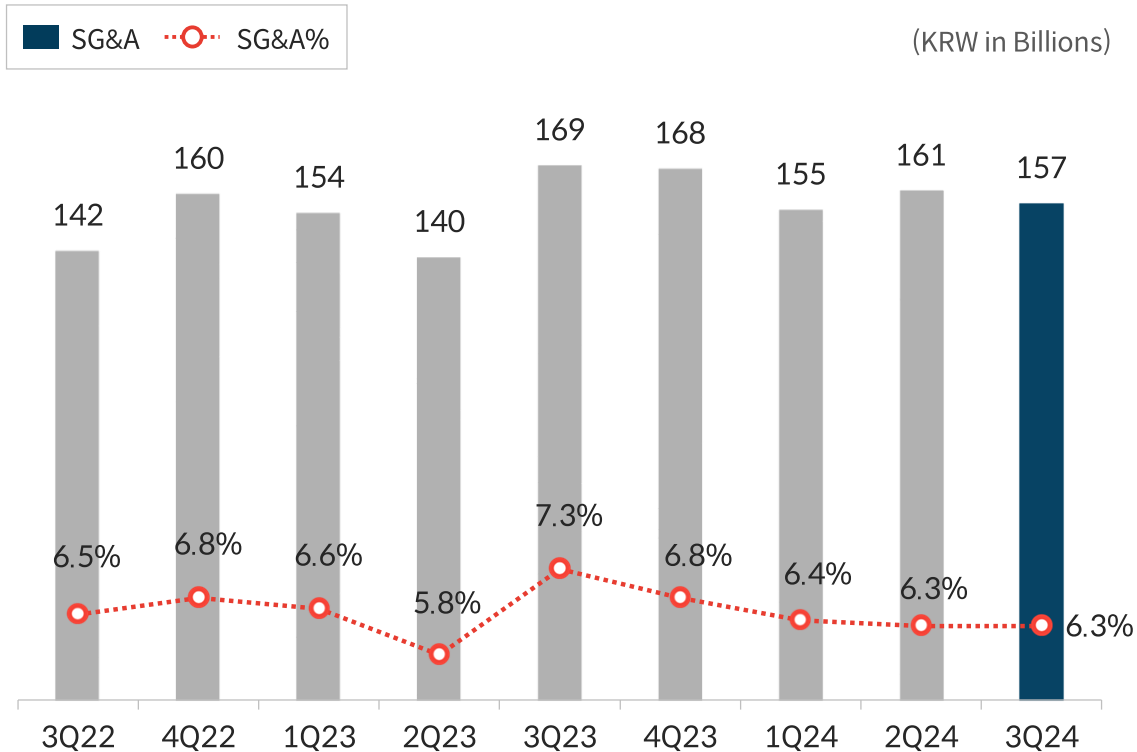
Negative Factors

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

Maintain Stable COGS Throughout the Year on Cost Actions

Quarterly SG&A

Quarterly SG&A



Comments



- 3Q24 SG&A expense : 6.3% of total revenue (YoY decrease of 1.0%pt)

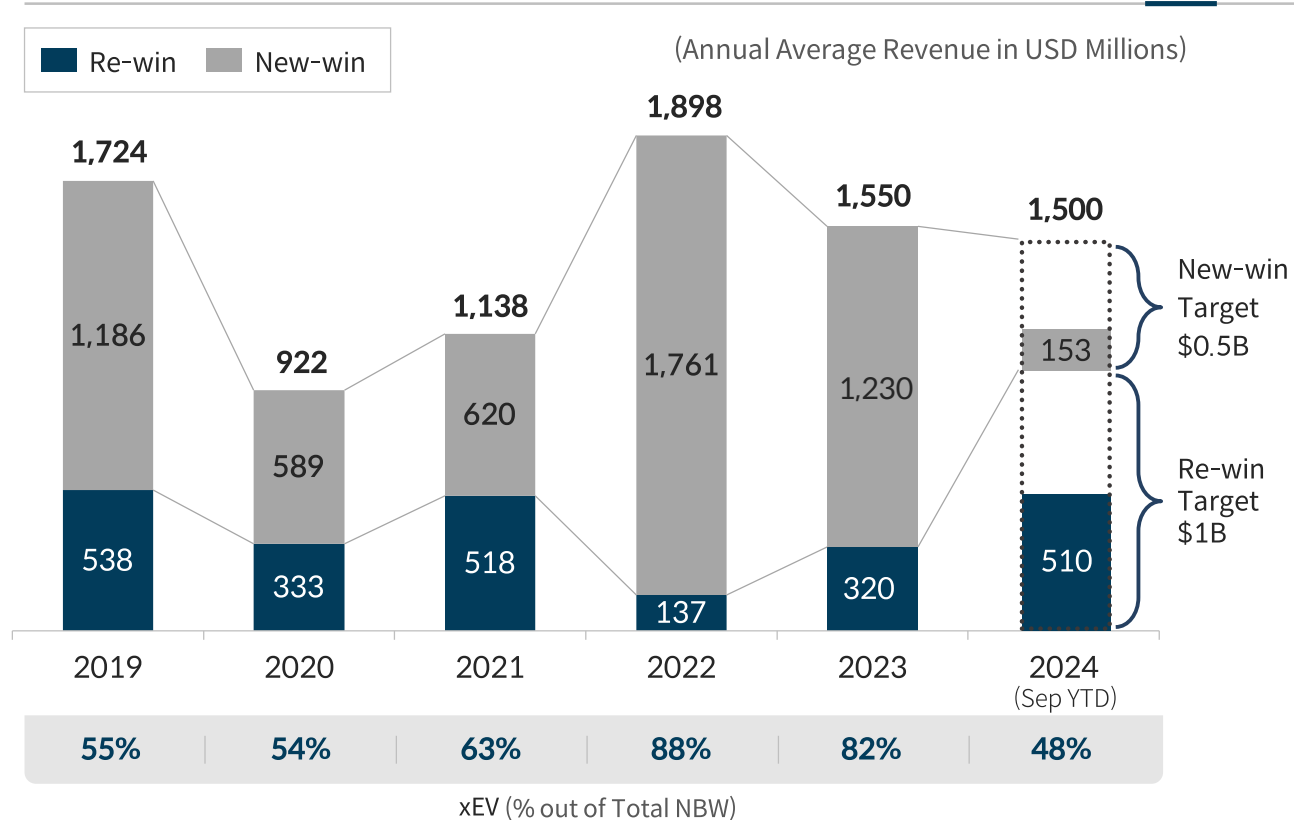


- 3Q24 R&D spending (incl. R&D capitalization) : 4.4% of total revenue (YoY decrease of 0.5%pt)

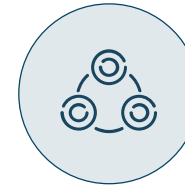
SG&A Ratio Has Decreased for Four Consecutive Quarters

New Business Wins Update

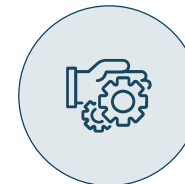
FY 2024 New Business Wins



- New Business Wins on track; key programs scheduled mainly in 4Q 2024



- Strengthen technology leadership by securing order for the world first R744 UHV eCompressor from European premium brand

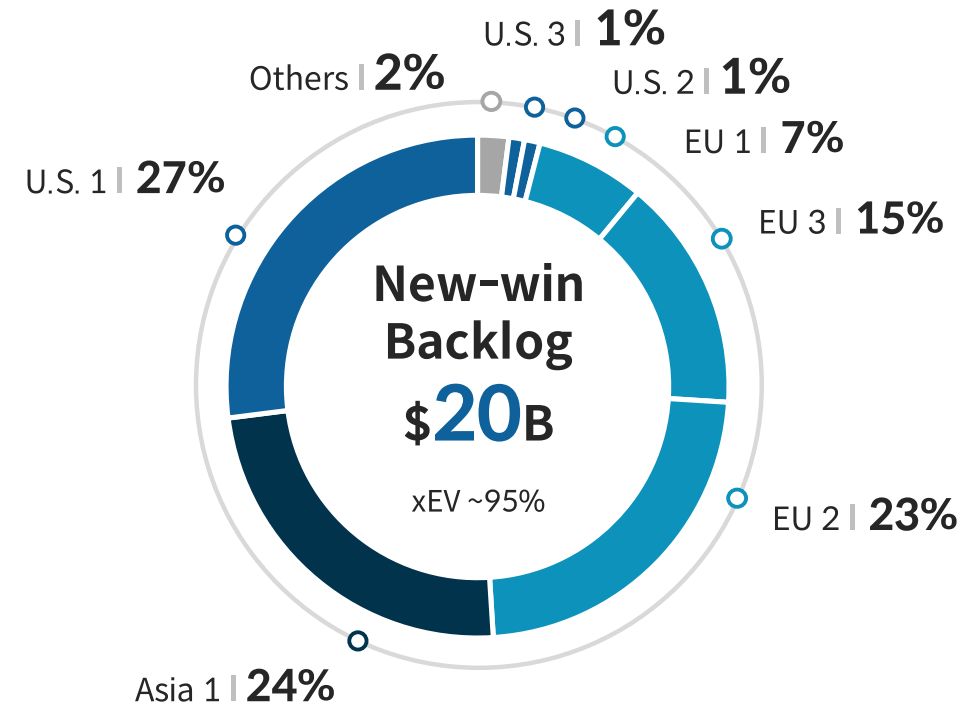
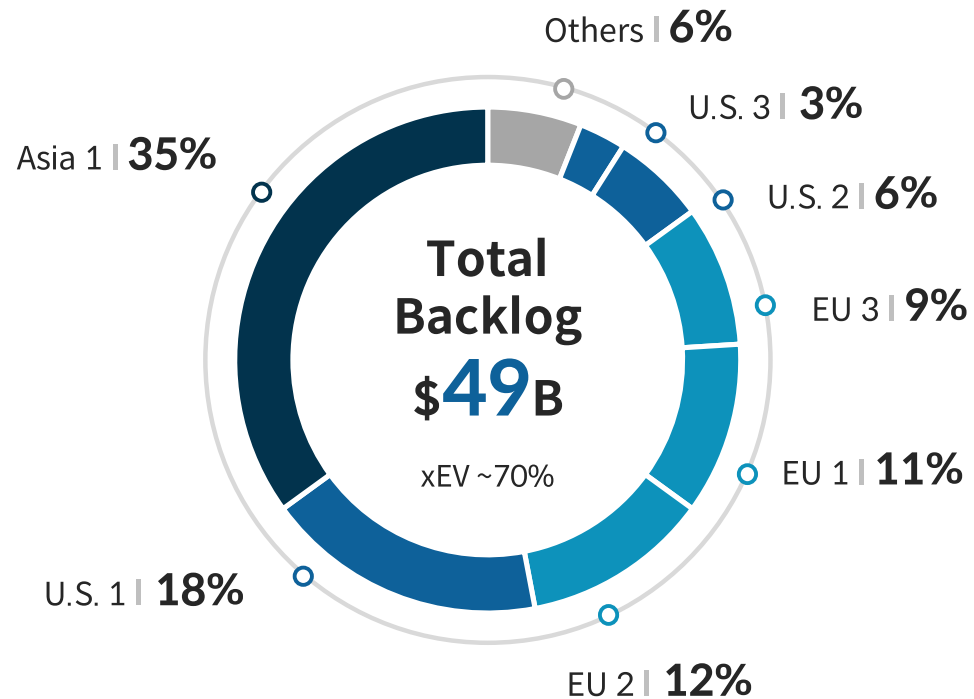


- Expect improved profitability through successful Re-win orders with increased efficiency, minimum CAPEX requirements and price adjustments

On Track to Yearly NBW Target; Expect Strong Order Flow in 4Q 2024

Solid Backlog

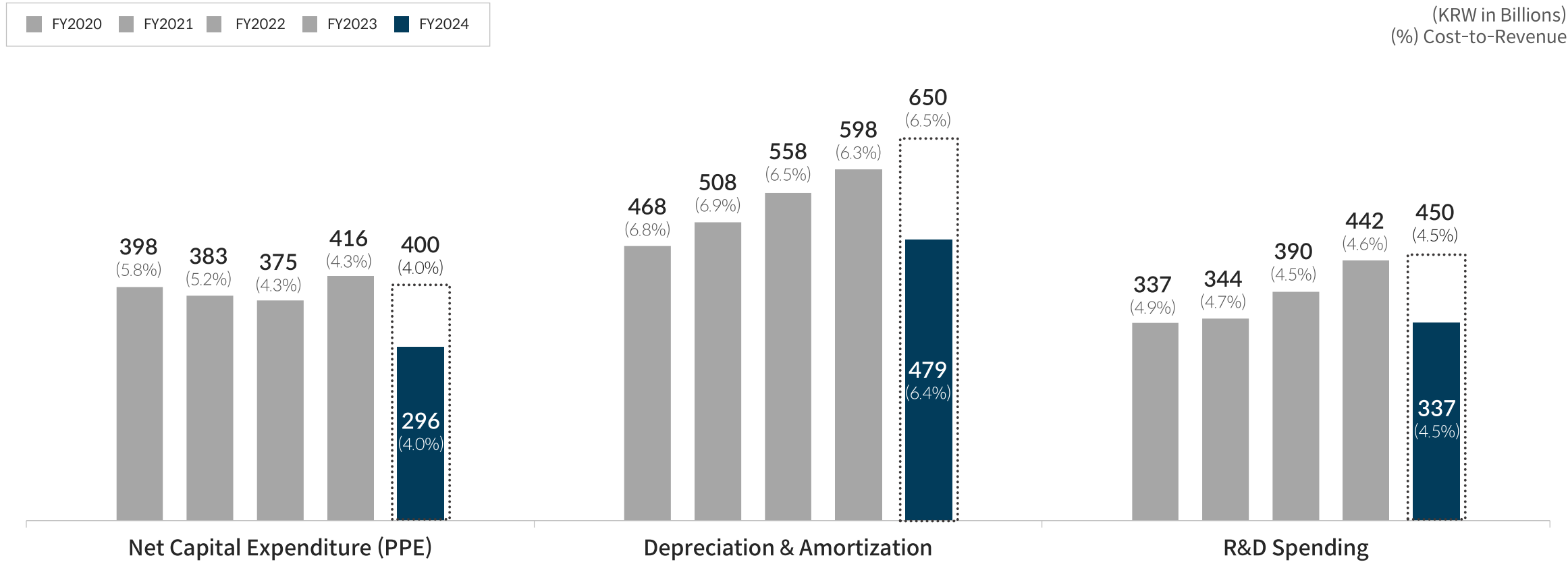
3Q 2024 Backlog



Maintaining Solid Backlog Based on Balanced Product Mix

Note : Total Backlog includes the followings 1) In-production backlog: Remaining life-cycle revenue from vehicles in production
2) Re-win backlog: Program life-cycle revenue of re-win vehicles to be launched 3) New-win backlog: Program life-cycle revenue of new-win vehicles to be launched

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



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

3Q 2024 Balance Sheet

Balance Sheet

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

	Sep 2024	Dec 2023	Dec 2022
Cash and cash equivalent	758	779	1,436
Account receivable	1,413	1,344	1,285
Inventories	1,198	1,140	972
Property and equipment	2,734	2,716	2,371
Intangible assets	2,283	2,126	1,923
Lease assets	346	295	249
Other assets	980	844	863
Total assets	9,712	9,244	9,099
Account payable	1,916	1,867	1,824
Debt	4,446	4,146	4,280
Other liabilities	812	722	625
Shareholder's equity	2,400	2,372	2,236
Non-controlling	138	137	134
Total liabilities & shareholders' equity	9,712	9,244	9,099

Cash and Debt

Cash Balance	Sep 2024	Dec 2023	Dec 2022
Net Debt	3,688	3,368	2,844
Net Debt Ratio	1.45	1.34	1.20
Debt to Equity	1.75	1.65	1.81

Leverage	Sep 2024 TTM*	2023	2022
EBITDA	924	876	814
Debt / EBITDA	4.81	4.74	5.26
Net Debt / EBITDA	3.99	3.85	3.49
EBITDA / Net Interest Expenses	4.25	5.59	8.78

Balance Sheet To Be Strengthened through Capital Increase

* Trailing Twelve Month Basis

Table of Contents

I ▪ 3Q 2024 Earnings Release

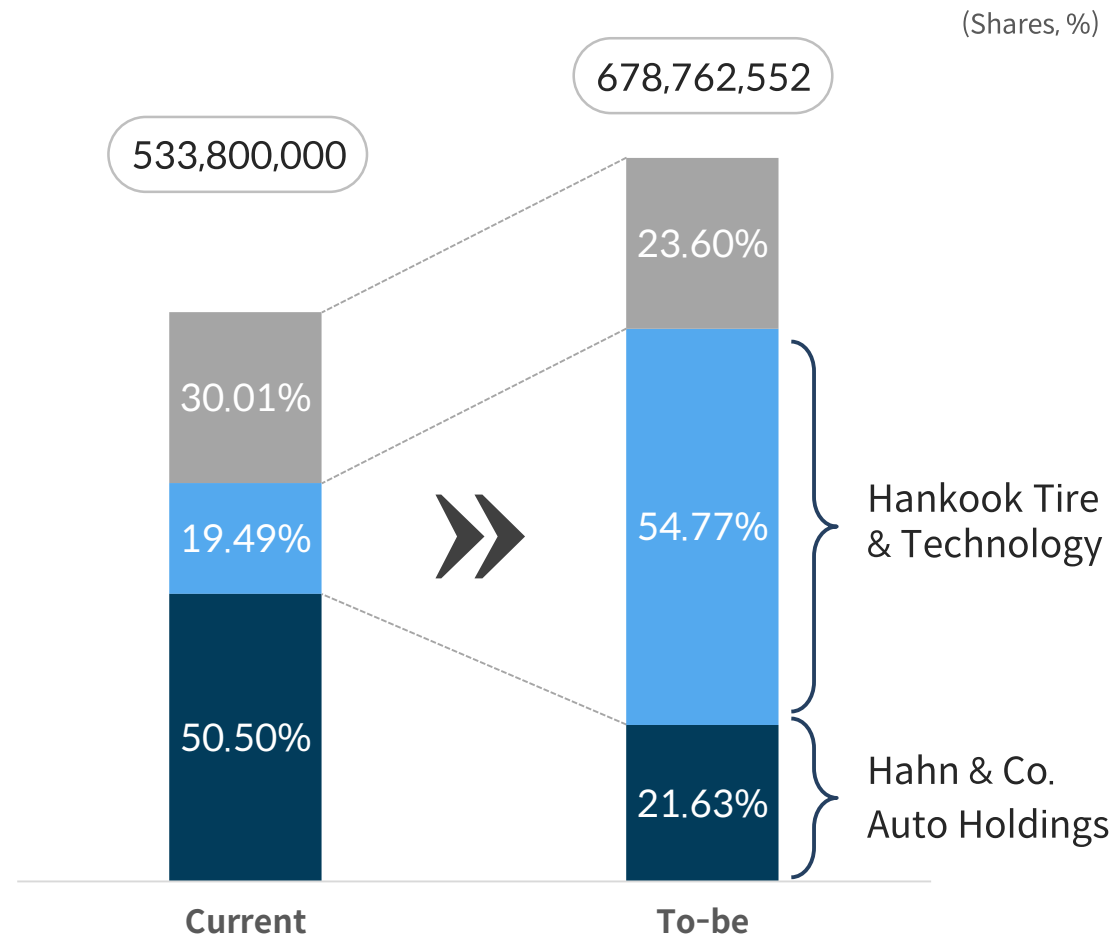
II ▪ Business Update

Disclaimer

Hanon Systems does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Any information expressed herein on this date is for understanding purposes before the audit, and may be subject to change without notice.

Hankook Tire to Become the Largest Shareholder

Changes in Shareholding Structure



SPA (October 31) and Capital Increase

- Hahn & Co. Auto Holdings entered into an SPA on October 31 with Hankook Tire & Technology
 - Number of shares: 122,774,000 common shares
 - Price: 10,000 KRW/share
- Hankook Tire & Technology to acquire 144,962,552 of new shares at 4,139 KRW/share via third-party allotment to improve balance sheet and ensure financial stability for future growth
- Hankook Tire & Technology to become the largest shareholder with 54.77% of ownership as the result of the transactions
- Post-Merger Integration preparation is in progress, and the transactions are expected to be completed within a few months

Hanon Systems Announces the First eCompressor Plant in NA



Photo source: Hanon Systems

- **New Electric Compressor Plant in Woodbridge, Ontario**
 - The company's first North American plant to produce eCompressors, the essential components for electrified vehicles
 - Manufacturing Space: 284,200 square feet (26,400 square meters)
 - Annual Capacity: up to 900,000 units
 - Start of Production: 1H 2025
- **Expanding Manufacturing Capability in North America**
 - Strategically selected location for optimal investment, lowered costs, technical workforce, and improved competitiveness for US-based carmakers
 - Expects to create synergies with the innovation center in the U.S. and existing production footprints in North America
 - Secures the global production capability for eCompressors, following China, Europe and South Korea

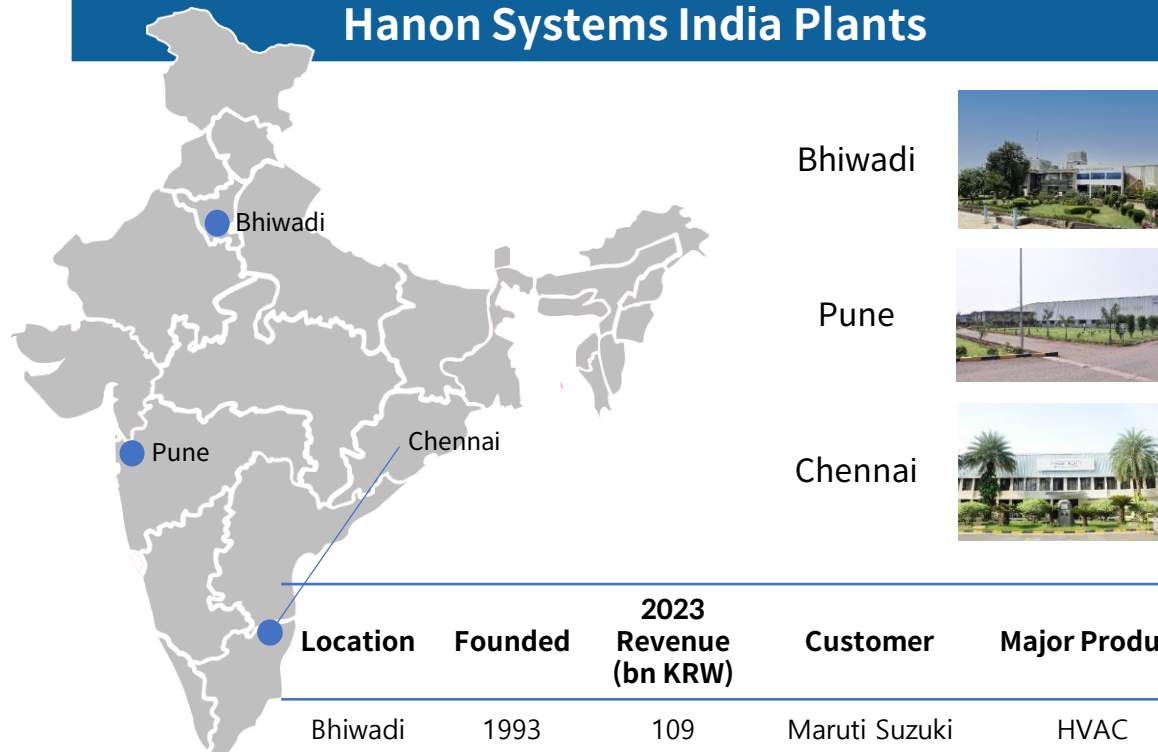
Hanon Systems Launches Electric Compressor Plant in North America

Hanon Systems Growing with Customers in India



Accelerates growth in India through strong customer relationship and electrification capabilities

Hanon Systems India Plants



Bhiwadi



Pune



Chennai



Location	Founded	2023 Revenue (bn KRW)	Customer	Major Product
Bhiwadi	1993	109	Maruti Suzuki	HVAC
Chennai	1997	360	Hyundai, Kia	Compressor
Pune	2011		Mahindra, VW	HVAC

▪ Second Largest Thermal Supplier in India

- Supports HMG and leading carmakers in India for more than 30 years
- Three manufacturing sites in India: Chennai, Bhiwadi and Pune
- In 2023, Hanon Systems India reported 470 billion KRW in revenue by supplying 660k A/C systems and core components including compressors, HVAC, heat exchangers and fluid transports
- Major vehicles: Creta, Exeter and Aura for Hyundai, Seltos for Kia

▪ Full-Line A/C Supplier for HMG and Major Carmakers in India

- Full-line production capabilities for ICE vehicles
- Supports EV production (Kona EV, IONIQ 5) for HMG India since 2020 through global production capabilities
- Plans for growth in India both to meet increasing demand for ICE and to accelerate emerging trend for electrification beginning in 2026

Hanon Systems is Strongly Positioned in the Rapidly-Growing Market

Major Order for R744, UHV eCompressor

Another major eCompressor order of high performance, natural refrigerant compressor



- **5th Gen eCompressor: “Ultra-High Voltage with Natural Refrigerant”**
 - Hanon Systems is leading the electric compressor technology by securing a major order on 5th gen electric compressor
 - World-first: Mass volume, ultra-high voltage and high displacement with natural refrigerant (R744)
 - Start of Production: 2028
- **Cutting Edge Technology to the Heritage of the Premium Brand**
 - R744 (CO₂) : the most eco-friendly refrigerant to meet the PFAS regulations
 - Advanced design for durability, light weight and extreme operating conditions
 - Ultra-high voltage and larger thermal capacity for high performance EVs
 - Secured additional orders for R744-based heat pump system

Photo source: Hanon Systems (4th Gen R744 eCompressor)

Hanon Systems Joins the Electrification Journey of the High-Performance Premium Brand

Thank You

Investor Relations Team

신정관 상무

Chungkwan Shin

Head of IR

cshin1@hanonsystems.com

김은빈 전임

Eunbin (Beth) Kim

Sr. Manager

ekim16@hanonsystems.com

임체리 주임

Cheri (Cherry) Im

Manager

clim10@hanonsystems.com