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3Q 2022 Earnings Release

Nov. 9, 2022

Disclaimer

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3Q 2022: Key Financial Metrics

(KRW in Billions)

	3Q22	3Q21	YoY %	2Q22	QoQ %
Revenue	2,196	1,704	28.8%	2,107	4.2%
COGS	1,991	1,506	32.3%	1,906	4.5%
% of Sales	90.7%	88.4%		90.5%	
SG&A (Incl. R&D)	142	128	11.4%	140	1.5%
% of Sales	6.5 %	7.5%		6.7 %	
EBITDA	205	194	5.7%	198	3.2%
Margin (%)	9.3%	11.4%		9.4%	
Operating Profit	62	71	-12.5%	60	2.8%
Margin (%)	2.8%	4.1%		2.9%	
Net Income	19	53	-63.8%	15	30.7%
Margin (%)	0.9%	3.1%		0.7%	

Volume Recovery Seen as Supply Chain Disruptions Gradually Ease; Margins Expected to Improve in 4Q

3Q YTD 2022: Key Financial Metrics

(KRW in Billions)

	3Q YTD 2022	3Q YTD 2021	YoY Variance	
Revenue	6,282	5,425	857	15.8%
COGS	5,699	4,780	919	19.2%
% of Sales	90.7%	88.1%		
SG&A (Incl. R&D)	431	380	51	13.4%
% of Sales	6.9%	7.0%		
EBITDA	565	640	-75	-11.7%
Margin (%)	9.0%	11.8%		
Operating Profit	152	265	-113	-42.5%
Margin (%)	2.4%	4.9%		
Net Income	56	212	-156	-73.7%
Margin (%)	0.9%	3.9%		

Ongoing Cost Recovery Actions to Improve 4Q Profitability; 2021 Net income Included One-time Gains

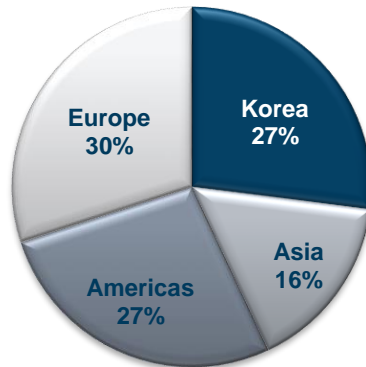
3Q 2022 Highlights

3Q22 Highlights

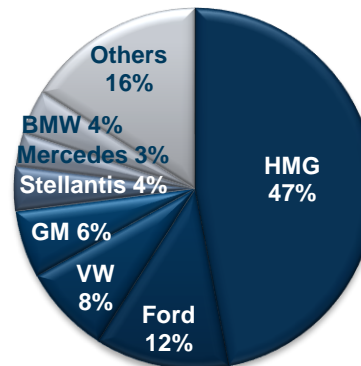
- Revenue growth in consecutive four quarters on volume recovery; Expect consistent progress in 4Q
- Cost recovery from customers is ongoing; Yearly OPM to improve further due to easing cost pressure
- On track or exceed new business wins target with modules and system orders for battery electric vehicles

Sales Breakdown (3Q YTD 2022)

By Region



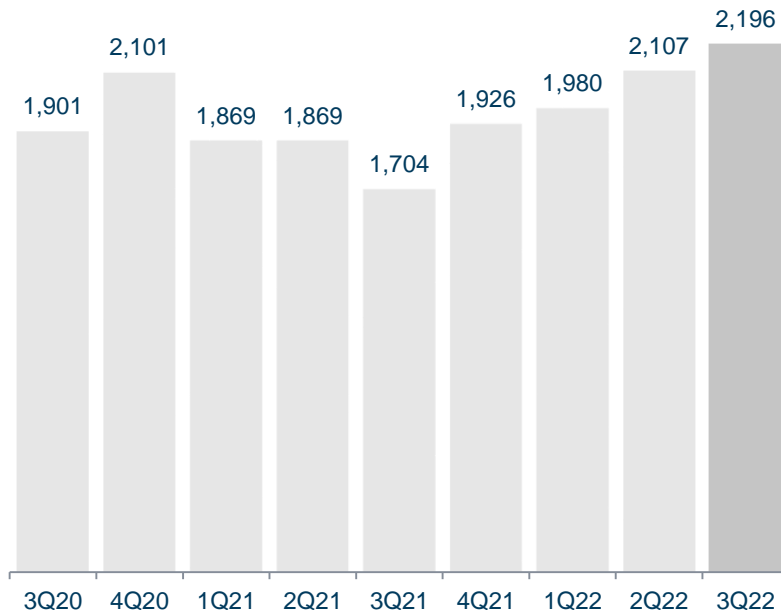
By Customer



Quarterly Sales

Consolidated Sales

(KRW in Billions)



Comments

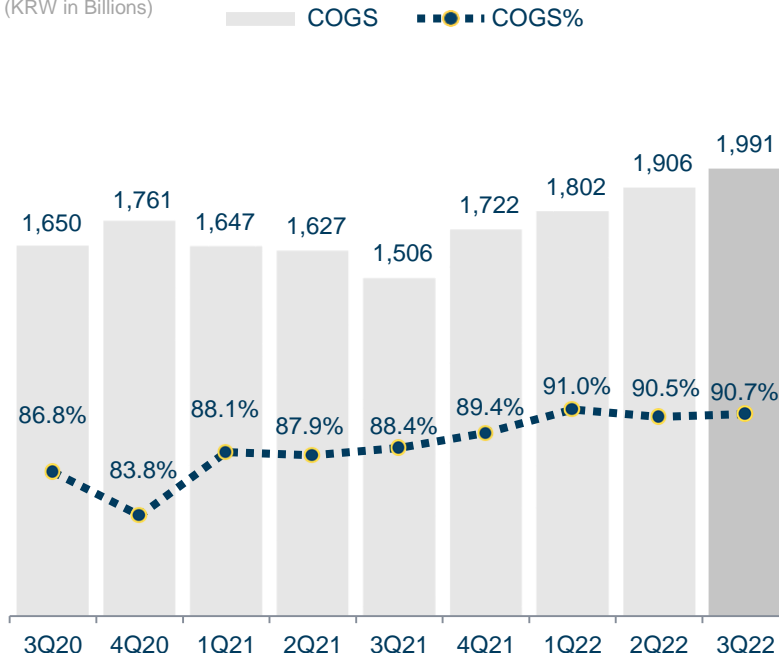
- Record-high quarterly sales in company history
- Americas, Europe, China and Korea YoY revenue up by 57%, 27%, 14% and 7% respectively
- Increase in YoY revenue on production recovery with GM (+78%), BMW (+46%), VW (+40%), HMG (+25%), Ford (+19%), Mercedes (+13%) and Stellantis (+12%)
- Gradual recovery from supply-driven disruption, though the normalization is slower than expected with volatility in production

3Q Revenue Increase of 29% YoY Driven as Production Recovery and Favorable Foreign Exchange Rate

Quarterly COGS

Quarterly Cost of Goods Sold

(KRW in Billions)



Comments

- Positive factors
 - COGS% remains at a similar level as company mitigates supply chain headwinds through the discussion with customers and internal cost improvement actions
 - Expect COGS% improvement in 4Q as a result of positive discussion with customers for recovery
- Negative factors
 - COGS% increased by 2.3%p YoY due to raw material, logistics and utility/labor costs surge; Time lag on price surcharge still remained in 3Q
 - Lower than planned production volume with residual impact on chip shortage and slower ramp up for some programs

Further Improvements Expected in 4Q with Easing Commodity and Logistics Costs

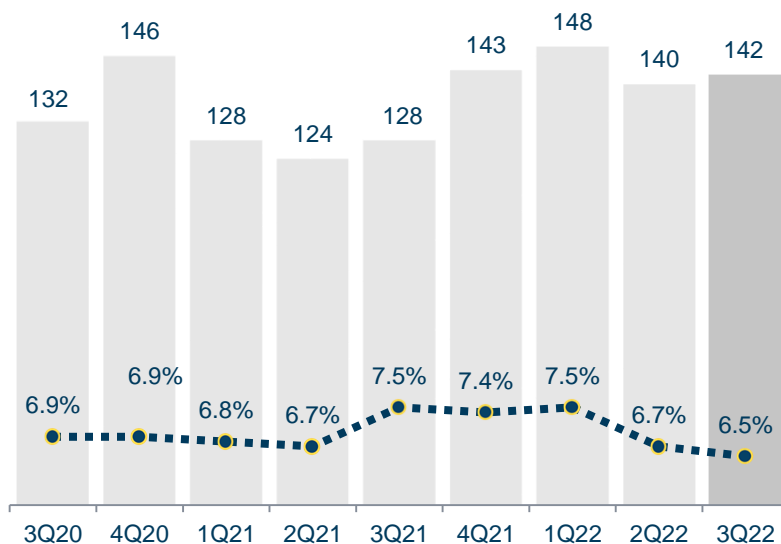
Quarterly SG&A

Quarterly SG&A Status

Comments

(KRW in Billions)

■ SG&A ● SG&A%



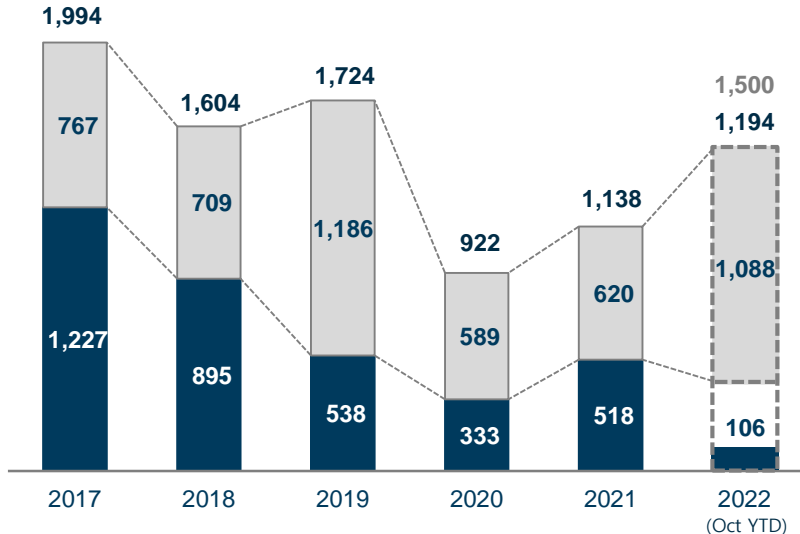
- SG&A expense: 6.5% of total revenue (-1.0%p YoY)
- R&D spend (incl. R&D capitalization): 4.8% of total revenue

SG&A% Remains at Previous Level Despite Cost Inflation

New Business Wins Update

FY2022 New Business Wins

■ Re-win □ New-win
 (Annual Average Revenue in USD Millions)



- In 1H, major thermal system and refrigerant module order for global EV platform awarded from European premium customers
- In 3Q, another refrigerant module order for electrified platform awarded by a premium customer in Europe
- Eco-friendly ratio in new-win expected to reach 90% in 2022
- Ongoing focus to leading position in EV market with strong relationship with anchor and premium customers

Eco-friendly
 (% out of New win)

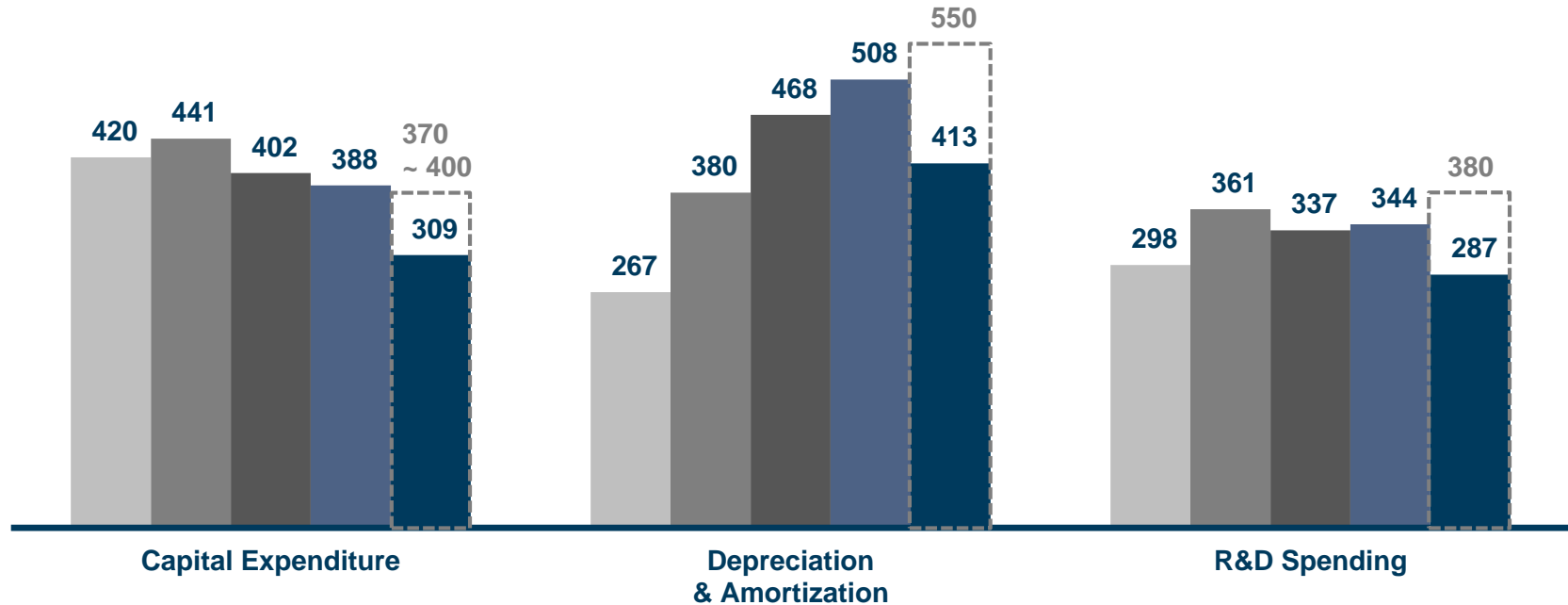
36%	63%	73%	76%	81%	90%
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New Business Wins On Track to Meet or Exceed Annual Target

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

(KRW in Billions)

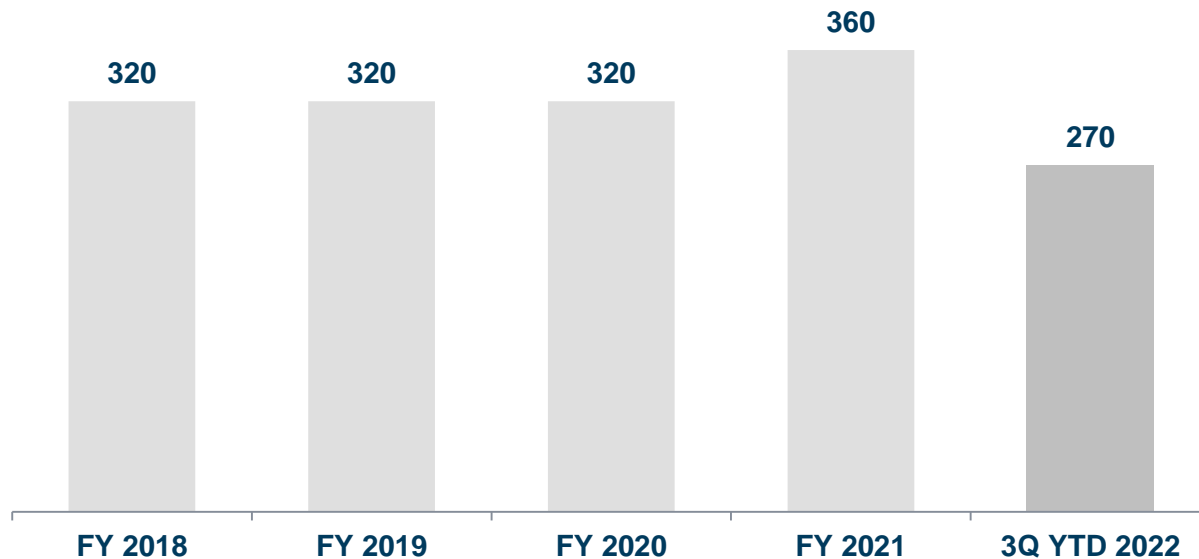
■ FY2018 ■ FY2019 ■ FY2020 ■ FY2021 ■ FY2022



Efforts Ongoing to Balance R&D and CapEx Spending to Support Business Continuity and Future Growth

Dividend

3Q22 Quarterly Dividend (90 KRW per share)



3Q 2022 Balance Sheet

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

Balance Sheet

	Sep 2022	Dec 2021	Dec 2020
Cash and cash equivalent	983	1,404	1,325
Account receivable	1,343	1,025	1,202
Inventories	1,104	810	630
Property and equipment	2,427	2,336	2,224
Intangible assets	2,034	1,790	1,622
Lease assets	263	227	211
Other assets	901	642	593
Total assets	9,055	8,234	7,807
Account payable	1,642	1,475	1,581
Debt	4,007	3,723	3,430
Other liabilities	841	560	557
Shareholder's equity	2,418	2,343	2,117
Non-controlling	147	133	122
Total liabilities & shareholders' equity	9,055	8,234	7,807

Cash and Debt

Cash Balance	Sep 2022	Dec 2021	Dec 2020
Net Debt	3,024	2,319	2,104
Net Debt Ratio	1.2	0.9	0.9
Debt to Equity	1.6	1.5	1.5
Leverage		2021	2020
EBITDA		834	784
Debt / EBITDA		4.5	4.4
Net Debt / EBITDA		2.8	2.7
EBITDA / Net Interest Expenses		10.5	9.2

Introducing ESG Committee under BOD (Nov. 2022)

ESG Management Structure



Activity and Achievement in 3Q

- **Ilava Plant Launches Photovoltaic System**
 - : Total 2,650 solar panels, generating 988 MWh per year
 - It will generate about 6% of the plant's annual electricity consumption and reduce its carbon footprint by approximately 400 tons per year
- **New Excellent Technology (NET) for Gen.2 Heat Pump System**
 - It offers additional improvements in driving range through enhanced waste heat recovery technology
- **IR52 Jang Young-Shil Award for UHV Thermal System**
 - It maximizes driving range in cold weather and helps maintain a consistent operating temperature of the battery
 - It improves durability of the battery and deliver fast charging in a light weight package



Established a Dedicated ESG Committee to Oversee Sustainability and ESG-related Matters

Conclusion: Key Takeaways in 3Q 2022

Solid Revenue Growth with Electrification and Volume Recovery

Profitability Deteriorated due to Unprecedented Cost Inflation; Improvements Expected in 4Q

Robust New Business Wins with the Leading Position in EV Thermal Management Systems

ESG Committee Established to Strengthen Sustainability Management



Thank You

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