



a **Hankook** Company

# 1Q 2025 Earnings Release

May 8, 2025

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# I. 1Q 2025 Financial Results

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# 1Q 2025: Key Financials

Unit: KRW in billions

	1Q 2025	1Q 2024 <sup>1</sup>	YoY Variance	4Q 2024	QoQ Variance
<b>Revenue</b>	<b>2,617</b>	<b>2,404</b>	<b>8.9%</b>	<b>2,536</b>	<b>3.2%</b>
<b>COGS</b>	<b>2,427</b>	<b>2,183</b>	<b>11.2%</b>	<b>2,428</b>	<b>0.0%</b>
% of Sales	92.7%	90.8%	1.9%pt	95.8%	(3.1%pt)
<b>SG&amp;A (Incl. R&amp;D)</b>	<b>169</b>	<b>154</b>	<b>9.7%</b>	<b>245</b>	<b>(31.0%)</b>
% of Sales	6.5%	6.4%	0.1%pt	9.7%	(3.2%pt)
<b>EBITDA</b>	<b>191</b>	<b>223</b>	<b>(14.2%)</b>	<b>32</b>	<b>493.5%</b>
Margin (%)	7.3%	9.3%	(2.0%pt)	1.3%	6.0%pt
<b>Operating Profit</b>	<b>21</b>	<b>66</b>	<b>(68.5%)</b>	<b>(138)</b>	<b>-</b>
Margin (%)	0.8%	2.8%	(2.0%pt)	(5.4%)	6.2%pt
<b>Net Income <sup>2, 3</sup></b>	<b>(23)</b>	<b>10</b>	<b>-</b>	<b>(318)</b>	<b>-</b>
Margin (%)	(0.9%)	0.4%	(1.3%pt)	(12.5%)	11.6%pt

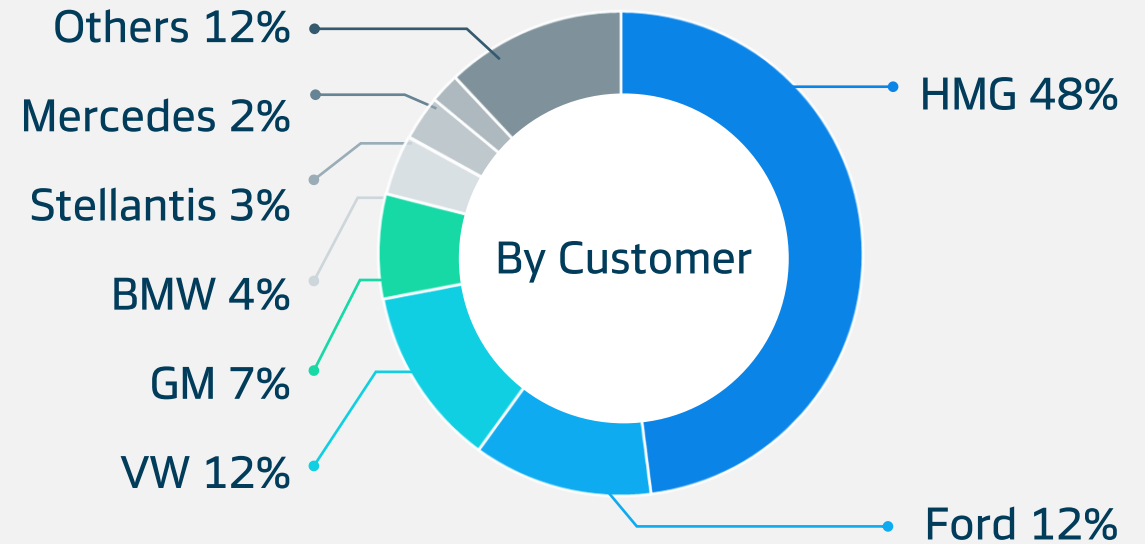
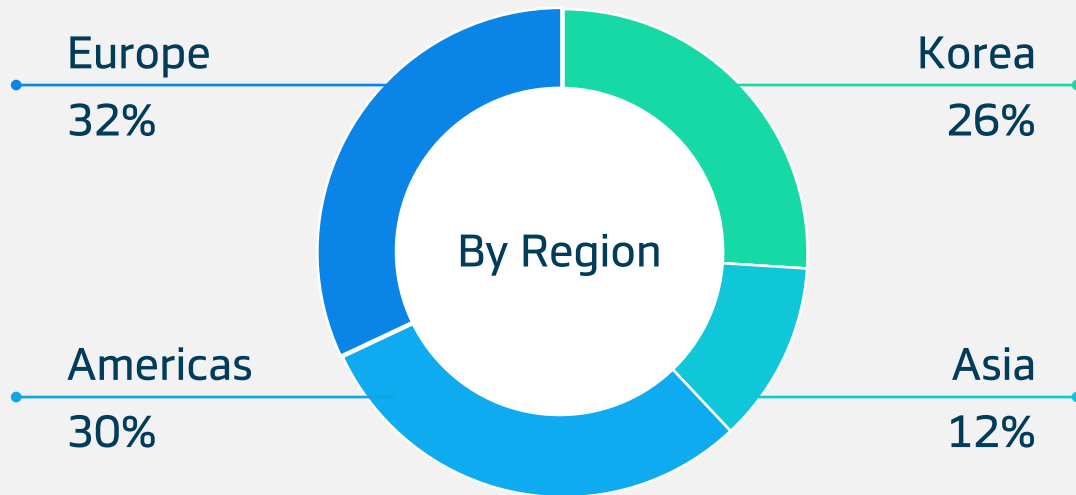
**Despite Revenue Growth, OP was Impacted by Capitalization Changes and Modest Recovery**

1. Provided for comparison reflecting discontinued operations

2. 1Q25 Below OI Items: Net interest expense -50B / Net FX Impact +25B / Others -19B

3. Includes 1Q25 Net Income from discontinued operations 0.2B

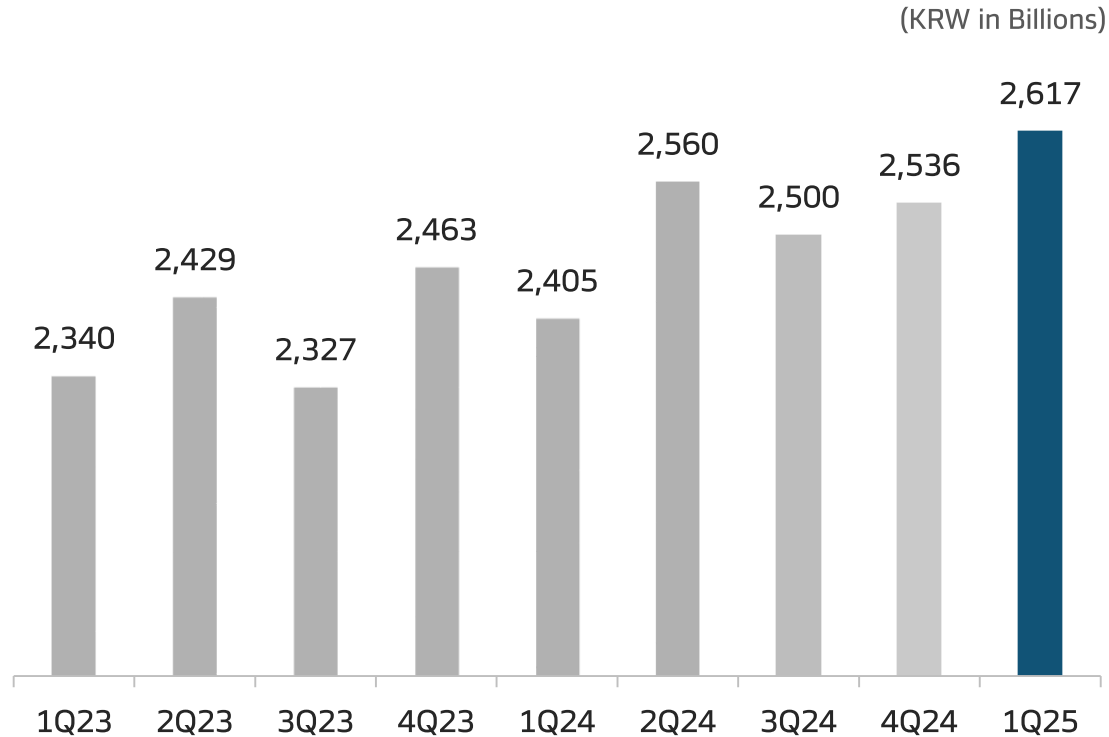
## Sales Breakdown (1Q 2025)



## 1Q25 Highlights

- Revenue increased by 8.9% YoY due to favorable FX impact and increased sales volume
- Quarterly OPM recorded 0.8% due to change in R&D capitalization scope, modest recovery from customers and increased D&A
- 1Q xEV revenue ratio 27%; Expect to reach approximately 30% in 2025, reflecting the BEV launches of global customers

## Consolidated Sales



## Comments



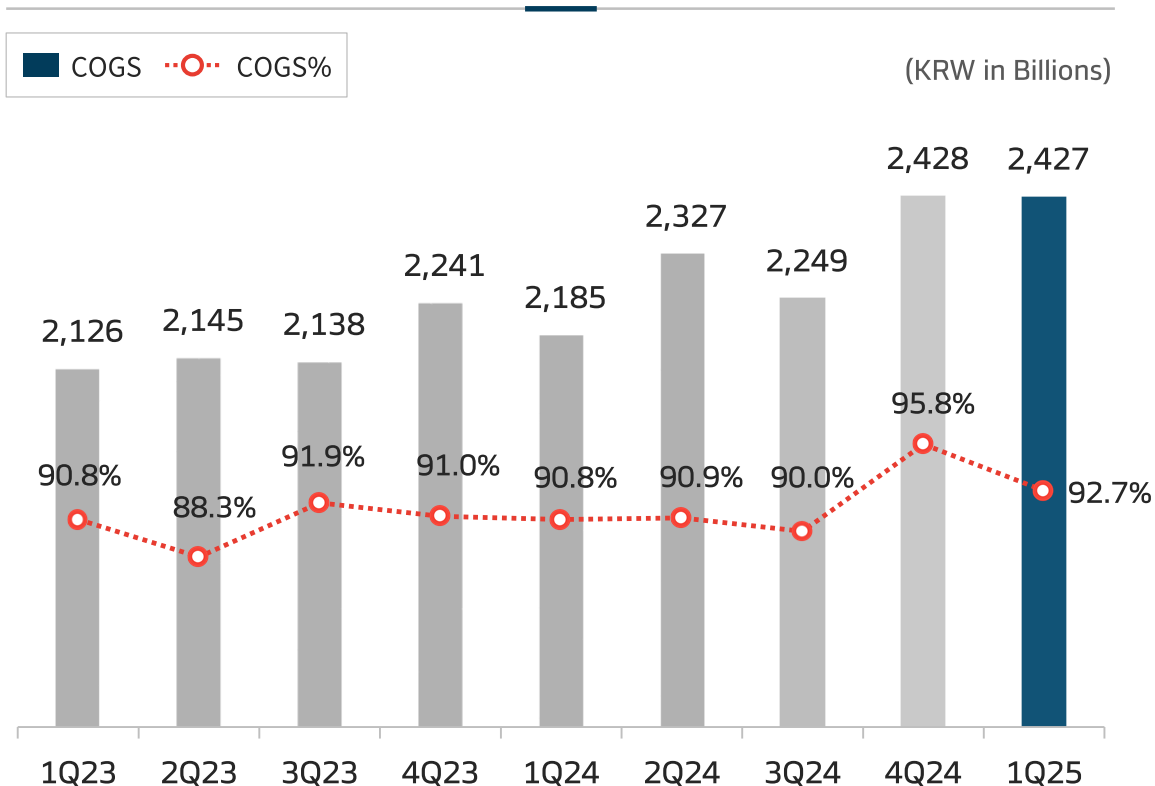
- Increase in Americas (+19% YoY), Europe (+7%); Korea (+4%) and Decrease in China (-6%)



- Increase in VW (+25% YoY), GM (+22%), Ford (+11%), and HMG (+10%); decrease in Stellantis (-14%), Mercedes (-12%), BMW (-9%)

**Revenue Growth Driven by Favorable FX Impact and YoY Production Volume Increase**

## Quarterly Cost of Goods Sold



## Comments

### Positive Factors

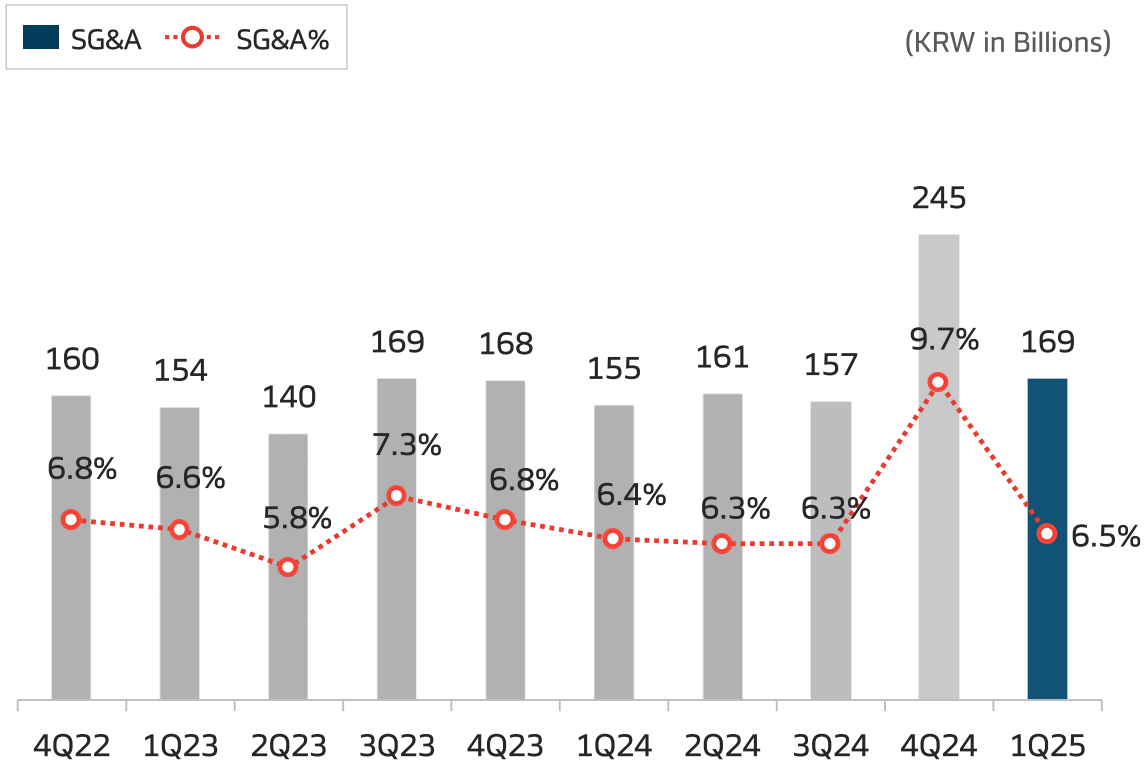
- On-going profitability improvement actions, including restructuring, expected to yield positive impacts
- New EV launches in Europe to increase sales in 2025

### Negative Factors

- Lower-than-expected volume due to EV slowdown and weak consumer demands
- Continuing cost pressures on supply chain and U.S. tariff uncertainties

**COGS Remains Elevated; On-going Cost Management Effort to Drive Further Improvement**

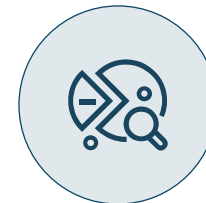
## Quarterly SG&A



## Comments



- 1Q25 SG&A expense : 6.5% of total revenue (YoY increase of 0.1%pt)

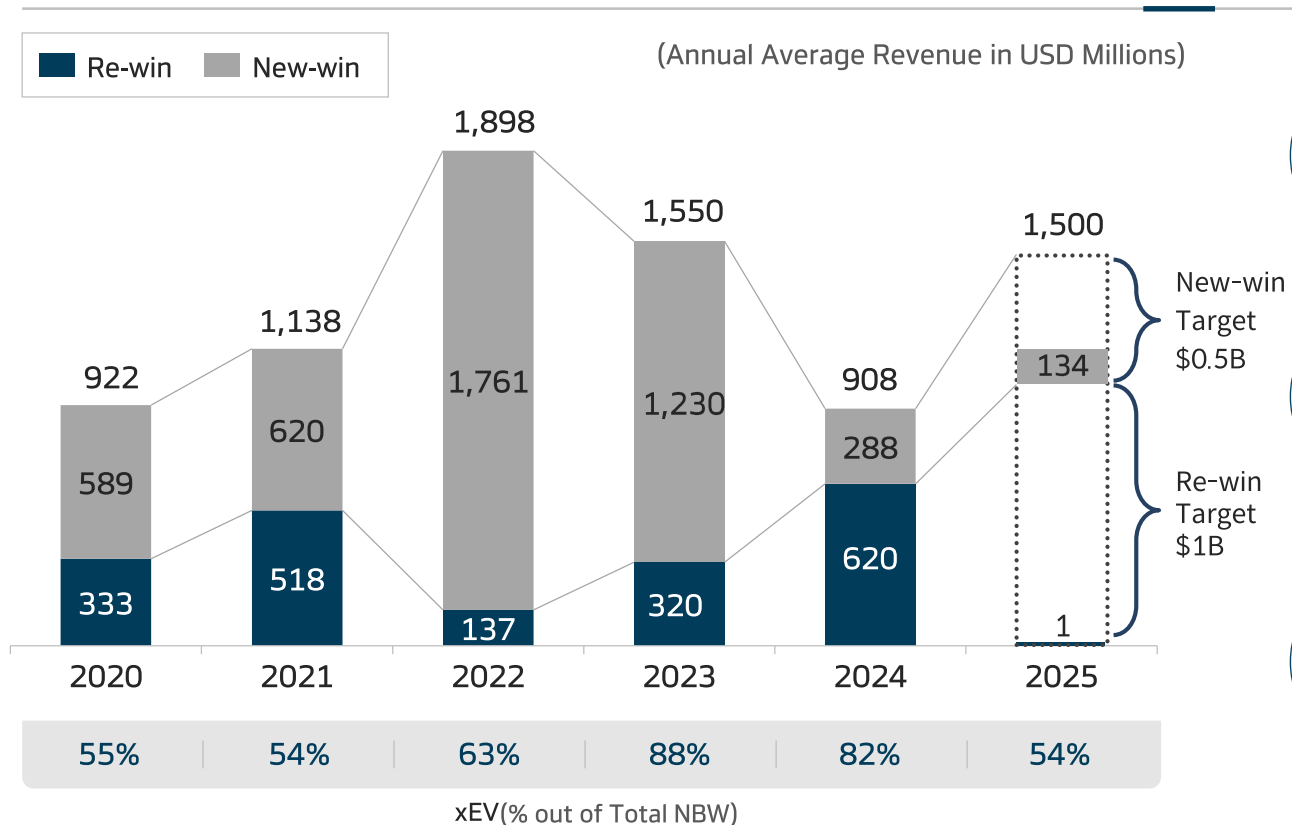


- 1Q25 R&D spending (incl. R&D capitalization) : 4.1% of total revenue (YoY decrease of 0.6%pt)
- 1Q25 Capitalization: 52% of R&D Spending

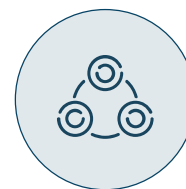
**1Q 2025 SG&A Returned to Normal Level; Effort to Maintain Cost Discipline Continue**

# New Business Wins Update

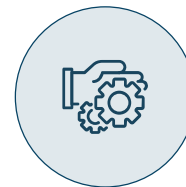
## FY 2025 New Business Wins



- 2025 New Business Wins target: \$1B of Re-win and \$0.5B of New-win; key programs scheduled in following quarters



- Technological leadership maintained with robust portfolio adaptable to all types of powertrains, including ICE, BEV, HEV, PHEV and EREV



- Profitability expected to improve through successful re-win orders with increased operational efficiency, less CapEx requirements and repricing

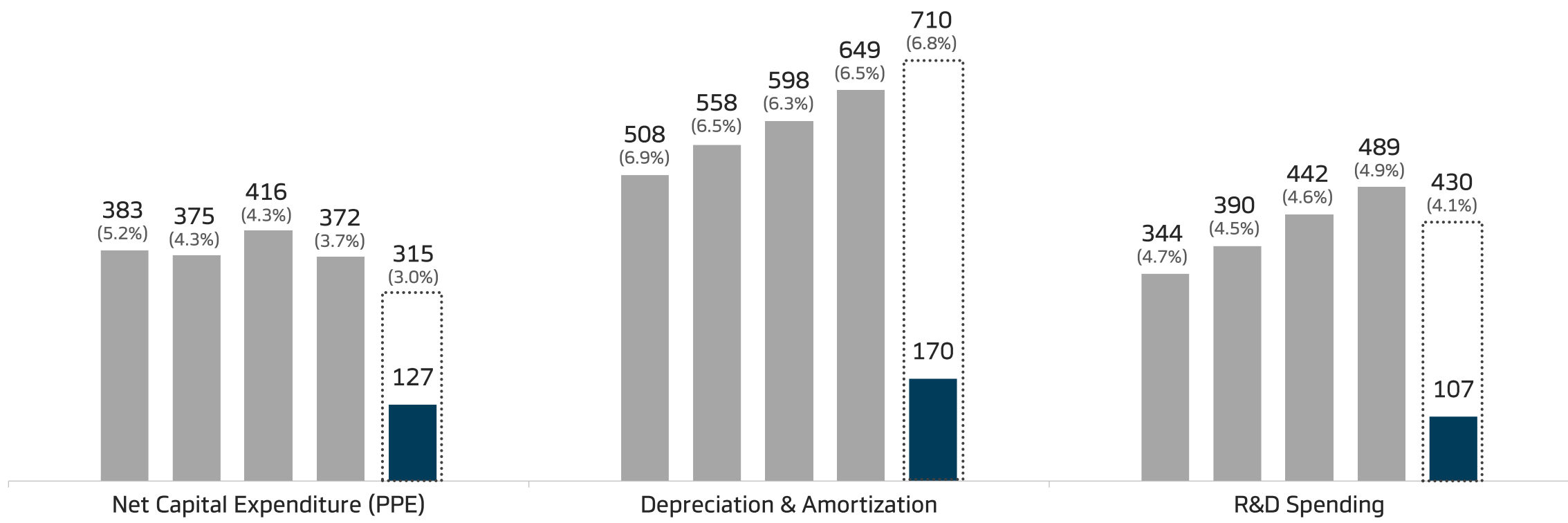
**Expect Robust Re-win Orders in 2025; 1Q25 NBW Negatively Impacted by Tariff Uncertainties**



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



(KRW in Billions)  
(%) Cost-to-Revenue



**Ongoing Initiatives to Optimize CapEx and R&D Spending**

# 1Q 2025 Balance Sheet

## Balance Sheet

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

	Mar 2025	Dec 2024	Dec 2023
Cash and cash equivalent	853	1,347	779
Account receivable	1,634	1,395	1,344
Inventories	1,308	1,241	1,140
Property and equipment	2,857	2,864	2,716
Intangible assets	2,395	2,351	2,126
Lease assets	529	478	295
Other assets	991	944	844
<b>Total assets</b>	<b>10,567</b>	<b>10,620</b>	<b>9,244</b>
Account payable	2,092	2,151	1,867
Debt	4,613	4,567	4,146
Other liabilities	843	903	722
Shareholder's equity	2,872	2,854	2,372
Non-controlling	147	145	137
<b>Total liabilities &amp; shareholders' equity</b>	<b>10,567</b>	<b>10,620</b>	<b>9,244</b>

## Cash and Debt

Cash Balance	Mar 2025	Dec 2024	Dec 2023
Net Debt	3,759	3,221	3,368
Net Debt Ratio	1.25	1.07	1.34
Debt to Equity	1.53	1.52	1.65

Leverage	1Q25 TTM / adj.	2024 / adj.	2023
EBITDA	713 / 868	744 / 900	876
Debt / EBITDA	6.47 / 5.31	6.13 / 5.08	4.74
Net Debt / EBITDA	5.27 / 4.33	4.33 / 3.58	3.85
EBITDA / Net Interest Expenses	3.15 / 3.83	3.22 / 3.89	5.59

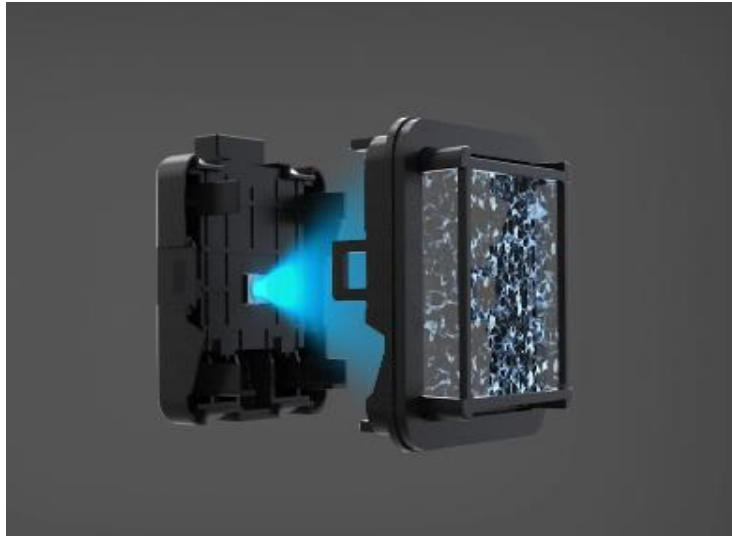
**Management Considers Further Actions to Improve Balance Sheet**

## II. Business Update

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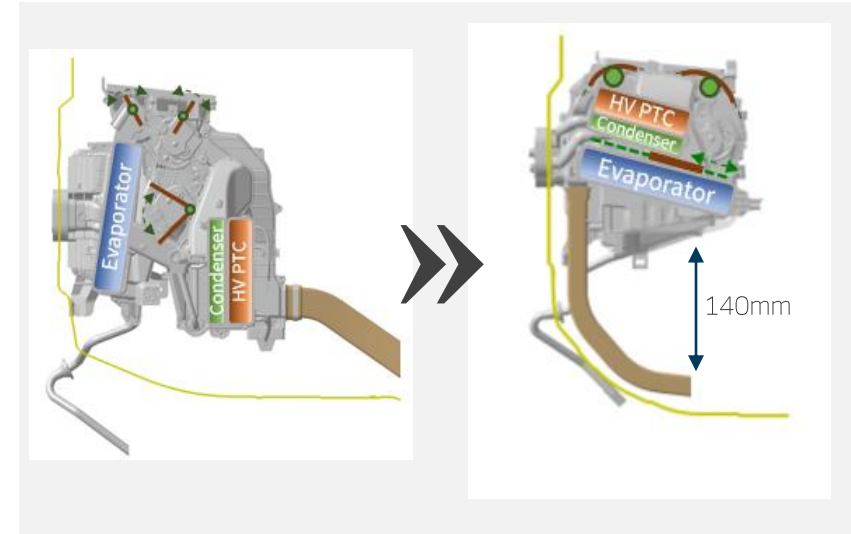
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## Pace Award 2025 (Visible-Light LED Photocatalyst)



- Eliminates harmful gases, odors, and microorganisms entering the vehicle, without generating electromagnetic waves or ozone
  - Virus sterilization rate: 98.5% (Previous solutions: 66.1%)
  - Deodorization performance: 97.5% (Previous solutions: 35%)

## IR52 Jang Young Shil Award (Thin HVAC)

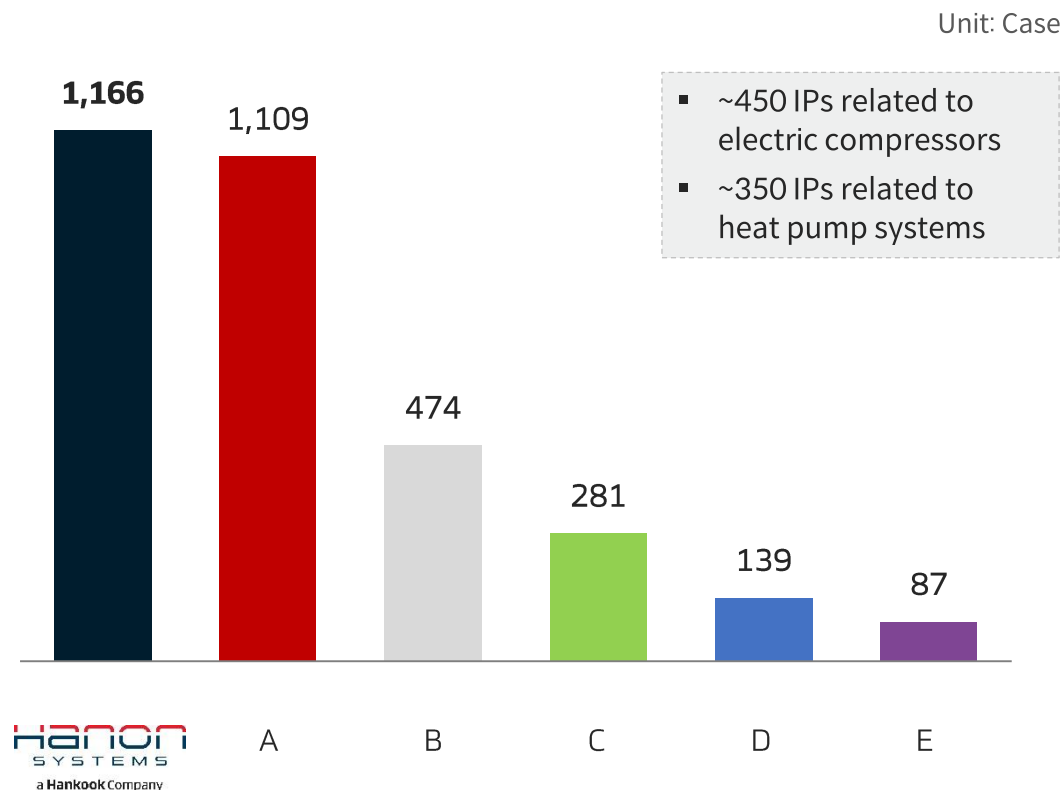


- Minimize HVAC packing while improving performance and quality
  - Reduces 33% in volume, 20% in weight, and 140mm in height
  - Improves air volume by 5%, noise by 7%, and power consumption by 25%

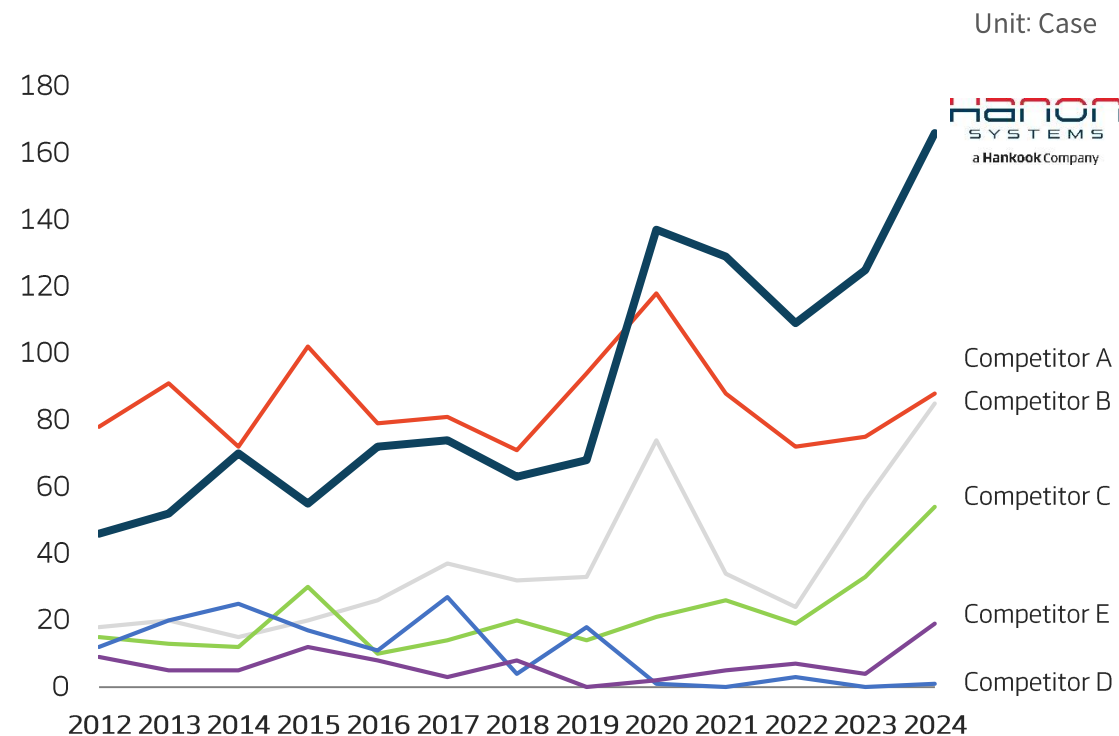
**Hanon Systems Earned Multiple Awards for its Innovative Technologies**

# Patents in EV Thermal Management Field

## Number of Patents for EV Thermal Management (Published from 2012 to 2024)



## Number of Patents for EV Thermal Management (by Publication Year)



**Global Top Supplier with Competitive IP Portfolios in EV Thermal Management**

# Customer Launches in 1Q 2025

Hyundai IONIQ 9



KIA EV4



**Customer Launches of New BEV Models Will Contribute to xEV Utilization Rate**

## ESG Activities and Awards

- 2018 Named to Ford Aligned Business Framework (ABF) network of strategic suppliers
- 2019 Awarded the "Grand Prize of Green Company" for Pyeongtaek by the Korea Ministry of Environment
- 2021 Established Carbon Neutral Office
- 2021 Corporate commitment to be carbon neutral by 2040
- 2021 Published the fifth Corporate Sustainability Report - the first integrated report with Annual Report
- 2022 Established an ESG Committee under the Board
- 2023 Committed to Science-Based Targets Initiative (SBTi)
- 2024 Included in S&P Global's 2024 Sustainability Yearbook
- 2024 Carbon Emissions Targets Approved by SBTi
- 2025 Included in S&P Global's 2025 Sustainability Yearbook

## ESG Rating Results

Agency	2020	2021	2022	2023	2024
S&P Global	36	42	58	59	62
MSCI	BBB	BB	BBB	BBB	BBB
EcoVadis*	48	-	57	-	63
Sustainalytics	24.8	23.5	16.5	9.8	12.0
CDP (Climate Change)	B-	B-	C	B	B
KCGS	B	B+	B	B+	B+
Sustainvest	B	BB	BB	A	A

\* In 2025, EcoVadis awarded Hanon Systems 74 points.



# Thank You

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**Hanon Systems Investor Relations**

[ir@hanonsystems.com](mailto:ir@hanonsystems.com)