



Second-Quarter 2018 Analyst Briefing

2Q 2018: Key Financial Metrics

(KRW in Billions)

	2Q 2018	2Q 2017	YoY Variance		1Q 2018	QoQ Variance	
Revenue	1,518	1,373	+145	+10.6%	1,387	+131	+9.5%
Gross Profit	221	217	+4	+2.0%	211	+10	+4.6%
Margin (%)	14.6%	15.8%			15.2%		
SG&A (Incl R&D)	120	114	+6	+5.6%	116	+4	+3.5%
% of Sales	7.9%	8.3%			8.4%		
EBITDA	165	152	+13	+8.4%	160	+5	+3.1%
Margin (%)	10.9%	11.1%			11.5%		
Operating Profit	101	103	-2	-1.8%	95	+6	+5.9%
Margin (%)	6.6%	7.5%			6.9%		
Net Income	73	69	+4	+5.1%	66	+7	+11.0%
Margin (%)	4.8%	5.0%			4.7%		

Sales Increases on Low Base; OPM Declines due to Depreciation and One-off Costs

1H 2018: Key Financial Metrics

(KRW in Billions)

	1H 2018	1H 2017	YoY Variance	
Revenue	2,905	2,822	+83	+2.9%
Gross Profit	432	456	-23	-5.1%
Margin (%)	14.9%	16.1%		
SG&A (Incl R&D)	236	226	+11	+4.7%
% of Sales	8.1%	8.0%		
EBITDA	325	328	-3	-0.9%
Margin (%)	11.2%	11.6%		
Operating Profit	196	230	-34	-14.7%
Margin (%)	6.7%	8.1%		
Net Income	138	144	-5	-3.6%
Margin (%)	4.8%	5.1%		

Profitability Declines due to Depreciation and Unfavorable Product Mix

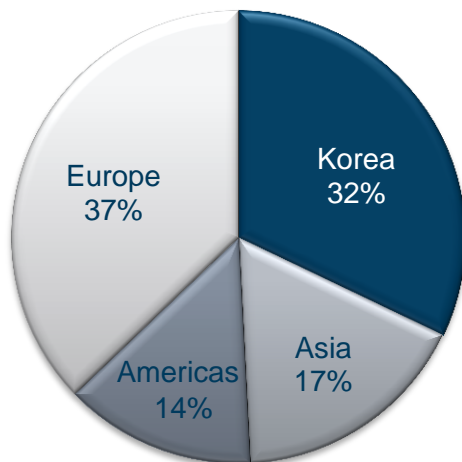
2Q 2018 Highlights

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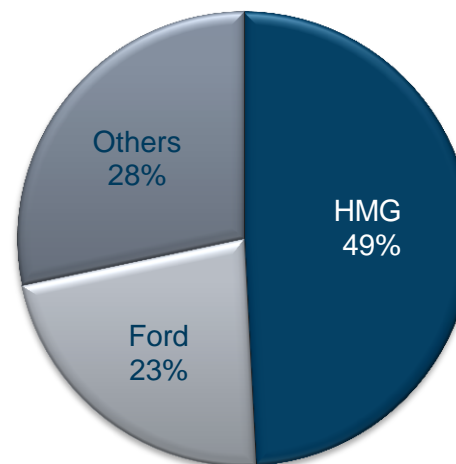
- ✓ Revenue across a diverse customer mix jumps 30% YoY
- ✓ Adj-OPM: 7.7% (One-off cost items: US Tariff on Aluminum, Detroit relocation etc.)
- ✓ NBW is on track to yearly guidance as a diverse customer base accounts for 81% of New Win orders in 1H18

1H18 Sales Breakdown

By Region



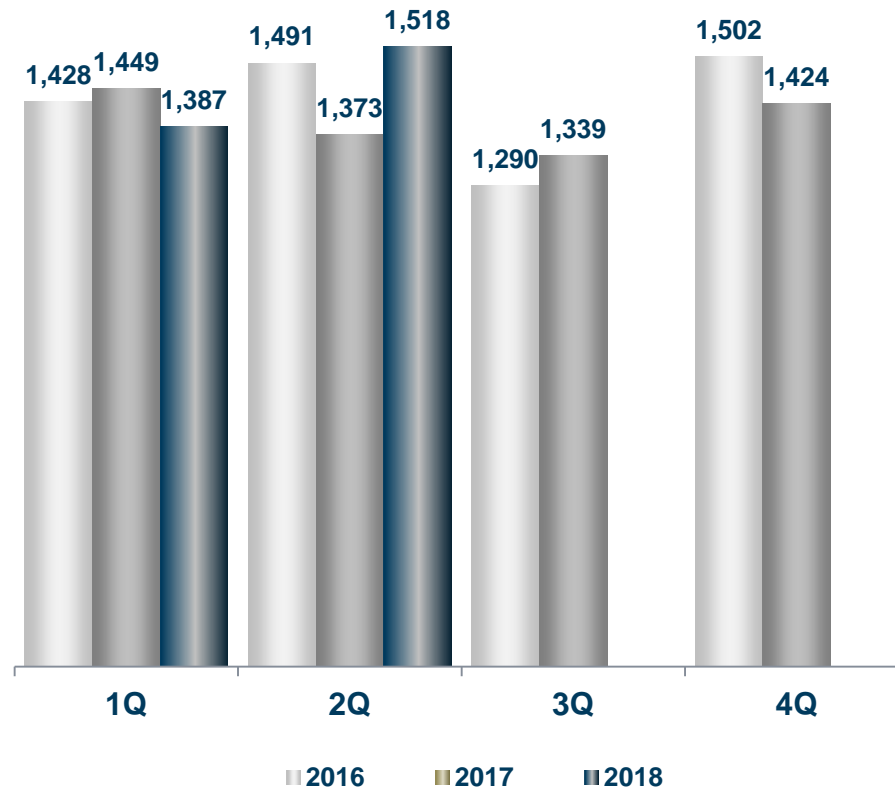
By Customer



Quarterly Sales

Consolidated Sales

(KRW in Billions)



Comments

- Record high quarterly revenue
- 2Q18 EU and China revenues are up by 20% and 46% YoY respectively
- 2Q18 HMG revenue is up 5% YoY on low base in China
- 2Q18 Ford revenue is down 6% on weak China sales
- Double-digit revenue growing customers: VW, CAOEM, BMW, FCA, JLR, Geely

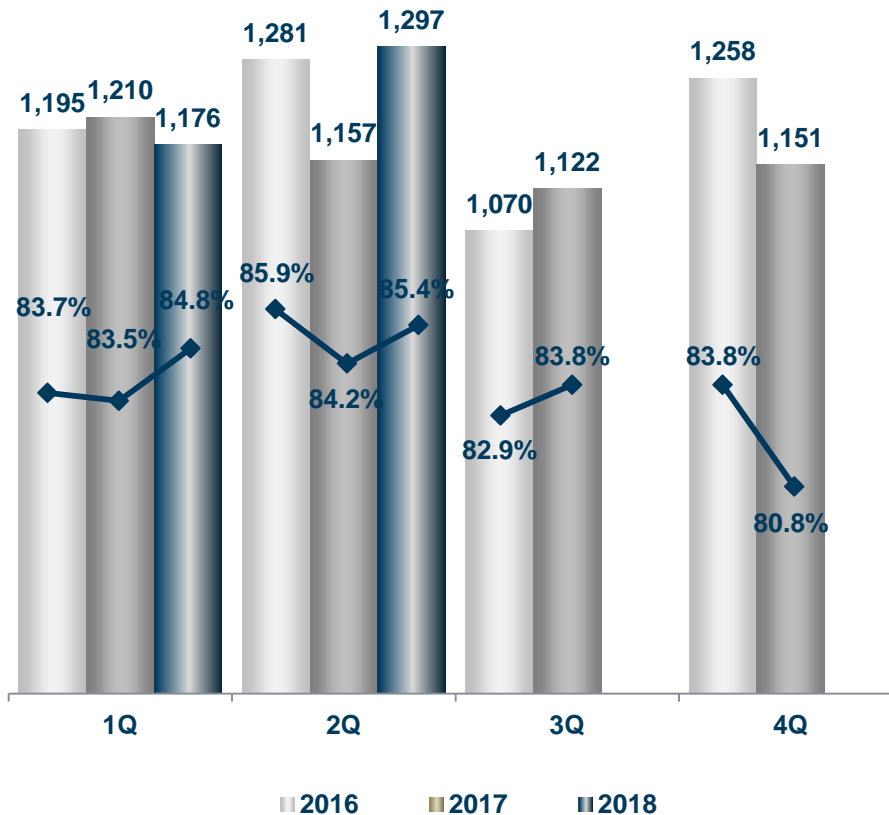
Record High Quarterly Revenue on a Diverse Customer Base

Quarterly Cost of Goods Sold

Quarterly Cost of Goods Sold

Comments

(KRW in Billions, % of sales)



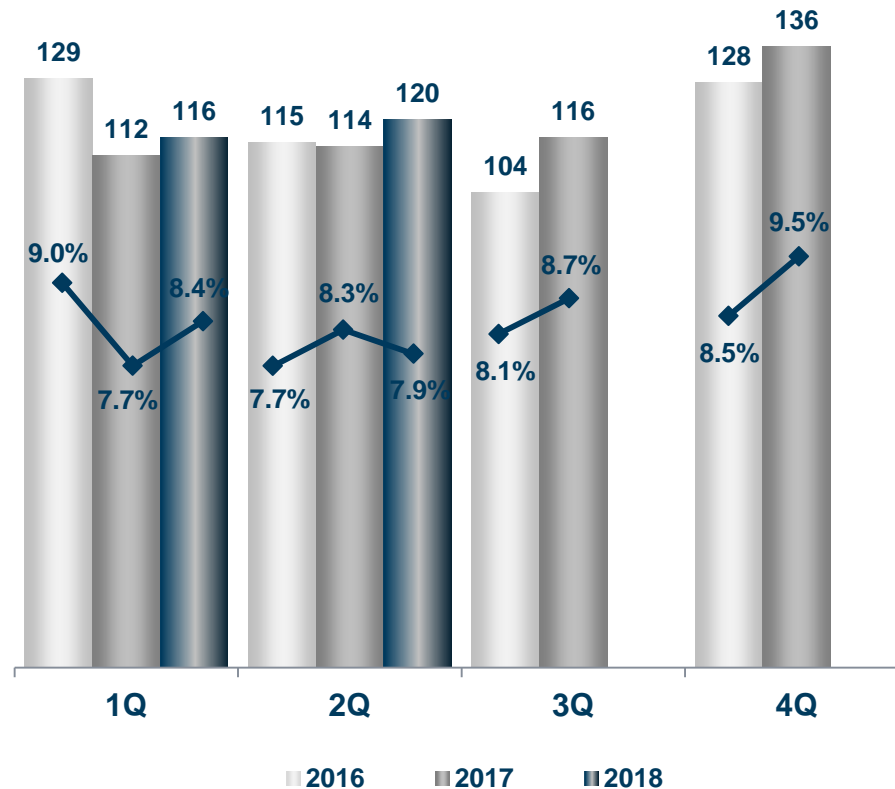
- Positive factors:
 - ✓ Volume increase in Europe and China
- Negative factors:
 - ✓ Low utilization in Alabama and New Chongqing
 - ✓ Low pricing on core customers
 - ✓ US tariff on Aluminum: 5 bW
 - *One-timer as Hanon Systems shifted Aluminum sourcing from China to Europe / South Korea since July

2Q18 Gross Profit Margin Declines due to Tariff, Utilization and Product Mix

Quarterly SG&A

Quarterly SG&A Status

(KRW in Billions, % of sales)



Comments

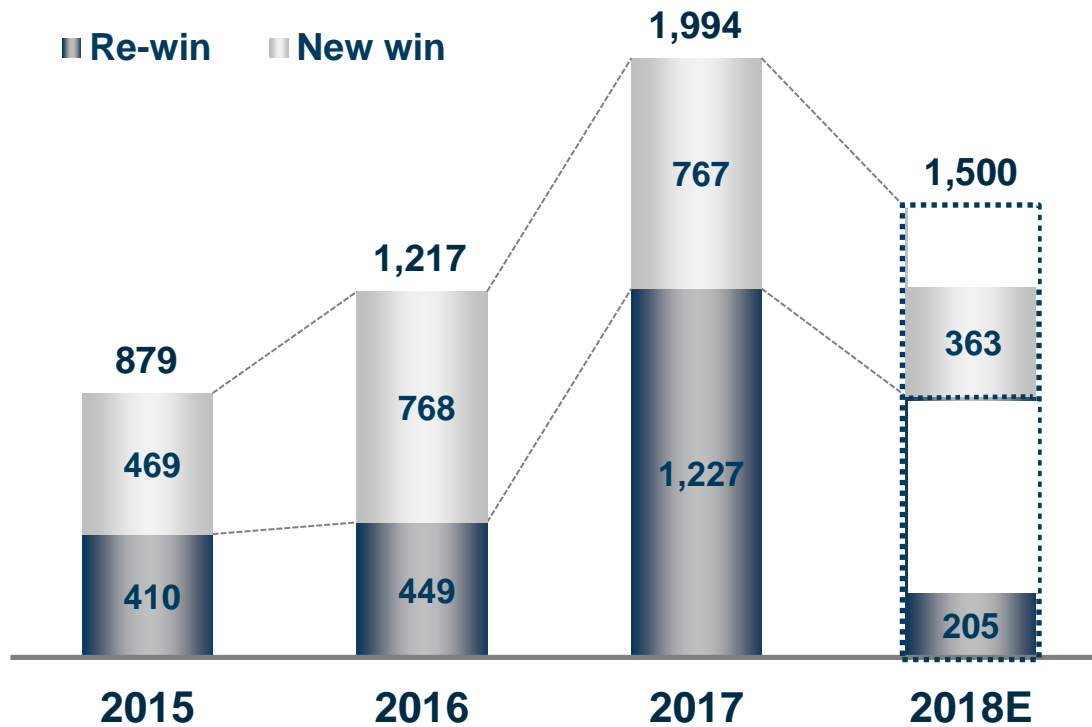
- 2Q18 SG&A ratio on revenue remains at a stable level
- One-off costs in the US and EU: 9 bW
- 1H18 R&D spending: 5.1% of total revenue (+0.9%p YoY)

2Q18 SG&A Ratio Remains at a Stable Level Except One-off Costs

New Business Wins Update

YTD July 2018 New Business Wins

(USD in Millions)



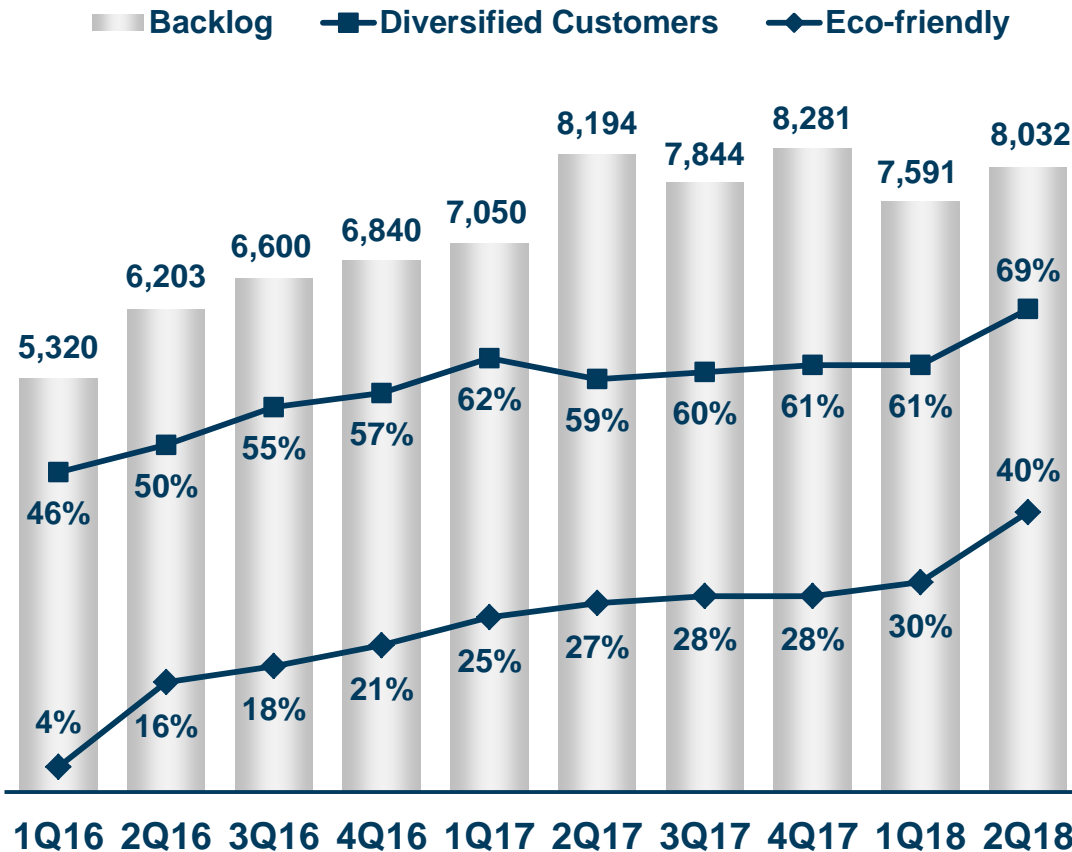
- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 81% of YTD Jul 2018 new wins
- Eco-friendly vehicle orders account for 66% of YTD Jul 2018 new wins

Eco-friendly	2015	2016	2017	2018E
	5%	35%	44%	66% (YTD July 2018)

Backlog Status Update

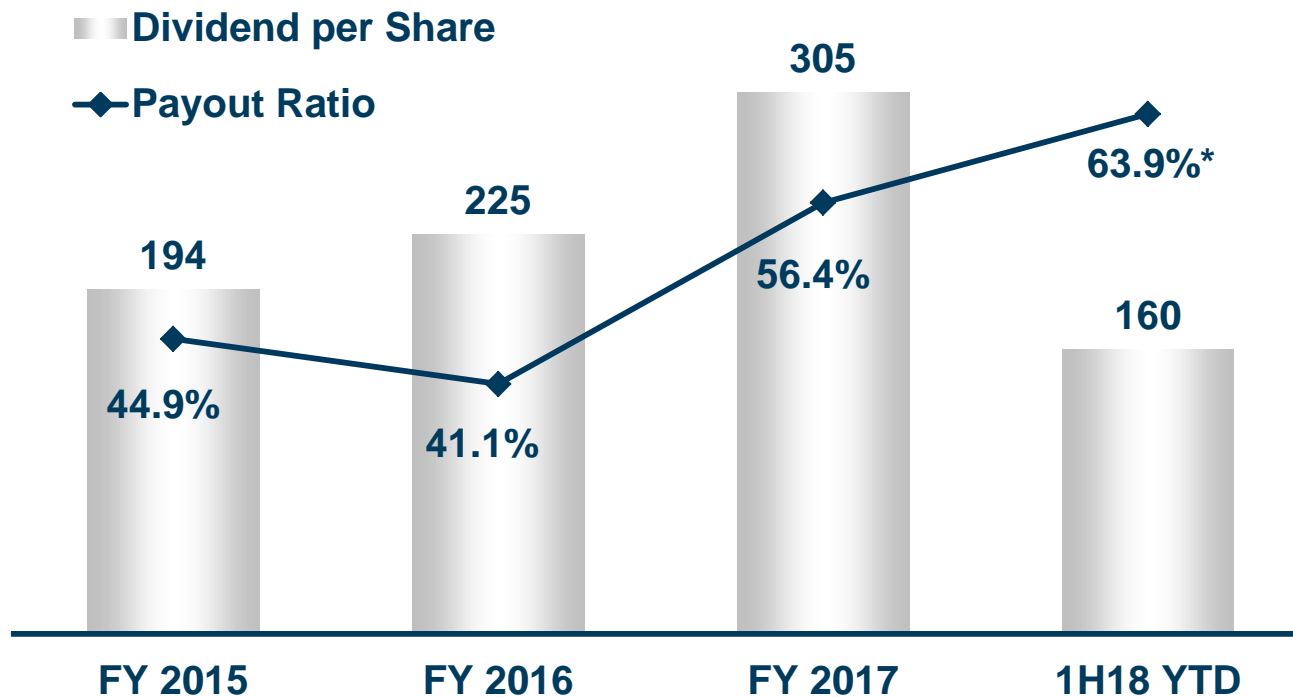
July 2018 Backlog (New Wins Only)

(USD in Millions)



- Backlog: defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diversified customers account for 69% of backlog
- Eco-friendly vehicle orders account for 40% of backlog

2Q18 Quarterly Dividends: 80 KRW per share

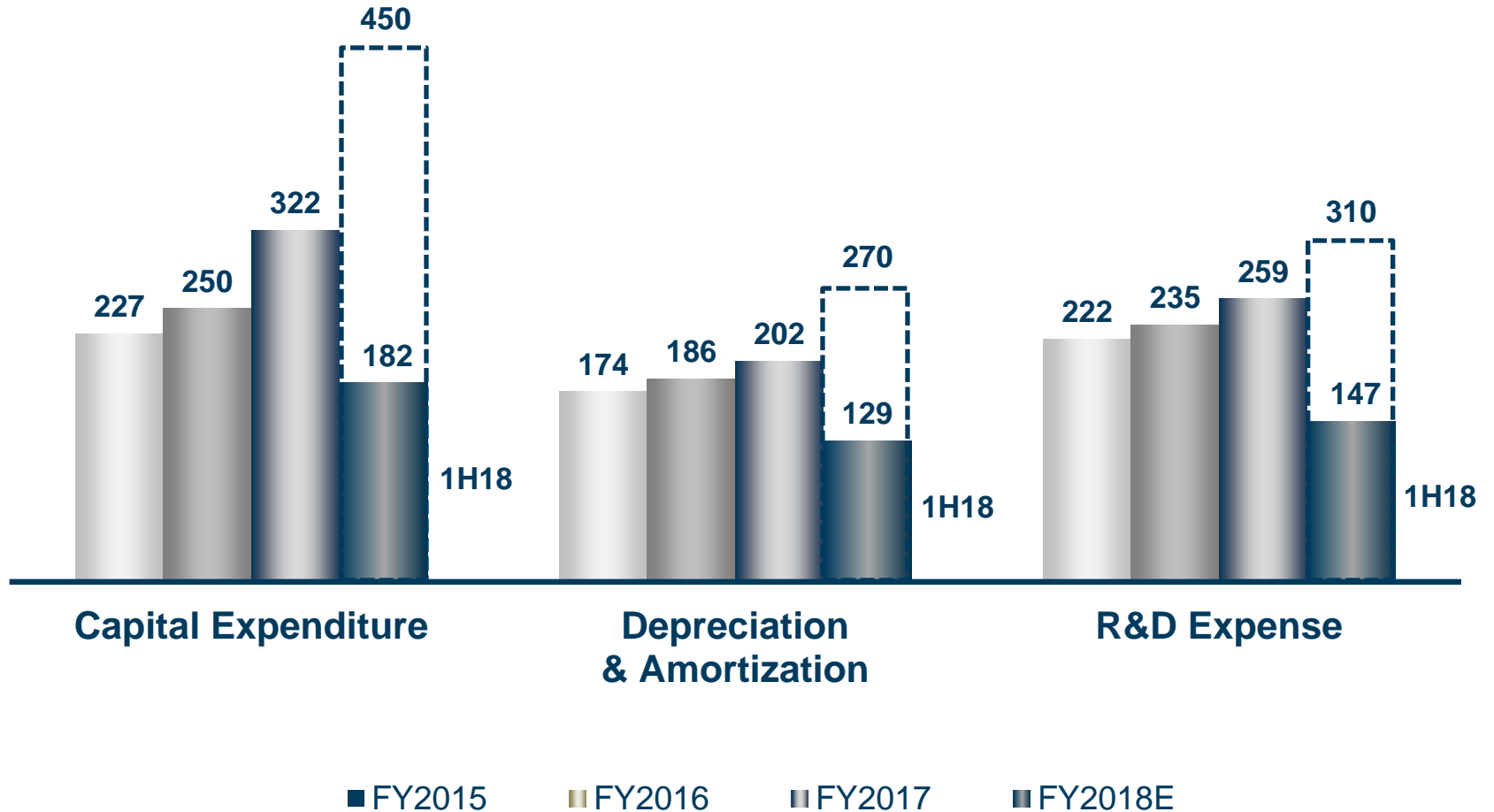


* Based on net income per share of 1H18

1H18 Dividend Increases by 6.7% YoY

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

(KRW in Billions)



Spending Increase in CapEx, D&A and R&D Reflects Strong Order Intake

2Q 2018 Balance Sheet

(K-IFRS / KRW in Billions)

Balance Sheet

	1H18	YE 2017
Cash and cash equivalent	401	567
Account receivable	1,052	972
Inventories	502	469
Property and equipment	1,306	1,262
Intangible assets	486	438
Lease assets	170	-
Other assets	458	412
Total assets	4,375	4,120
Account payable	973	1,045
Debt	789	757
Other liabilities	516	286
Shareholders' equity	2,018	1,979
Non-controlling interests	80	53
Total liabilities & shareholders' equity	4,375	4,120

Cash and Debt

Cash Balance	1H18	YE 2017
Net Debt	388	190
Net Debt Ratio	18.5%	9.3%
Debt to Equity	37.6%	37.3%

- 'Debt' and 'Net Debt' of 1H18 does not include Lease Debt (KRW 175b).

Leverage	1H18	YE 2017
Last 12 months EBITDA	667	670
Debt / EBITDA	118.3%	113.0%
Net Debt / EBITDA	58.1%	28.3%

Balance Sheet Remains Strong to Support Inorganic Growth Potential

2Q 2018 Earnings Release Summary

- **Strong revenue growth; profitability lags due to depreciation, non-recurring items and unfavorable product mix.**
- **Revenues from a diverse customer base continues to increase; third largest customer exceeds 5% of quarterly revenue for the first time.**
- **Revenue related to eco-friendly vehicles is 7.7% in 1H18.**
- **NBW is on track to yearly target. 66% of New Wins are for eco-friendly.**
- **Yearly guidance is maintained as we expect performance improvement in 2H18.**
- **Company continues to deliver high-quality products to customers; no major quality issues in 2018.**
- **Strong balance sheet enables company to weigh inorganic growth opportunities.**

Thank You

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