















3Q17 Earnings Release







November 2017

3Q17 – Key Financial Metrics

(KRW in Billions)	Q3 2017	YoY		QoQ	
		Q3 2016	B/(W)	Q2 2017	B/(W)
Sales	1,339	1,283	 +4.4%	1,373	 -2.5%
Cost of Sales <i>% of Sales</i>	1,122 83.8%	1,070 83.4%	 +4.7% +0.4%p	1,157 84.2%	 -3.0% -0.4%p
SG&A (Incl R&D Exp) <i>% of Sales</i>	116 8.7%	105 8.2%	 +10.8% +0.5%p	114 8.3%	 +2.1% +0.4%p
EBITDA <i>Margin (%)</i>	152 11.3%	152 11.8%	 -0.0% -0.5%p	152 11.1%	 -0.0% +0.3%p
Operating Profit <i>Margin (%)</i>	101 7.5%	107 8.3%	 -5.6% -0.8%p	103 7.5%	 -1.9% +0.0%p
Net Income <i>Margin (%)</i>	76 5.7%	74 5.7%	 +3.5% -0.0%p	69 5.0%	 +10.4% +0.7%p

Sales Increase on Currency and Volume; 3Q16 One-time Gain Explains OP Decrease

3Q17 YTD – Key Financial Metrics

(KRW in Billions)	3Q17 YTD	YoY	
		3Q16 YTD	B/(W)
Sales	4,161	4,202	-1.0% 
Cost of Sales <i>% of Sales</i>	3,489 83.8%	3,547 84.4%	-1.6%  -0.6%p
SG&A (Incl R&D Exp) <i>% of Sales</i>	342 8.2%	348 8.3%	-1.7%  -0.1%p
EBITDA <i>Margin (%)</i>	480 11.5%	445 10.6%	+7.8%  +0.9%p
Operating Income <i>Margin (%)</i>	331 7.9%	307 7.3%	+7.7%  +0.6%p
Net Income <i>Margin (%)</i>	220 5.3%	210 5.0%	+4.6%  +0.3%p

**Sales Remain flat due to Currency Headwinds and China Impact;
On-Track to Deliver 2017 EBITDA Goal**

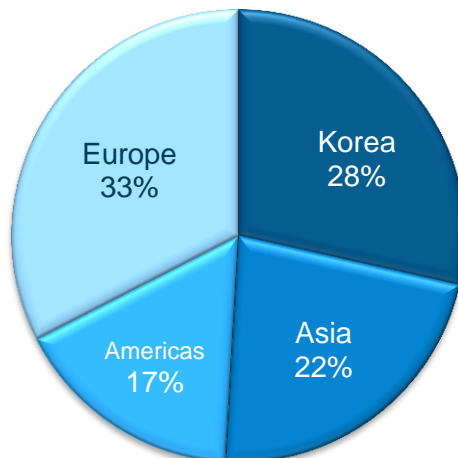
3Q17 Highlights

Q3 Highlights

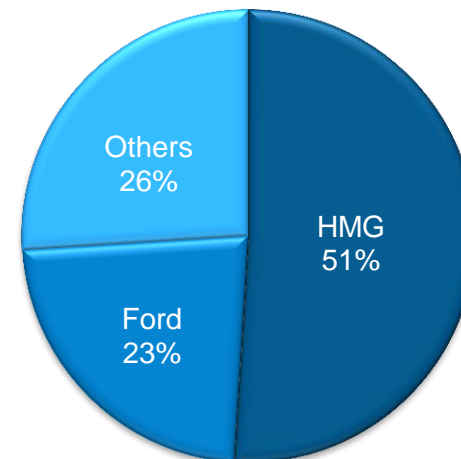
- ✓ Year-over-year: global sales less China increased 10%; 3Q China sales is down by 25%
- ✓ e-Mobility related sales: up 70% YoY; 7.2% of total sales in the first three quarters of 2017
- ✓ Company expands China footprint by establishing joint venture for ChangAn Auto Group

3Q17 YTD Sales Breakdown

By Region



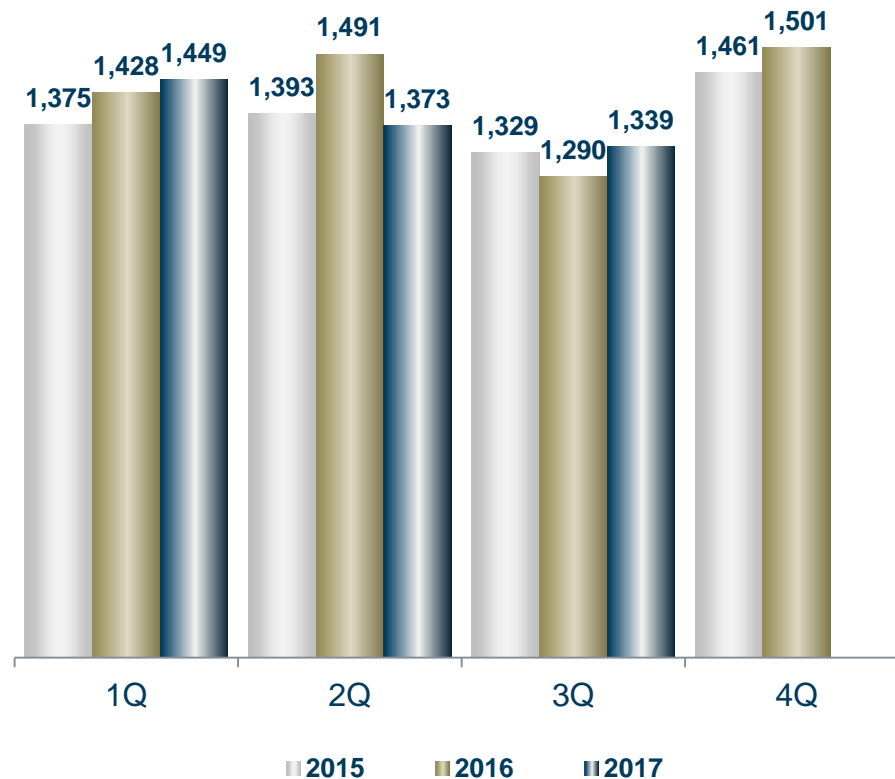
By Customer



- Ford: Incl. Changan Ford & Ford Otosan

Consolidated Sales

(KRW in Billions)



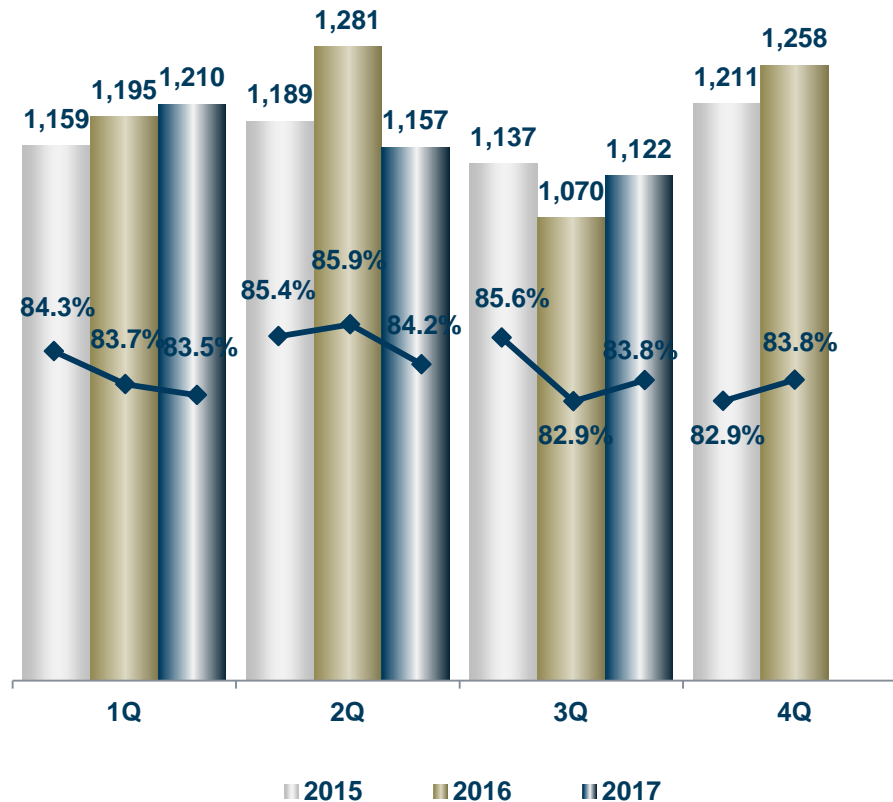
Comments

- 3Q17 consolidated revenue increased by 4.4% YoY due to;
 - 1) Blended currency effect: +2.4% YoY
 - 2) China revenue: -25% YoY
- 3Q17 growth rate (less China) is 10% YoY
 - ✓ 3Q17 Korea and Europe revenue jumped by 18% and 11% YoY, respectively
 - ✓ 3Q17 Americas sales is up by 2%
 - ✓ 3Q17 SE Asia sales revenue is up by 11% YoY

3Q17 Sales Increased Despite China Impact

Quarterly COGS

(KRW in bills, % of sales)



Comments

- 3Q17 COGS ratio is up on low base (3Q16 one-time gain was 8.1 bW)
- Positive factors:
 - ✓ Higher volume in Korea
 - ✓ EUR currency tailwinds
- Negative factor:
 - ✓ Low volume in China

3Q17 COGS Ratio Deteriorated on One-time Gains in 3Q16 and China Slowdown

Quarterly SG&A Status

(KRW in bills, % of sales)



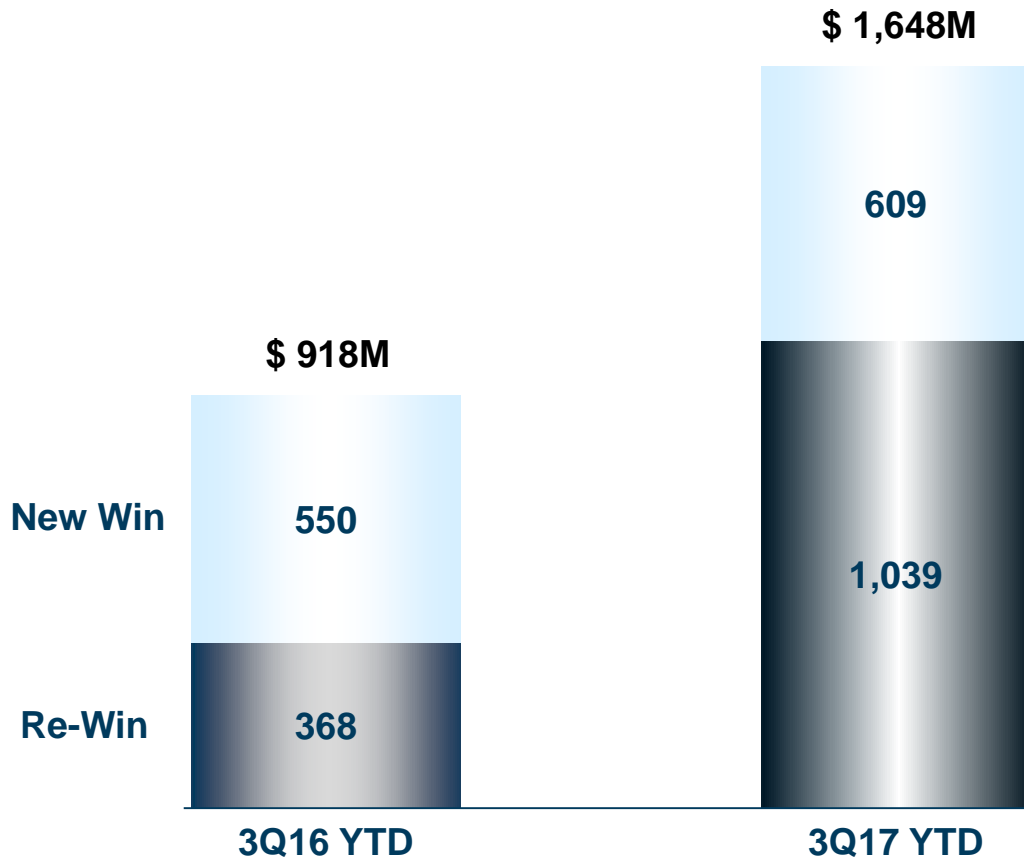
Comments

- Quarterly SG&A consistent since 1Q
- 3Q17 YTD R&D spending: 4.5% of total sales

3Q17 SG&A Cost Remained Consistent Despite Greater R&D Spending

New Business Wins Update

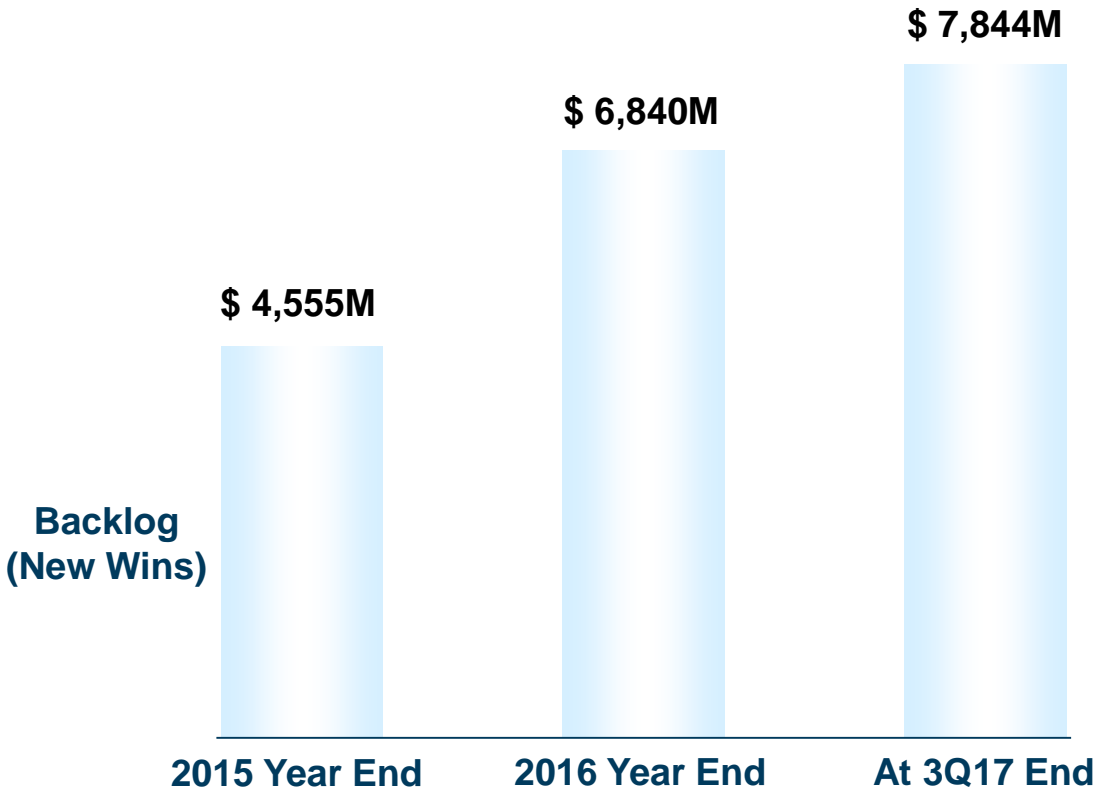
3Q17 YTD New Business Wins Status



- NBW represents annual average revenue (in Mills. USD)
- Orders from Growth and Tech customers account for 55% of New Wins
- Orders for eco-friendly vehicles account for 51% of New Wins in 3Q17 YTD

Backlog Status Update

3Q17E Backlog Status (New Wins Only)



- Backlog: defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from Growth and Tech Customers account for 60% of backlog
- Orders for eco-friendly vehicles account for 28% of backlog

- **3Q17 Quarterly Dividends: 75 KRW per share**
- **Dividend Trend**

	FY 2015	FY 2016	3Q17 YTD
Yearly Dividends per Share (KRW)	194	225	225
Payout Ratio	44.9%	41.1%	54.7%*

* Based on quarterly net income per share of 3Q17 YTD

JV for ChangAn Auto Group

JV signing ceremony
(October 2017)



Hanon Systems CEO Lee In-young, left, poses with Chongqing Jianshe Mechanical and Electrical Equipment Chairman Li Hua Guang, center, and Chongqing Jianshe Motorcycle Chairman Lu Hong Xian during a joint venture signing ceremony held in Beijing, Oct. 25. / Courtesy of Hanon Systems

3Q17 Earnings Release Summary

- **Volume growth despite China volume decrease**
- **China operations are poised to return to normal in 4Q**
- **e-Mobility related sales is 7.2% 3Q YTD**
- **On track to 2017 guidance of EBITDA 680bW**
- **JV is established for ChangAn Auto Group**

3Q17 Balance Sheet

(K-IFRS / KRW in Billions)

Balance Sheet

	Q3E 2017	YE 2016
Cash and cash equivalent	536	425
Account receivable	975	1,054
Inventories	499	430
Property and equipment	1,226	1,178
Intangible assets	402	350
Other assets	391	422
Total assets	4,028	3,860
Account payable	944	1,017
Debt	748	646
Other liabilities	317	312
Shareholders' equity	1,965	1,828
Non-controlling interests	55	57
Total liabilities & shareholders' equity	4,028	3,860

Cash and Debt

	Q3E 2017	YE 2016
Cash Balance		
Net Debt	212	221
Net Debt Ratio	10.5%	11.7%
Debt to Equity	37.0%	34.3%
Leverage		
Last 12 months EBITDA	644	609
Debt / EBITDA	118%	106%
Net Debt / EBITDA	31%	36%

Strong Balance Sheet Fuels Potential Inorganic Growth Opportunities and Future Investment



Thank You