



4Q 2025 Earnings Release

February 3, 2026

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4Q 2025 Financial Results

4Q 2025: Key Financials

Unit: KRW in billions

	4Q 2025	3Q 2025	YoY Variance	
Revenue	2,702.5	2,705.7	(3.2)	(0.1%)
COGS	2,422.9	2,418.0	4.9	0.2%
% of Sales	89.7%	89.4%	0.3%pt	
SG&A (Incl. R&D)	188.4	192.4	(4.0)	(2.1%)
% of Sales	7.0%	7.1%	(0.1pt)	
EBITDA	287.7	282.7	5.1	1.8%
Margin (%)	10.6%	10.4%	0.2%pt	
Operating Profit ¹	91.2	95.3	(4.1)	(4.4%)
Margin (%)	3.4%	3.5%	(0.1%pt)	

Sustained Recovery Momentum Following Q3: Driven by Profit - Focused Management

1. Increased expense recognition from enhanced R&D capitalization scope (YoY -63.9B)

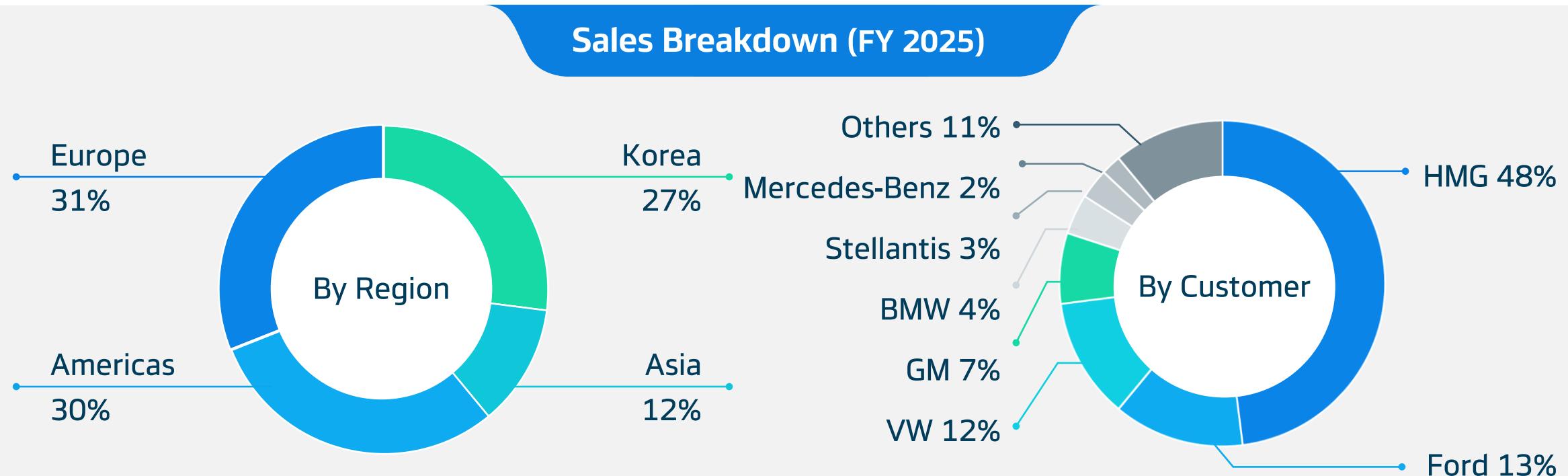
FY 2025: Key YoY Financial Metrics

Unit: KRW in billions

	FY 2025	FY 2024	YoY Variance	
Revenue	10,883.7	9,998.7	885.0	8.9%
COGS	9,872.4	9,186.5	685.8	7.5%
% of Sales	90.7%	91.9%	(1.2pt)	
SG&A (Incl. R&D)	739.5	716.6	22.9	3.2%
% of Sales	6.8%	7.2%	(0.4%pt)	
EBITDA	1,012.3	746.7	265.6	35.6%
Margin (%)	9.3%	7.5%	1.8%pt	
Operating Profit ¹	271.8	95.5	176.3	184.5%
Margin (%)	2.5%	1.0%	1.5%pt	

Volume and FX Revenue Growth; OP Improvement Due to Operational Efficiency and Recovery

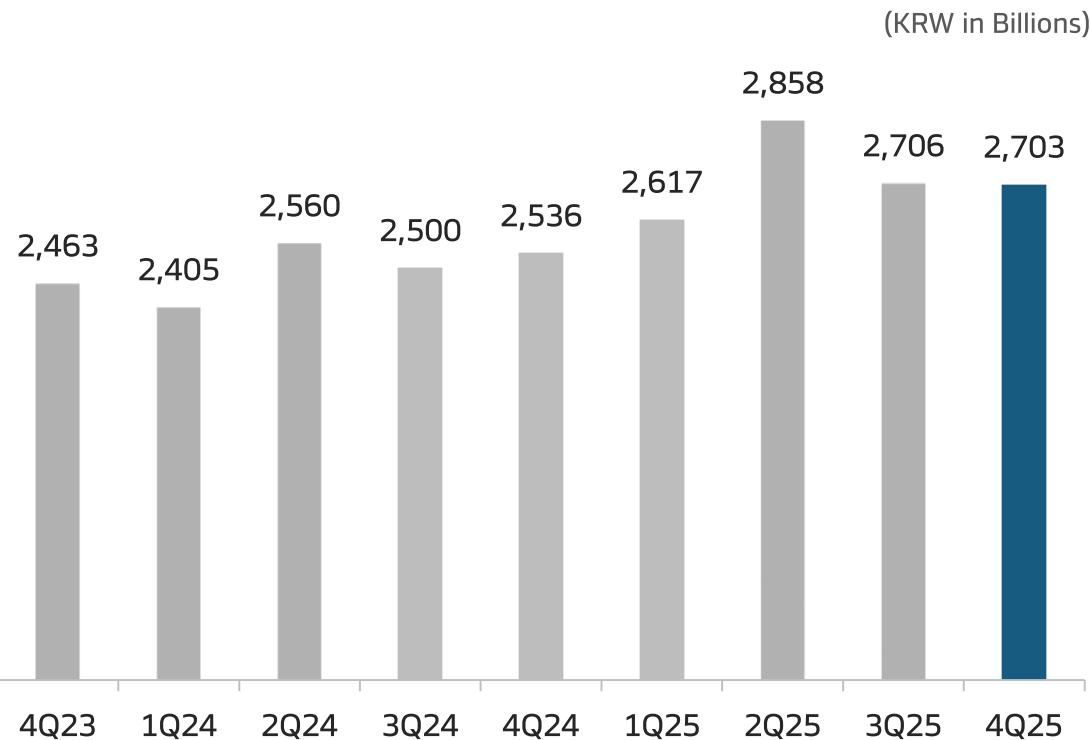
1. Increased expense recognition from enhanced R&D capitalization scope (-162.6B)



FY 2025 Highlights

- Revenue increased by 8.9% YoY, driven by increased sales volume, tariff recovery from customers, and favorable FX impact
- OPM recorded 2.5%, supported by disciplined cost management, despite changes in R&D capitalization scope
- 4Q xEV revenue ratio reached 27% with FY2025 at 28%; expecting 2026 xEV revenue growth by European customers and HEV sales

Consolidated Sales



Comments



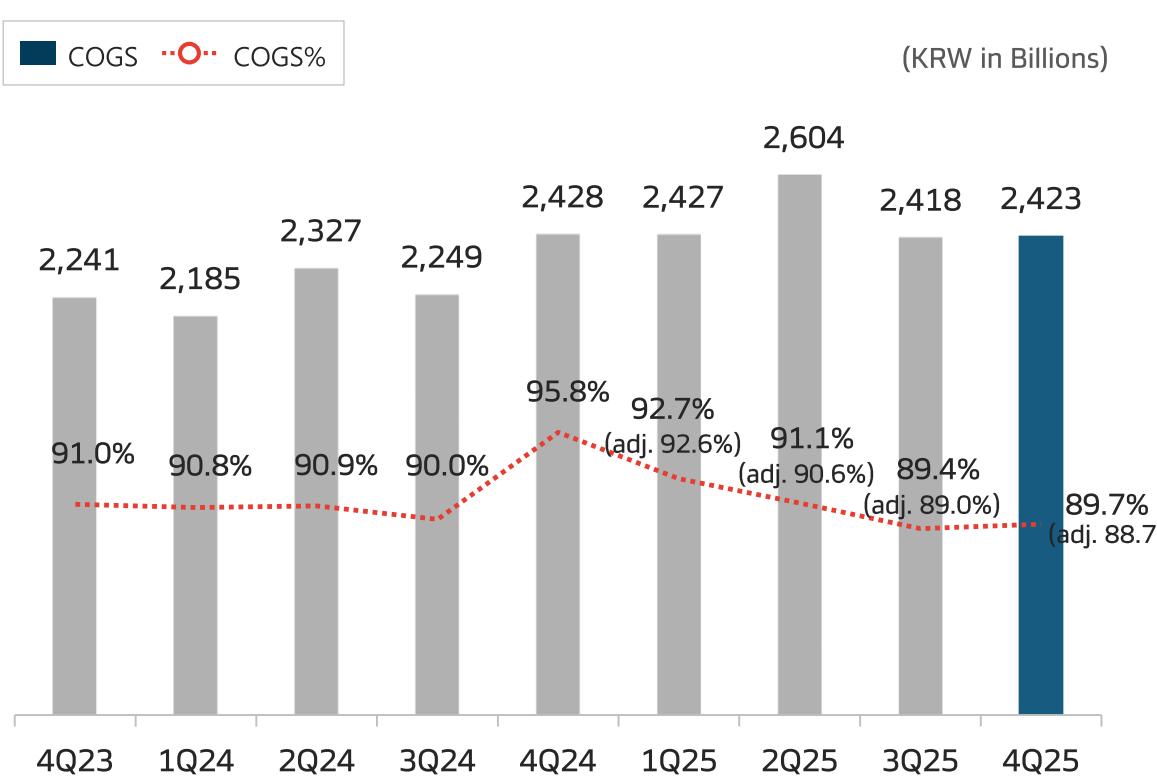
- Increase in Europe (+14%), Americas (+7%) and Decrease in China (-6%)



- Increase in Mercedes-Benz (+35%), VW (+28%), BMW (+18%), GM (+16%), Stellantis (+10%), Ford (+6%), HMG(+5%)

Revenue Growth driven by Favorable FX, Increased Sales Volume and Recovery Performance

Quarterly Cost of Goods Sold



Comments

Positive Factors

- Reduction in COGS% driven by ongoing cost reduction initiatives and operational efficiency improvements

Negative Factors

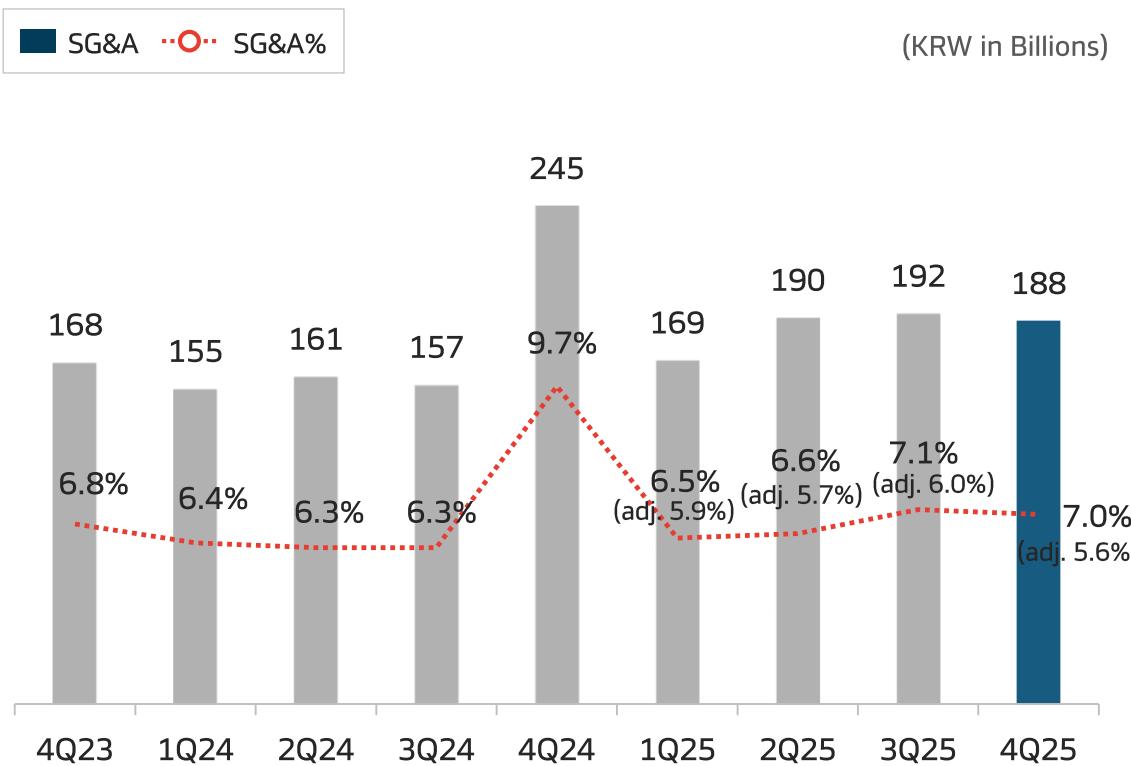
- Expansion of tariff recovery and repricing achieved through ongoing negotiations

- Growth moderation due to shifts in OEM production strategies following changes in EV subsidy policies

- Continuing cost pressures on the supply chain and U.S. tariff burdens

In 2026, Lower COGS Expected due to Continued Cost Reductions and Operational Efficiency

Quarterly SG&A



Comments



- 4Q25 SG&A expense : 7.0% of total revenue
- SG&A growth capped at 7% via aggressive cost reduction, despite higher R&D expense recognition

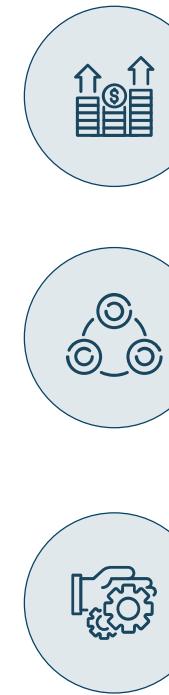
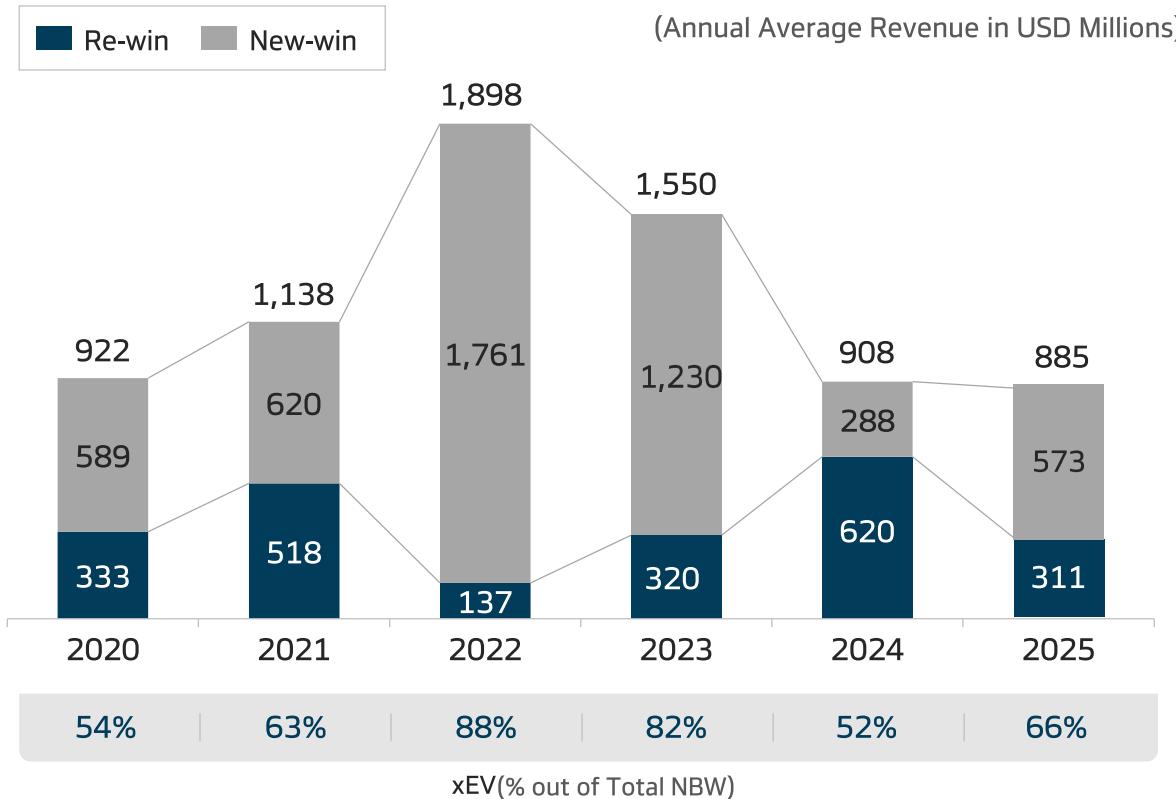


- 4Q25 R&D spending (incl. R&D capitalization) : 3.7% of total revenue
- 4Q25 Capitalization: 31% of R&D Spending

SG&A Cost Discipline Drives Profit Structure Enhancement Despite R&D Expense Increase

New Business Wins Update

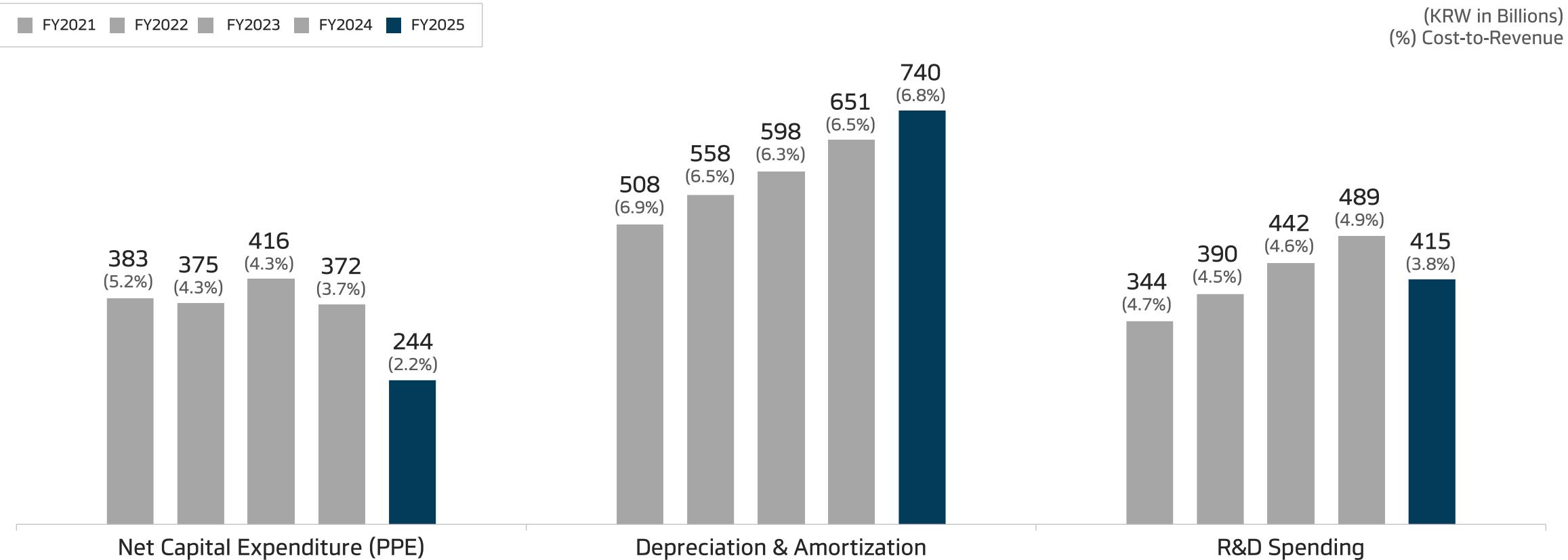
FY 2025 New Business Wins



- 2025 NBW Target Not Achieved: Outlook Impacted by Customer Business Plans and Regulatory/Tariff Uncertainties
- Technological leadership maintained with robust portfolio adaptable to all types of powertrains, including ICE, BEV, HEV, PHEV and EREV
- Performance growth supported by ICE/HEV programs extensions to offset OEM electrification shifts

Drive 2026 Growth and Advance Profit Structure via Life Cycle Extension

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



Strategic CapEx/R&D Efficiency Achieved; Drive Profitability via Cost Optimization in 2026

FY 2025 Balance Sheet

Balance Sheet

(K-IFRS / KRW in Billions, x times)	Dec 2025	Dec 2024	Dec 2023
Cash and cash equivalent	924	1,347	779
Account receivable	1,592	1,395	1,344
Inventories	1,405	1,241	1,140
Property and equipment	2,742	2,864	2,716
Intangible assets	2,185	2,351	2,126
Lease assets	615	478	295
Other assets	1,048	944	844
Total assets	10,511	10,620	9,244
Account payable	1,833	2,151	1,867
Debt	3,864	4,567	4,146
Other liabilities	880	903	722
Shareholder's equity	3,789	2,853	2,372
Non-controlling	145	145	137
Total liabilities & shareholders' equity	10,511	10,620	9,244

Cash and Debt

Cash Balance	Dec 2025	Dec 2024	Dec 2023
Net Debt	2,941	3,221	3,368
Net Debt Ratio	0.75	1.07	1.34
Debt to Equity	0.98	1.52	1.65

Leverage	2025	2024	2023
EBITDA	1,012	747	876
Debt / EBITDA	3.82	6.12	4.74
Net Debt / EBITDA	2.91	4.31	3.85
EBITDA / Net Interest Expenses	5.00	3.23	5.59

※ Adjusted one-off impact in 4Q 2024

Enhance Financial Stability via Capital Expansion; Accelerate Free Cash Flow Growth Cycle

II. Business Update



2026 Business Plan

2026 Guidance

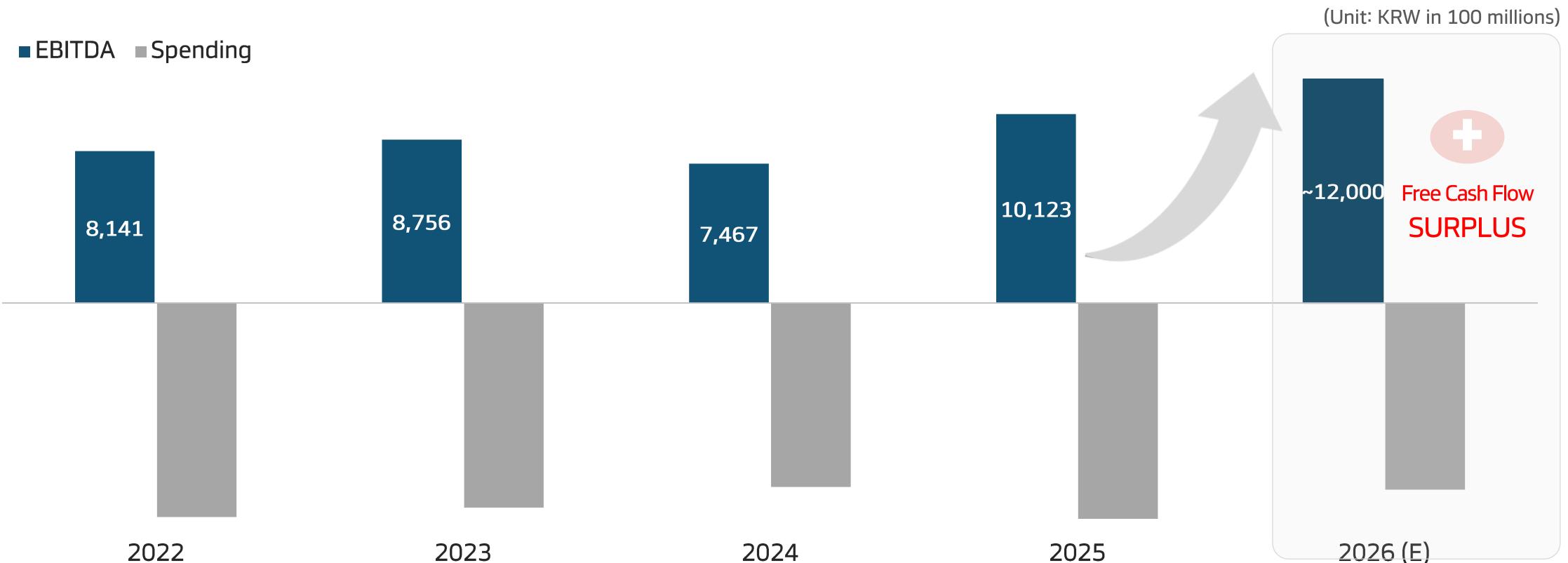
(Unit: KRW in Billions)	1H25	2H25	2025	2026
Revenue	5,476	5,408	10,884	11,000
EBITDA	442	570	1,012	1,200
Operating Income	85(1.6%)	187(3.4%)	272(2.5%)	450(4%~)

Targeting 4%+ OP margin in 2026, Supported by Continuous Profit Structure Improvements

Operating Cash Flow and Outlook

EBITDA < Spending (External Funding ↑)

EBITDA > Spending



EBITDA to Exceed Expenditures from 2026, Turning Free Cash Flow Positive

Thank You

Hanon Systems Investor Relations

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