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1Q 2019 Analyst Briefing

May 2019

Disclaimer

We do not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events, or otherwise. Also, any information expressed herein on this date is for understanding purpose before the audit. Therefore, it may subject to change without notice.

1Q 2019: Key Financial Metrics

(KRW in Billions)

	1Q19	1Q18	YoY Variance		4Q18	QoQ Variance	
Revenue	1,429	1,387	+42	3.0%	1,612	-183	-11.4%
Gross Profit	201	211	-10	-4.9%	282	-81	-28.7%
Margin (%)	14.1%	15.2%			17.5%		
SG&A (Incl R&D)	108	116	-9	-7.4%	126	-19	-14.8%
% of Sales	7.5%	8.4%			7.8%		
EBITDA	165	160	+6	+3.5%	227	-61	-27.0%
Margin (%)	11.6%	11.5%			14.1%		
Operating Profit	93	95	-2	-1.8%	156	-62	-40.0%
Margin (%)	6.5%	6.9%			9.7%		
Net Income	57	66	-9	-13.9%	90	-33	-37.1%
Margin (%)	4.0%	4.7%			5.6%		

Maintained Solid Performance Amid Weak China Volume and M&A Closing

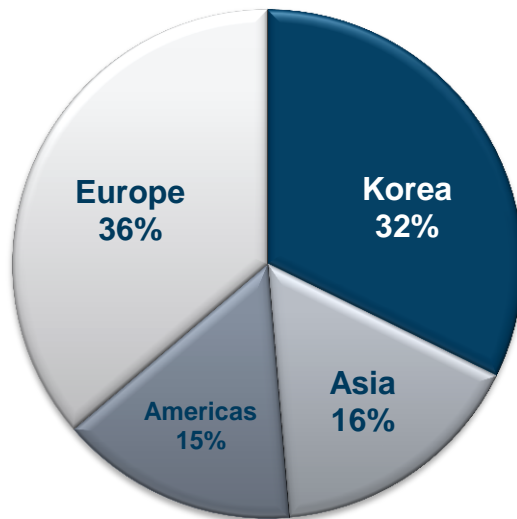
1Q 2019 Highlights

1Q19 Highlights

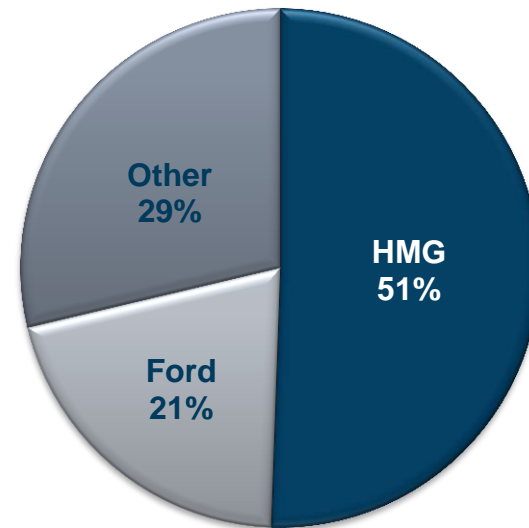
- ✓ Solid performance in Korea and the Americas despite lower China volumes
- ✓ 1Q19 xEV revenue is up by 20% YoY and is 8.9% of total consolidated revenue
- ✓ E&FP revenue will begin to consolidate in 2Q19; its operation has been solid up until 1Q19

1Q19 Sales Breakdown

By Region



By Customer

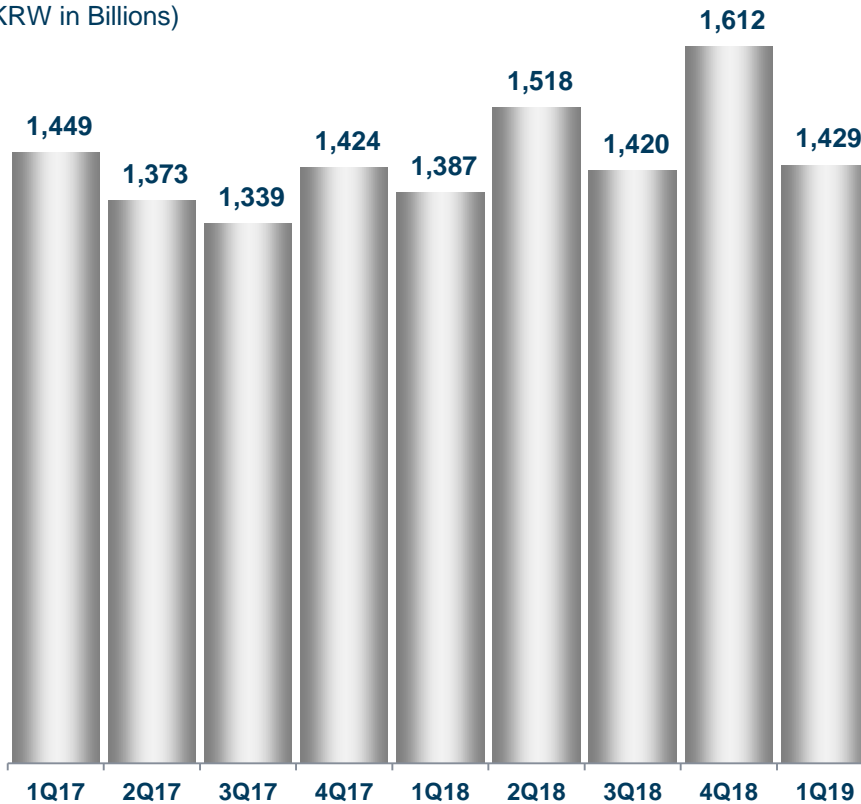


- Ford: Incl. Changan Ford & Ford Otosan

Quarterly Sales

Consolidated Sales

(KRW in Billions)



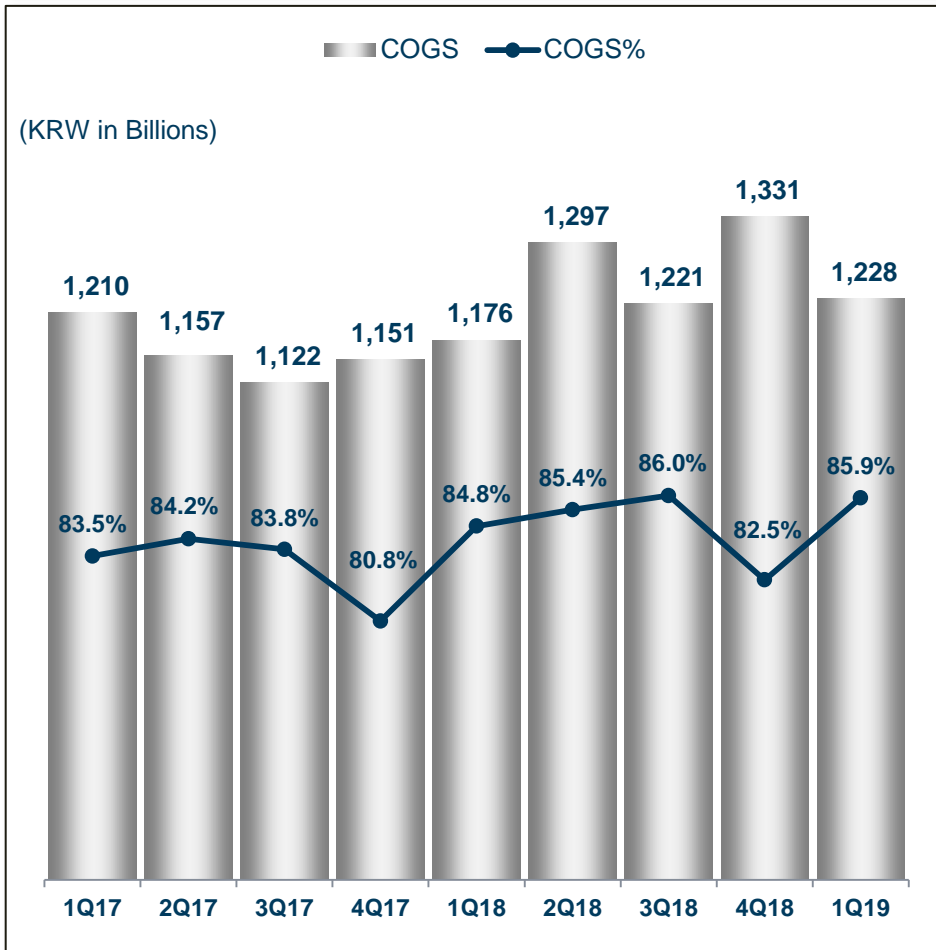
Comments

- 1Q19 Korea and Americas revenue up by 7% and 16% respectively on SUV and EV growth
- 1Q19 Europe and China revenue down by 3% and 9% respectively driven by lower volumes
- 1Q19 sales to HMG up 10% on low base and SUV growth
- 1Q19 sales to Ford were down 13% while to VW was flat
- 1Q19 sales growth with diverse customers up by 5% (e.g. CAOEM +18%, FCA +16%, JLR +40%, Daimler +110%)

1Q Revenue is up 3% on HMG and diverse customers

Quarterly COGS

Quarterly Cost of Goods Sold

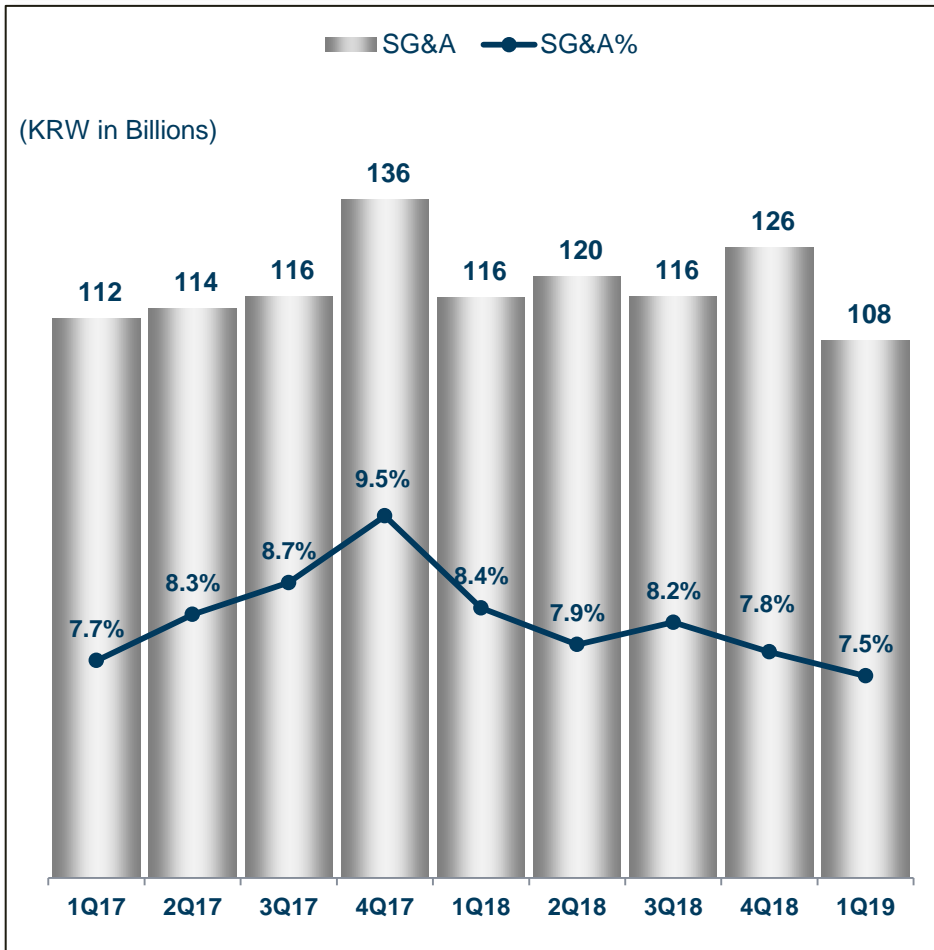


Comments

- Positive factors:
 - ✓ European profitability improves on a diverse customer base and cost cutting
 - ✓ Profitability of eco-products improves on volume
- Negative factors:
 - ✓ Weak Ford volume in China
 - ✓ D&A net increase: 7 bW

1Q Gross Profit In-line Despite Weak China Volumes

Quarterly SG&A Status



Comments

- 1Q19 SG&A spend: 7.5% of total revenue (-0.9%p YoY)
- 1Q19 R&D spend: 4.9% of total revenue (+0.3%p YoY)
- Transaction costs for M&A is reflected as non-operational expense (18.7B)
- Gain on derivatives from the currency hedge for the acquisition funds (\$1,203m) reflected as non-operational income (10.3B)

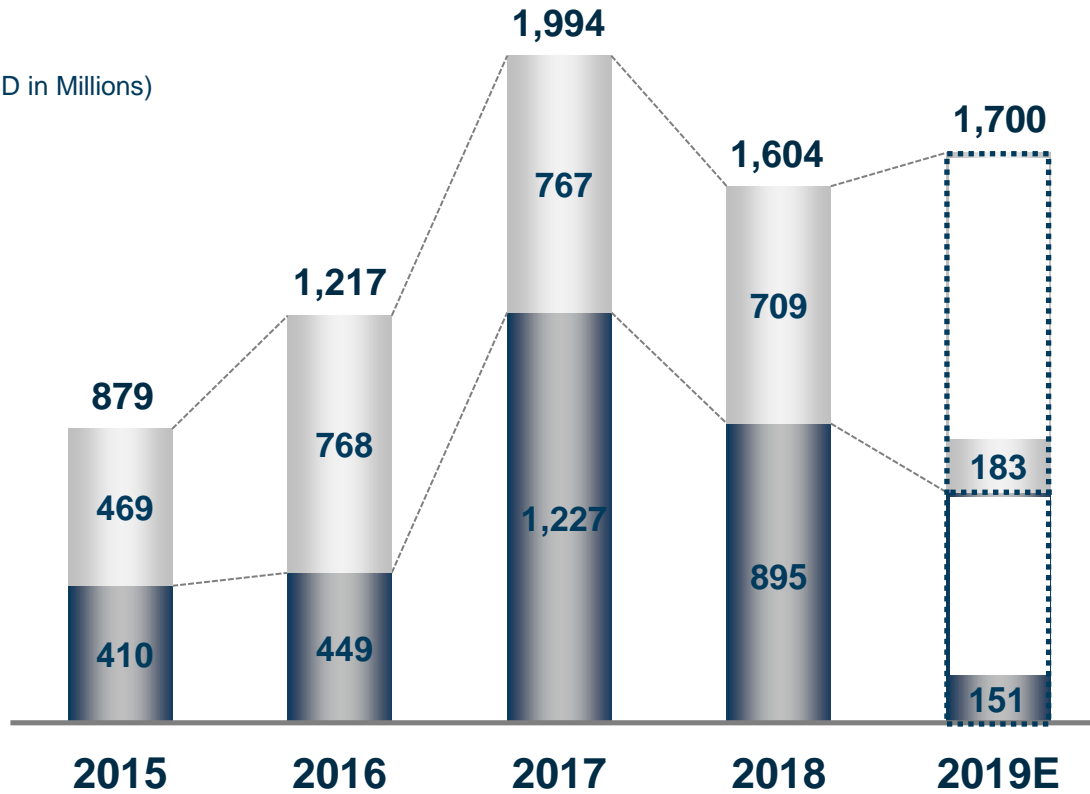
SG&A Spending Decreased on Efficiency Programs

New Business Wins Update

1Q 2019 New Business Wins

■ Re-win ■ New win

(USD in Millions)



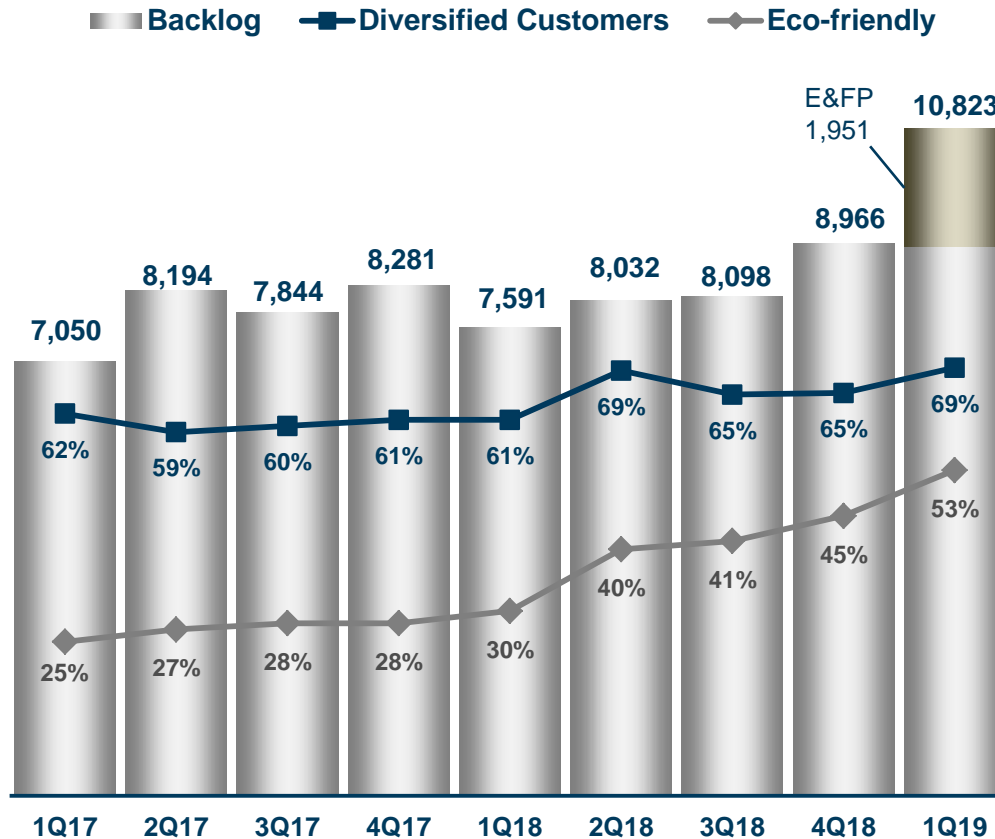
- New business wins represents average annual revenue (in USD million)
- Orders from diverse customers account for 46% of 1Q19 new wins
- Eco-friendly vehicle orders account for 90% of 1Q19 new wins
- 2019 New-win target is \$1,010m and Re-win target is \$690m for the consolidated entity

Eco-friendly	2015	2016	2017	2018	2019E
	5%	35%	44%	63%	90% (1Q19)

Backlog Status Update

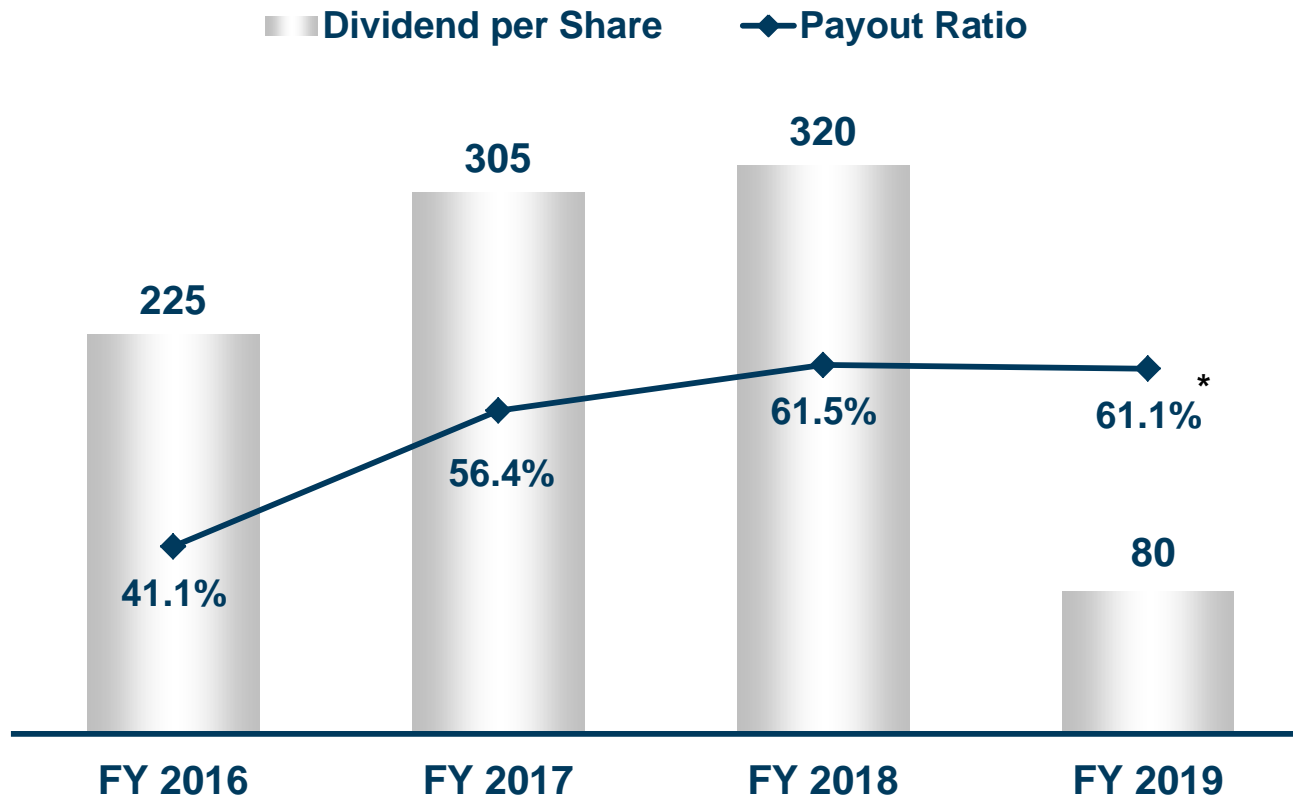
1Q 2019 Backlog (New Wins Only)

(USD in Millions)



- Backlog: defined as cumulative revenue for expected lifecycle of awards before start of production
- Orders from diverse customers account for 69%
- Eco-friendly vehicle orders account for 53%

1Q19 Quarterly Dividend: 80 KRW per share



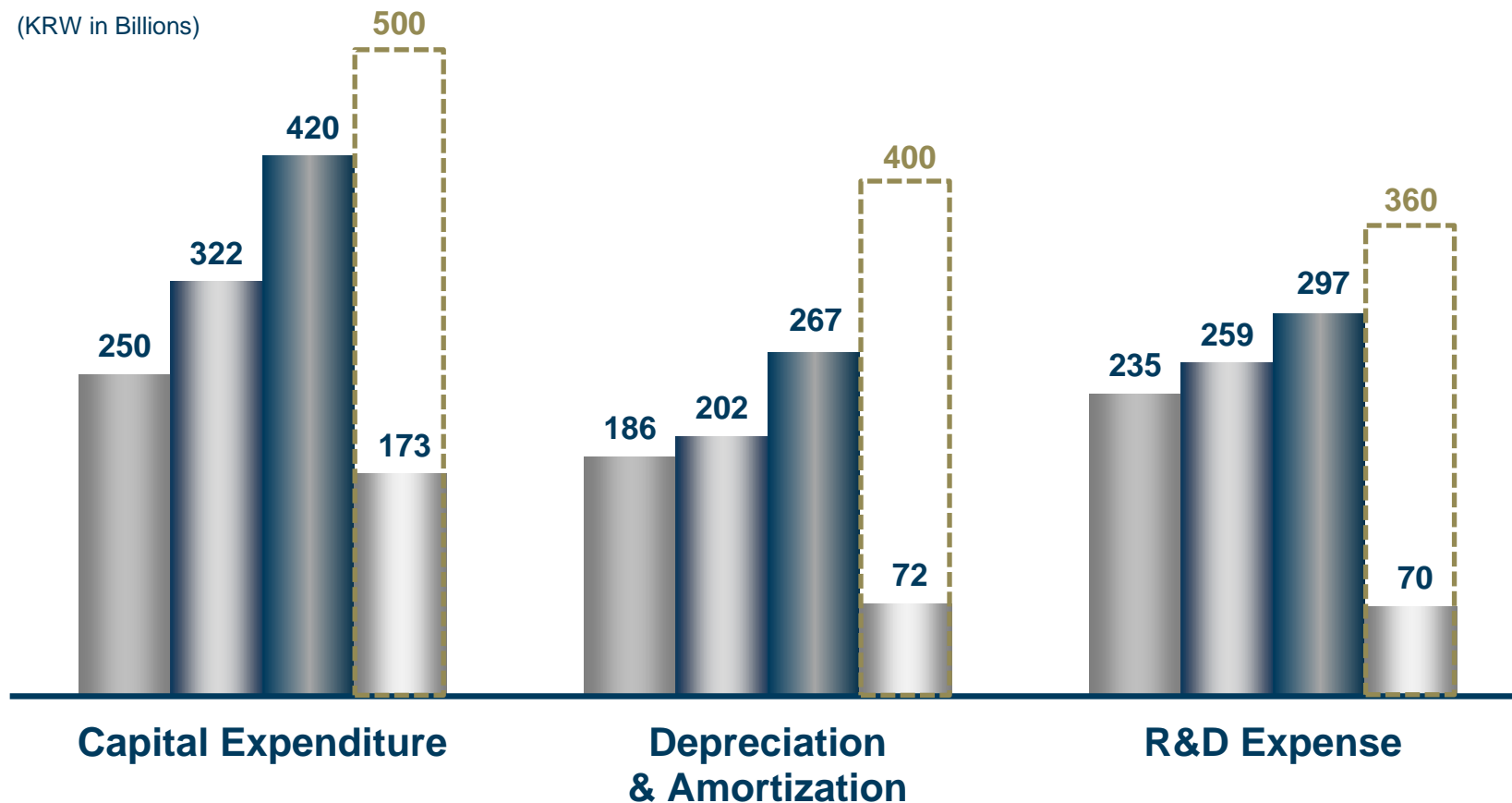
* Based on quarterly adjusted net income per share 1Q19

Maintaining Quarterly Dividend at Previous Level

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

■ FY2016 ■ FY2017 ■ FY2018 ■ FY2019

(KRW in Billions)



* 2019 guidance includes E&FP

CapEx, D&A and R&D Spend On-track to Meet Full-Year Target

1Q19 Balance Sheet

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

Balance Sheet

	Mar 2019	Dec 2018
Cash and cash equivalent	468	1,018
Account receivable	1,407	1,021
Inventories	701	506
Property and equipment	1,997	1,551
Intangible assets	1,431	564
Lease assets	218	181
Other assets	597	515
Total assets	6,819	5,356
Account payable	1,465	1,215
Debt	2,629	1,672
Other liabilities	551	337
Sharers' equity	2,068	2,037
Non-controlling	106	95
Total liabilities & shareholders' equity	6,819	5,356

Cash and Debt

Cash Balance	Mar 2019	Dec 2018
Net Debt	2,160	654
Net Debt Ratio	1.0x	0.3x
Debt to Equity	1.2x	0.8x

- 'Debt' and 'Net Debt' **INCLUDE** Lease Debt in 1QE19 and YE2018 (KRW 212b, KRW 177b) respectively due to the change of KIFRS 1116.

Leverage	2019E	2018
EBITDA	940*	701
Debt / EBITDA	2.8x	2.4x
Net Debt / EBITDA	2.3x	0.9x

* 2019 EBITDA guidance

1Q Balance Sheet Reflects E&FP consolidation

Thank You

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