

3Q 2018 Earnings Release

HYUNDAI HEAVY INDUSTRIES HOLDINGS



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3Q 2018 Earnings Release

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 - 1) Hyundai Heavy Industries Holdings
 - 2) Hyundai Oilbank
 - 3) Hyundai Construction Equipment
 - 4) Hyundai Electric & Energy Systems
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3. Non-operating Income and Net Income
4. Financial Ratio
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1. Summary of Financial Results (1/3)

- ❑ Sales decreased 4.8% in QoQ as the utilization rate decreased due to regular T/A (#1 plant) of Hyundai Oilbank in 3Q .
- ❑ Operating profit increased 4.3% in QoQ due to gain on profit of equity accounted investees including gain on a bargain purchase of Hyundai Heavy Industries' shares.

(Unit : billion KRW)

Category		'18.3Q		'18.2Q	'17.3Q
		QoQ	YoY		
Sales	6,602.4	-4.8%	49.5%	6,935.4	4,417.4
Operating Profit	356.0	4.3%	-31.4%	341.3	519.2
OPM	5.4%	0.5%p	-6.4%p	4.9%	11.8%
Non-operating Profit	(53.1)	-	-	(69.6)	409.2
Interest income	(51.3)	-	-	(47.4)	(40.1)
Gains and losses on Foreign exchange	(0.9)	-	-	(47.4)	1.3
Profit before income taxes	302.9	11.5%	-67.4%	271.7	928.4
Net Income	239.5	37.9%	-71.9%	173.7	852.5
Profit attributable to owners of the Company	260.3	133.0%	-67.4%	111.7	798.7

Note 1 .K-IFRS consolidated basis

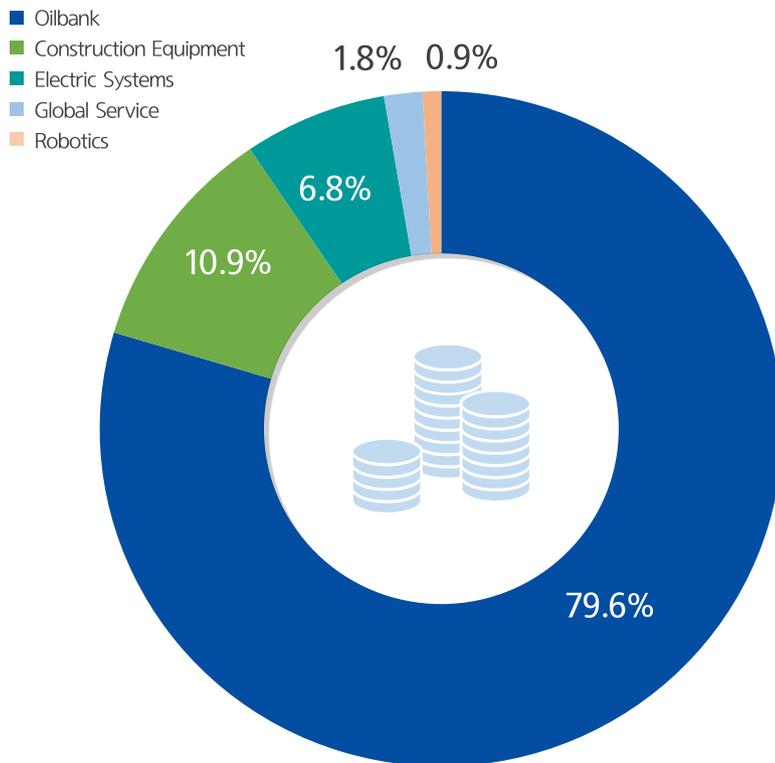
Note 2. Interest income : Interest income + interest expense

Note 3. Gain and loss on foreign currency translation+ Gain and loss on foreign currency transaction

Note 4. '17.3Q : Gain on valuation of shares by a step acquisition : 417.9 billion KRW

1. Summary of Financial Results (2/3)

3Q 2018 Sales Composition

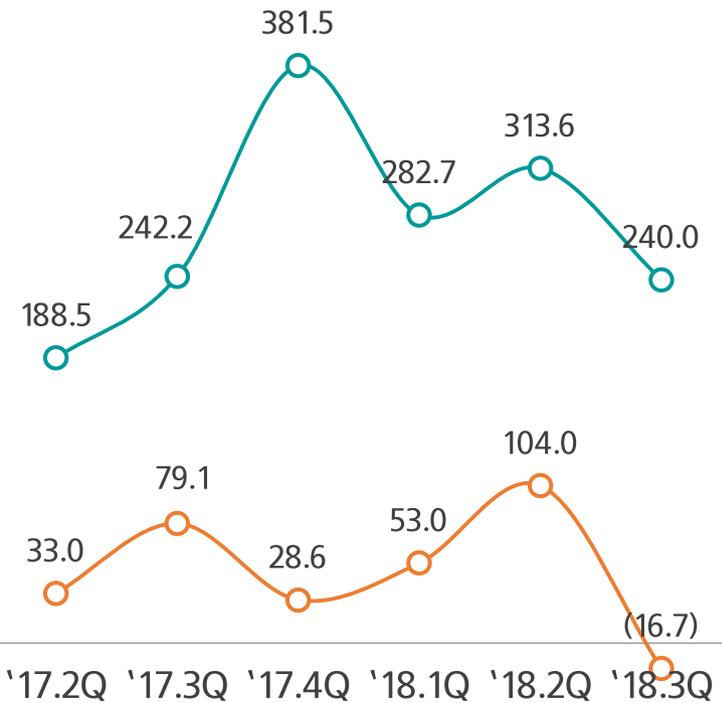


Note 1 : Consolidated basis excluding equity method

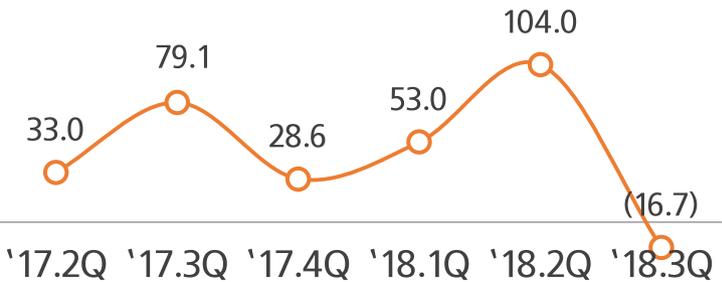
3Q 2018 Operating Profit

(Unit : billion KRW)

Refinery



Non-refinery

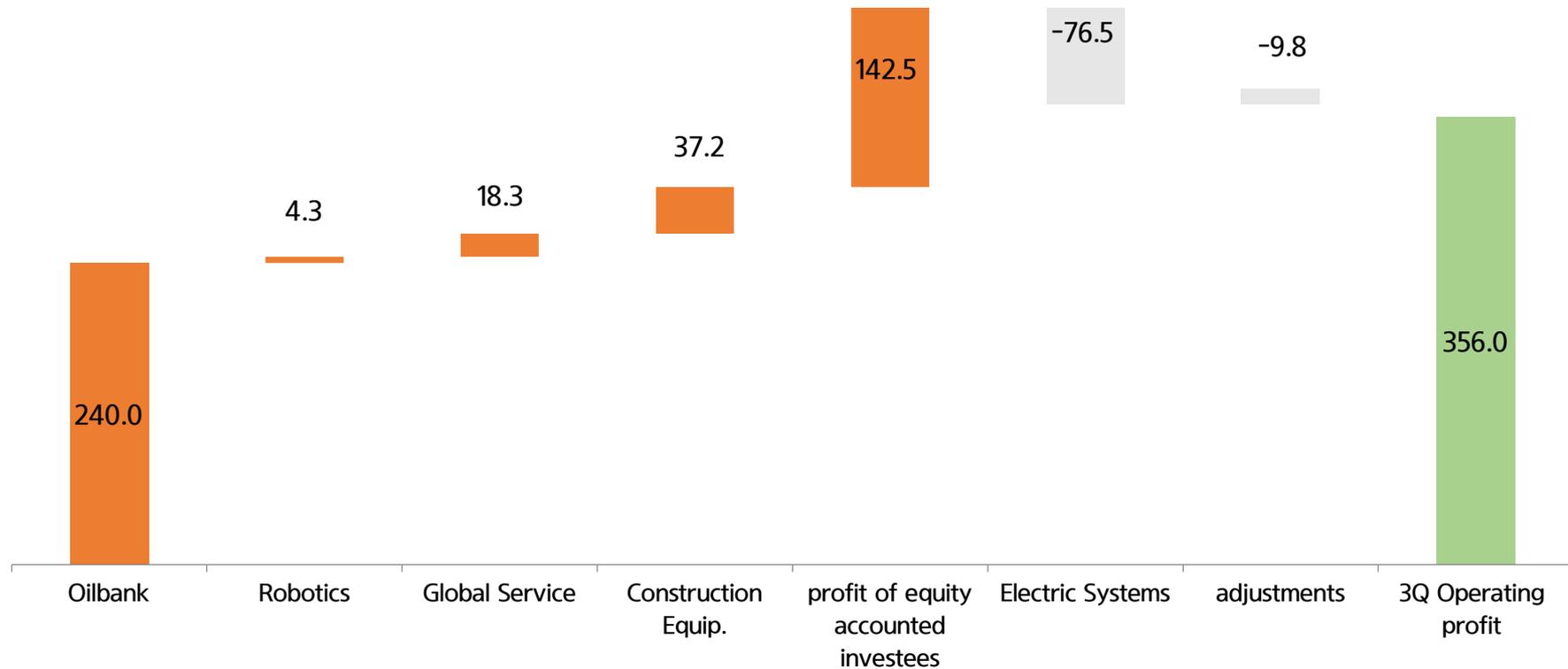


Note 2 :Equity method and dividends are excluded

1. Summary of Financial Results (3/3)

3Q 2018 Operating profit

(Unit : billion KRW)



2. Financial Results by Companies

3Q 2018 Financial Results

(Unit :billion KRW)

Category	'18.3Q			'18.2Q			'17.3Q			Remarks	
	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM		
Hyundai Heavy Industries Holdings	57.1	4.3	7.5%	66.6	4.9	7.4%	323.4	270.6	83.7%	'17.3Q Dividends : 268.0	
Hyundai Oilbank	5,173.0	240.0	4.6%	5,435.2	313.6	5.8%	3,340.8	242.2	7.3%		
Consolidation Entities	Hyundai Construction Equipment	710.4	37.2	5.2%	922.7	75.1	8.1%	407.3	29.5	7.2%	Consolidated in Aug. 2017
	Hyundai Electric & Energy Systems	440.2	(76.5)	-17.4%	507.5	3.7	0.7%	357.3	30.2	8.5%	Consolidated in Aug. 2017
	Hyundai Global Service	117.3	18.3	15.6%	87.6	20.3	23.2%	58.7	16.8	28.6%	
Equity Method	Hyundai Heavy Industries	142.5	142.5	-	(64.2)	(64.2)	-	200.6	200.6	-	Gain on bargain purchase '18.3Q : 155.7 '17.3Q : 190.5
Adjustment	(38.1)	(9.8)	-	(20.0)	(12.1)	-	(270.7)	(270.7)	-		
Total	6,602.4	356.0	5.4%	6,935.4	341.3	4.9%	4,417.4	519.2	11.8%		

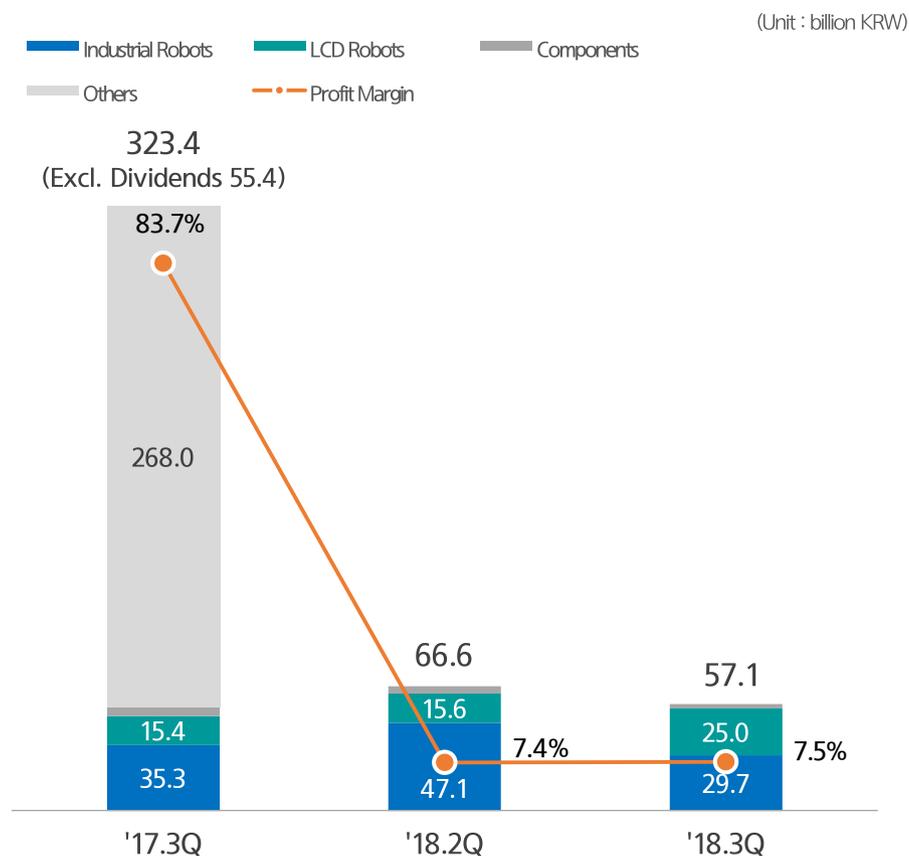
Note 1 : Hyundai Heavy Industries Holdings unconsolidated basis

Note 2 : Hyundai Oilbank, Hyundai Electric & Energy Systems, Hyundai Construction Equipment consolidated basis

Note 3 : Hyundai Global Service '17.2Q unconsolidated basis, '18.1Q,2Q consolidated basis

2-1) Hyundai Heavy Industries Holdings

3Q 2018 Sales and Operating Profit Margin



Note 1 : non consolidated basis

- **Sales 57.1 billion KRW**

- 14.3% decrease QoQ
- 82.3% decrease YoY
(Excluding dividends 3.1% increase YoY)

- **Operating Profit 4.3 billion KRW**

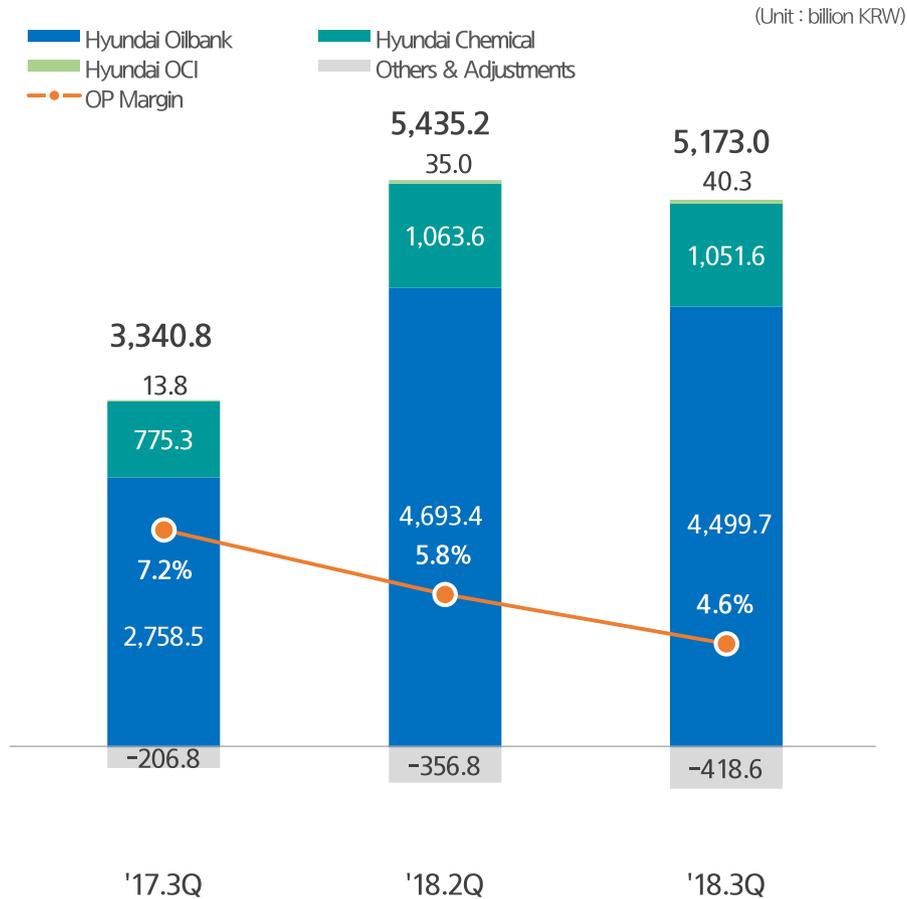
- 12.2% decrease QoQ
- 98.4% decrease YoY
(Excluding dividends 65.4% increase YoY)

- **Analysis**

- 2017.3Q Dividend of Hyundai Oilbank(268.0 billion KRW)
- Sales of Industrial robots declined due to investment cutback of domestic clients.
- Sales of LCD robots increased due to investment expansion of Chinese clients.
- Operating margin improved through efforts to reduce material cost(e.g. multiplication of supply chain, reduction of core components price)

2-2) Hyundai Oilbank

3Q 2018 Sales and Operating Profit Margin



Note: Consolidated basis

- **Sales 5,173 billion KRW**

- 4.8% decrease QoQ
- 54.8% increase YoY

- **Operating Profit 240 billion KRW**

- 23.5% decrease QoQ
- 0.9% decrease YoY

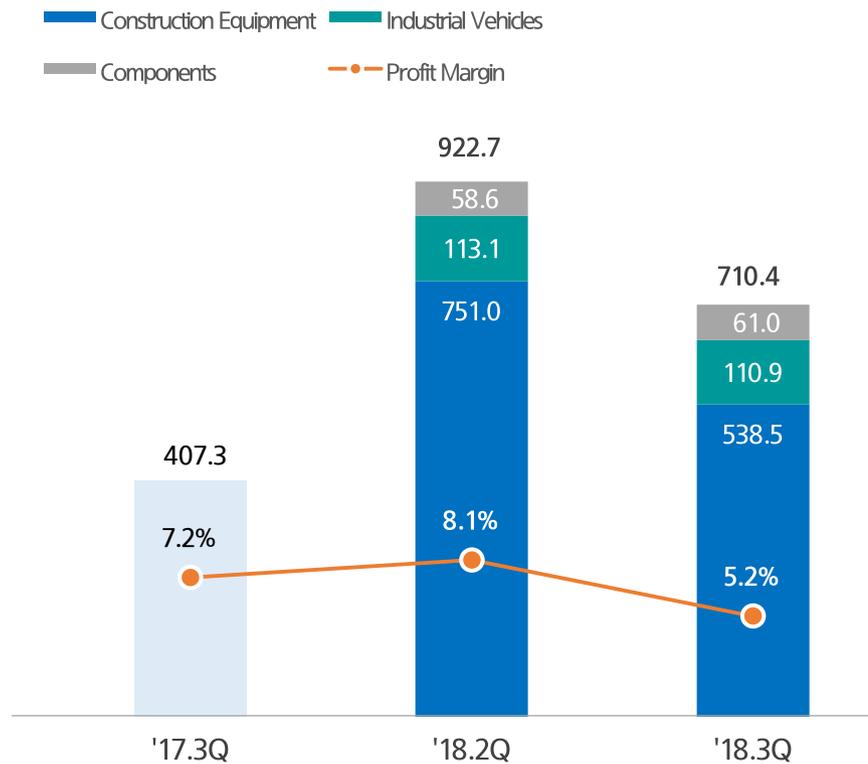
- **Analysis**

- QoQ, despite the oil price increase, sales and profit decreased due to lower operation rate by regular T/A in 3Q
- YoY sales increased due to oil price increase, but profit declined due to the regular T/A in 3Q and the production cost increase of Hyundai Chemical.

2-3) Hyundai Construction Equipment

3Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)



- **Sales 710.4 billion KRW**

- 23.0% decrease QoQ

- **Operating Profit 37.2 billion KRW**

- 50.5% decrease QoQ

- **Analysis**

- Sales decreased due to a surge in local exchange rates in emerging markets compared to the previous quarter.
- Profit declined due to fluctuations in exchange rates and increased steel prices.

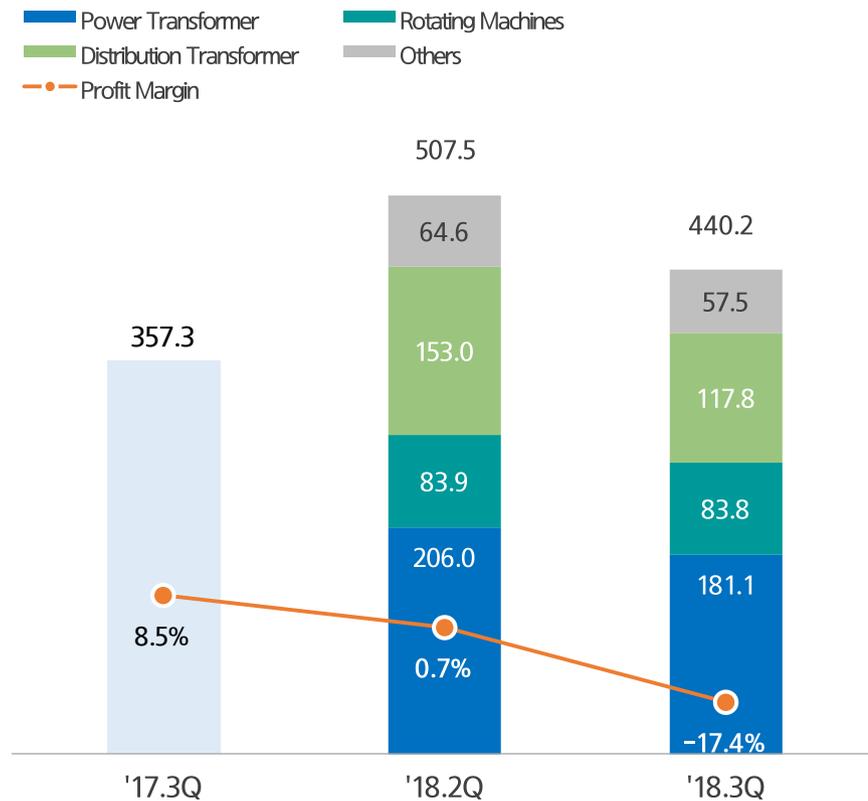
Note 1 : Consolidated basis

Note 2 : Consolidated in August 2017 (No YoY comparison)

2-4) Hyundai Electric & Energy Systems

3Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)



- **Sales 440.2 billion KRW**

- 13.3% decrease QoQ

- **Operating Profit -76.5 billion KRW**

- Operating profit margin -17.4% deficit conversion

- **Analysis**

- Sales decreased due to lower domestic sales and the Middle East
- Turned to deficit due to one off costs including retirement benefits, sales guarantee allowances, and settlement of expenses related to anti-dumping duties

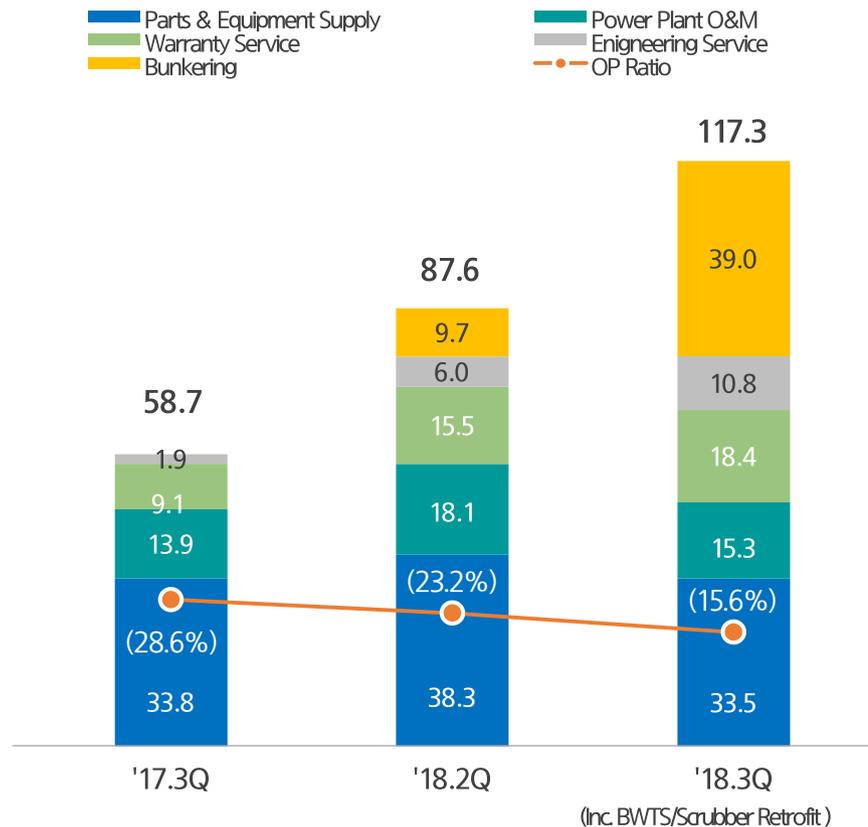
Note 1 : Consolidated basis

Note 2 : Consolidated in August 2017 (No YoY comparison)

2-5) Hyundai Global Service

3Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)



- **Sales 117.3 Billion KRW**

- 34.0% increase QoQ
- 99.8% increase YoY

- **Operating Profit 18.3 Billion KRW**

- 10.0% decrease QoQ
- 8.9% increase YoY

- **Analysis**

- Sales Increased in Engineering Service and new business of bunkering started in June 2018
- Profit declined due to lower contribution of highly profitable business (Parts & Equipment Sales and Power Plant O&M)

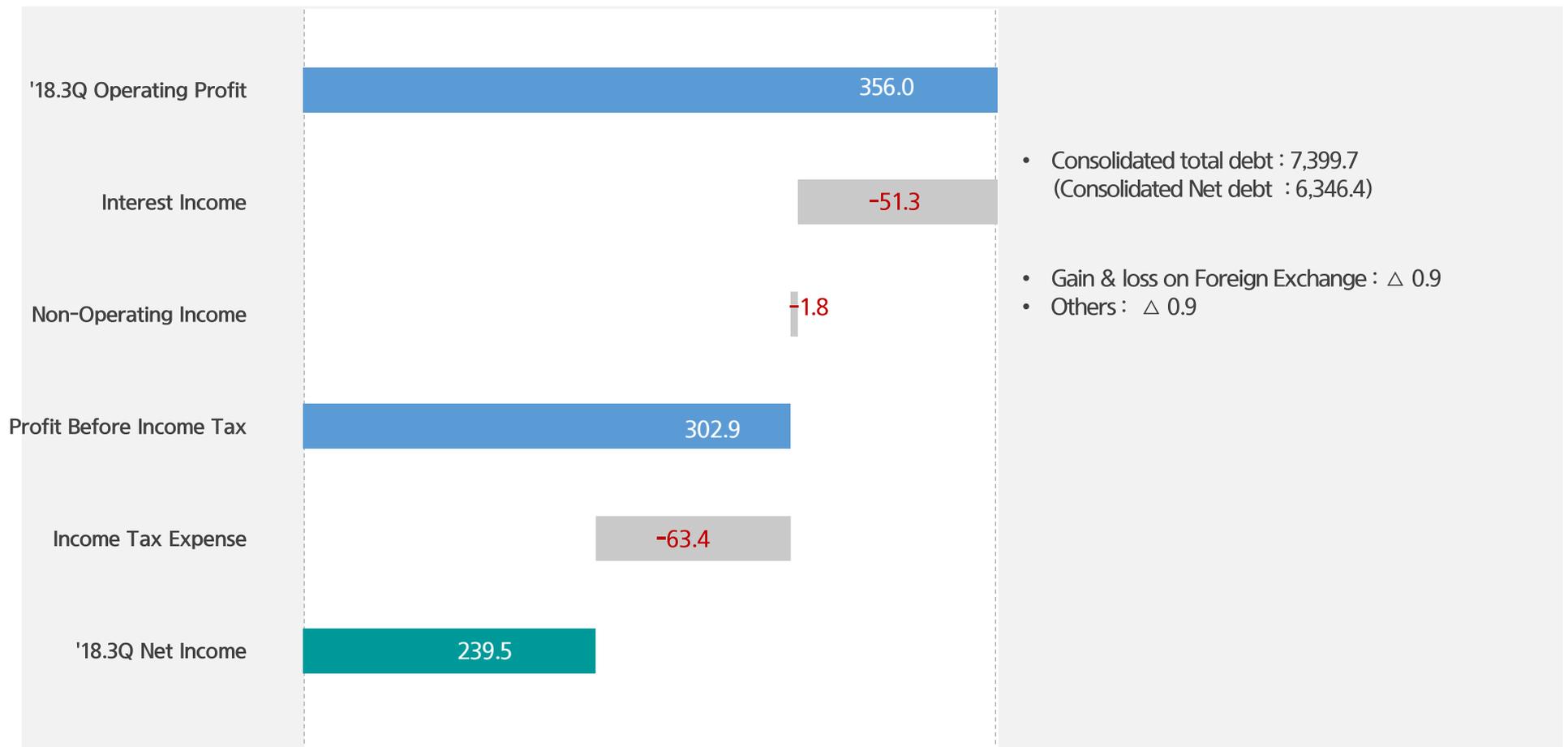
Note1 : '17. 3Q, non consolidated basis

Note2 : '18.2Q, 3Q, consolidated basis

3. Non-operating Profit and Net Income

3Q 2018 Financial Results

(Unit : billion KRW)



4. Financial Ratio

Consolidated Financial Ratio

- Debt Ratio 110.2%

(Unit : billion KRW)



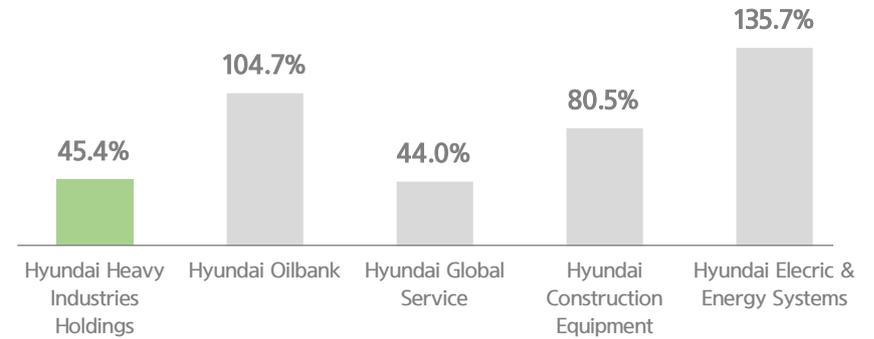
- Net Debt Ratio 62.8%

(Unit : billion KRW)



Financial Ratio of Major Affiliates

- Sep 2018 Debt Ratio



- Sep 2018 Net Debt Ratio

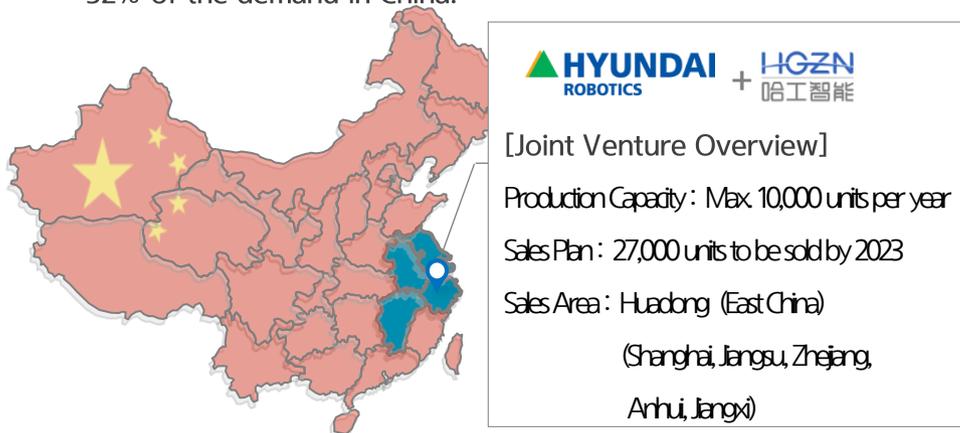
(Unit : billion KRW)



5. Investment Highlights (Hyundai Robotics)

Attract Chinese market by launching the JV Project

- Smart factory will be built by establishing a joint venture with HGZN by the first half of 2019.
- We expect to increase the market share of the Chinese robot market, which is expected to grow 30% annually by 2020.
- The Huadong area, where the plant is set up, accounts for 32% of the demand in China.



Secure production base in China

Accelerate sales capabilities through Chinese company with strength in the automobile industry

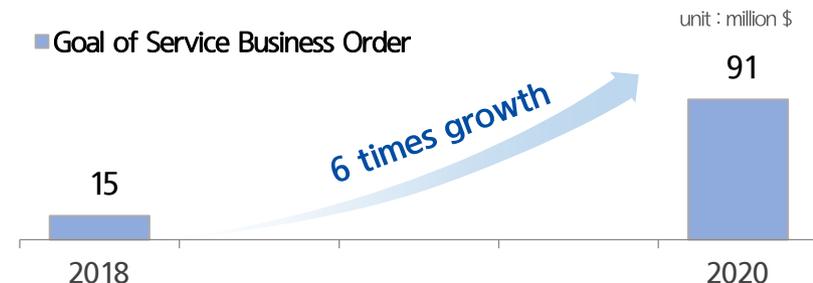
Business paradigm shift through expanding 'Service Business'

Expanding Service Business Area

- Develop new service business
 - Robot precision check service / Production line diagnostic service
 - Sending customer service personnel to large clients / Total Operating & Maintenance service
 - ICT-based remote diagnosis and monitoring service
- Expand existing service business
 - Accelerate overseas sales & paid service
 - Sell controllers and servo systems

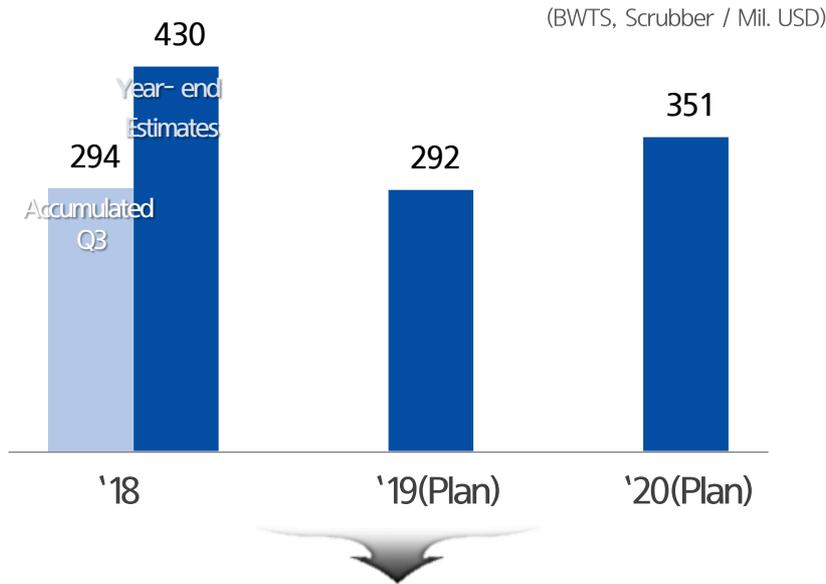
Launching the Service Robot Business

- Develop & Commercialize 'service robot' with Naverlabs
 - Start pilot project with mobile robot
 - Expect synergy effect [S/W(Naverlabs), H/W(Hyundai robotics)]



5. Investment Highlights (Hyundai Global Service)

BWTS/Scrubber Retrofit (New Orders)



- Annual BWTS/Scrubber retrofit orders are expected to be 430 mil. USD (230% of annual target, 184 mil USD)
- New orders in 2019 are expected to be slightly declined since lots of ship owners have already placed Scrubber orders prior to the SOx regulation being active from Jan. 2020
- But, retrofit market size would not decline for the next 2~3 years since customers would take a wait-and-see stance for fuel price trends

HGS's Competitive Edge on Retrofit Biz.

Outstanding Technology and Knowhow (Engines/Ships)

- The world's only "total service provider" in the field of ships, engines, and marine equipment
- HGS inherits HHI group's 40years of technology and knowhow

HHI Group's Own Products (BWTS/Scrubber)

- Sole provider of HHI scrubber and Hi-ballast in retrofit market
- Superiority in delivery time and price (Target price compared to competitors : BWTS 90% / Scrubber 75%)

"Hyundai Heavy Industries" Brand Value

- Customer credibility in business capabilities from whole EPC process to aftermarket service
- Leverages HHI Group's basic drawings(ships) for successful retrofit projects

Appendix.

Summary of Financial Statements

1. Consolidated Financial Statement of HHIH
2. Consolidated Financial Statement of HDO
3. Consolidated Financial Statement of HGS

1. Consolidated Financial Statement of HHIH

Consolidated Income Statement

(Unit : billion KRW)

Category	'18.3Q			'18.2Q	'17.3Q
		QoQ	YoY		
Sales	6,602.4	-4.8%	49.5%	6,935.4	4,417.4
Cost of Goods Sold	5,977.1	-5.9%	61.9%	6,353.1	3,692.2
Gross Profit	625.3	7.4%	-13.8%	582.3	725.1
Operating Profit	356.0	4.3%	-31.4%	341.3	519.2
OP margin	5.4%	0.4%p	-6.4%p	4.9%	11.8%
Non Operating Income & Loss	(53.1)	-	-	(69.6)	409.2
Profit before Tax	302.9	11.5%	-67.4%	271.7	928.4
Income Tax	63.4	-35.3%	-16.5%	98.0	75.9
Net Income	239.5	37.9%	-71.9%	173.7	852.5

Consolidated Balance Sheet

(Unit : billion KRW)

Category	Apr.1, '17	Dec.31, '17	Sep.30, '18
Current Assets	4,111.3	7,827.2	8,716.0
(Cash & Cash Equivalents)	572.1	1,126.3	1,053.3
Non-current Assets	8,943.7	13,061.4	14,500.5
Total Assets	13,055.0	20,888.6	23,216.5
Current Liabilities	4,922.2	6,528.7	7,945.8
(Short-term borrowings)	2,769.2	2,939.3	4,093.8
Non-current Liabilities	2,664.8	4,258.0	4,227.1
(Long-term borrowings)	2,156.9	3,391.9	3,305.8
Total Liabilities	7,587.0	10,786.7	12,172.9
Paid-in Capital	60.2	81.4	81.4
Others	4,510.8	6,460.2	6,383.4
Retained Earnings	0.0	946.8	1,625.3
Non-controlling interests	897.0	2,613.5	2,953.6
Total Shareholder's Equity	5,468.0	10,101.9	11,043.6
Total Liabilities & Shareholder's Equity	13,055.0	20,888.6	23,216.5

Note 1 : K-IFRS consolidated basis

2. Consolidated Financial Statements of Hyundai Oilbank

Consolidated Income Statement

(Unit : billion KRW)

Category	'18.3Q			'18.2Q	'17.3Q
		QoQ	YoY		
Sales	5,173.0	-4.8%	54.8%	5,435.2	3,340.8
Cost of sales	4,831.6	-4.0%	61.6%	5,031.1	2,990.7
Gross profit	341.4	-15.5%	-2.5%	404.1	350.1
Operating profit	240.0	-23.5%	-0.9%	313.6	242.2
OP margin	4.6%	-1.2%p	-2.6%p	5.8%	7.3%
Non operating income & expenses	9.8	-	-	-66.3	1.0
Profit before tax	249.8	1.0%	2.7%	247.3	243.2
Income tax	59.9	-	-	62.0	51.9
Net income	189.9	2.5%	-0.7%	185.3	191.3

Consolidated Balance Sheet

(Unit : billion KRW)

Category	Dec.31, '16	Dec.31, '17	Sep.30, '18
Current assets	3,033.2	4,103.5	4,456.1
(Cash & cash equivalents)	300.6	148.2	139.1
Non-current assets	6,375.5	6,837.7	7,172.0
Total assets	9,408.7	10,941.3	11,628.1
Current liabilities	3,088.0	3,797.7	3,933.9
(Short-term borrowings)	1,102.0	1,015.4	1,002.2
Non-current liabilities	1,885.3	2,081.7	2,386.3
(Long-term borrowings)	1,691.3	1,860.0	2,175.8
Total liabilities	4,973.3	5,879.4	6,320.2
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	458.1	440.8	442.5
Retained earnings	2,496.0	3,064.2	3,289.0
Non-controlling interest	255.9	331.5	351.0
Total equity	4,435.4	5,061.9	5,307.9
Total liabilities & equity	9,408.7	10,941.3	11,628.1

Note 1 : K-IFRS consolidated basis

3. Consolidated Financial Statement of Hyundai Global Service

Consolidated Income Statement

(Unit : billion KRW)

Category	'18.3Q	QoQ	YoY	'18.2Q	'17.3Q
	Sales	117.3	33.9%	99.8%	87.6
Cost of Goods Sold	94.8	50.2%	135.7%	63.1	40.2
Gross Profit	22.5	-8.1%	21.8%	24.5	18.5
Operating Profit	18.3	-9.9%	8.8%	20.3	16.8
OP margin	15.6%	-17.2%p	-13.0%p	23.2%	28.6%
Non Operating Income & Loss	(0.8)	-	-	3.0	0.7
Profit before Tax	17.5	-25.1%	-0.3%	23.3	17.5
Income Tax	5.2	-16.1%	26.9%	6.2	4.1
Net Income	12.2	-28.4%	-8.6%	17.1	13.4

Consolidated Balance Sheet

(Unit : billion KRW)

Category	Dec.31, '16	Dec.31, '17	Sep.30, '18
Current Assets	142.9	203.6	293.2
(Cash & Cash Equivalents)	57.7	39.1	67.9
Non-current Assets	1.9	5.5	10.2
Total Assets	144.8	209.1	303.4
Current Liabilities	18.9	43.0	93.9
(Short-term borrowings)	-	-	-
Non-current Liabilities	0.6	0.2	2.3
(Long-term borrowings)	-	-	-
Total Liabilities	19.5	43.2	96.1
Paid-in Capital	20.0	20.0	20.0
Others	105.2	105.7	105.4
Retained Earnings	0.1	40.2	81.9
Total Shareholder's Equity	125.3	165.9	207.3
Total Liabilities & Shareholder's Equity	144.8	209.1	303.4



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