Hanon Systems
a Hankook Company

2Q 2025 Earnings Release

August 14, 2025

Ⅰ. 2Q 2025 Financial Results

2Q 2025: Key Financials

Unit: KRW in billions

	2Q 2025 / adj.	2Q 2024	YoY Variance	1Q 2025 / adj.	QoQ Variance
Revenue	**2,858**	**2,560**	**11.7%**	**2,617**	**9.2%**
COGS	**2,604 / 2,589**	**2,327**	**11.9%**	**2,427 / 2,424**	**7.3%**
% of Sales	91.1% / 90.6%	90.9%	0.2%pt	92.7% / 92.6%	(1.6%pt)
SG&A (Incl. R&D)	**190 / 162**	**161**	**17.7%**	**169 / 155**	**12.3%**
% of Sales	6.6% / 5.7%	6.3%	0.3%pt	6.5% / 5.9%	0.1%pt
EBITDA	**251 / 293**	**235**	**6.7%**	**191 / 209**	**30.9%**
Margin (%)	8.8% / 10.2%	9.2%	(0.4%pt)	7.3% / 8.0%	1.5%pt
Operating Profit [1]	**64 / 107**	**72**	**(10.2%)**	**21 / 39**	**205.1%**
Margin (%)	2.2% / 3.7%	2.8%	(0.6%pt)	0.8% / 1.5%	1.4%pt
Net Income [2]	**(15) / 27**	**(31)**	**51.7%**	**(23) / (5)**	**33.2%**
Margin (%)	(0.5%) / 1.0%	(1.2%)	0.7%pt	(0.9%) / (0.2%)	0.4%pt

Strong Revenue Growth and Substantial OP Improvement Driven by Cost Innovation Initiatives

1. YoY Impact from R&D capitalization scope change: -42.4B
2. 2Q 2025 Net interest expense -49B / Net FX Impact -47B / Others +6B

1H 2025: Key YoY Financial Metrics

Unit: KRW in billions

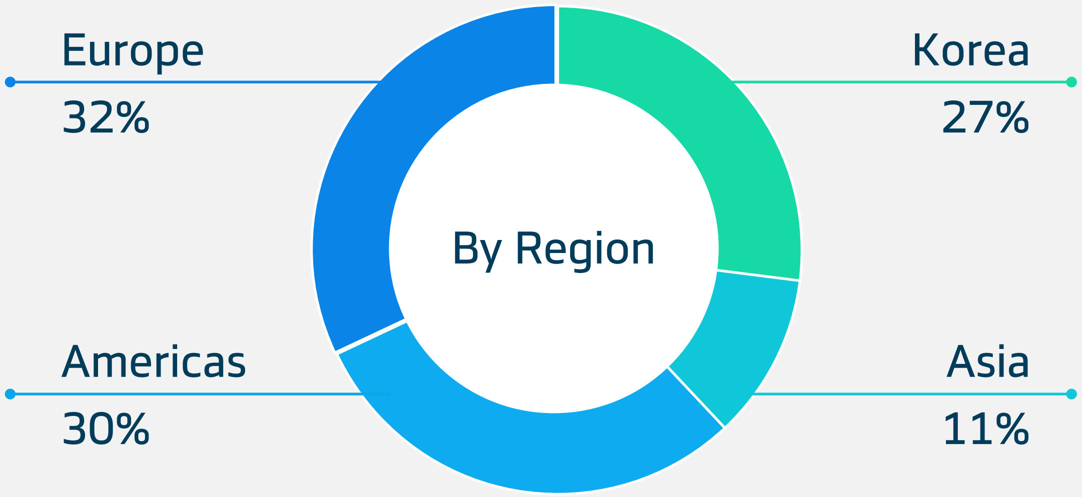
	1H 2025 / adj.	1H 2024	YoY Variance	
Revenue	5,476	4,965	511	10.3%
COGS	5,031 / 5,013	4,512	519	11.5%
% of Sales	91.9% / 91.6%	90.9%	1.0%pt	
SG&A (Incl. R&D)	359 / 317	316	43	13.5%
% of Sales	6.6% / 5.8%	6.4%	0.2%pt	
EBITDA	442 / 502	457	(15)	(3.4%)
Margin (%)	8.1% / 9.2%	9.2%	(1.1%pt)	
Operating Profit [1]	85 / 146	137	(52)	(37.6%)
Margin (%)	1.6% / 2.7%	2.8%	(1.2%pt)	
Net Income [2]	(38) / 23	(21)	(17)	(78.7%)
Margin (%)	(0.7%) / 0.4%	(0.4%)	(0.3%pt)	

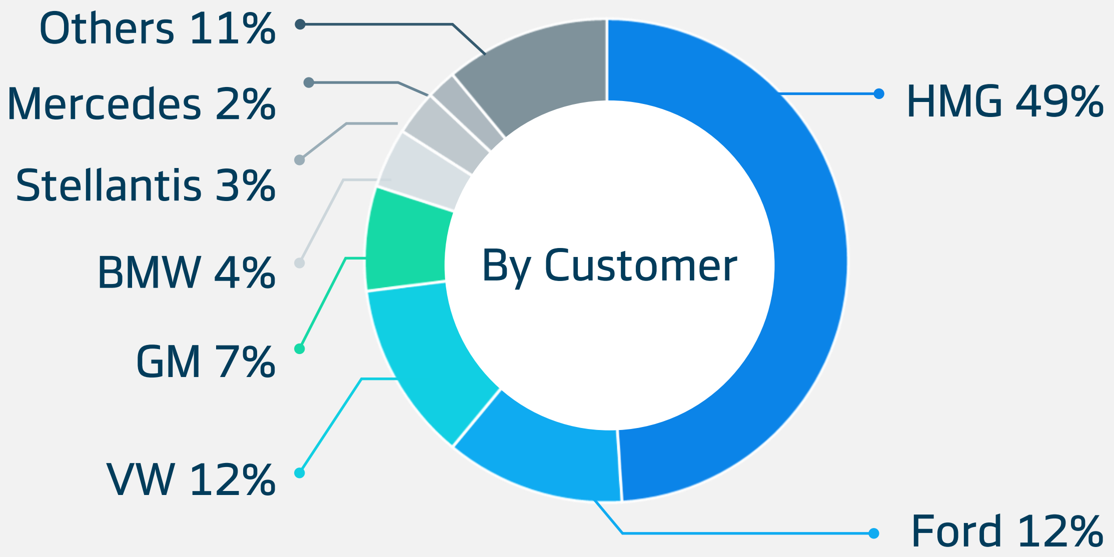
Profit Model Undergoing Structural Transformation; Gradual Margin Improvement Expected

1. YoY Impact from R&D capitalization scope change: -60.4B
2. 1H 2025 Net interest expense -100B / Net FX Impact -21B / Others -7B

2Q 2025 Highlights

Sales Breakdown (1H 2025)



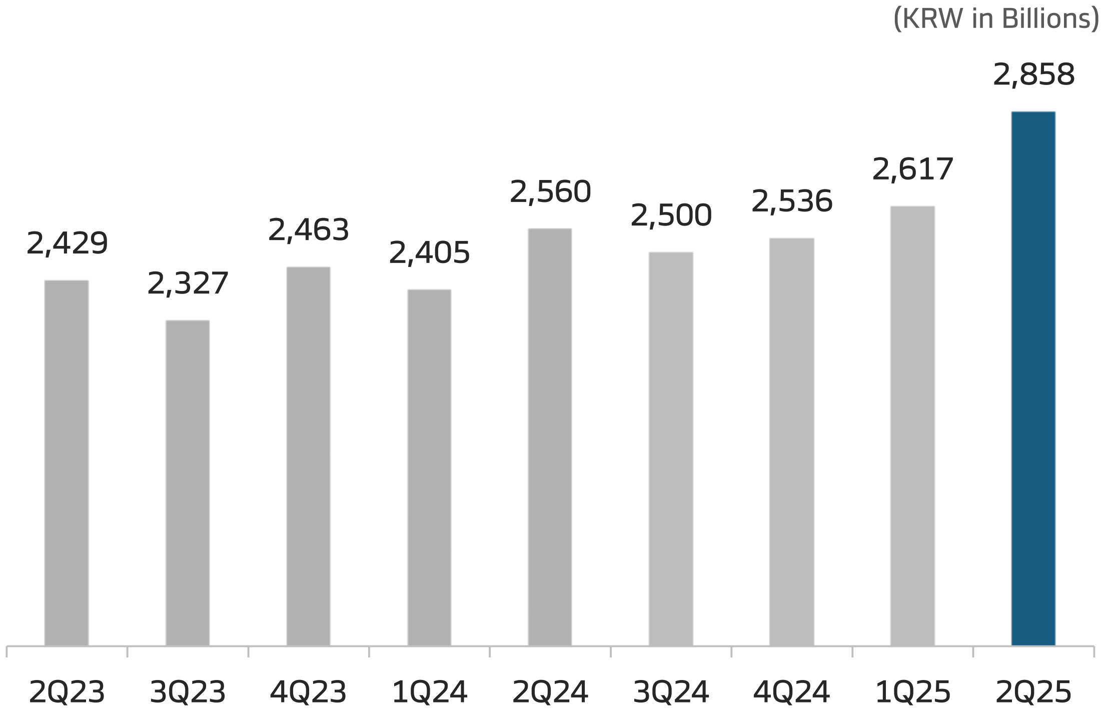


2Q24 Highlights

- Revenue increased by 11.7% YoY, supported by increased sales volume, improved customer recovery and favorable FX impact
- Quarterly OPM reached 2.2% due to enhanced cost control and operational efficiency, despite changes in R&D capitalization scope
- 2Q xEV revenue ratio reached 29%; expect to reach approximately 30% in 2025, reflecting global customer BEV launches

Quarterly Sales

Consolidated Sales



Comments

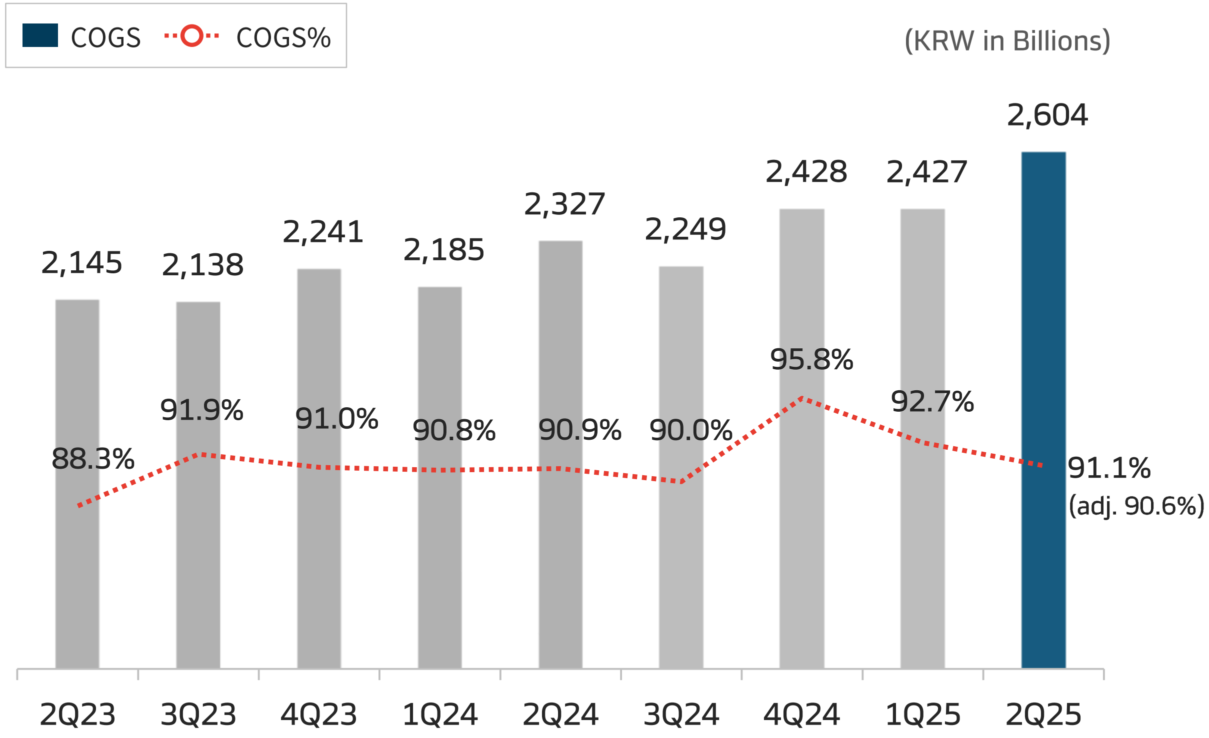
- Increase in Europe (+17% YoY), Americas (+14%), Korea (+6%) and Decrease in China (-11%)

- Increase in Mercedes-Benz (+67% YoY), VW (+30%), HMG (+14%), GM (+13%), Ford (+11%), Stellantis (+2%) and BMW (+1%)

Revenue Growth Driven by Production Volume Increase and Successful Recovery

Quarterly COGS

Quarterly Cost of Goods Sold



Comments

Positive Factors

- On-going profitability improvement actions, including restructuring, are expected to yield positive impacts
- New EV launches in Europe projected to support sales growth in 2025

Negative Factors

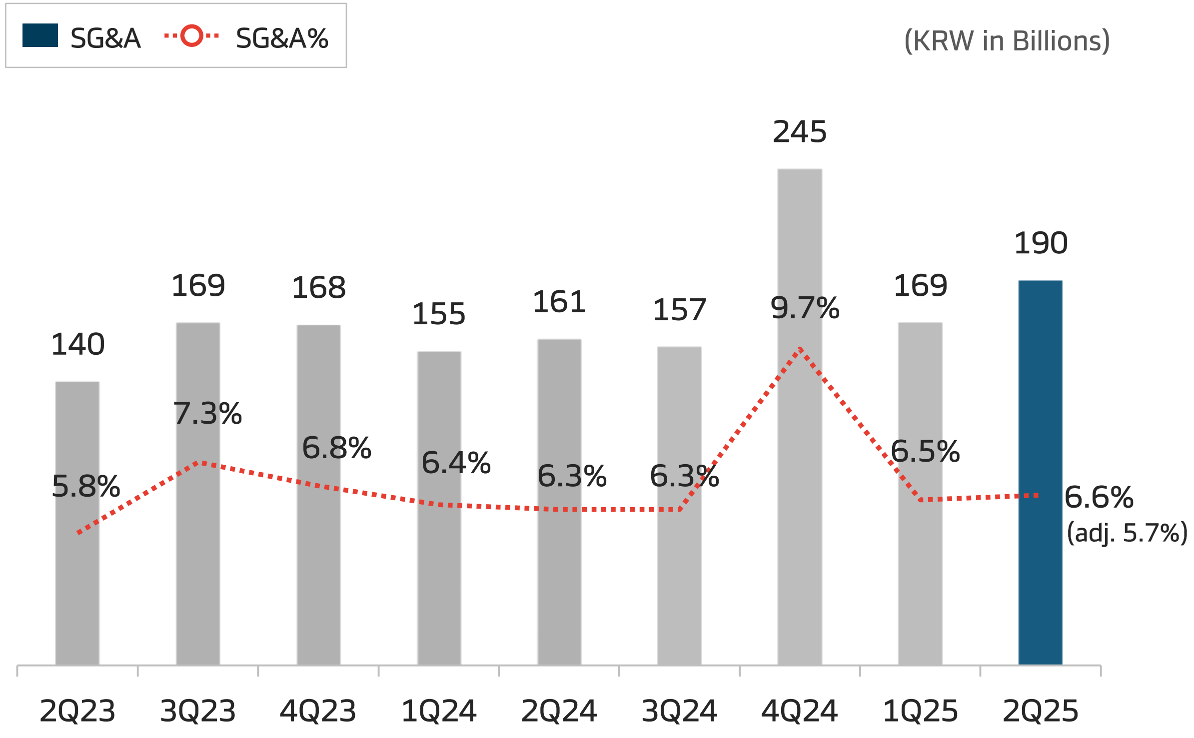
- Lower-than-expected volumes due to an EV slowdown and weaker consumer demands
- Continuing cost pressures on supply chain and U.S. tariff burdens

COGS Starts to Decline; Ongoing Cost Management Expected to Drive Further Improvement

※ Excludes the impact from R&D capitalization scope change

Quarterly SG&A

Quarterly SG&A



Comments

- 2Q25 SG&A expense
  : 6.6% of total revenue (YoY increase of 0.3%pt)

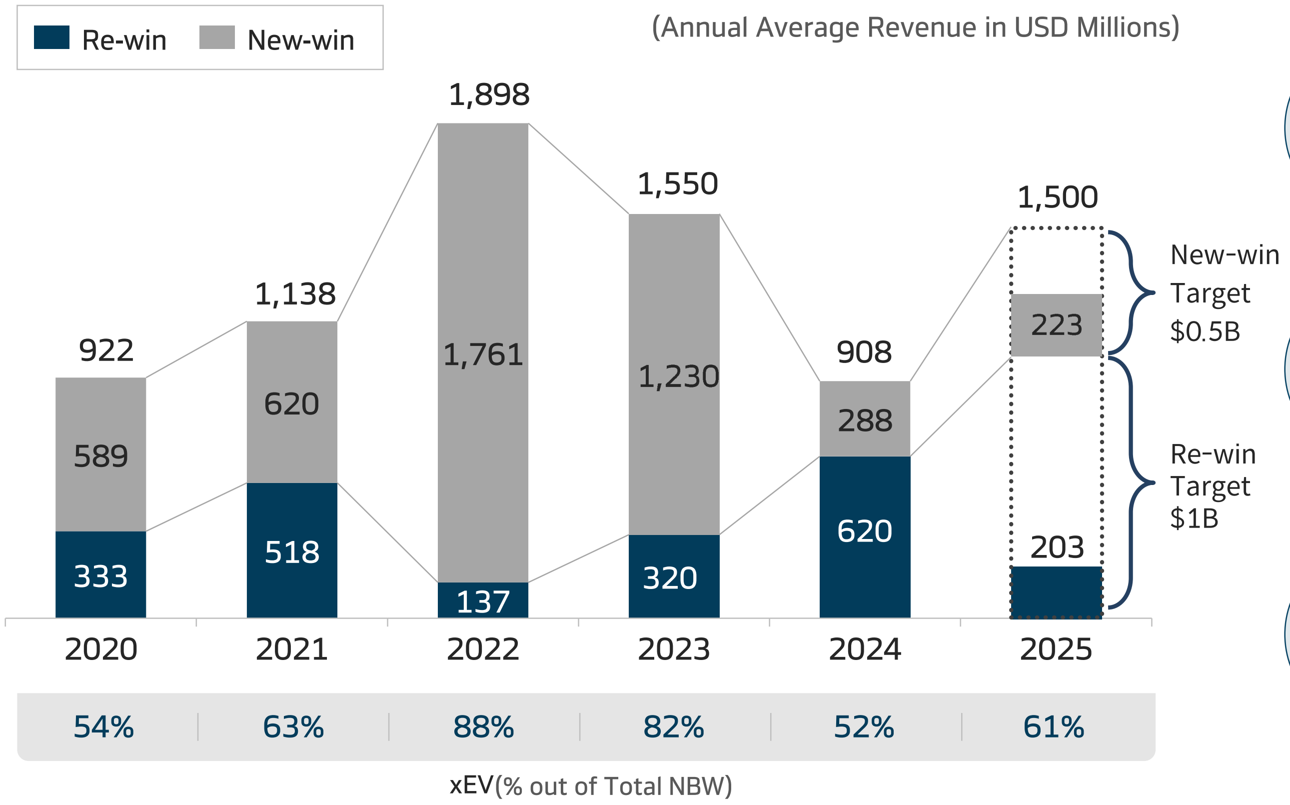
- 2Q25 R&D spending (incl. R&D capitalization)
  : 3.8% of total revenue (YoY decrease of 0.7%pt)
- 2Q25 Capitalization: 40% of R&D Spending

SG&A Costs are Effectively Controlled Driven by Enhanced Cost Discipline

※ Excludes the impact from R&D capitalization scope change

New Business Wins Update

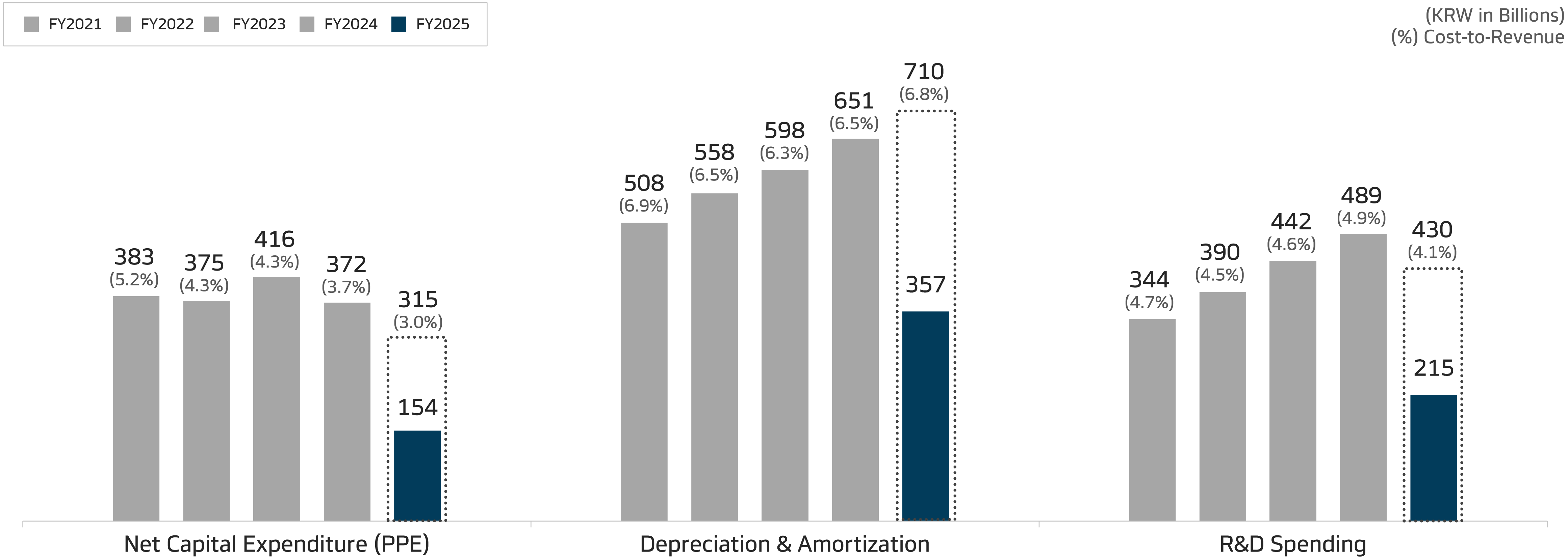
FY 2025 New Business Wins



- 2025 New Business Wins target: $1B of Re-win and $0.5B of New-win; key programs scheduled in the second half
- Technological leadership maintained with robust portfolio adaptable to all types of powertrains, including ICE, BEV, HEV, PHEV and EREV
- Profitability expected to improve through successful re-win orders with increased operational efficiency, less CapEx requirements and repricing

Robust Re-win Orders Expected in 2025; 1H25 NBW Remains Subdued due to Tariff Uncertainties

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



Ongoing Initiatives to Optimize CapEx and R&D Spending

2Q 2025 Balance Sheet

Balance Sheet

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

	June 2025	Dec 2024	Dec 2023
Cash and cash equivalent	789	1,347	779
Account receivable	1,595	1,395	1,344
Inventories	1,277	1,241	1,140
Property and equipment	2,729	2,864	2,716
Intangible assets	2,334	2,351	2,126
Lease assets	553	478	295
Other assets	1,037	944	844
Total assets	10,314	10,620	9,244
Account payable	1,916	2,151	1,867
Debt	4,671	4,567	4,146
Other liabilities	840	903	722
Shareholder's equity	2,748	2,854	2,372
Non-controlling	139	145	137
Total liabilities & shareholders' equity	10,314	10,620	9,244

Cash and Debt

Cash Balance	June 2025	Dec 2024	Dec 2023
Net Debt	3,883	3,221	3,368
Net Debt Ratio	1.34	1.07	1.34
Debt to Equity	1.62	1.52	1.65

Leverage	2Q25 TTM / adj.	2024 / adj.	2023
EBITDA	730 / 886	747 / 902	876
Debt / EBITDA	6.40 / 5.27	6.12 / 5.06	4.74
Net Debt / EBITDA	5.32 / 4.38	4.31 / 3.57	3.85
EBITDA / Net Interest Expenses	3.36 / 4.07	3.22 / 3.90	5.59

※ Adjusted one-off impact in 4Q 2024

Management Considering Additional Actions to Improve the Balance Sheet

Ⅱ. Financial Structure Improvement Plan

Rationale for the Financial Structure Improvement Plan

- Hanon Systems' financial stability has been deteriorating for years due to declining profitability, driven by worsening business conditions, inflation, and continued investments in xEV
- Following a change of the major shareholder, the company has been implementing operational efficiency and profitability. As a result, substantial improvements are beginning to be realized from 2Q 2025
- The company plans a capital increase to maintain its credit ratings, strengthen its financial structure, and protect corporate value, supporting sustainable growth by accelerating operational improvements

Hanon Systems Financial Results

(KRW in Billions, %)

	2021	2022	2023	1H 2024	2024	1H 2025
Revenue	7,351	8,628	9,559	4,965	9,999	5,476
Operating Profit	326 (4.4%)	257 (3.0%)	277 (2.9%)	137 (2.2%)	96 (1.0%)	85 (1.6%) / * 146 (2.7%)
EBITDA	834 (11.3%)	814 (9.4%)	876 (9.2%)	457 (9.2%)	747 (7.5%)	442 (8.1%) / * 502(9.2%)
Net Profit	311 (4.2%)	27 (0.3%)	59 (0.6%)	-21 (-0.4%)	-359 (-3.6%)	-38 (-0.7%) / * 23 (0.4%)
Debt Ratio	232%	284%	269%	274%	254%	256%

※ Excludes the impact from R&D capitalization scope change

Profitability-Related Initiatives and Achievements (1)

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- Continue to promote various profitability-related initiatives to drive mid- to long-term performance recovery, with profit structure improvements to be accelerated through the planned capital increase

<table>
<tr><th>Classification</th><th colspan="2">Plans</th><th>Effect</th></tr>
<tr><td>Supply Chain Diversification</td><td colspan="2">• Secure supply networks in low-cost regions and promote material cost reductions through supply chain diversification</td><td rowspan="6">COGS ~85%
(FY2024 92%)</td></tr>
<tr><td>Operational Excellence</td><td colspan="2">• Achieve operational excellence through optimization efforts, including working shift adjustments and efficiency improvements</td></tr>
<tr><td>Repricing & Recovery</td><td>Promote Repricing</td><td>• Improve repricing ratio and maximize recovery amount through renegotiation with OEMs</td></tr>
<tr><td>Restructuring/ Plant Integration</td><td>• Decrease headcount 20%</td><td>• Reduce fixed cost through plant integration and restructuring; labor cost savings expected within one year</td></tr>
<tr><td>Plant Buyback</td><td colspan="2">• Reduce lease expenses and stabilize operations through asset reacquisition</td></tr>
<tr><td>Make or Buy</td><td colspan="2">• Optimize costs and manage risks through review of CapEx and production costs compared to outsourcing expenses</td></tr>
<tr><td>Debt Repayment</td><td>Reduce Interest Cost</td><td>• Repay debt strategically, considering maturity profiles and interest rate impact</td><td rowspan="2">Stable Free Cash Flow</td></tr>
<tr><td>CapEx Mgmt.</td><td>Reduce CapEx</td><td>• Execute capital expenditures selectively and strategically, based on investment priorities and business needs</td></tr>
</table>

Planned to be implemented with financing proceeds

Profitability-Related Initiatives and Achievements (2)

Major Initiatives		1Q 2025 Results	2Q 2025 Results	Effect
Operational Efficiency	• Restructuring; Reduce 20% of headcount • Plant / warehouse integration	• Labor cost 14.4%	• Labor cost 13.1% (-1.3%pt) • Developed warehouse consolidation plan (72→40, -44%)	• Reduce ~3%pt of operational and labor costs
Cost Reduction	• Restructure supply chain toward low-cost Regions • Optimize logistics • Expand regional production system	• Material cost 68.5% • Logistics cost 2.4%	• Material cost 66.7% (-1.8%pt) • Logistics cost 2.0% (-0.4%pt)	• Reduce ~2%pt of material cost • Reduce ~1%pt of logistics cost
Repricing / Recovery	• Aim to increase repricing ratio • Maximize recovery amount	• Recovery result : YoY negative	• Recovery result : YoY +30% improved	• Secure business stability through reduction of COGS ratio volatility

Substantial Improvements are Being Realized from the 2Q 2025

Future Plans

- Hanon Systems plans to improve its financial structure, prioritizing a rights offering with a public sale of forfeited shares to minimize dilution of shareholder value
- Prior to this decision, an extraordinary general shareholders' meeting will be held on September 23 to approve an increase of authorized shares under the current Articles of Incorporation
- A resolution regarding the finalized option will be made and disclosed after the Board of Directors meeting

Key Timeline

Date	Schedule	Note
Aug. 14	Fair Disclosure / Conference Call	
Aug. 18 - 20	Domestic NDR	
Aug. 25 - 26	UBS Conference	
Sep. 23	Extraordinary General Meeting of Shareholders	Amendment of the Articles of Incorporation (Purpose: Increase of Authorized Shares)
TBD	Extraordinary Board of Director Meeting / Disclosure	Final Approval of the Financial Structure Improvement Plan and Subsequent Disclosure

Thank You

Hanon Systems Investor Relations

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