2Q 2026 Earnings Release

July 31, 2026

Hanon SYSTEMS
a Hankook Company

Ⅰ. 2Q 2026 Financial Results

2Q 2026: Key Financials

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Unit: KRW in billions	2Q 2026	2Q 2025	YoY Variance	1Q 2026	QoQ Variance
Revenue	**2,875.2**	**2,858.2**	***0.6%***	**2,748.2**	***4.6%***
COGS	**2,563.0**	**2,604.1**	***(1.6%)***	**2,460.3**	***4.2%***
	89.1%	91.1%	*(2.0%pt)*	89.5%	*(0.4%pt)*
SG&A (Incl. R&D)	**208.6**	**189.8**	***9.9%***	**190.8**	***9.3%***
	7.3%	6.6%	*0.6%pt*	6.9%	*0.4%pt*
EBITDA	**292.4**	**250.5**	***16.7%***	**283.9**	***3.0%***
	10.2%	8.8%	*1.4%pt*	10.3%	*(0.1%pt)*
Operating Profit	**103.7**	**64.3**	***61.2%***	**97.2**	***6.7%***
	3.6%	2.2%	*1.4%pt*	3.5%	*0.1%pt*
Net Income	**86.1**	**(15.1)**	***Profit***	**67.5**	***27.6%***
	3.0%	(0.5%)	*3.5%pt*	2.5%	*0.5%pt*

Solid Revenue and Operating Profit Growth Driven by FX Benefits and Cost Optimization

1H 2026: Key Financials

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Unit: KRW in billions	1H 2026	1H 2025	YoY Variance	
Revenue	**5,623.5**	**5,475.5**	**148.0**	**2.7%**
COGS	**5,023.2**	**5,031.4**	**(8.2)**	**(0.2%)**
	89.3%	91.9%	(2.6%pt)	
SG&A (Incl. R&D)	**399.4**	**358.8**	**40**	**11.3%**
	7.1%	6.6%	0.5%pt	
EBITDA	**576.3**	**441.9**	**134.4**	**30.4%**
	10.2%	8.1%	2.1%pt	
Operating Profit	**200.9**	**85.4**	**115.5**	**135.3%**
	3.6%	1.6%	2.0%pt	
Net Income	**153.5**	**(37.7)**	**191.2**	***Profit***
	2.7%	(0.7%)	3.4%pt	

Enhanced Profitability Driven by Material Cost Innovation and Favorable FX Effects

2Q 2026 Highlights

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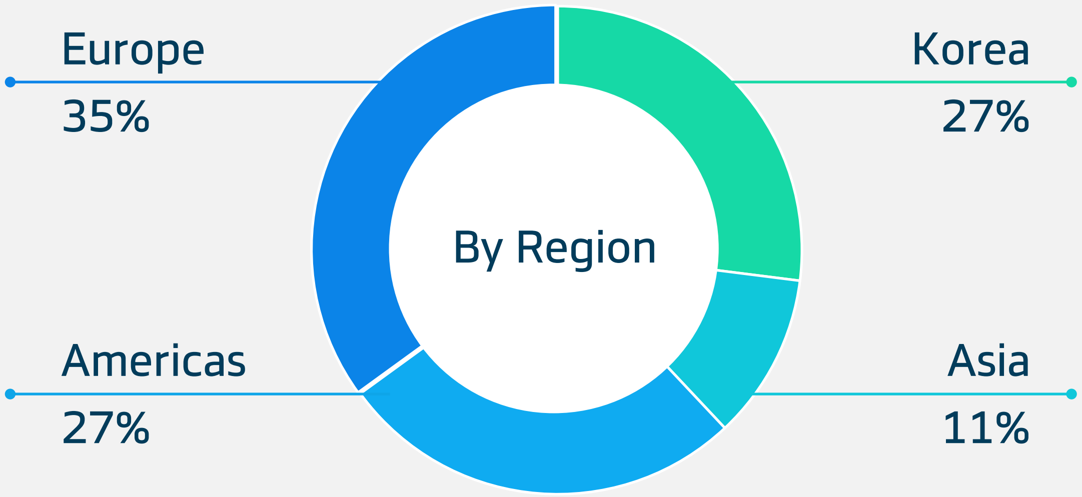
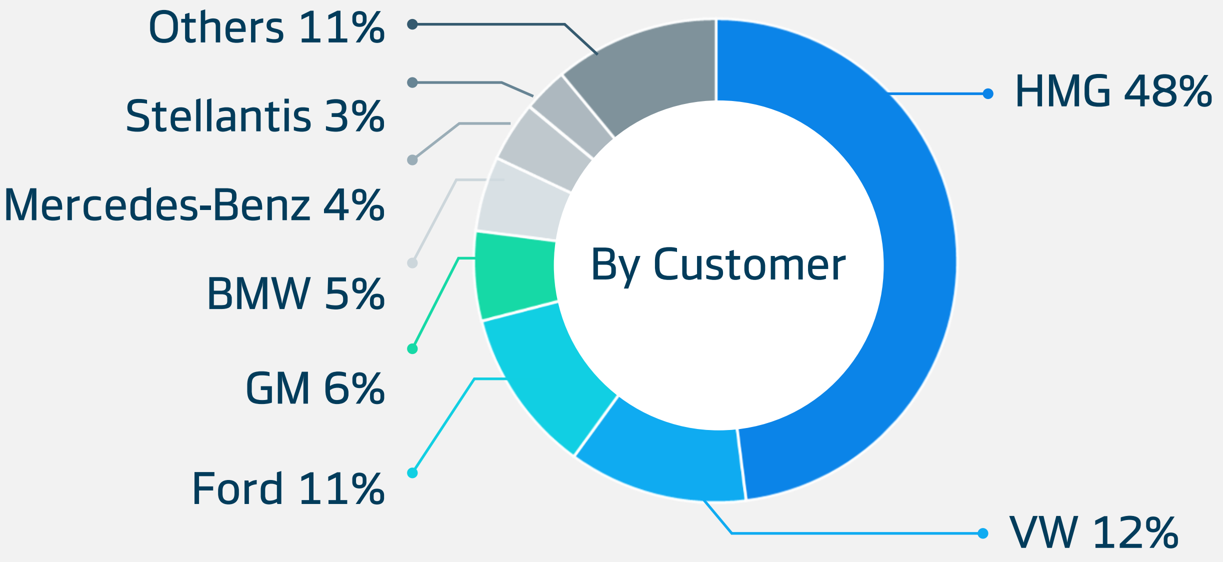
Sales Breakdown (1H 2026)



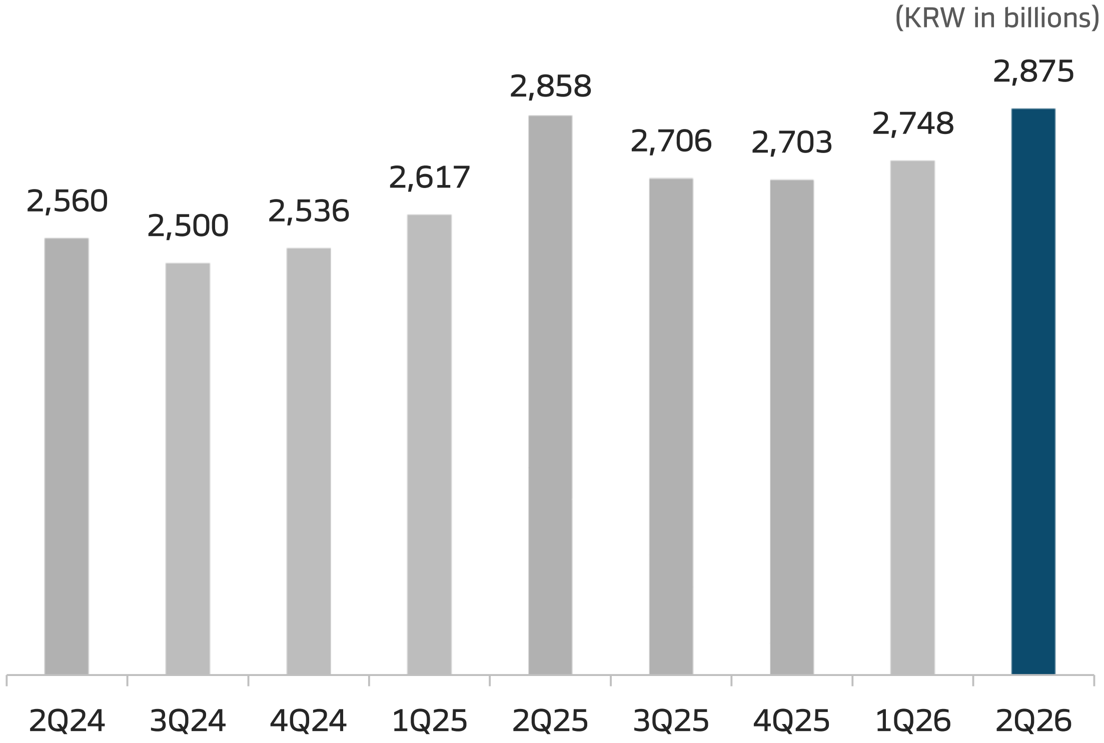


2Q 2026 Key Highlights

- Continued revenue growth driven by expanded supply coverage for EU customers and favorable FX effects
- OPM improved to 3.6%, supported by material and freight cost optimization, operational improvements, and tariff cost recoveries
- xEV revenue represented 31% of total revenue; xEV revenue expected to grow with expanded EU business and increased volumes

Quarterly Sales

Consolidated Sales



Comments

- Increase in Europe (+9%); decrease in U.S. (-6%) and Korea (-2%), QoQ

- Increase in Mercedes-Benz (+36%), BMW (+19%); decrease in HMG (-4%), Ford (-5), GM (-7%), QoQ

Growth Supported by Strong EU Sales and Favorable FX, Despite Lower Volumes

Quarterly COGS

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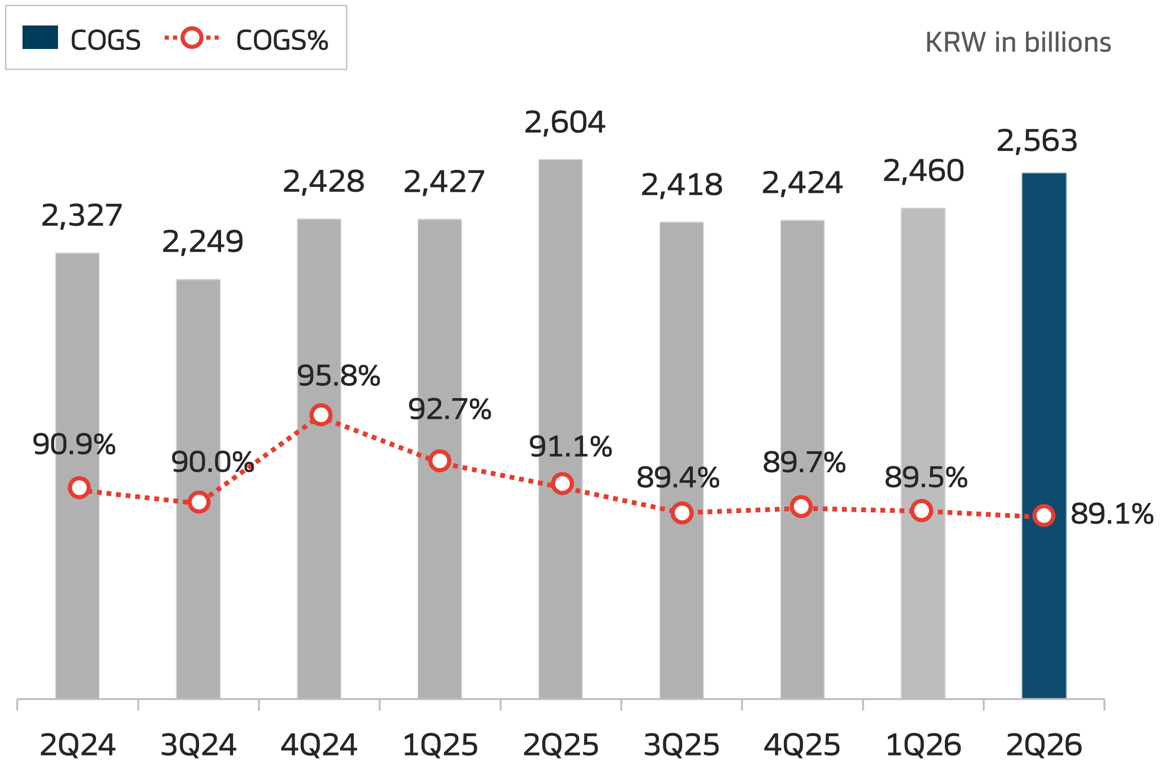
Quarterly Cost of Goods Sold



Comments

Positive Factors

- Sustained profitability improvement through cost structure efficiencies
  - 2Q25 COGS 91.1% → 2Q26 89.1%
- Material and freight cost efficiencies

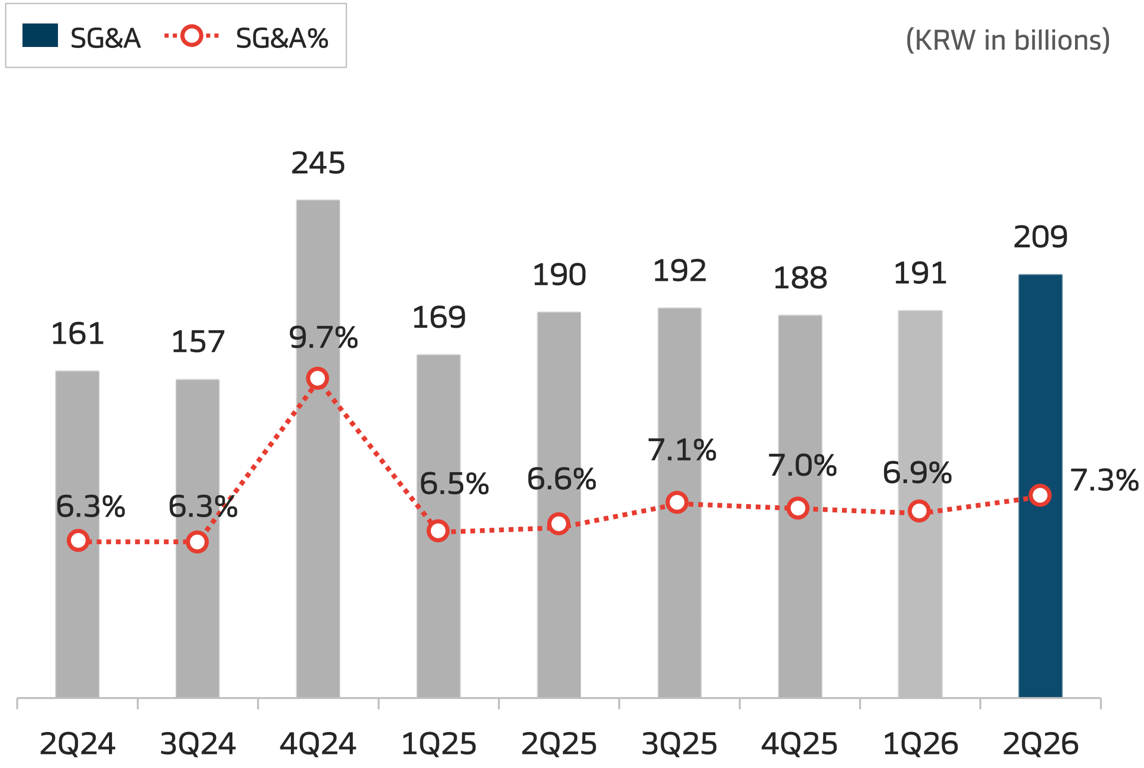
Negative Factors

- Cost uncertainty increased due to geopolitical risks and external factors
- Slower electrification transition led to customer production adjustments and operational uncertainty

COGS Ratio Improved Through Cost Reduction Despite External Uncertainties

Quarterly SG&A

Quarterly SG&A



Comments

- 2Q26 SG&A: 7.3% of total revenue
- Slight increase in SG&A ratio due to reduced R&D capitalization

- 2Q26 R&D spending (incl. R&D capitalization) : 3.4% of total revenue (1Q26 3.4%)
- 2Q26 Capitalization: 23% of R&D spending

Maintained Cost Efficiency Despite Higher SG&A Ratio from Lower R&D Capitalization

New Business Wins Update

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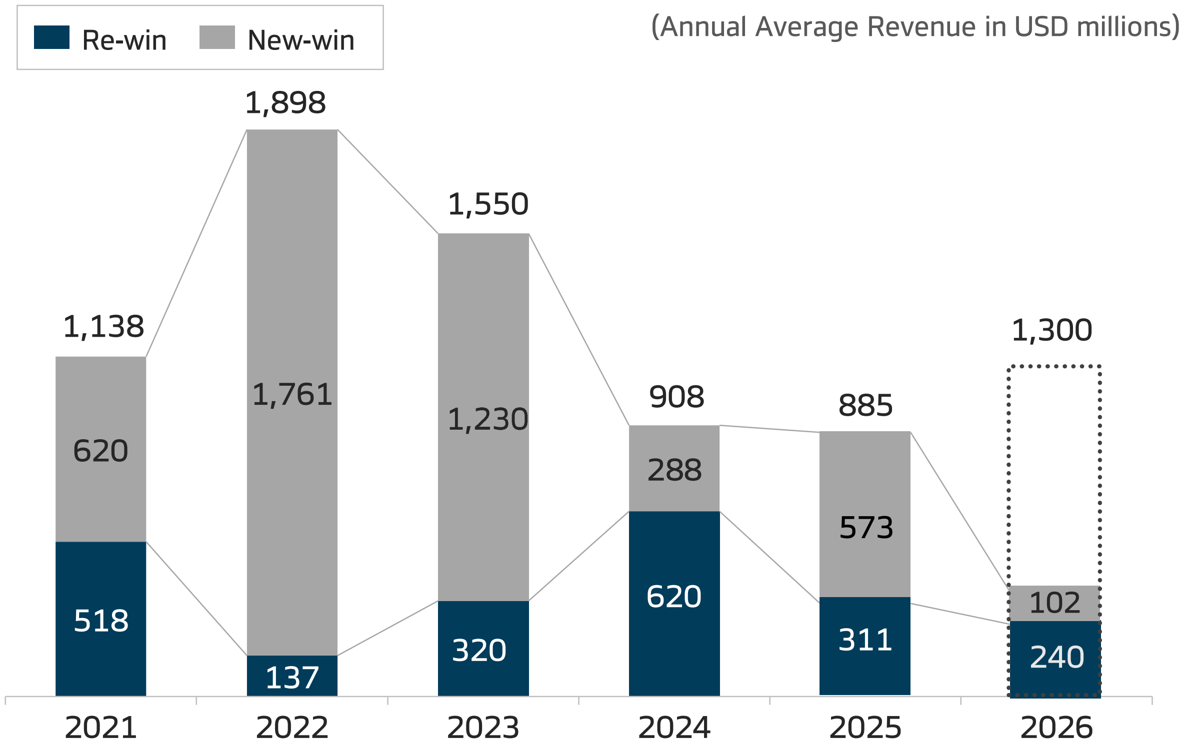
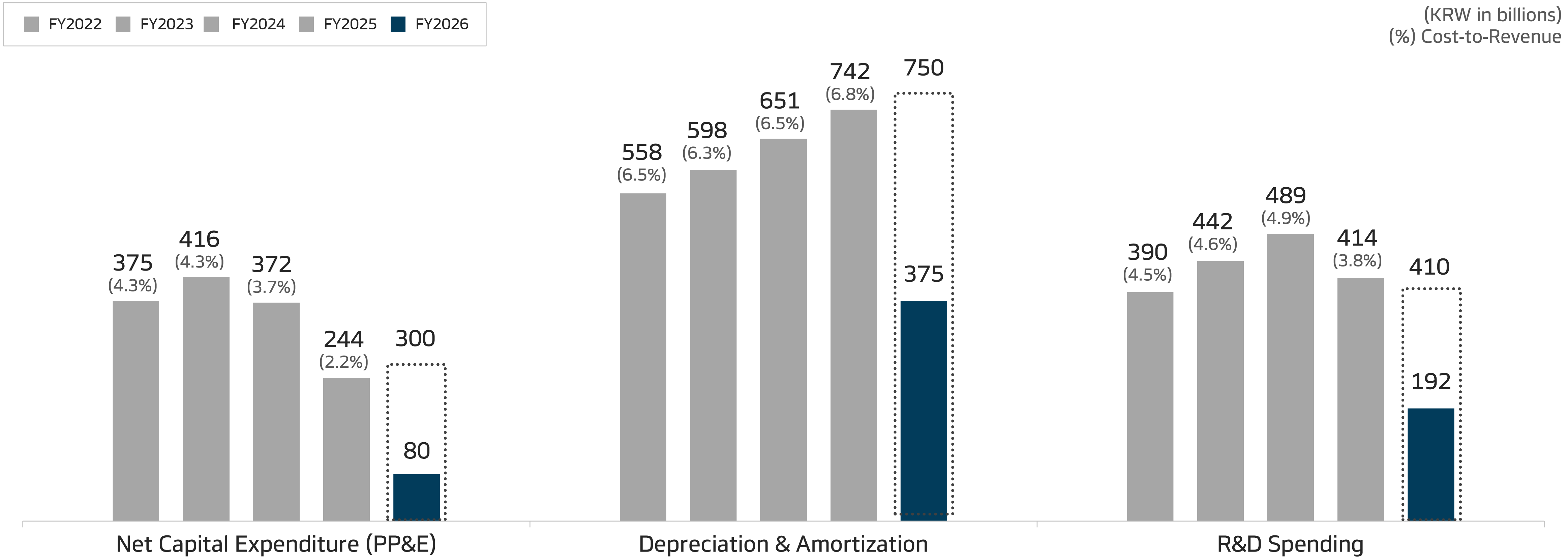
FY 2026 New Business Wins



- 2026 New Business Wins target: $1.3B key programs scheduled in following quarters, including next-generation platforms
- Technological leadership maintained with robust portfolio adaptable to all types of powertrains, including ICE, BEV, HEV, PHEV and EREV
- Revenue stability secured through ICE/HEV program extensions, with growth expected from electrification mix improvement in Europe

Securing 2026 Growth Visibility Through Life Cycle Extensions and EV Mix Transition

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



Optimizing CapEx and R&D Spending to Lower Fixed Costs and Strengthen Cost Structure

2Q 2026 Balance Sheet

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(K-IFRS / KRW in billions, x times)	1H26	2025	2024
Cash and cash equivalent	968	925	1,347
Account receivable	1,840	1,592	1,395
Inventories	1,471	1,405	1,241
Property and equipment	2,738	2,724	2,864
Intangible assets	2,198	2,185	2,351
Lease assets	611	604	478
Other assets	1,148	1,057	944
Total assets	10,974	10,492	10,620
Account payable	1,983	1,833	2,151
Debt	3,794	3,860	4,567
Other liabilities	931	886	903
Shareholders' equity	4,112	3,768	2,853
Non-controlling	154	145	145
Total liabilities & shareholders' equity	10,974	10,492	10,620

Cash Balance	1H 2026	2025	2024
Debt to Equity Ratio	157%	168%	254%
Borrowings Ratio	89%	99%	152%
Net Debt Ratio	66%	75%	107%

Leverage	2Q26 TTM	2025	2024
EBITDA	1,147	1,012	747
Debt / EBITDA	3.31	3.81	6.12
Net Debt / EBITDA	2.46	2.90	4.31
EBITDA / Net Interest Expense	6.63	5.00	3.23

Improved Financial Structure Through Capital Raising and Profitability *i*mprovement

Ⅱ. Business Update

Financial Strength Through Investment Optimization

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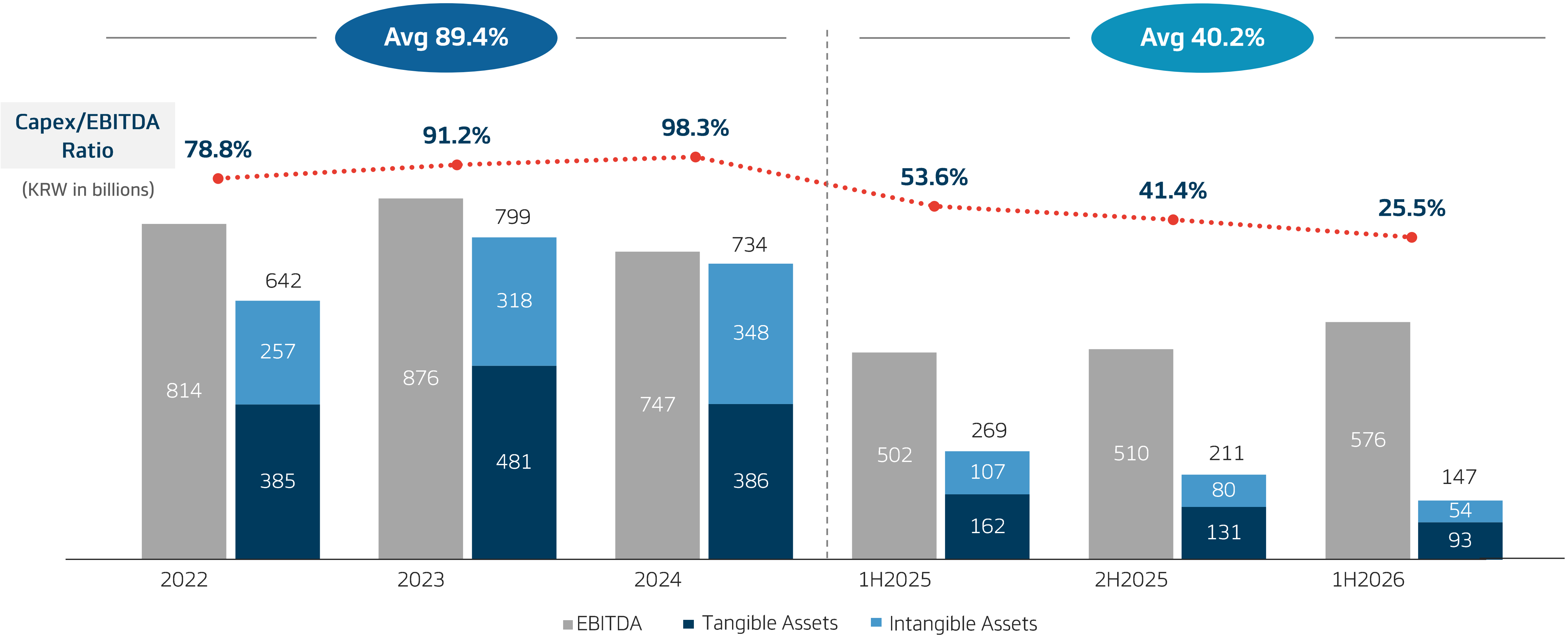

Sustainable Cash Flow Secured Through Lower CapEx-to-EBITDA Ratio

Structural Optimization of Profitability

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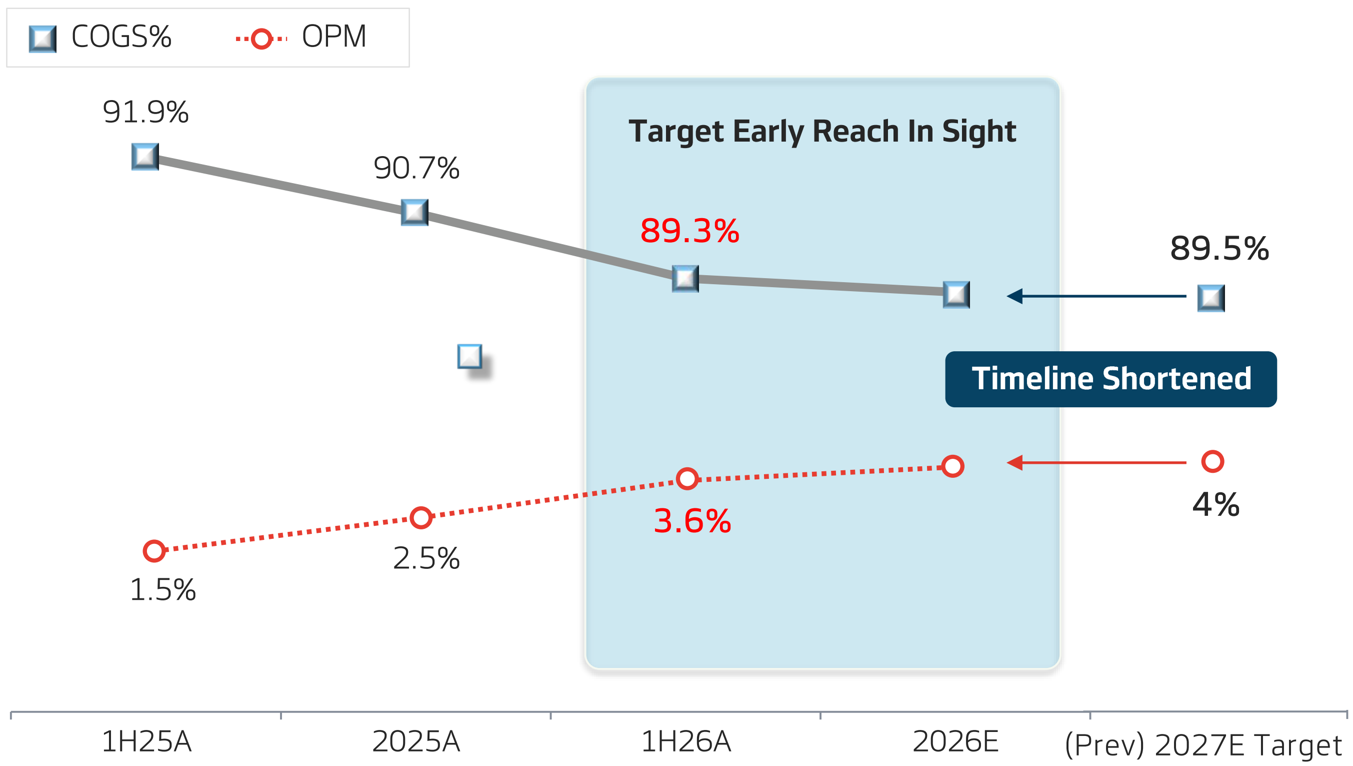
Earlier Target Achievement Expected



Achievements

COGS

- 1H26 performance reached 2027 target levels
- Target timeline shortened by 1 year due to improved cost structure

OPM

- OPM expected to reach 4% levels in 2026
- Accelerating profitability recovery through continued cost efficiencies

Earlier Achievement of Target OPM Expected, Driven by Cost and Operational Efficiencies

※ Figures for 2026 and 2027 are company targets and are subject to change depending on business conditions.

Expanding Thermal Business Opportunities

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Technological Competency

Thermal Management System Expansion Opportunities

Leveraging thermal management system integration capabilities built on automotive expertise

Core **Heat Exchange**	High-efficiency Design and Interpretation
Control **Fluid Control**	Pump Valve Fluid Path Control
System **System**	Module/System Design Expertise
Quality **Reliability**	Durability, Safety, and Quality Procedures

Potential Scope

Expansion Opportunities in Cooling Modules, Fluid Control and Liquid Cooling System Integration

Expanding into New Markets

Target Applications for Thermal Management Solutions

1. Battery Thermal Management

Ensure optimal performance and lifespan through precise battery temperature regulation

2. Internal HVAC Control

Prevent condensation and overheating through temperature and humidity regulation

3. Coolant Circulation

Enhance system efficiency by minimizing temperature deviations among modules

4. Circulation Control

In-house H/W and S/W expertise for key thermal management components including pumps, valves, and sensors

Expanding into New Markets with Leading Automotive Thermal Management Capabilities

Thank You

Hanon Systems Investor Relations

ir@hanonsystems.com