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3Q 2019 Earnings Release

Nov 6, 2019

Disclaimer

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3Q 2019: Key Financial Metrics

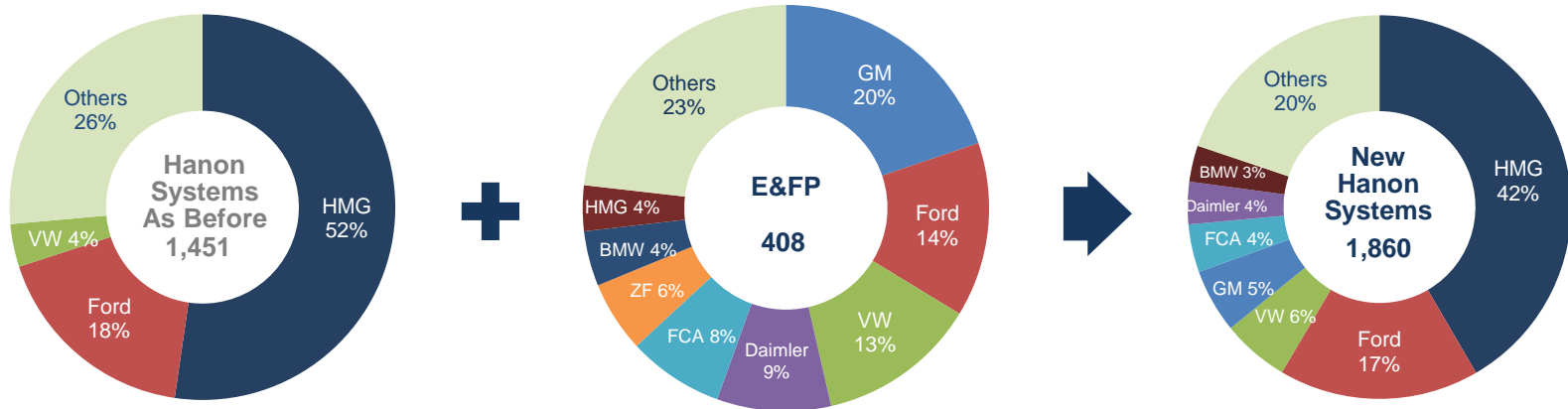
(KRW in Billions)

| | 3Q19 | 3Q18 | YoY % | 2Q19 | QoQ % |
|--------------------------------|--------------|--------------|---------------|--------------|--------------|
| Revenue | 1,860 | 1,420 | +31.0% | 1,904 | -2.3% |
| COGS | 1,611 | 1,221 | +31.9% | 1,642 | -1.9% |
| % of Sales | 86.6% | 86.0% | | 86.3% | |
| SG&A (Incl R&D) | 141 | 116 | +21.6% | 150 | -5.4% |
| % of Sales | 7.6% | 8.2% | | 7.9% | |
| EBITDA | 210 | 149 | +40.7% | 212 | -1.0% |
| Margin (%) | 11.3% | 10.5% | | 11.2% | |
| Operating Profit | 107 | 82 | +30.5% | 112 | -4.7% |
| Margin (%) | 5.8% | 5.8% | | 5.9% | |
| Net Income | 76 | 55 | +36.7% | 71 | +6.5% |
| Margin (%) | 4.1% | 3.9% | | 3.7% | |

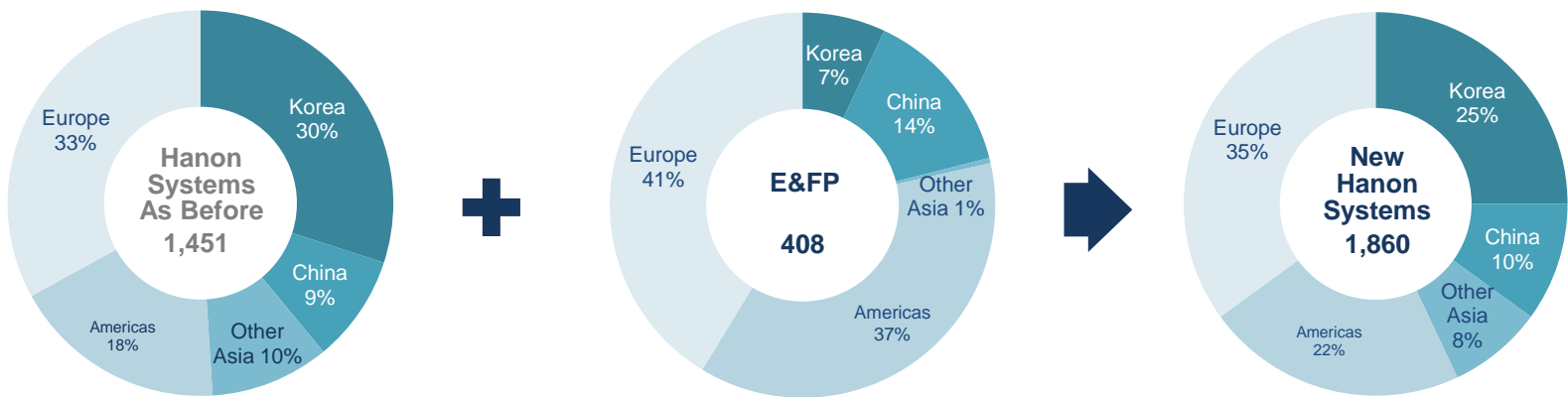
Accelerated Growth on E&FP Acquisition; Adjusted-OPM 6.2% Before PPA

Customer/Region Mix

3Q19 Sales by Customer with E&FP



3Q19 Sales by Region with E&FP



(KRW in Billions)

3Q YTD 2019: Key Financial Metrics

(KRW in Billions)

| | 3Q YTD 2019 | 3Q YTD 2018 | YoY Variance | |
|--------------------------------|--------------|--------------|--------------|--------|
| Revenue | 5,193 | 4,325 | +868 | +20.1% |
| Gross Profit | 4,482 | 3,694 | +787 | +21.3% |
| Margin (%) | 86.3% | 85.4% | | |
| SG&A (Incl R&D) | 399 | 353 | +46 | +13.0% |
| % of Sales | 7.7% | 8.2% | | |
| EBITDA | 588 | 474 | +114 | +24.0% |
| Margin (%) | 11.3% | 11.0% | | |
| Operating Profit | 313 | 278 | +35 | +12.5% |
| Margin (%) | 6.0% | 6.4% | | |
| Net Income | 203 | 194 | +9 | +4.9% |
| Margin (%) | 3.9% | 4.5% | | |

One-time Impacts in Non-OP are 32.0 bW in 1H19, Which Covers Most of M&A Related Costs

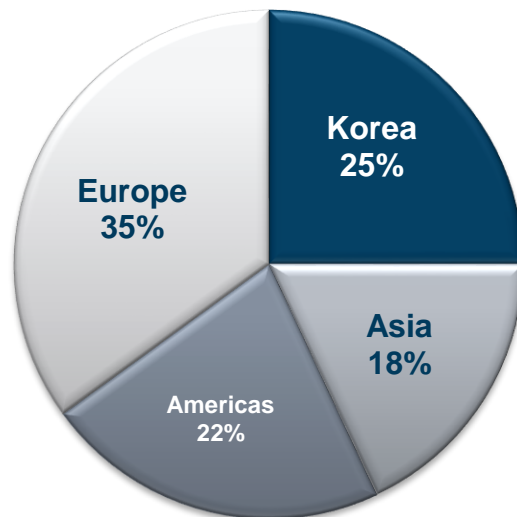
3Q 2019 Highlights

3Q19 Highlights

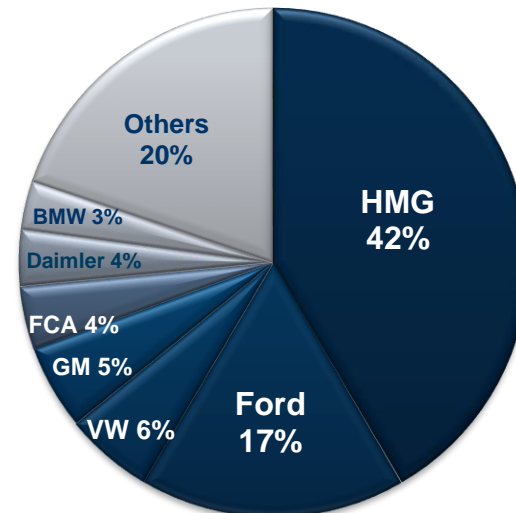
- ✓ Revenue and OP increase 31% on E&FP acquisition; Adj-OPM is 6.1% before PPA
- ✓ Customer diversification accelerates with E&FP; Largest customer accounts for 42%
- ✓ Eco-friendly/Electrified revenue increases to 14% on E&FP consolidation

Sales Breakdown (3Q19 Only)

By Region



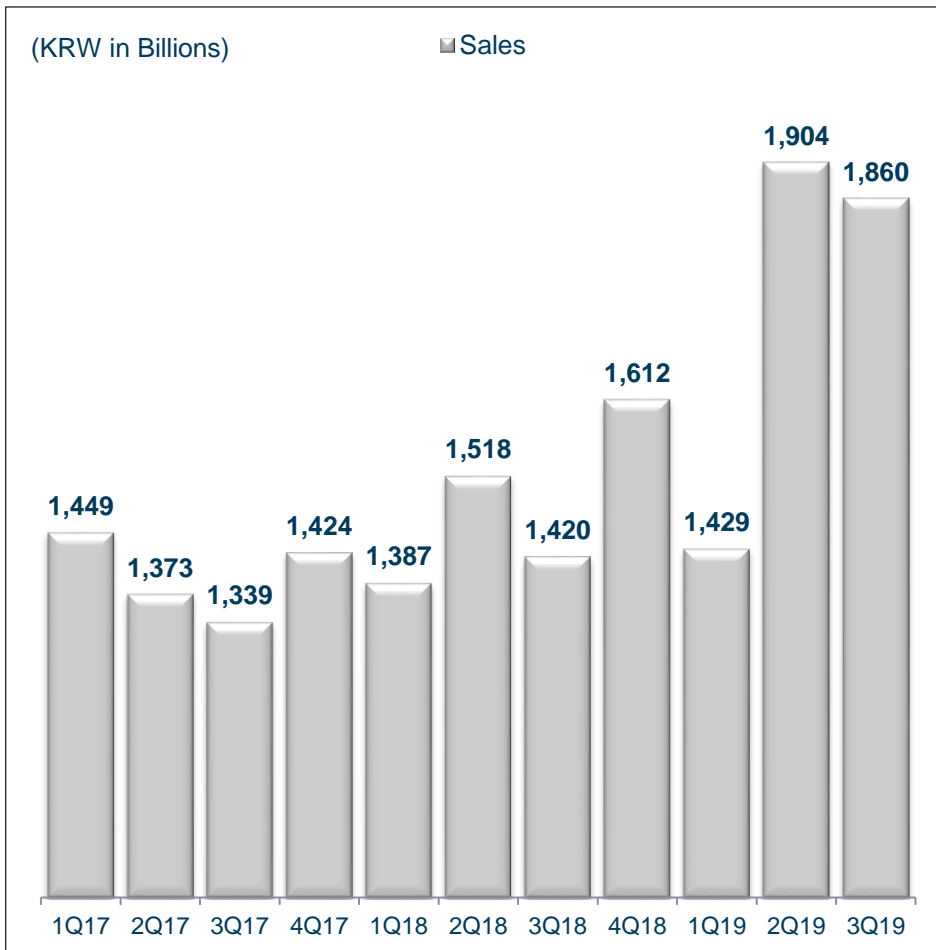
By Customer



- Ford: Incl. Changan Ford & Ford Otosan

Quarterly Sales

Consolidated Sales



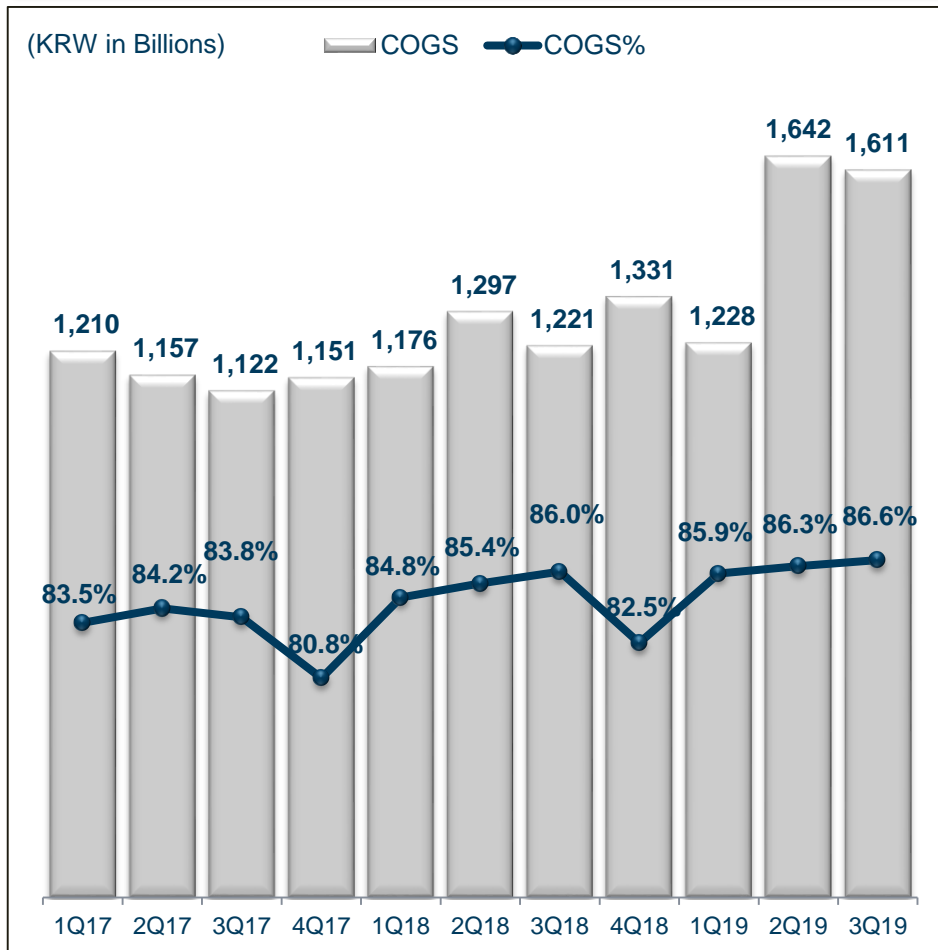
Comments

- 3Q19 Americas and Europe revenue up 70% and 47% YoY respectively with E&FP acquisition
- 3Q19 Korea and China revenue increase moderately by 5% and 16% YoY respectively after E&FP consolidation; Hanon Systems-as-before revenue in China declined by 21% YoY
- 3Q19 VW (+180% YoY), GM (+430%), Daimler(+340%), FCA (+120%), Renault (+100%) become sizable customers thanks to E&FP
- 3Q19 HMG and Ford revenue increase by 3% and 20% YoY respectively
- 3Q19 CAOEM revenue decreases by 13% YoY on mix change

3Q Revenue is up 31% YoY on E&FP Acquisition

Quarterly COGS

Quarterly Cost of Goods Sold

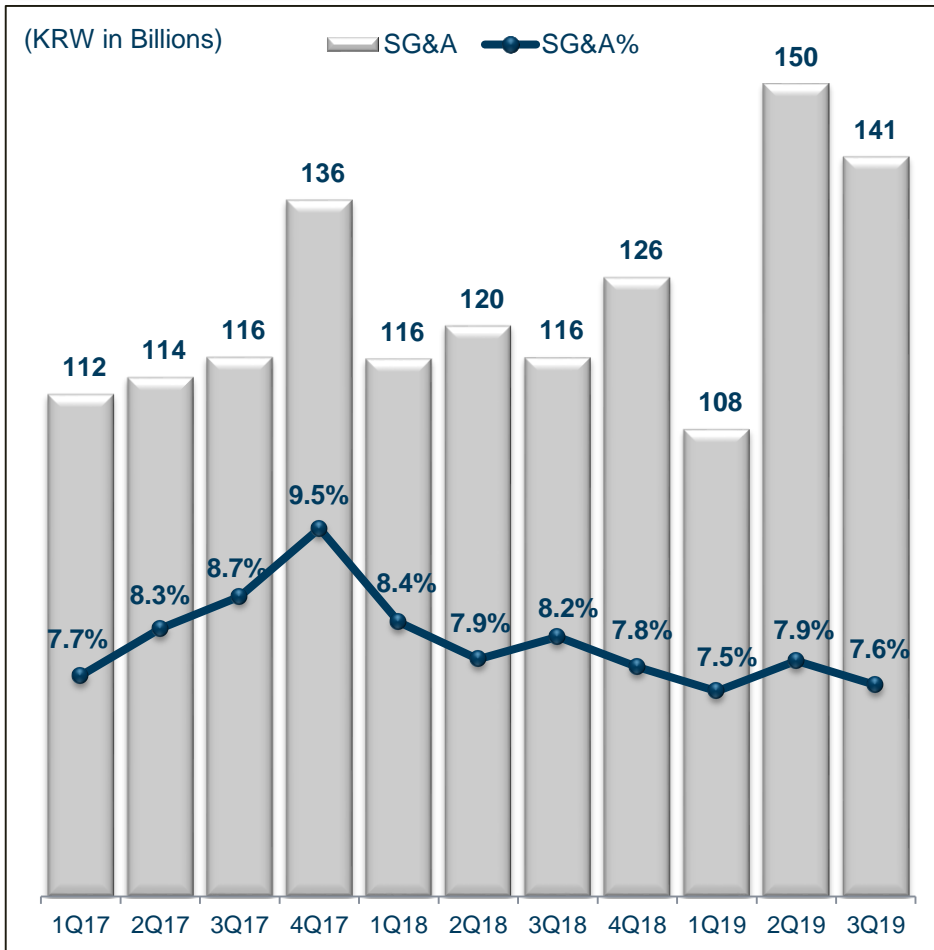


Comments

- Positive factors:
 - ✓ E&FP shows strong profitability on higher portions of electrified components and diverse customer base
 - ✓ Hanon Systems-as-before improves margins in Europe and Americas by ongoing cost improvement actions
- Negative factors:
 - ✓ Weak volume in China
 - ✓ Major launch delays from a core customer
 - ✓ 3Q19 D&A 103 bW (+54% YoY)

China Volume Continues to Remain Weak; Gross Profit Margin Remains In-Line

Quarterly SG&A Status



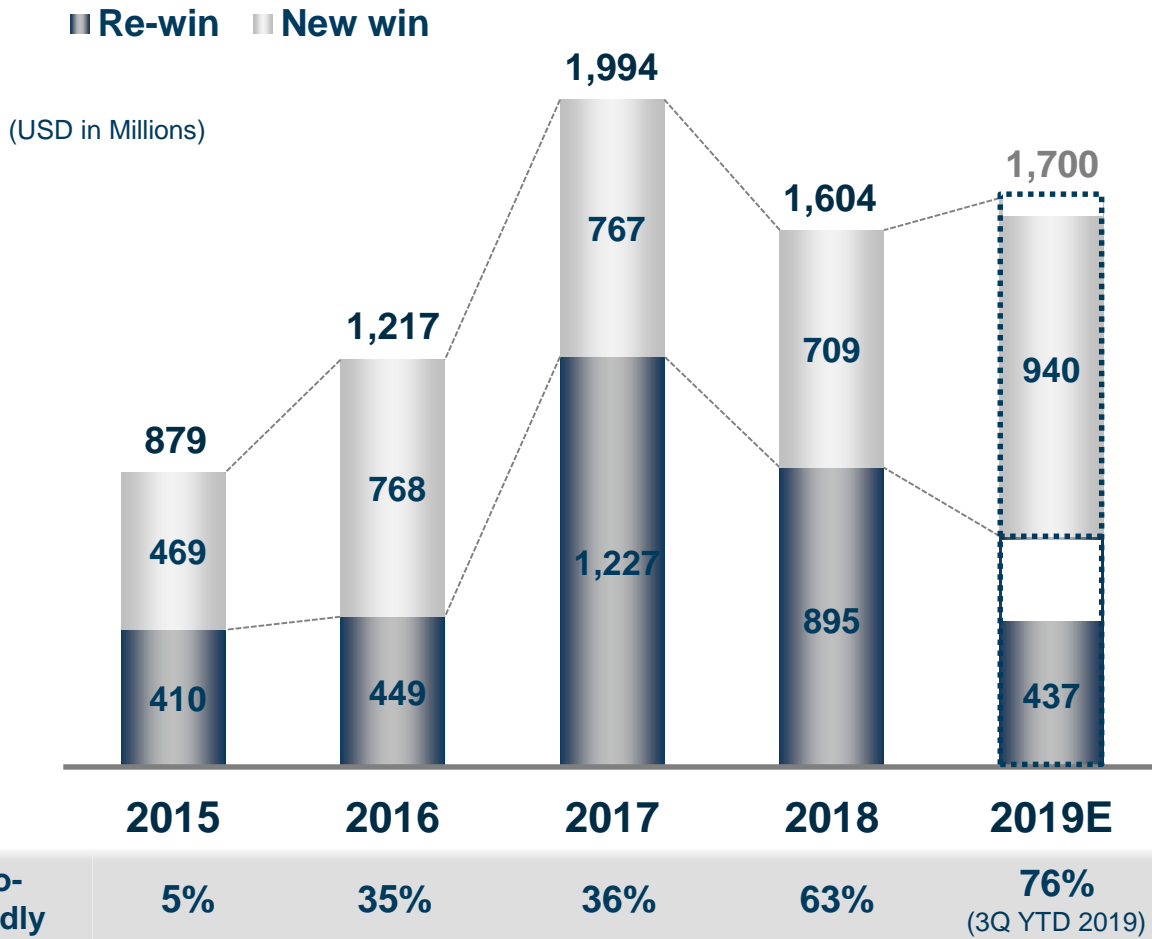
Comments

- 3Q19 SG&A spend: 7.6% of total revenue (-0.6%p YoY)
- 3Q19 R&D spend: 5.1% of total revenue (-0.1%p YoY)
- 3Q19 net income is up by 37% YoY as the acquisition costs are mainly reflected in 1H19.

SG&A Spending Ratio at Three-year Low

New Business Wins Update

3Q YTD 2019 New Business Wins

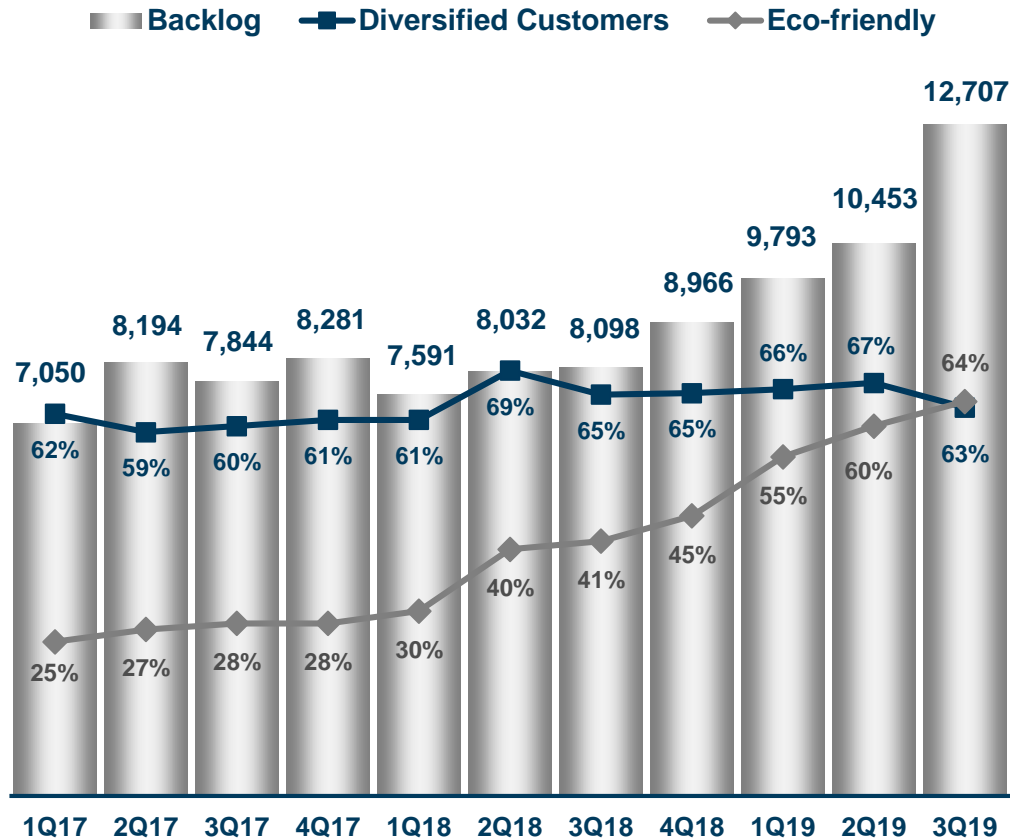


- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 75% of 3Q YTD 2019 new wins
- Eco-friendly orders account for 76% of 3Q YTD 2019 new wins

Backlog Status Update

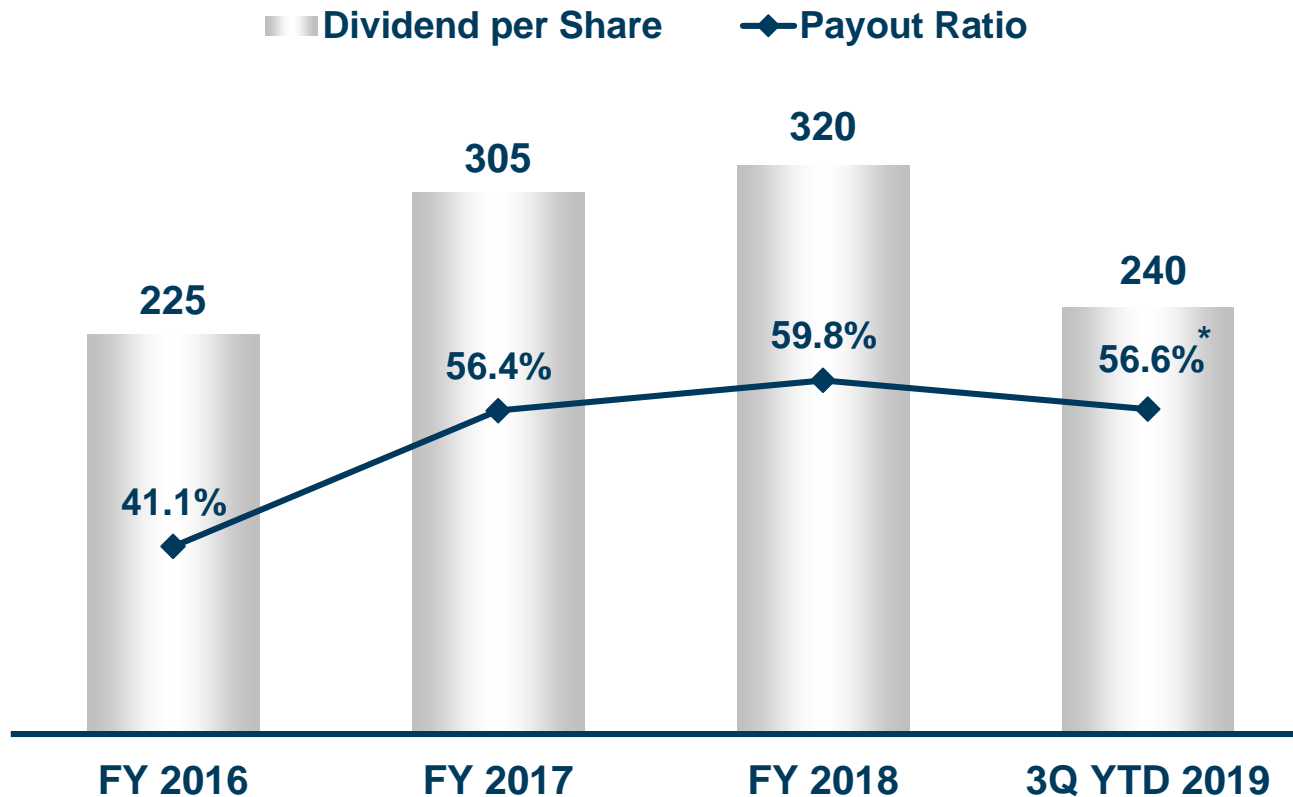
3Q 2019 Backlog (New Wins Only)

(USD in Millions)



- Backlog: Defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 63%
- Eco-friendly orders account for 64%

3Q19 Quarterly Dividend: 80 KRW per share



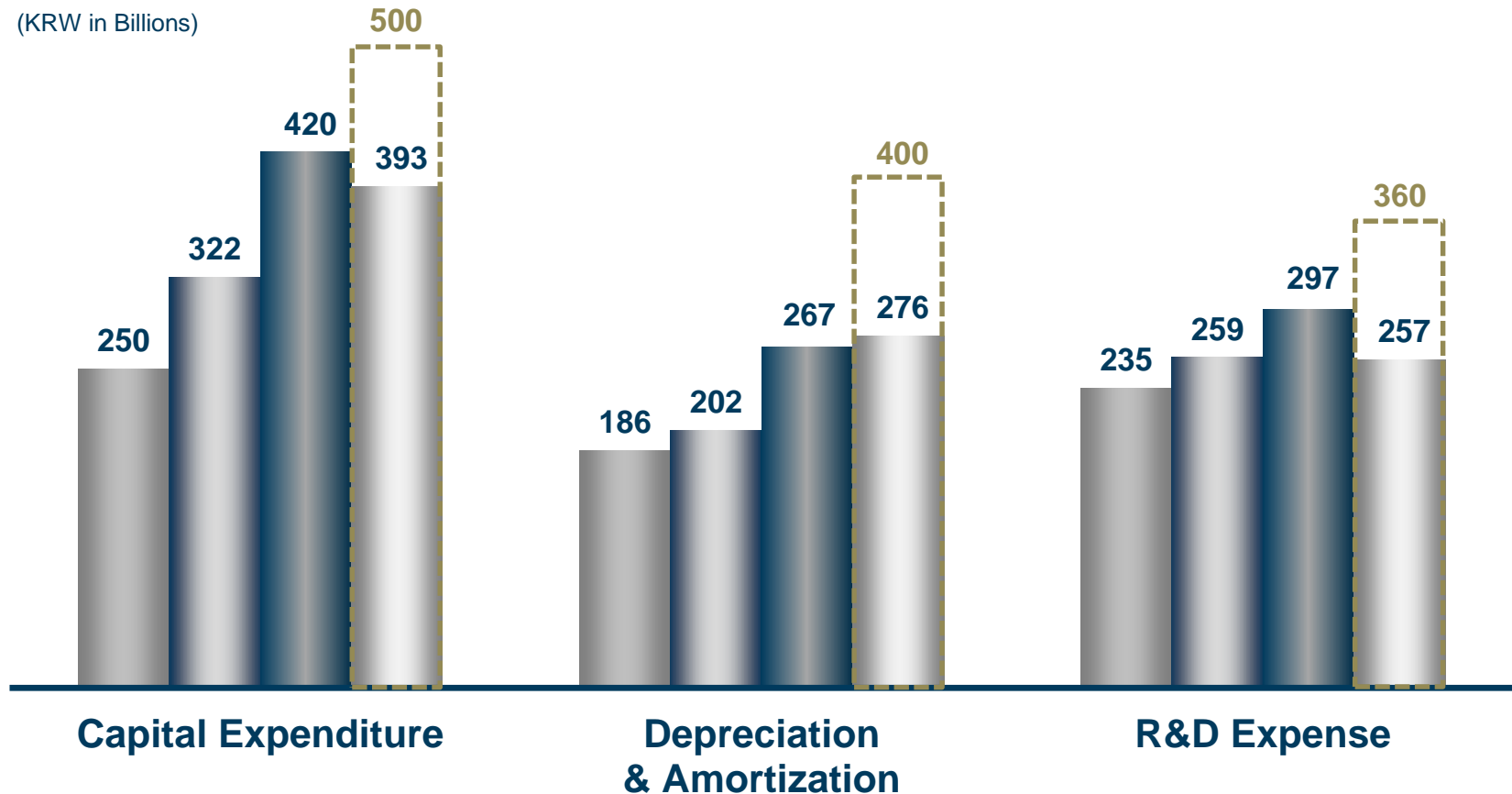
* Based on adjusted net income per share of 3Q YTD 2019

Maintaining Quarterly Dividend at Previous Level

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

■ FY2016 ■ FY2017 ■ FY2018 ■ FY2019

(KRW in Billions)



* FY2019 guidance includes EFP

CapEx, D&A and R&D Spend On-track to Meet Full-Year Target

3Q19 Balance Sheet

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

Balance Sheet

| | Sep 2019 | Dec 2018 | Dec 2017 |
|---|--------------|--------------|--------------|
| Cash and cash equivalent | 512 | 1,018 | 567 |
| Account receivable | 1,348 | 1,021 | 972 |
| Inventories | 687 | 506 | 469 |
| Property and equipment | 2,082 | 1,551 | 1,262 |
| Intangible assets | 1,505 | 564 | 438 |
| Lease assets | 219 | 181 | - |
| Other assets | 610 | 515 | 412 |
| Total assets | 6,964 | 5,356 | 4,120 |
| Account payable | 1,233 | 1,215 | 1,045 |
| Debt | 2,856 | 1,672 | 757 |
| Other liabilities | 576 | 337 | 286 |
| Sharers' equity | 2,178 | 2,037 | 1,979 |
| Non-controlling | 120 | 95 | 53 |
| Total liabilities & shareholders' equity | 6,964 | 5,356 | 4,120 |

Cash and Debt

| Cash Balance | Sep 2019 | Dec 2018 | Dec 2017 |
|----------------|----------|----------|----------|
| Net Debt | 2,344 | 654 | 190 |
| Net Debt Ratio | 1.0x | 0.3x | 0.1x |
| Debt to Equity | 1.2x | 0.8x | 0.4x |

- 'Debt' and 'Net Debt' **INCLUDE** Lease Debt in E3Q19 and YE2018 (KRW 212b, KRW 177b) respectively due to the change of KIFRS 1116.

| Leverage | 2019E | 2018 | 2017 |
|--------------------------------|-------|-------|-------|
| EBITDA | 900* | 701 | 670 |
| Debt / EBITDA | 3.2x | 2.4x | 1.1x |
| Net Debt / EBITDA | 2.6x | 0.9x | 0.3x |
| EBITDA / Net Interest Expenses | 12.6x | 39.7x | 60.2x |

* 2019 EBITDA guidance

Balance Sheet Items are Mostly Maintained Since 2Q19

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Thank You

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