



a **Hankook** Company

# Hanon Systems Rights Offering

September 24, 2025

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# 1. Overview of Rights Offering

## Overview

Category	Detail
Offering Method	<ul style="list-style-type: none"><li>• Rights offering followed by a general public offering of forfeited shares</li></ul>
Expected Offering Size	<ul style="list-style-type: none"><li>• Approximately KRW 900 Billion</li></ul>
Number of New Shares to Be Issued	<ul style="list-style-type: none"><li>• 347,500,000 Shares</li></ul>
Capital Increase Ratio	<ul style="list-style-type: none"><li>• 51.20%</li></ul>
Discount Rate	<ul style="list-style-type: none"><li>• 15%</li></ul>
Expected Issue Price	<ul style="list-style-type: none"><li>• KRW 2,590</li></ul>
Priority Allocation to ESOP	<ul style="list-style-type: none"><li>• 20%</li></ul>
Use of Proceeds	<ul style="list-style-type: none"><li>• Debt repayment: KRW 800 Billion</li><li>• Operating capital: KRW 51.2 Billion</li><li>• Facility investment: KRW 48.8 Billion</li></ul>

※ The final offering size, issue price, and schedule are subject to change depending on market conditions and regulatory procedures.

## Key Timeline

Category	Date
Board Resolution	Sep. 23
Filing of Securities Registration Statement	Sep. 23
1 <sup>st</sup> Determination of Tentative Issue Price	Nov. 11
Record Date for Rights Allocation	Nov. 14
Effectiveness Date of the Securities Registration Statement	Dec. 02
Listing of Preemptive Rights Certificates	Dec. 04
Delisting of Preemptive Rights Certificates	Dec. 11
Final Determination of Issue Price	Dec. 16
Subscription Period for Existing Shareholders	Dec. 19, 22
Subscription Period for General Public Offering	Dec. 24, 26
Payment Date	Dec. 30
Listing of New Shares	Jan. 12, 2026

## 2. Rationale for Rights Offering

### “Maintain Credit Rating and Improve Financial Structure through Capital Increase to Protect and Restore Corporate Value”

- Inflation and slowing EV market have adversely impacted performance, leading to deterioration of financial structure
  - ✓ Acquisition of '19 Magna EFP division expanded the EV component portfolio, supporting proactive investments for EV market transition
  - ✓ COVID-19, sharp inflation, and geopolitical issues led to lower profitability, higher interest expenses, and weakened financial health
  - ✓ Need to secure financial stability and transform the business through comprehensive restructuring to establish a financially resilient framework

(KRW in Billions, %)

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

※ Excludes the impact from R&D capitalization scope change

- Proactive measures are required to maintain credit rating and defend corporate value
  - ✓ Despite a KRW 600 billion rights offering by the end of '24, net losses from large-scale clean-up, restructuring costs, and intangible asset impairments have limited debt ratio improvement
  - ✓ Ongoing financial costs are expected to result in two consecutive years of net losses, raising the risk of a credit rating downgrade (Current credit rating: AA-, Outlook: Negative)
  - ✓ A credit rating downgrade could create a refinancing shortfall up to KRW 800B for loans maturing in two years, posing a risk to corporate value

### 3. Purpose of Rights Offering Proceeds

- Plans to use the expected KRW 900 billion proceeds from the rights offering for (1) debt repayment, (2) working capital, and (3) capital expenditure
- Continue efforts to secure a stable financial structure through internal improvement measures

#### Allocation of Rights Offering Proceeds

Priority	Purpose	Details	Timing	Amount (B KRW)	% of Total	Notes
1	Debt Repayment	<ul style="list-style-type: none"> <li>Repayment of bridge loan</li> <li>- Public bonds (410B)</li> <li>- Term Loan (316.5B)</li> <li>- Credit line (73.5B)</li> </ul>	<ul style="list-style-type: none"> <li>'25Y</li> </ul>	800	88.9%	<ul style="list-style-type: none"> <li>Maximize financial structure improvement &amp; reduce financial costs</li> <li>- Prioritize bridge loan repayment based on loan maturities &amp; rights offering date; remaining obligations settled after subscription payment</li> <li>Debt ratio improvement: 257% → 175% (2Q '25)</li> </ul>
2	Working Capital	<ul style="list-style-type: none"> <li>Payment for parts procurement</li> </ul>	<ul style="list-style-type: none"> <li>1Q26</li> </ul>	51.2	5.7%	<ul style="list-style-type: none"> <li>Payment for parts procurement (SL Co., Hyundai Mobis, etc.)</li> </ul>
3	Capital Expenditure	<ul style="list-style-type: none"> <li>Investment in new production facilities</li> <li>Maintenance &amp; process improvement</li> </ul>	<ul style="list-style-type: none"> <li>'26~27Y</li> </ul>	48.8	5.4%	<ul style="list-style-type: none"> <li>Expand electric compressor line for new orders</li> <li>Maintain production line for mechanical type compressor &amp; improve processes</li> </ul>
Total				900	100.0%	-

※ The amounts above are based on the expected subscription price and may change in amount or timing depending on future business conditions.

## 4. Expected Impact of Rights Offering

### Expected Improvement in Financial Structure (2Q25)

	Pre-Rights Offering	Post-Rights Offering
Assets	10,313.9B	10,413.9B
(Cash)	(788.6B)	(888.6B)
Liabilities	7,426.8B	6,626.8B
(Borrowings)	(4,671.4B)	(3,871.4B)
Equity	2,887.1B	3,787.1B
Net Debt	3,882.8B	2,982.8B
Debt Ratio	257%	175%

※ The amounts above are based on the expected subscription price and assume KRW 800 billion debt repayment.

### Mid- to Long-Term Improvement Strategy

- Debt Repayment
  - ✓ Maintain credit rating and strengthen financial structure
  - ✓ Transform into net profit-generating structure through reduced financial costs
- Operational Efficiency
  - ✓ Reduce 20% of headcount and integrate plant/warehouse
  - ✓ Improve cost ratio through reduced operating and labor expenses
- Cost Reduction
  - ✓ Diversify supply channels and reorganize toward low-cost regions; revise Make-or-Buy strategy to reduce raw material costs by 2%pt\*
  - ✓ Strengthen regional production systems and optimize transportation and inventory management to reduce logistics costs by 1%pt\*
  - ✓ Expand sales and improve COGS ratio through repricing
- Optimal Resource Allocation
  - ✓ Review investment priorities and minimize new CAPEX; Manage Tangible & Intangible CAPEX cost-efficiently

※ Share of Revenue

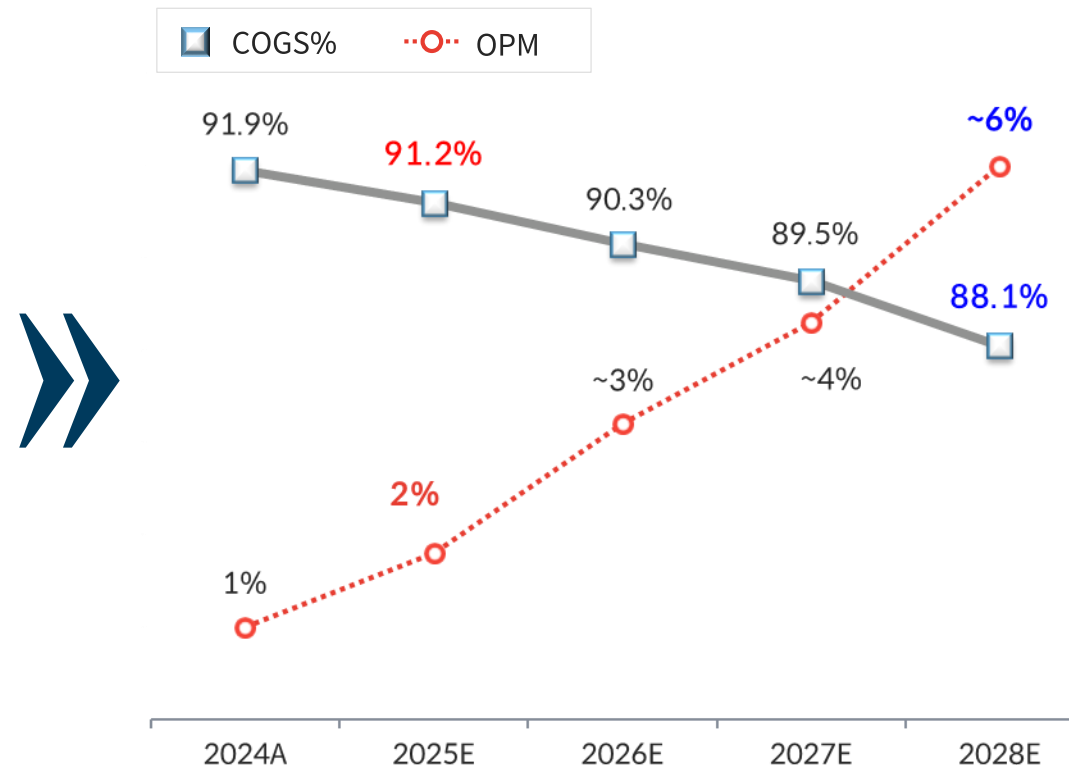
# 5. Mid- to Long-Term Strategy (1) Improving Profit Structure

## Major Initiatives

Operational Efficiency	<ul style="list-style-type: none"><li>Plant / Warehouse integration</li><li>Reduce 20% of Headcount</li></ul>	<ul style="list-style-type: none"><li>Reduce ~3%pt* of operational and labor costs</li></ul>
Cost Reduction	<ul style="list-style-type: none"><li>Restructure supply chain toward low-cost regions</li><li>Optimize logistics</li></ul>	<ul style="list-style-type: none"><li>Reduce ~2%pt* of material cost</li><li>Reduce ~1%pt* of logistics cost</li></ul>
Repricing / Recovery	<ul style="list-style-type: none"><li>Aim to increase repricing ratio</li></ul>	<ul style="list-style-type: none"><li>Secure business stability through reduction of COGS ratio volatility</li></ul>

※ Share of Revenue

## Profit Target



Restructuring Cost and Profit Structure to Strengthen Business Fundamental

※ The figures for 2025 to 2028 are the company's targets and may be subject to change depending on business conditions.



# 5. Mid- to Long-Term Strategy (2) Strengthening Financial Stability

## Major Initiatives

Debt Repayment	<ul style="list-style-type: none"> <li>Repay KRW 800 Billion Debt</li> </ul>	<ul style="list-style-type: none"> <li>Achieve 140% Debt Ratio by 2028</li> <li>Reduce Interest Expenses</li> </ul>
CapEx Mgmt.	<ul style="list-style-type: none"> <li>Reassess Priorities</li> <li>Strengthen Budget Approval Process</li> </ul>	<ul style="list-style-type: none"> <li>Manage Tangible &amp; Intangible CAPEX cost-efficiently</li> </ul>
Restoring Shareholder Value	<ul style="list-style-type: none"> <li>Enhance Corporate Value</li> <li>Secure Foundation for Sustainable Dividend Policy</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate Free Cash Flow Timing &amp; Dividend Resumption</li> </ul>



## Key Financial Indicators Target

Pre-Rights Offering	2024	2025	2026	2027	2028
Debt Ratio	254%	252%	244%	228%	200%
Net Debt/EBITDA	4.31	3.97	3.55	3.11	2.62
Interest Coverage Ratio	0.36	0.69	1.48	2.11	3.14

Post-Rights Offering	2024A	2025	2026	2027	2028
Debt Ratio	254%	170%	164%	154%	139%
Net Debt/EBITDA	4.31	2.86	2.69	2.35	1.95
Interest Coverage Ratio	0.36	1.00	1.78	2.54	3.79

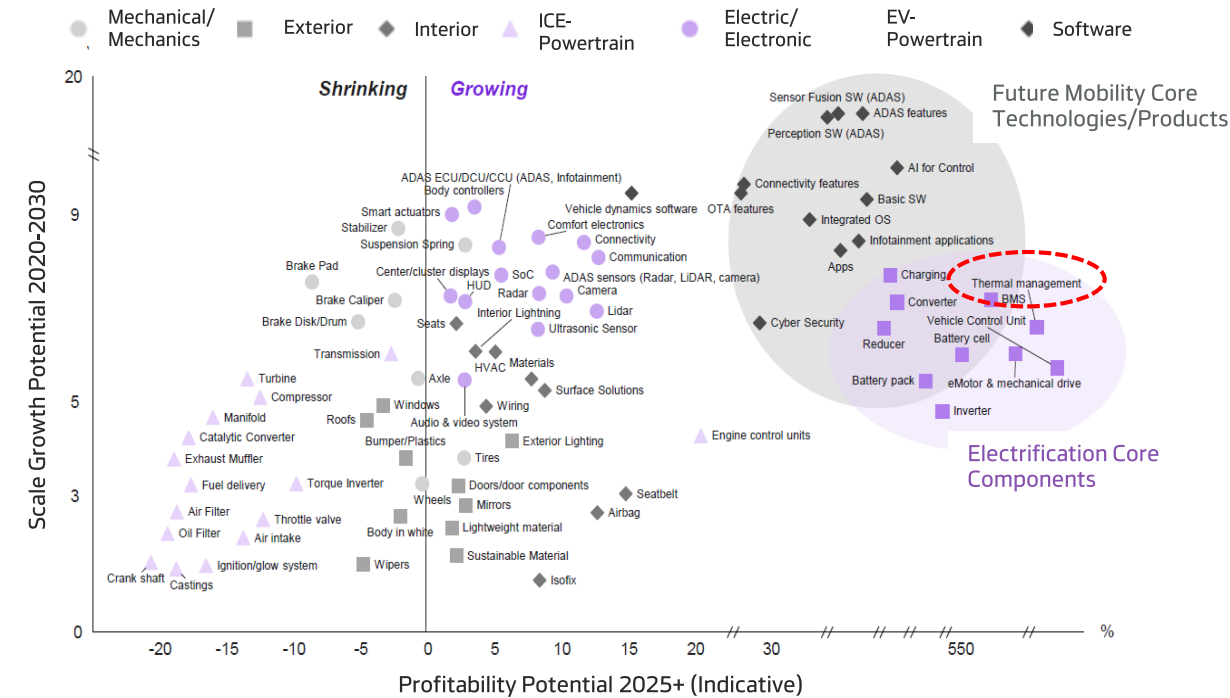
Accelerate Free Cash Flow Transition, Restore Corporate Value & Pursue Shareholder-Friendly Policies





# 6. Growth Momentum (1) Market Growth Potential

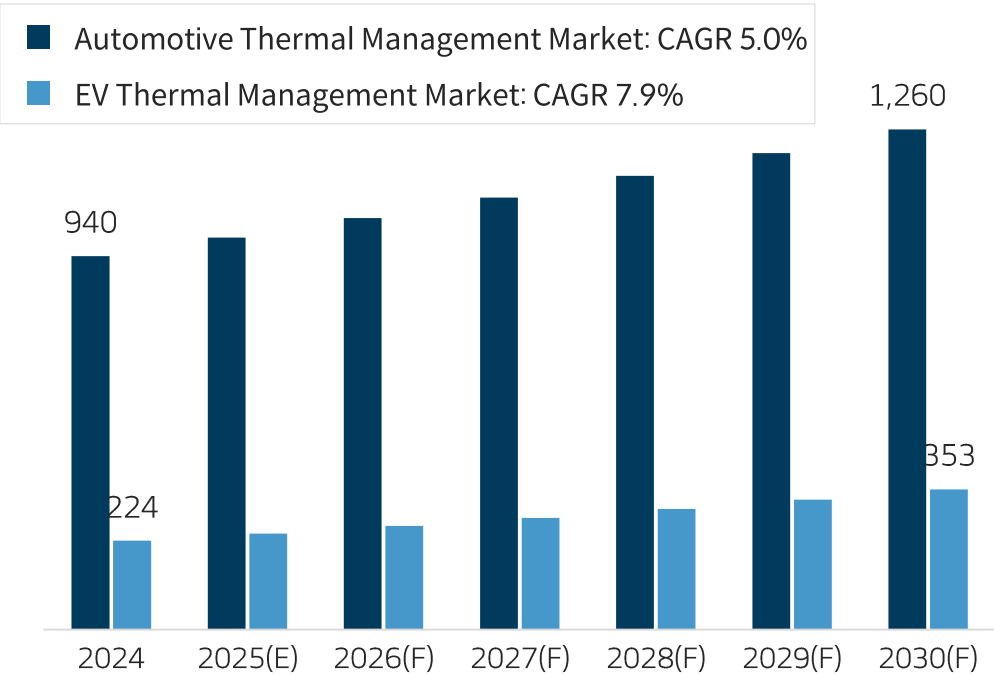
## Automotive TMS: Growth & Profit Potential



Source : Kearney

## Market Outlook for Automotive Thermal Management

Unit: 100M USD



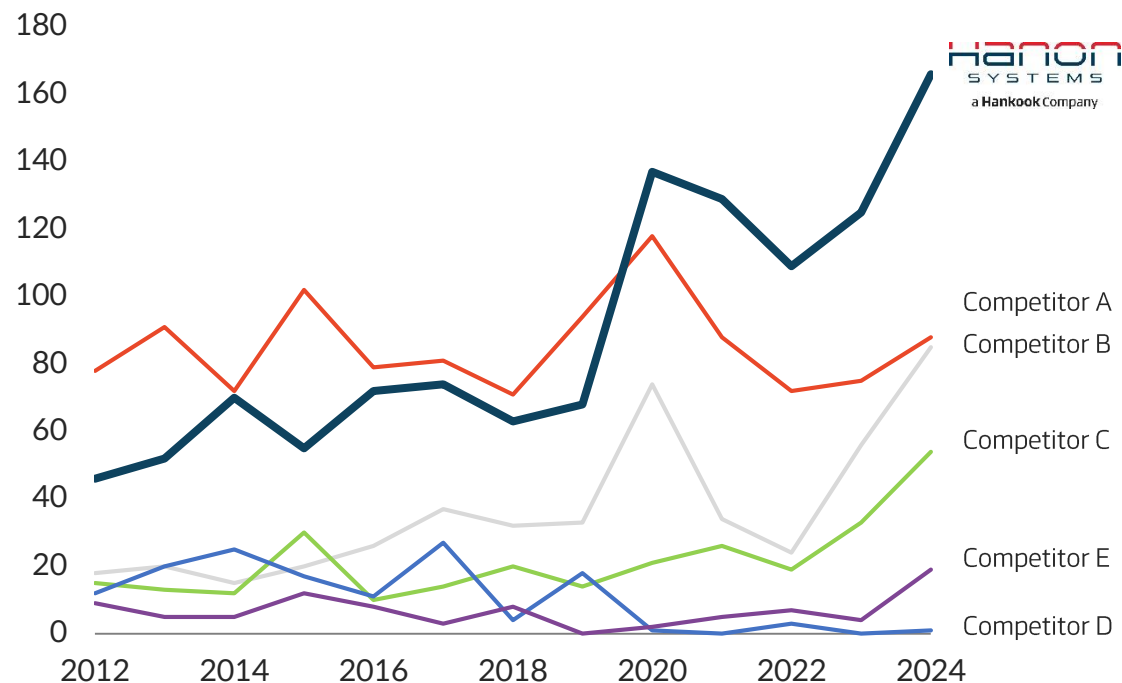
Source : TechSci Research, Global Industry Analysts, Inc.

Thermal Management and HVAC Are Core Components of EVs with High Market Growth Potential

## 6. Growth Momentum (2) Technology Leadership

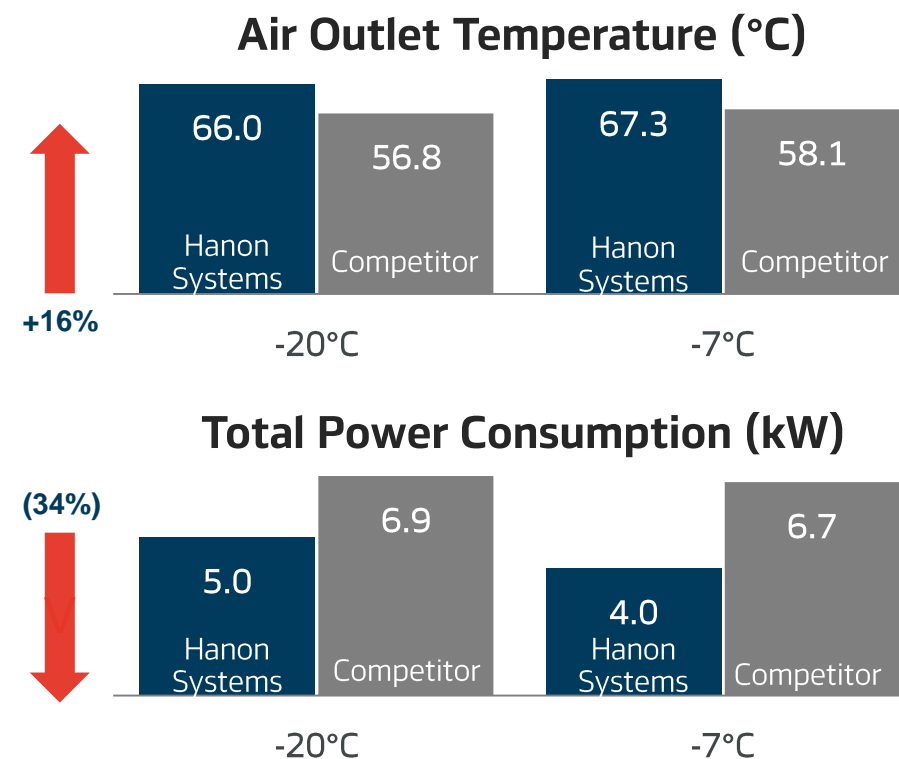
### Number of Patents for EV Thermal Management

Unit: Case



Source: Hanon Systems

### Warm-up Performance Comparison



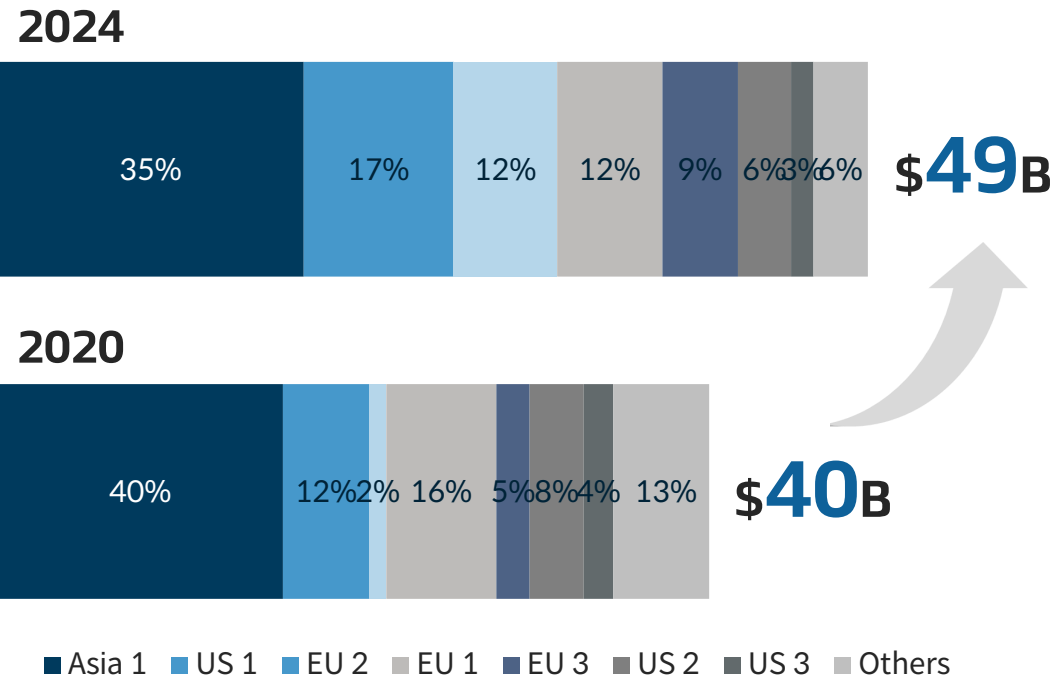
Source: Hanon Systems

Leading EV Thermal Management with Proprietary Technology



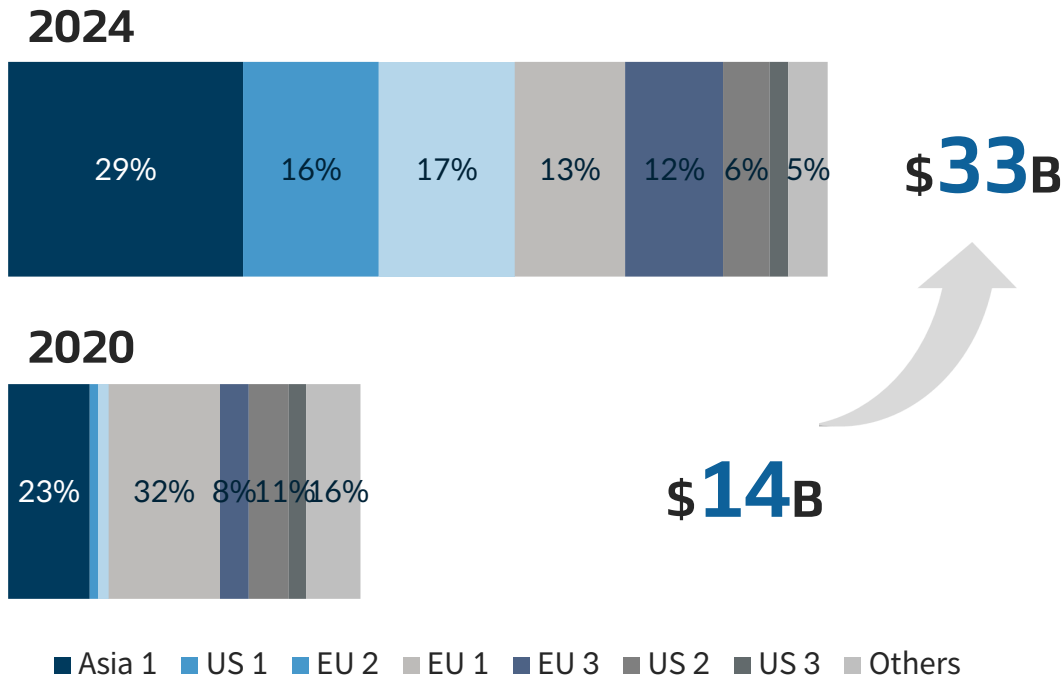
# 6. Growth Momentum (3) Expanding Market Leadership

Total Backlog



Source: Hanon Systems

New-win Backlog



Source: Hanon Systems

Expanding Market Leadership through Proprietary Technology, Expertise, and Customer Trust

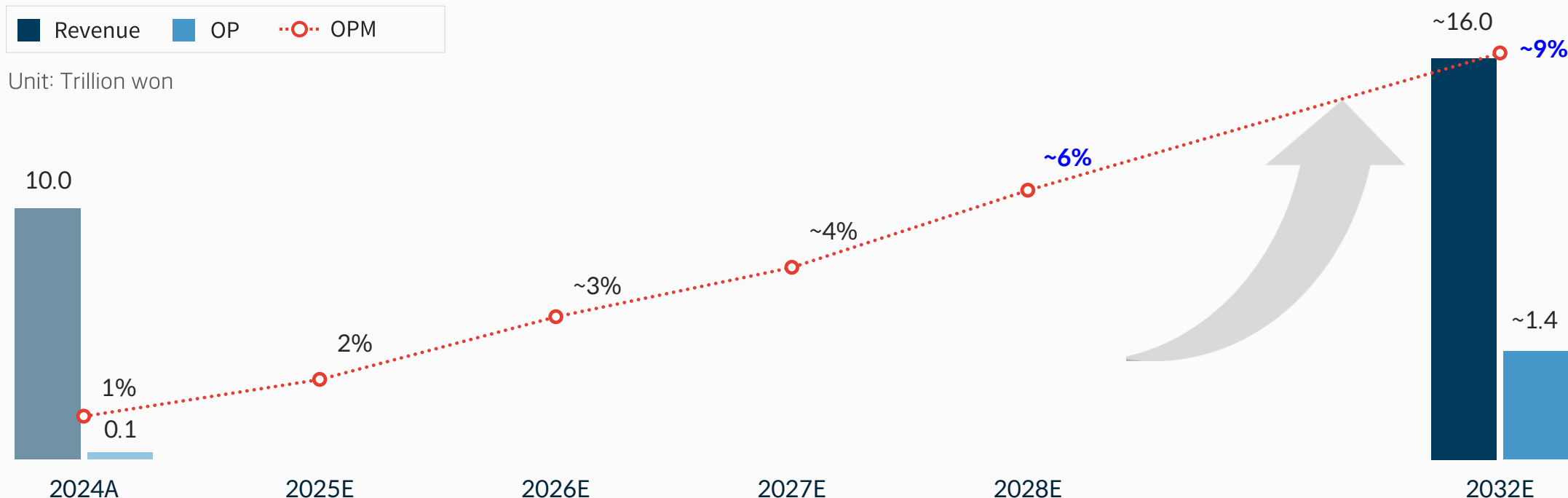
# 7. Mid- to Long-Term Business Target

## Structural Change & Recovery (2025-2028)

- Enhancing Profitability and Improving Financial Structure
  - ✓ Strengthening foundation for sustainable growth through financial stability
  - ✓ Improving profitability through operational efficiency and strategic initiatives

## Accelerated Growth (2028-2032)

- Expanding and Realizing Growth Momentum
  - ✓ Accelerating growth on stable financial structure and technology leadership
  - ✓ Enhancing corporate value and shareholder returns through sustainable profit



※ The figures for 2025 to 2028 are the company's targets and may be subject to change depending on business conditions.

# Thank You

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