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3Q 2021 Earnings Release

November 9, 2021

Disclaimer

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3Q 2021: Key Financial Metrics

(KRW in Billions)

	3Q21	3Q20	YoY %	2Q21	QoQ %
Revenue	1,704	1,901	-10.4%	1,852	-8.0%
COGS	1,506	1,650	-8.7%	1,627	-7.5%
% of Sales	88.4%	86.8%		87.9%	
SG&A (Incl. R&D)	128	132	-3.2%	124	2.8%
% of Sales	7.5%	6.9%		6.7%	
EBITDA	194	239	-18.9%	225	-14.0%
Margin (%)	11.4%	12.6%		12.2%	
Operating Profit	71	120	-41.0%	100	-29.7%
Margin (%)	4.1%	6.3%		5.4%	
Net Income	53	51	3.4%	100	-47.2%
Margin (%)	3.1%	2.7%		5.4%	

**Decline in 3Q Revenue and OP Driven by Market Headwinds;
Lower Volumes, Freight and Raw Material Cost Increase**

3Q YTD 2021: Key Financial Metrics

(KRW in Billions)

	3Q YTD 2021	3Q YTD 2020	YoY Variance	
Revenue	5,425	4,772	13.7%	653
COGS	4,780	4,247	12.6%	533
% of Sales	88.1%	89.0%		
SG&A (Incl. R&D)	380	403	-5.7%	-23
% of Sales	7.0%	8.4%		
EBITDA	640	466	37.5%	174
Margin (%)	11.8%	9.8%		
Operating Profit	265	121	118.2%	144
Margin (%)	4.9%	2.5%		
Net Income	212	24	794%	188
Margin (%)	3.9%	0.5%		

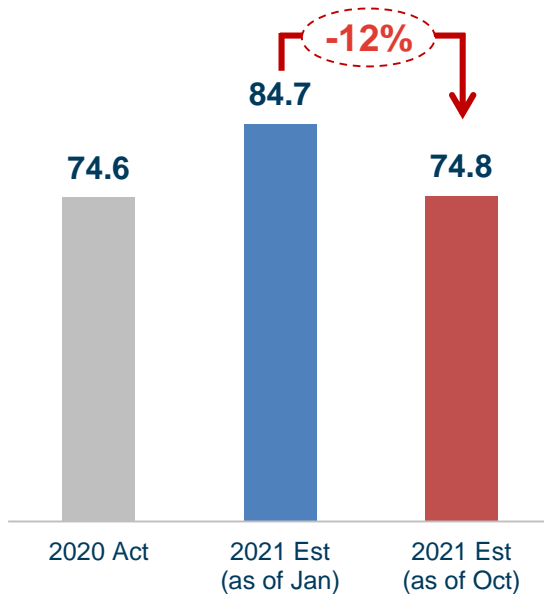
**YTD Revenue Recovers Following Low Base from COVID-19;
Anticipating Growth in Volume and Profitability in 2022**

Hanon Systems is mitigating market headwinds

- Hanon Systems expects to outperform the global auto market by ~5% in 2021 with solid backlog and strong product/customer mix
- Increase in ocean freight rates (184% YTD); company manages increase to ~70%
- Increase in commodity prices (~40% YTD); company expects further recovery in 2022

Annual Auto Production Decline on Chip Shortage

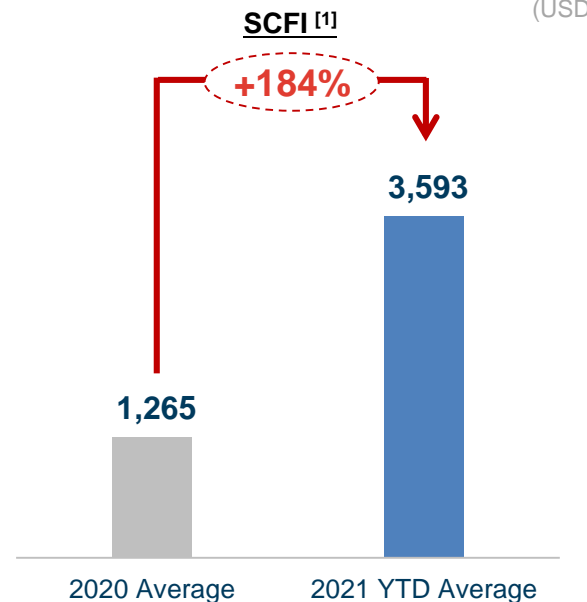
(Million units)



Source: IHS

Freight Costs Surge

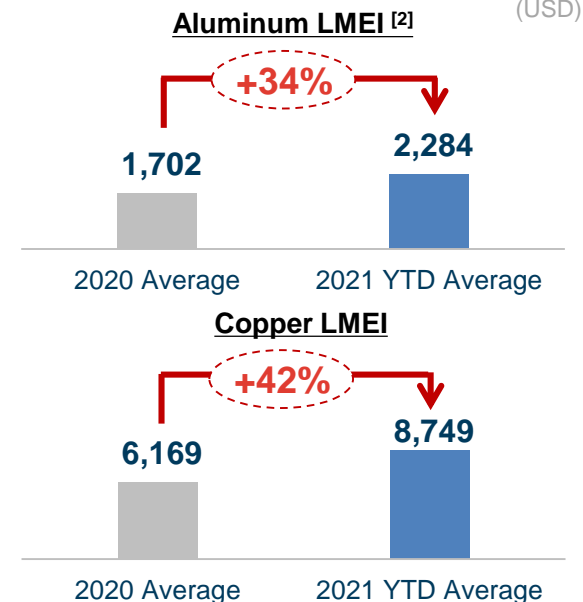
(USD)



Notes: [1] SCFI: Shanghai Containerized Freight Index

Raw Material Cost Increase

(USD)

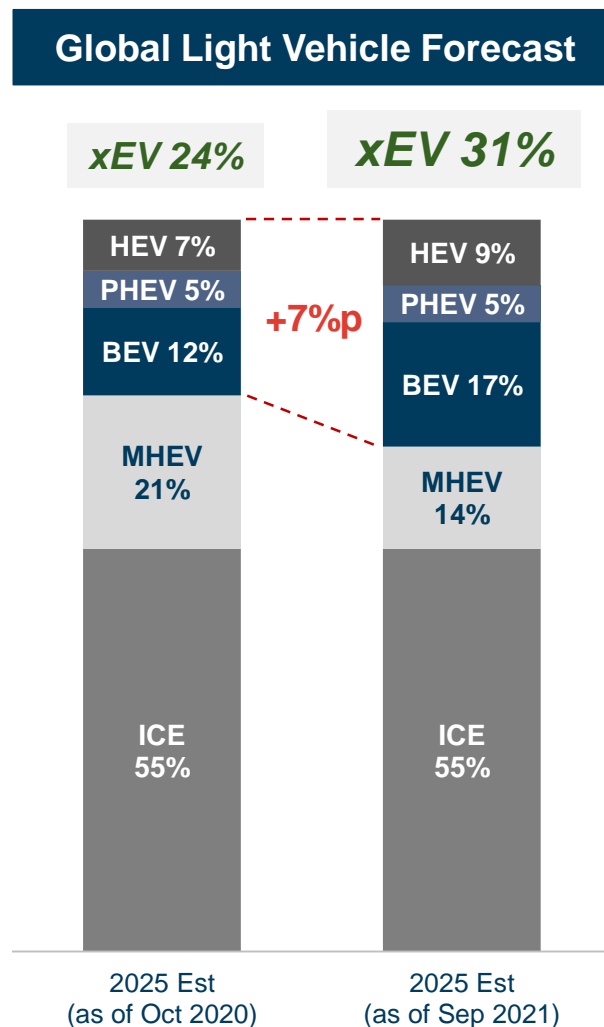


Notes: [2] LMEI: London Metal Exchange Index

Market Shifts to All Electric

- Most OEMs transition to all electric powertrains by 2030
- xEV powertrains expected to increase to 31% of global auto market in 2025

Manufacturer	Announcements	Type of Vehicles	Year
Hyundai Motors - Genesis	100%	BEV, FCEV	2045 2030
Ford	100%	BEV	2030
Volkswagen Group - VW - Porsche - Audi	More than 70% 100% in Europe 100% 100%	BEV BEV BEV, PHEV, HEV BEV	2030 2035 2030 2033
General Motors	100%	BEV	2035
Stellantis	70%	BEV, PHEV	2030
Daimler	Up to 25%	BEV	2025
BMW - Mini	At least 50% 100%	BEV BEV	2030 2030
Jaguar Land Rover - Jaguar	100% 100%	BEV, PHEV BEV, PHEV	2030 2025
Volvo	50% 100%	BEV BEV	2025 2030
Nissan	100%	BEV, PHEV, HEV	2030
Renault	65% 90%	BEV, PHEV, HEV BEV, PHEV, HEV	2025 2030
Honda	100%	BEV, PHEV, HEV	2040
Toyota	1 million BEV globally	BEV	2030



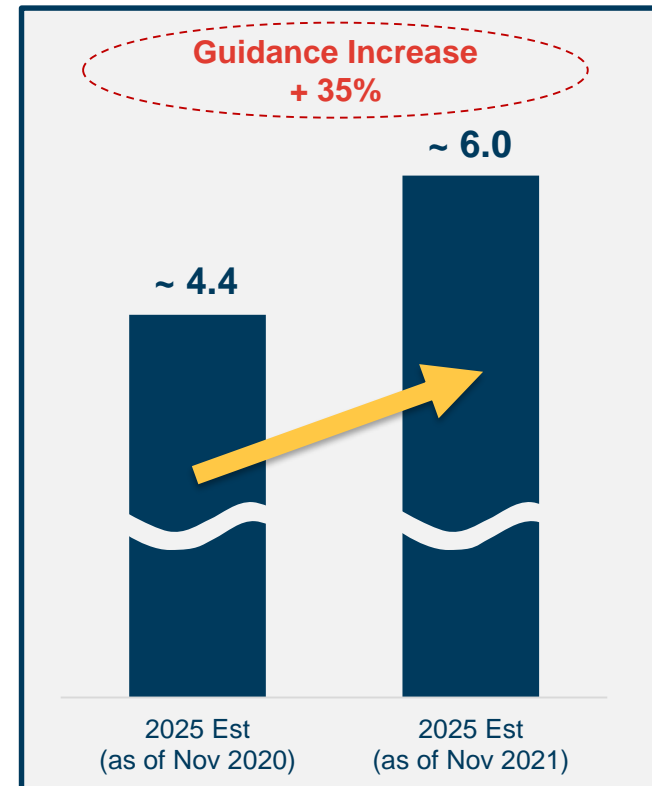
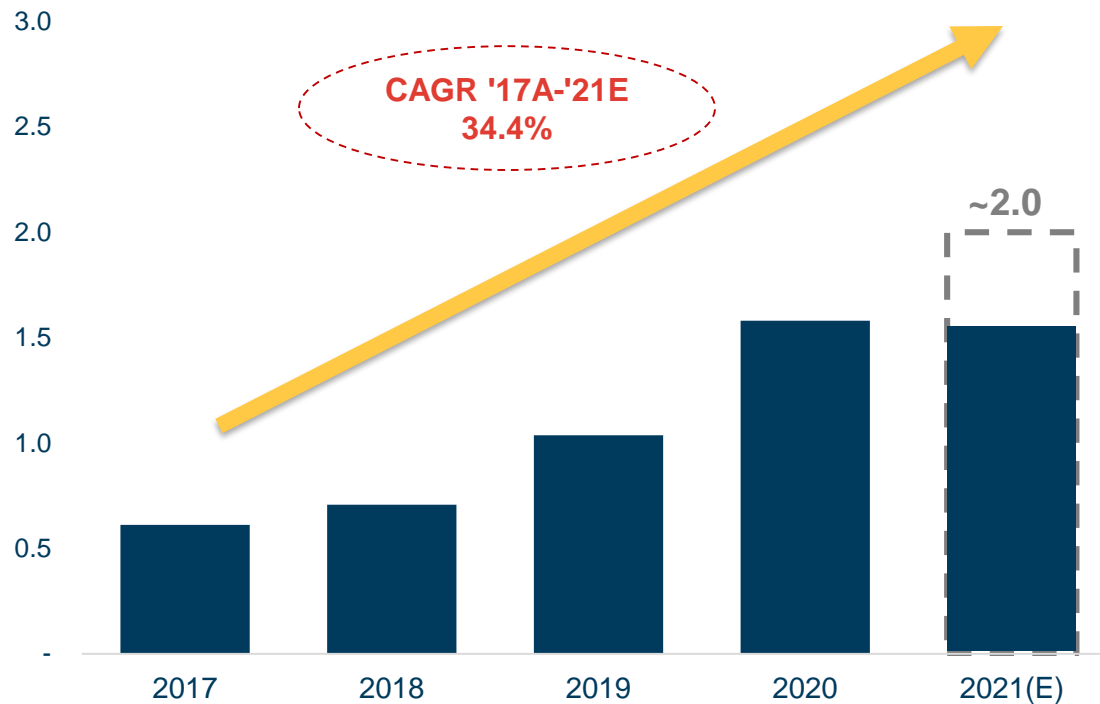
Source: EUROPEAN COMMISSION – Fit for 55 proposal

e-Compressor: Accelerating Business Growth

- Annual production volume of e-comp is likely to reach two million units in 2021
- Raising 2025 production guidance by more than 35% to ~6.0 million units based on strong growth of existing customers and NBW with new customers

Hanon Systems e-Compressor Production Volume

(Million Units)



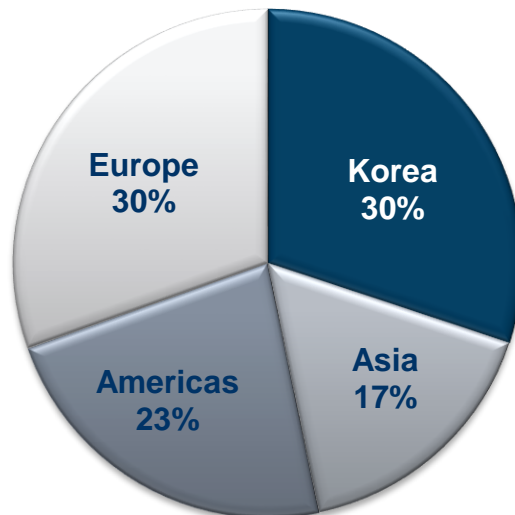
3Q 2021 Highlights

3Q 2021 Highlights

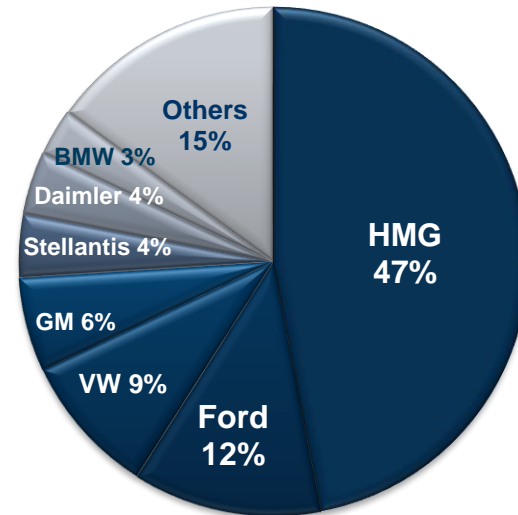
- xEV revenue ratio increases QoQ; aligned with 2021 projection
- Contingency actions continue to mitigate profitability headwinds
- Company raises 2025 e-Compressor sales target to ~6.0 million units on strong orders

Sales Breakdown (3Q YTD 2021)

By Region



By Customer

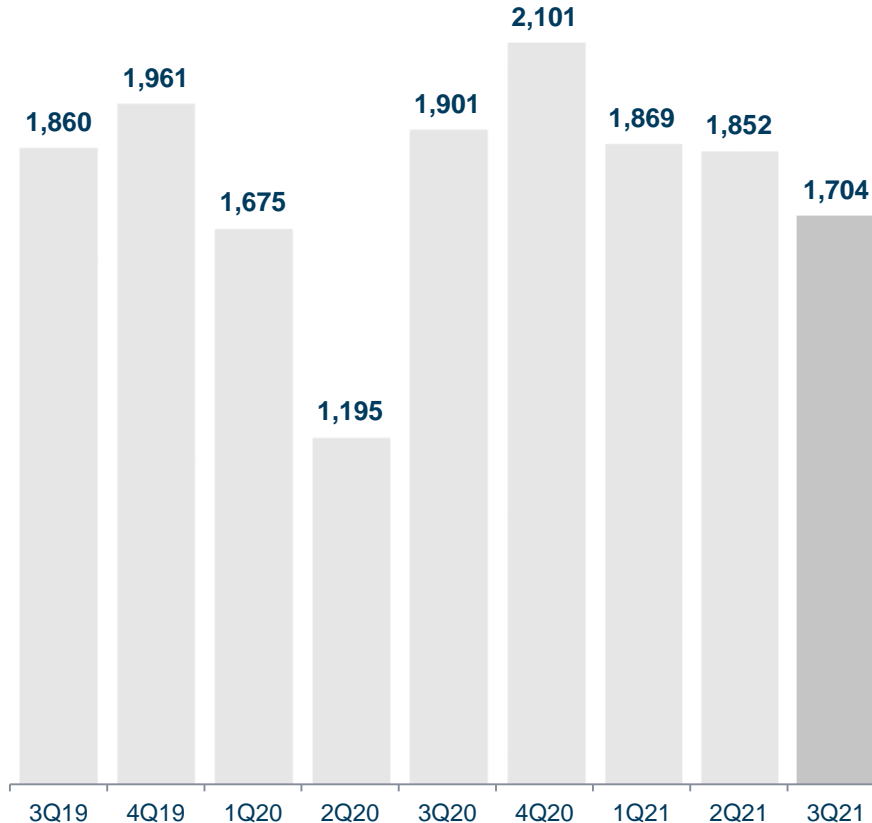


Note: Regional revenue classified based on locations of manufacturing entities

Quarterly Sales

Consolidated Sales

(KRW in Billions)



Comments

- Americas, Europe, Korea and China YoY revenue down by 19%, 10%, 7% and 7% respectively
- Decrease in GM (-37%), Daimler (-22%), Ford (-7%), VW (-3%) and HMG (-3%) YoY revenue due to chip shortage

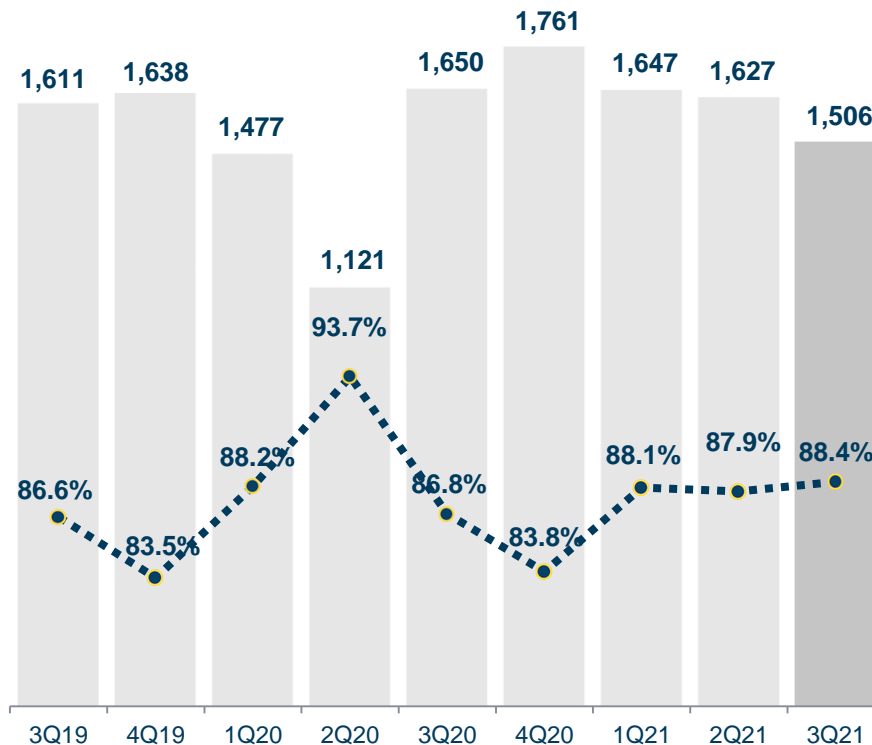
Chip Shortage in ICE Volume Affects to 10% YoY Revenue Decline; xEV Revenue Remains Robust

Quarterly COGS

Quarterly Cost of Goods Sold

(KRW in Billions)

COGS COGS%



Comments

- Positive factors:
 - Company mitigates supply chain headwinds through cost improvement actions
 - Electrified component profit margins continue to improve driven by higher eco-friendly vehicle volumes
- Negative factors:
 - Chip shortage continues to impact volumes into 4Q; OEMs continue to flex production schedules
 - Raw material and freight costs remain high, while some are peaking out

Temporary Margin Deterioration due to Volume Decrease and Prolonged Cost Burden Despite of Ongoing Cost Management

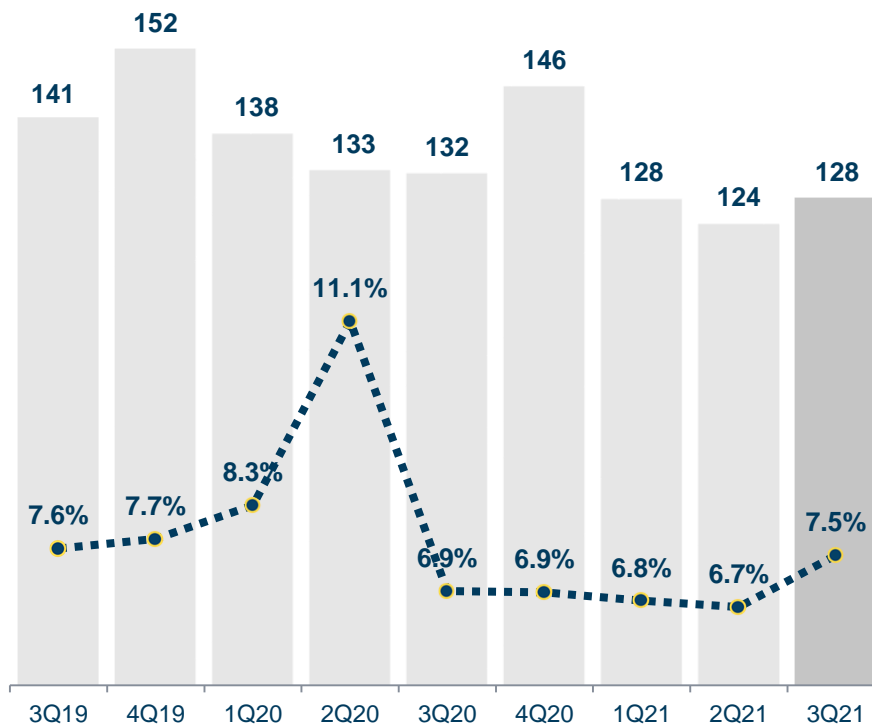
Quarterly SG&A

Quarterly SG&A Status

Comments

(KRW in Billions)

■ SG&A ●●● SG&A%



- 3Q21 SG&A expense: 7.5% of total revenue (+0.6%p YoY)
- 3Q21 R&D spend (incl. R&D capitalization): 4.6% of total revenue

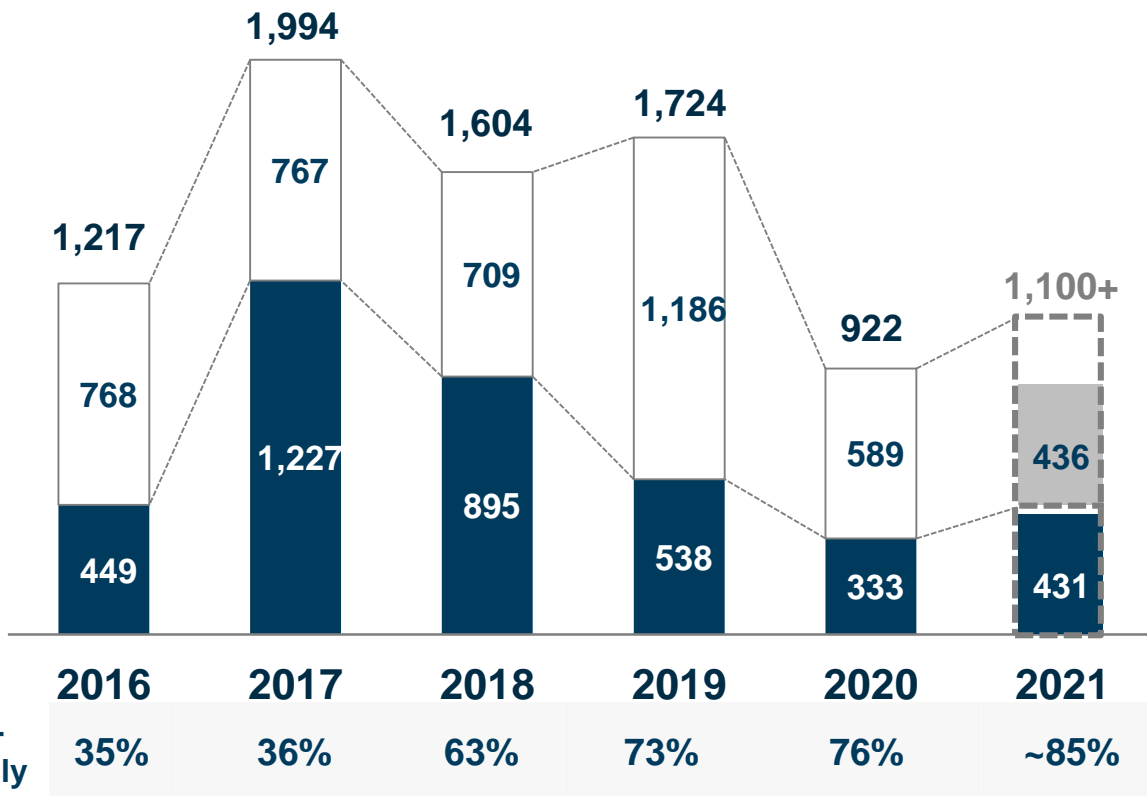
**SG&A Cost Remains at Previous Level;
SG&A% Increases due to Revenue Decline**

New Business Wins Update

3Q YTD 2021 New Business Wins

■ Re-win □ New-win

(Annual Average Revenue in USD Millions)



- Company raised 2021 NBW target in 2Q; 79% of new target secured YTD
- Company expects NBW USD 1.1~1.2 billion by year-end
- Ongoing focus to leading position in EV market with strong customer diversification

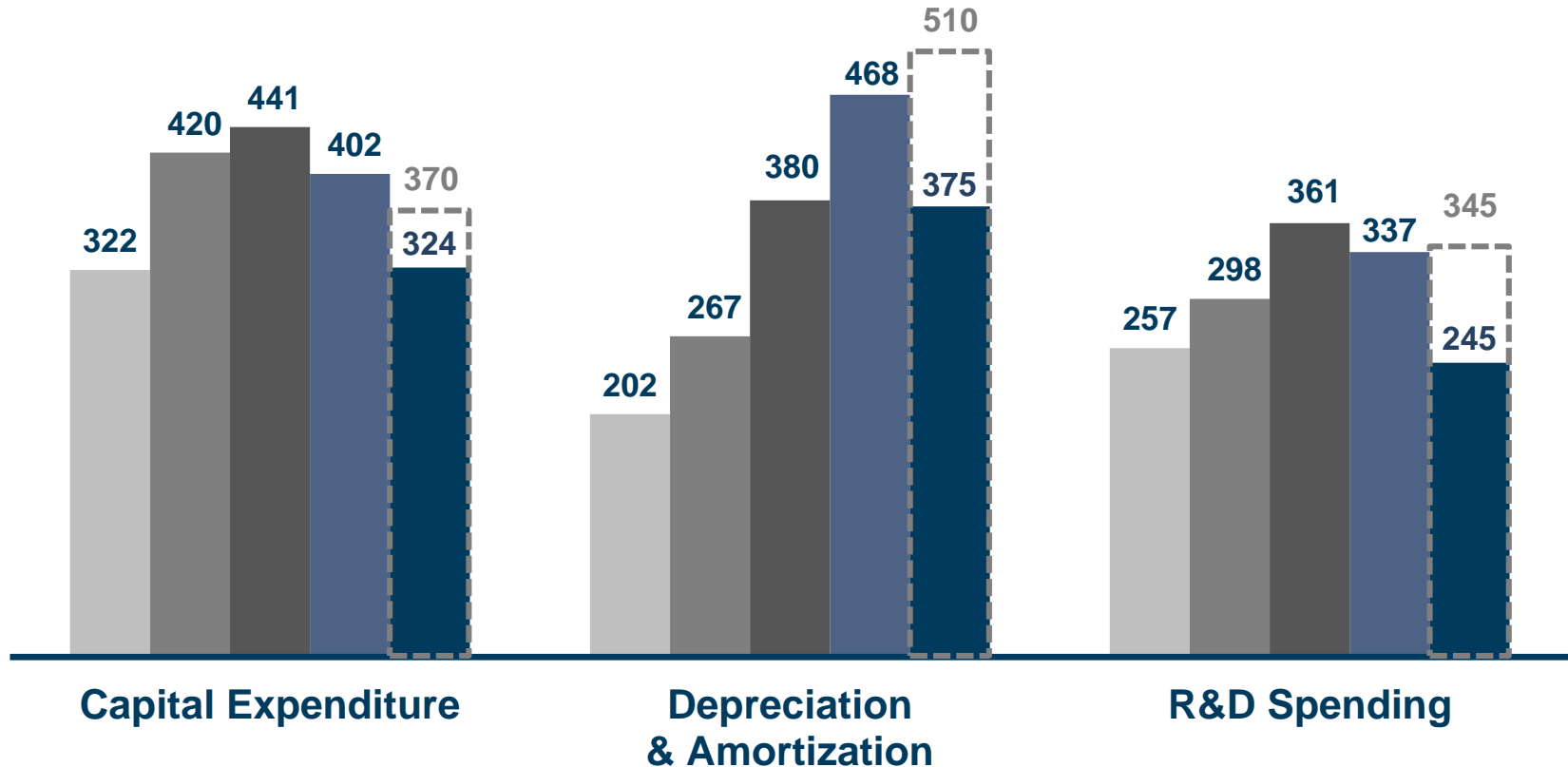
Eco-friendly
(% out of New win)

Expect to Exceed the already elevated NBW Guidance in 2021

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

■ FY2017 ■ FY2018 ■ FY2019 ■ FY2020 ■ FY2021

(KRW in Billions)



**R&D Spending and CapEx to Balance in 2021
Supporting Business Continuity and Future Growth**

3Q 2021 Balance Sheet

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

Balance Sheet

	Sep 2021	Dec 2020	Dec 2019
Cash and cash equivalent	1,186	1,325	687
Account receivable	990	1,202	1,254
Inventories	981	630	613
Property and equipment	2,325	2,224	2,130
Intangible assets	1,782	1,622	1,593
Lease assets	246	211	205
Other assets	662	593	601
Total assets	8,172	7,807	7,082
Account payable	1,327	1,581	1,459
Debt	3,764	3,430	2,734
Other liabilities	646	557	552
Shareholder's equity	2,298	2,117	2,217
Non-controlling	135	122	121
Total liabilities & shareholders' equity	8,172	7,807	7,082

Cash and Debt

Cash Balance	Sep 2021	Dec 2020	Dec 2019
Net Debt	2,578	2,104	2,047
Net Debt Ratio	1.1	0.9	0.9
Debt to Equity	1.5	1.5	1.2
Leverage	3Q21	2020	2019
EBITDA	958*	784	864
Debt / EBITDA	3.9	4.4	3.2
Net Debt / EBITDA	2.7	2.7	2.4
EBITDA / Net Interest Expenses	12.4	9.2	13.8

* 3Q21 LTM (Last twelve month) basis

Thank You

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