

2Q 2017 Earnings Release

# HYUNDAI ROBOTICS

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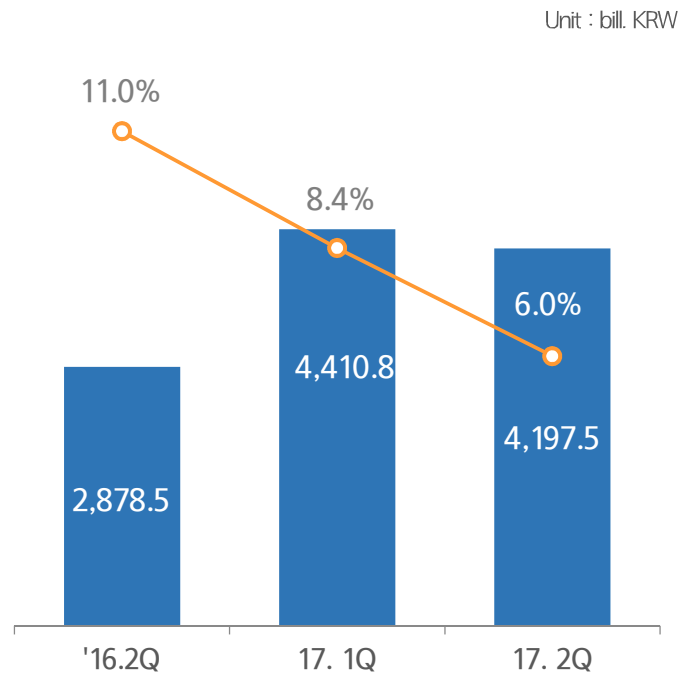
Chapter 1.

## '2Q 2017 Earnings

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# 1. 2Q2017 Consolidated Earnings

## 2Q 2017 Consolidated Sales & Operating Profit



Note 1) '17 2Q K-IFRS Consolidated

Note 2) The numbers of same period of last year('16. 2Q) and the previous year('17.1Q) has been prepared by the Company as a reference only for investors.

## Sales & Operating Profit Analysis

### Sales

- **YoY +45.8%**
  - Sales increase in LCD robots
  - Significant sales growth in Refinery sector on the back of average oil prices rise and operation start up of Hyundai Chemical (Nov. 2016)
- **QoQ -4.8%**
  - Sales decrease in Refinery Sector due to oil prices decline

### Operating Profit

- **YoY -21.0%**
  - Profit increase in Robot sector due to cost reduction
  - Profit decline in Refinery sector due to falling oil prices in 2Q17
- **QoQ -31.9%**
  - Profit decrease in Refinery Sector due to oil prices decline

## 2. Consolidated Earnings by Business Segment

### 2Q 2017 Consolidated Earnings by Segment

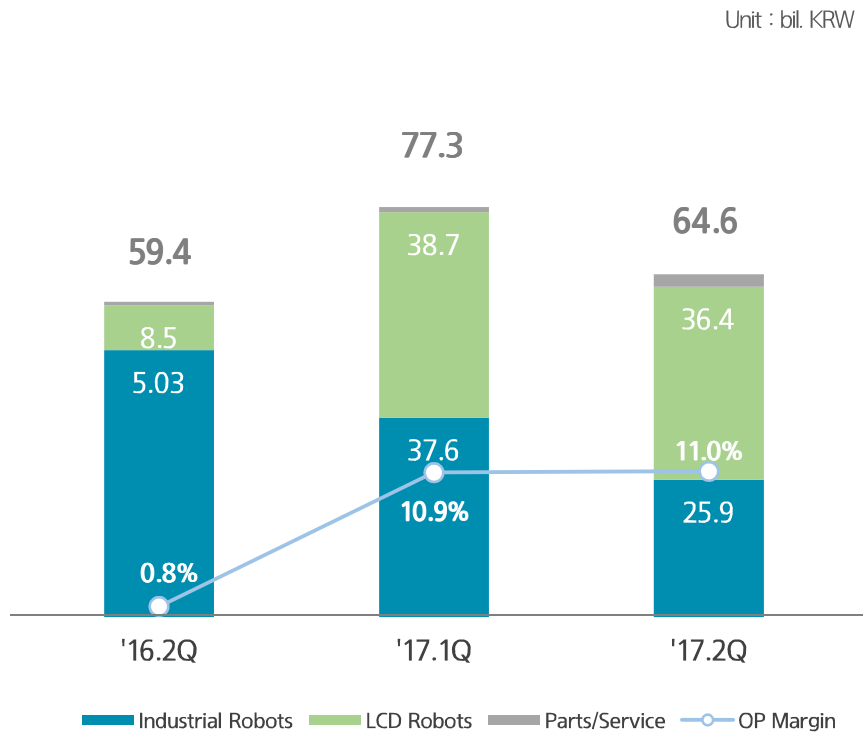
Unit : bill. KRW

	'17.2Q			'17.1Q			'16.2Q		
	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin	Sales	Operating Profit	OP Margin
Robot	64.6	7.1	11.0%	77.3	8.4	10.9%	59.4	0.5	0.8%
Oil& Refinery	40,576	229.5	5.7%	4,284.7	354.8	8.3%	2,813.7	323.0	11.5%
Others	87.8	26.6	30.3%	48.8	10.3	21.1%	5.4	(1.2)	-22.2%
Adjustments	(12.5)	(12.1)	-	-	(4.6)	-	-	(4.6)	-
Consolidated Total	4,197.5	251.1	6.0%	4,410.8	368.9	8.4%	2,878.5	317.7	11.0%

Note) '16.2Q others : Hyundai Global Service is not included.

### 3. Sales & Operating Profit Analysis (Robot)

#### Sales & Operating Profit



Note) non-consolidated of Hyundai Robotics Co., Ltd

#### Sales & Operating Profit Analysis

**Sales**

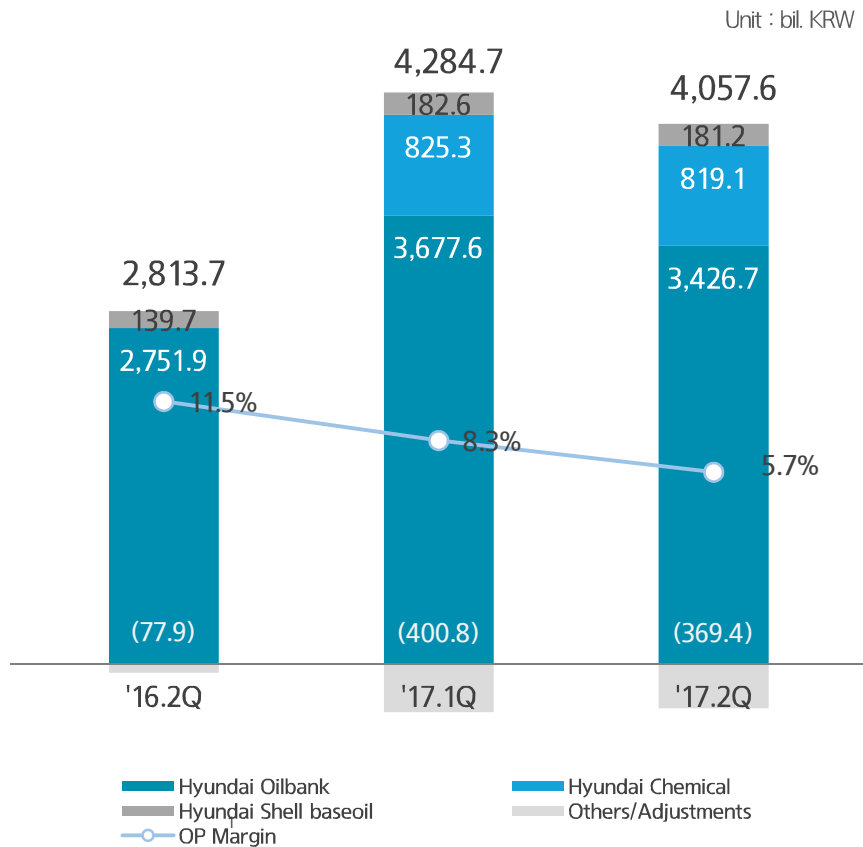
- YoY **+8.8%**
  - Significant sales increase in LCD Robots due to the large-scale LCD project orders received in 2016
  - Sales decrease in industrial robots as Hyundai/Kia Motor's new facility investment decreased
- QoQ **-16.4%**
  - Demand decline for industrial robots due to reduced investment in overseas plant facilities by automobile partner companies

**Operating Income**

- YoY **+1,320%**
  - Cost reduction such as part modularization
  - Profit increase due to sales expansion of LCD Robots
- QoQ **-15.5%**
  - Profit decline due to lower sales

## 4. Sales & Operating Profit Analysis (Refinery)(1/2)

### Sales & Operating Profit



### Sales & Operating Income Analysis

Sales

- **YoY +44.2%**
  - Operation startup of Hyundai Chemical (Nov.2016)
  - Significant sales growth on the back of average oil prices rise
- \* Dubai average : '16.2Q : \$43.2 → '17.2Q : \$49.8/Bbl

Operating Profit

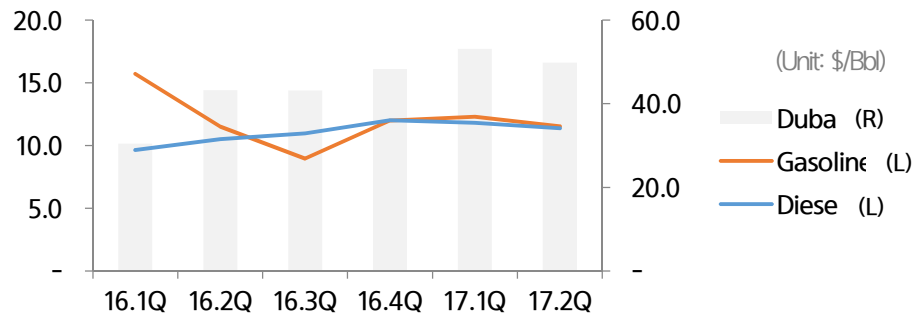
- **YoY -28.9%**
  - In '16.2Q, oil prices rose sharply, reaching the record-high operating profit
  - Profit improved in non-refining sector due to improved lubricant margins and new operation of Hyundai Chemical
- **QoQ -35.3%**
  - Profit decrease due to lagging effect of falling oil prices and valuation losses in inventory assets

Note) consolidated of Hyundai Oilbank Co., Ltd.



## 4. Sales & Operating Profit Analysis (Refinery)(2/2)

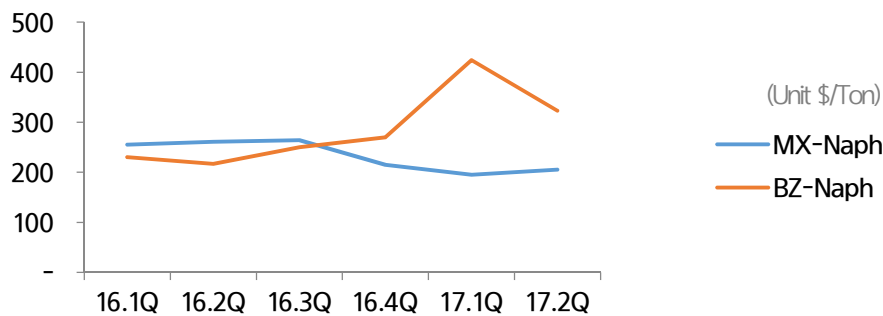
### Oil Prices / Crack



**Refinery**

- **2Q**
  - Crude price dropped on concerns over oversupply
  - Crack spread showed weakness due to decreased market demands.
- **3Q**
  - Crude price is expected to recover due to OPEC production cut and seasonal demands
  - Crack spread is expected to show strength on increasing G/O demands

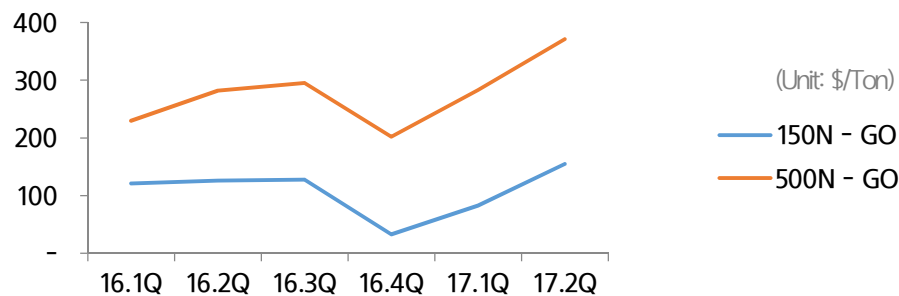
### Petrochemical Spread



**Petro-chemical**

- **2Q**
  - MX-N : Spread maintained due to stable PX demands
  - BZ-N : Spread dropped due to increased SM inventory in China
- **3Q**
  - MX-N : Descent spread is expected to be maintained
  - BZ-N : Narrow spread is expected due to the balance of demand and supply

### Lubricant Spread

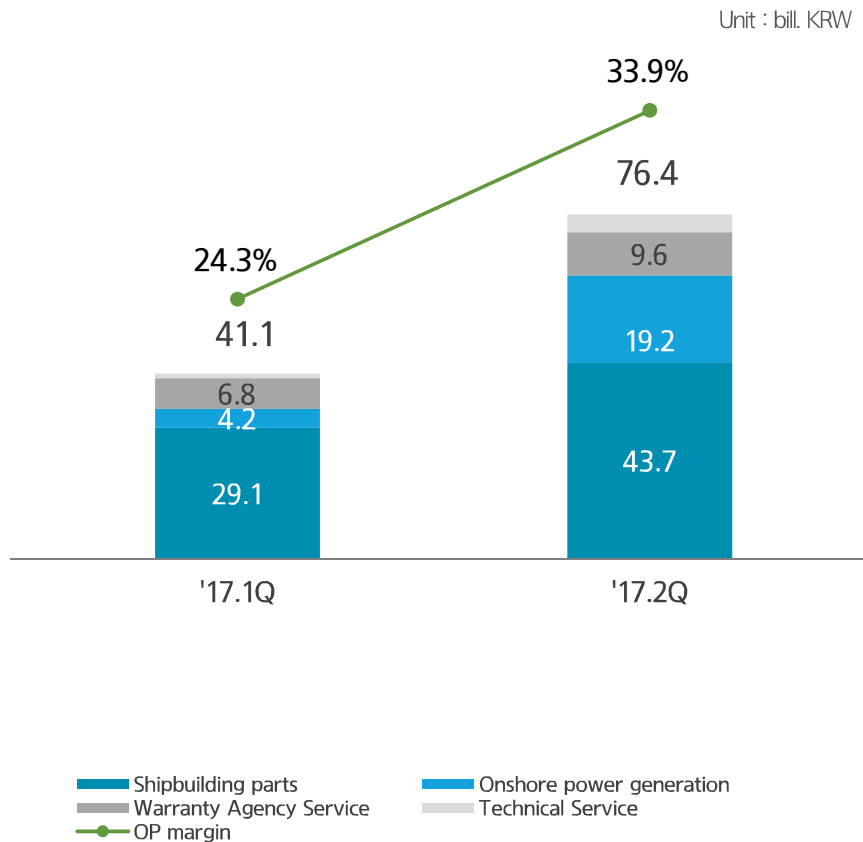


**Lubri-cant**

- **2Q**
  - Spread increased due to maintenance of major suppliers and declined oil prices
- **3Q**
  - Spread is expected to be strong due to global economy recovery

# 5. Sales & Operating Profit Analysis (Hyundai Global Service)

## Sales & Operating Profit



Note 1) Non Consolidated of Hyundai Global Service Co., Ltd.

Note 2) '16 2Q numbers not provided since it was established in Dec.2016

## Sales & Operating Profit Analysis

Sales

- **QoQ +86%**
- Sales increase on the back of establishment of service infrastructure for early stabilization of business
- Early normalization in sales of shipbuilding parts and onshore power generation, which are main business

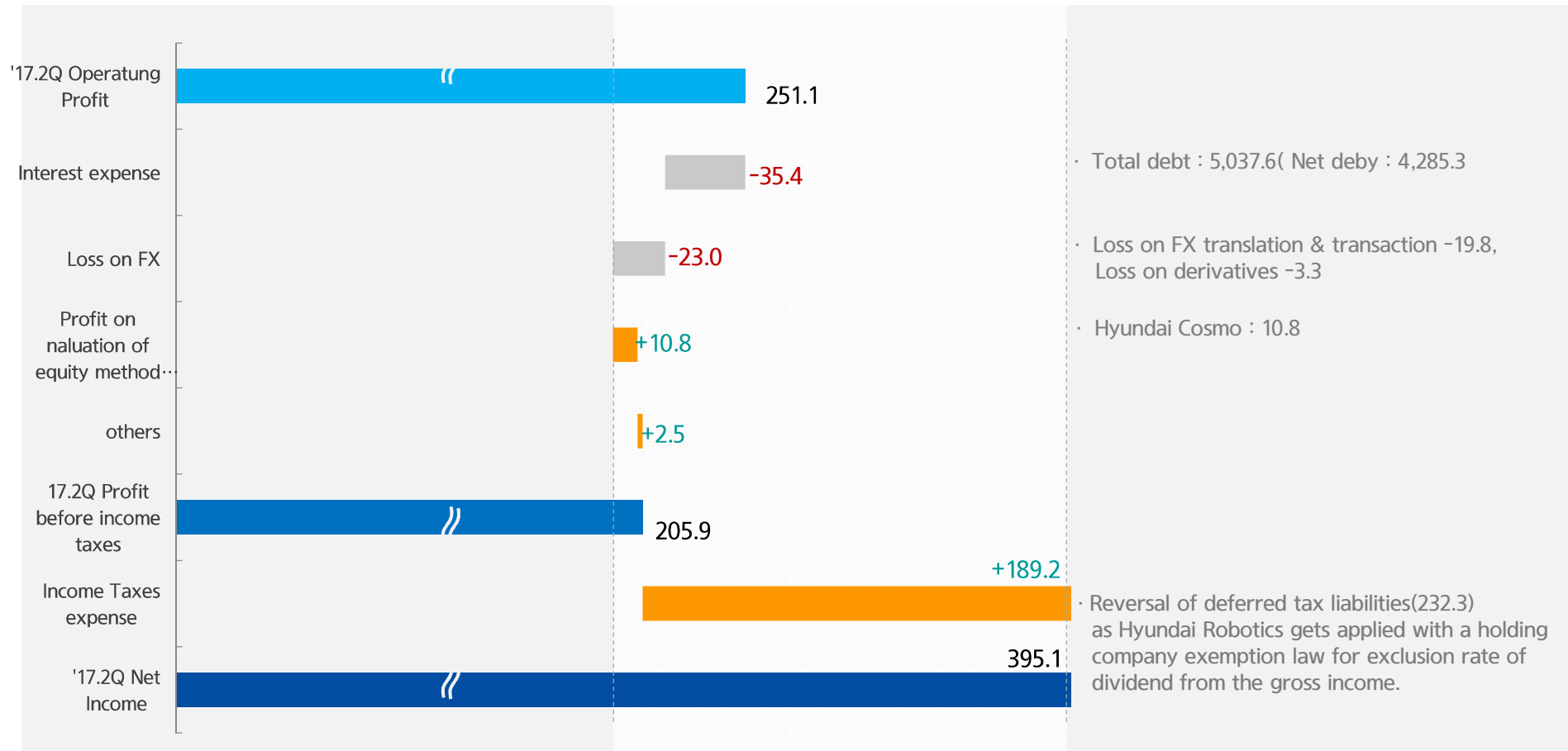
Operating Profit

- **QoQ +159%**
- Profit increase due to sales growth in high-margin sector such as shipbuilding parts and onshore power generation

## 6. Net Income, Non operating Profit & Loss

### Net Income , Non Operating Profit & Loss

Unit: bil. KRW

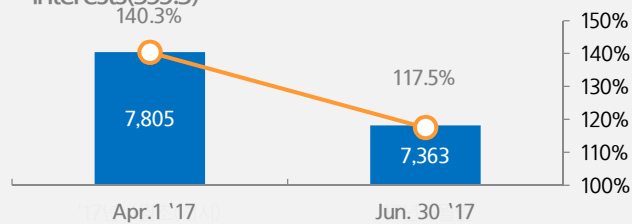


# 7. Financial Ratio

## Consoildated Financial Ratio

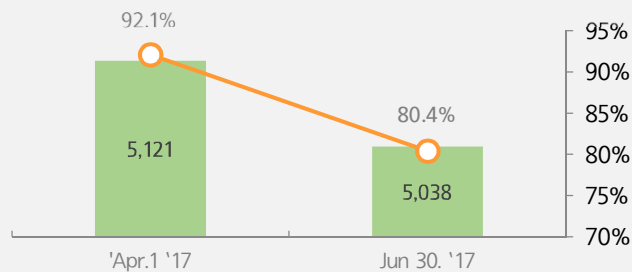
### • Liabilities-to-Equity Ratio 117.5%

- Improved liabilities-to-equity ratio by increasing total equity(704.5) due to valuation gains(339.4) on available-for-sale securities and net income attributable to controlling interests(355.3)



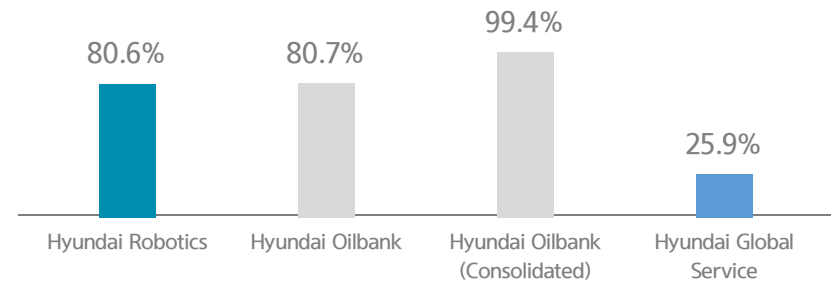
### • Debt-to-Equity Ratio 80.4%

- Improved debt-to-Equity ratio due to decrease in borrowings and increase in total equity

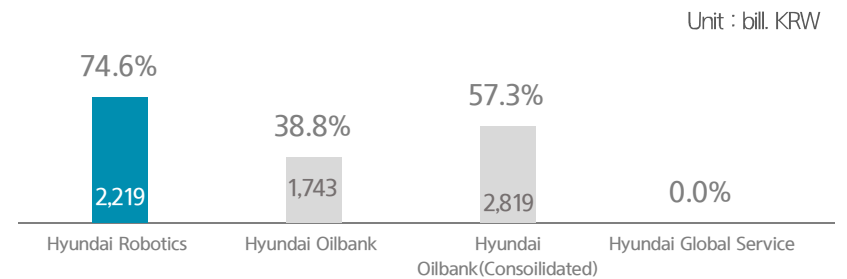


## Liabilities-to-Debt & Debt-to-Equity Ratio

### • Liabilities-to-Equity Ratio(Parent)



### • Debt-to-Equity Ratio(parent)



## 8. Investment Highlights

### 01 Laying Foundation for production & quality improvement by establishing Smart Factory in Daegu new factory



Automated Assembly Process through robots    Production Operation System    Integrated Control System

- Productivity and quality is improved by automating assembly and painting process of the main model of industrial robot.
- The production operation system that collects and processes the production process data in real time is built up to respond quickly to changes in the external environment and to improve production efficiency
- We have laid a stable foundation for business growth by expanding production capacity.  
(Annual Production Capacity : 4,000units -> 8,000 units since Apr. '17))

### 02 Expansion of profit contribution in non-refining business through diversification of business including new operation of Hyundai Chemical

- Early stabilization of commercial production of Hyundai Chemical established in Nov. '16 (Production Utilization ratio 100%)
- Despite falling oil prices in 1H07, profitability and stability of the entire refinery business portfolio is improved due to profit increase in non-refining sector

▷ Recorded operating profit in 20 consecutive quarters ('12.3Q~'17.2Q)

#### Operating Profit Contribution Breakdown

	1H '16	1H '17
Refinery	88%	62%
Non-Refinery	12%	38%

Based on its distinctive competitiveness and financial soundness, we will pursue sustainable growth with profit

## Appendix

1. Sales & Operating Profit of Hyundai Robotics & Subsidiaries
2. Consolidated Financial Statement of Hyundai Robotics
3. Consolidated Financial Statement of Hyundai Oilbank

# 1. Sales & Operating Profit of Hyundai Robotics & Subsidiaries

## 2Q 2017 Non-Consolidated Sales & Operating Profit

Unit : bil. KRW

	'17.2Q			'17.1Q			'16.2Q		
	Sales	Operating Income	OP Margin	Sales	Operating Income	OP Margin	Sales	Operating Income	OP Margin
Hyundai Robotics	64.6	7.1	11.0%	77.3	8.4	10.9%	59.4	0.5	0.8%
Hyundai Oilbank	3,426.7	130.5	3.8%	3,677.6	229.4	6.2%	2,751.9	284.9	10.3%
Hyundai Chemical	819.1	52.3	6.4%	825.3	90.1	10.9%	-	-1.3	-
Hyundai Shell base Oil	181.2	41.0	22.6%	182.6	28.9	15.8%	139.7	34.6	24.8%
Hyundai Global Service	76.4	25.9	33.9%	41.1	10.0	24.3%	-	-	-

Note : K-IFRS non-Consolidated

## 2. Consolidated Financial Statement of Hyundai Robotics

### 'Consolidated Income Statement

Unit : bil. KRW

	'17.2Q			'17.1Q	'16.2Q
		QoQ	YoY		
<b>Sales</b>	<b>41,975</b>	<b>-4.8%</b>	<b>45.8%</b>	<b>44,108</b>	<b>28,785</b>
Cost of Sales	38,374	-2.1%	57.5%	39,182	24,361
Gross Profit	3,601	-26.9%	-18.6%	4,926	4,424
<b>Operating Income</b>	<b>2,511</b>	<b>-31.9%</b>	<b>-21.0%</b>	<b>3,689</b>	<b>3,177</b>
OP Margin	6.0%	-2.4%p	-5.0%p	8.4%	11.0%
Non Operating Income& Loss	-452	-	-	384	12
<b>Profit before Income Taxes</b>	<b>2,059</b>	<b>-49.4%</b>	<b>-35.4%</b>	<b>4,073</b>	<b>3,189</b>
Income Taxes	-1,892	-	-	934	674
<b>Net Income</b>	<b>3,951</b>	<b>25.9%</b>	<b>57.1%</b>	<b>3,139</b>	<b>2,515</b>
Profit attribute to owners of company	3,553	39.0%	47.5%	2,556	2,409
Profit attribute to non-controlling interest	398	-31.7%	275.5%	583	106

Note : K-IFRS Consolidated

### 'Consolidated Fincancial Position

Unit : bil. KRW

	The Begging of Apr. 1 '17	The end of Jun.30 '17
Current Assets	42,840	40,413
(Cash & Cash Equivalents)	5,802	7,523
Non-Current Assets	90,832	95,887
<b>Total Assets</b>	<b>133,672</b>	<b>136,300</b>
Current Liabilities	49,429	45,741
(Short-term borrowings)	27,692	26,323
Non-Current Liabilities	28,621	27,892
(Long-term borrowings)	23,515	24,053
<b>Total Liabilities</b>	<b>78,050</b>	<b>73,633</b>
Paid-in Capital	602	602
Others	45,115	48,298
Retained Earnings	0	3,490
Non-controlling interests	9,905	10,277
<b>Total Shareholder's Equity</b>	<b>55,622</b>	<b>62,667</b>



## 2. Consolidated Financial Statement of Hyundai Oilbank

### 'Consolidated Income Statement

Unit : bil. KRW

	'17.2Q			'17.1Q	'16.2Q
		QoQ	YoY		
<b>Sales</b>	<b>4,057.6</b>	<b>-5.3%</b>	<b>44.2%</b>	<b>4,284.7</b>	<b>2,813.7</b>
Cost of Sales	3,731.8	-2.3%	56.9%	3,821.6	2,379.0
Gross Profit	325.8	-29.6%	-25.1%	463.1	43.47
<b>Operating Income</b>	<b>229.5</b>	<b>-35.3%</b>	<b>-28.9%</b>	<b>354.8</b>	<b>323.0</b>
OP Margin	5.7%	-2.6%p	-5.8%p	8.3%	11.5%
Non Operating Income& Loss	-22.1	-	-	29.6	-4.5
<b>Profit before Income Taxes</b>	<b>207.4</b>	<b>-46.0%</b>	<b>-34.9%</b>	<b>384.4</b>	<b>318.5</b>
Income Taxes	50.7	-	-	88.5	67.4
<b>Net Income</b>	<b>156.7</b>	<b>-47.0%</b>	<b>-37.6%</b>	<b>295.9</b>	<b>251.1</b>
Profit attribute to owners of company	129.4	-50.4%	-46.2%	261.1	240.5
Profit attribute to non-controlling interest	27.3	-21.6%	157.5%	34.8	10.6

Note : K-IFRS Consolidated

### 'Consolidated Fincancial Position

Unit : bil. KRW

구분	The Begging of Apr. 1 '17	The end of Jun.30, '17
Current Assets	3,657.4	3,253.2
(Cash & Cash Equivalents)	(229.2)	(325.6)
Non-Current Assets	6,511.9	6,549.6
<b>Total Assets</b>	<b>101,693</b>	<b>9,802.8</b>
Current Liabilities	3,447.7	3,022.6
(Short-term borrowings)	(1,365.4)	(1,202.1)
Non-Current Liabilities	1,960.2	1,864.1
(Long-term borrowings)	(1,713.7)	(1,616.8)
<b>Total Liabilities</b>	<b>5,407.9</b>	<b>4,886.7</b>
Paid-in Capital	1,225.4	1,225.4
Others	407.8	408.4
Retained Earnings	2,753.9	2,880.7
Non-controlling interests	374.3	401.6
<b>Total Shareholder's Equity</b>	<b>4,761.4</b>	<b>4,916.1</b>



**HYUNDAI ROBOTICS**