

2Q 2018 Earnings Release

HYUNDAI HEAVY INDUSTRIES HOLDINGS



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1. Summary of Financial Results (1/2)

2Q 2018 Profit & Loss

(Unit : billion KRW)

Category	'18.2Q			'18.1Q	'17.2Q
		QoQ	YoY		
Sales	6,935.4	10.2%	65.9%	6,290.7	4,179.6
Operating Profit	341.3	4.1%	60.8%	328.0	212.3
Profit Margin	4.9%	-0.3%p	-0.2%p	5.2%	5.1%
Non-operating Profit	-69.6	-	-	-35.6	-23.8
Net Income	173.7	-26.4%	-54.7%	236.0	383.1
Net Profit Margin	2.5%	-1.3%p	-6.7%p	3.8%	9.2%

Note 1 : K-IFRS consolidated basis

Note 2 : Reclassified Hyundai and Shell Base Oil from consolidation entity to non-controlling interest

- **Sales 6.935 trillion KRW**

- 10.2% increase QoQ
- 65.9% increase YoY

- **Operating Profit 341.3 billion KRW**

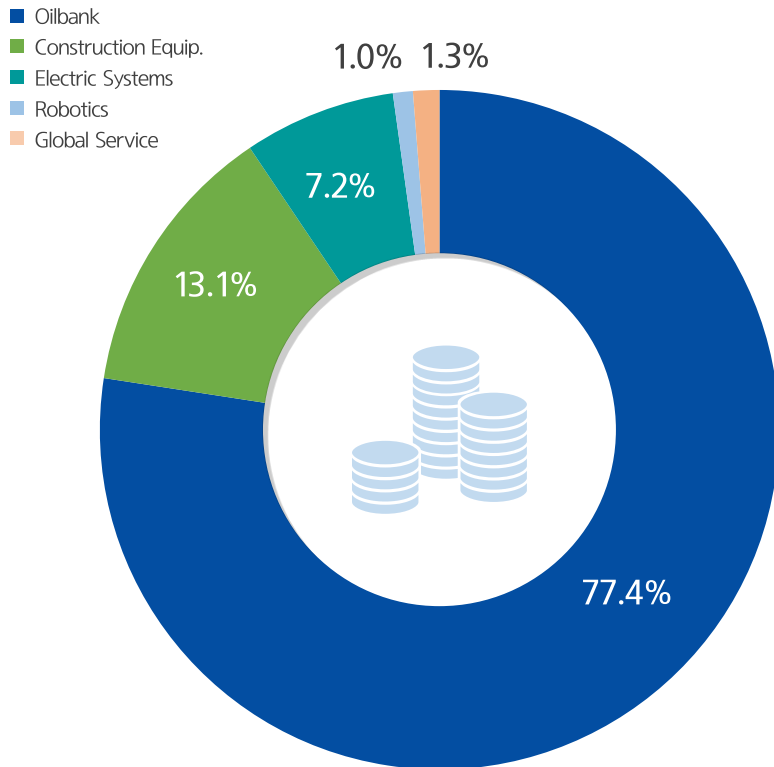
- 4.1% increase QoQ
- 60.8% increase in YoY

- **Impact**

- QoQ
 - Increase in sales of HDO and HEE
 - Increase in operating profit of refinery business due to strong oil price
 - Improvement of operating profit across affiliates
- YoY
 - Increase in sales and operating profit due to strong oil price and high operating rate
 - HHE and HCE joined consolidated group (Aug. 2017)

1. Summary of Financial Results (2/2)

2Q 2018 Sales Composition

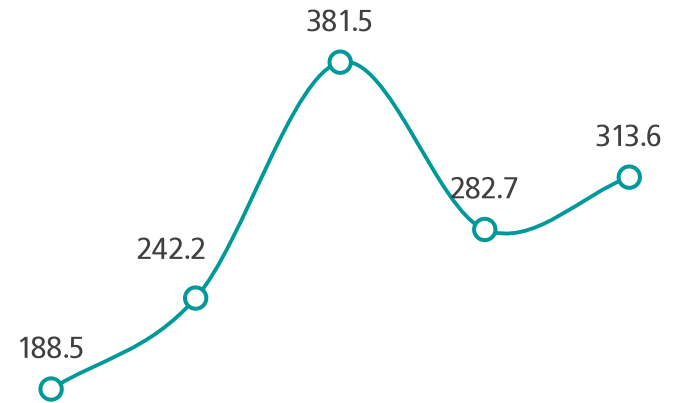


Note 1 : Consolidated basis excluding equity method

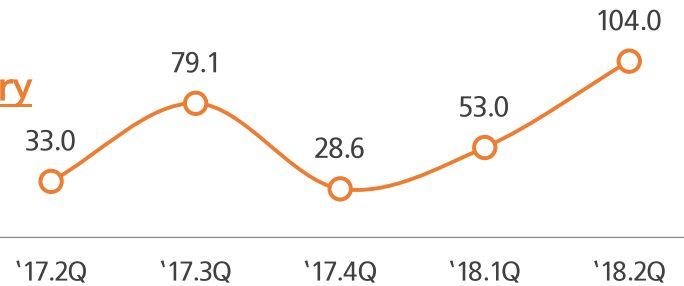
2Q 2018 Operating Profit

(Unit : billion KRW)

Refinery



Non-refinery



Note 2 :Equity method and dividends are excluded

2. Financial Results by Companies

2Q 2018 Financial Results

(Unit :billion KRW)

Category	'18.2Q			'18.1Q			'17.2Q			Remarks	
	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM		
Hyundai Heavy Industries Holdings	66.6	4.9	7.4%	392.1	317.6	81.0%	64.6	7.1	11.0	'18.1Q Dividends : 312.7	
Hyundai Oilbank	5435.1	313.6	5.8%	4778.0	282.7	5.9%	4039.7	188.5	4.7%		
Consolidation Entities	Hyundai Construction Equipment	922.7	75.1	8.1%	930.5	61.8	6.6%	-	-	-	Joined Aug. 2017
	Hyundai Electric & Energy Systems	507.5	3.7	0.7%	430.1	-30.8	(7.2%)	-	-	-	Joined Aug. 2017
	Hyundai Global Service	87.6	20.3	23.2%	73.0	17.1	23.4%	76.4	25.9	33.9%	
Equity Method	Hyundai Heavy Industries	-64.2	-64.2	-	7.9	7.9	-	-	-	-	'18.2Q HHI Net Loss : 233.7
	Adjustment	-19.9	-12.1	-	-320.9	-328.3	-	-1.1	-9.2	-	
	Total	6935.4	341.3	4.9%	6290.7	328.0	5.2%	4179.6	212.3	5.08%	

Note 1 : Hyundai Heavy Industries Holdings unconsolidated basis

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

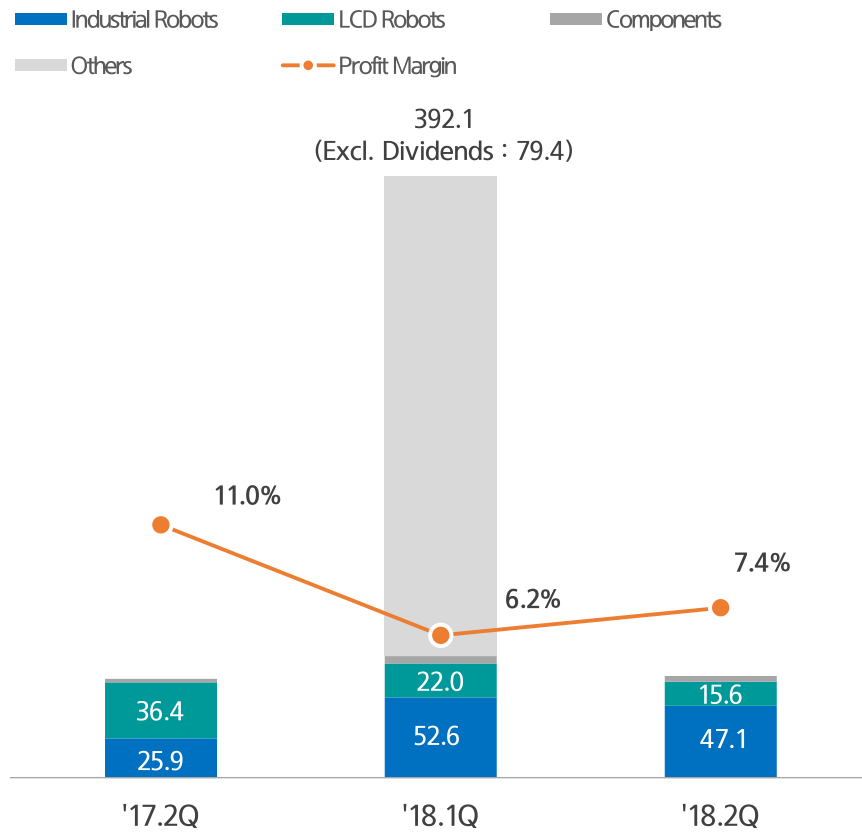
Note 3 : Hyundai Global Service '17.2Q unconsolidated basis, '18.1Q,2Q consolidated basis

Note 4 : Reclassified Hyundai and Shell Base Oil from consolidation entity to non-controlling interest

2-1) Hyundai Heavy Industries Holdings

2Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)



- Sales 66.6 billion KRW**

- 83.0% decrease QoQ
(Excl. dividends 16.1% decrease QoQ)
- 3.1% Increase YoY

- Operating Profit 4.9 billion KRW**

- 98.5% decrease QoQ
(Excl. dividends OP Margin 1.2%p increase QoQ)
- 31.0% decrease YoY

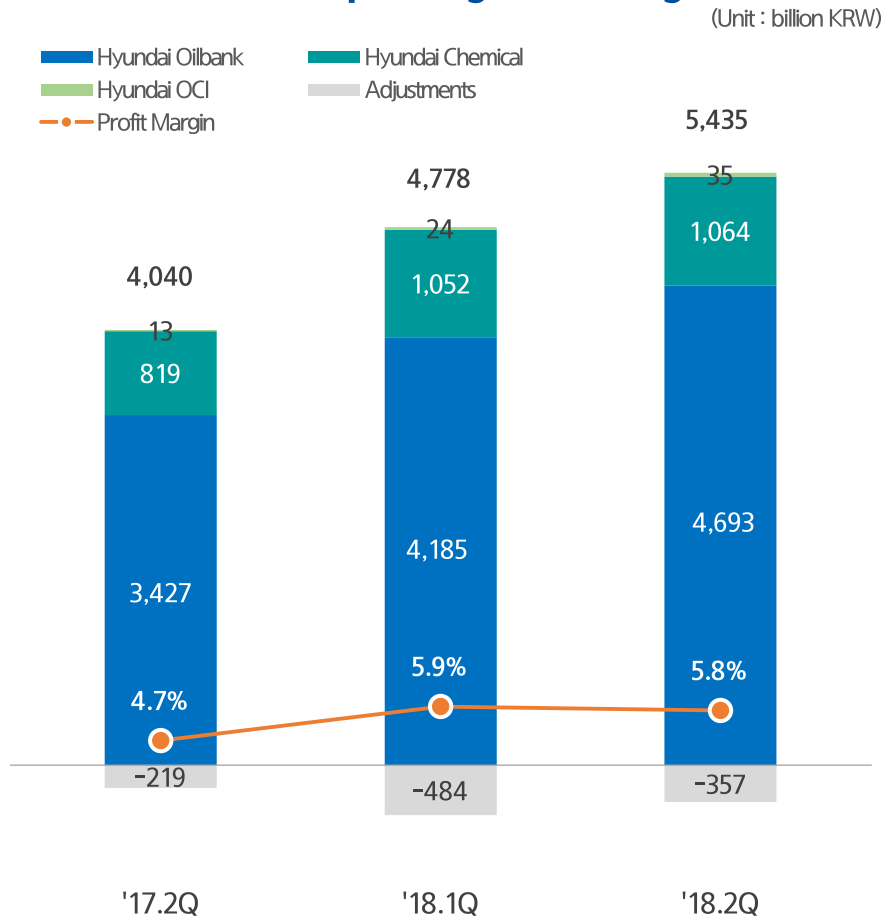
- Impact**

- 2018.1Q Dividend of Hyundai Oilbank(312.7 bn KRW)
- Investment cutback of major clients
such as Hyundai/Kia Motor Company and LG Display
- Improved operating profit margin due to increase
in sales of industrial robots in overseas and
automation systems

Note 1 : Unconsolidated basis

2-2) Hyundai Oilbank

2Q 2018 Sales and Operating Profit Margin



- **Sales 5.435 trillion KRW**

- 13.8% increase QoQ
- 34.5% increase YoY

- **Operating Profit 313.6 billion KRW**

- 10.9% increase QoQ
- 66.4% increase YoY

- **Impact**

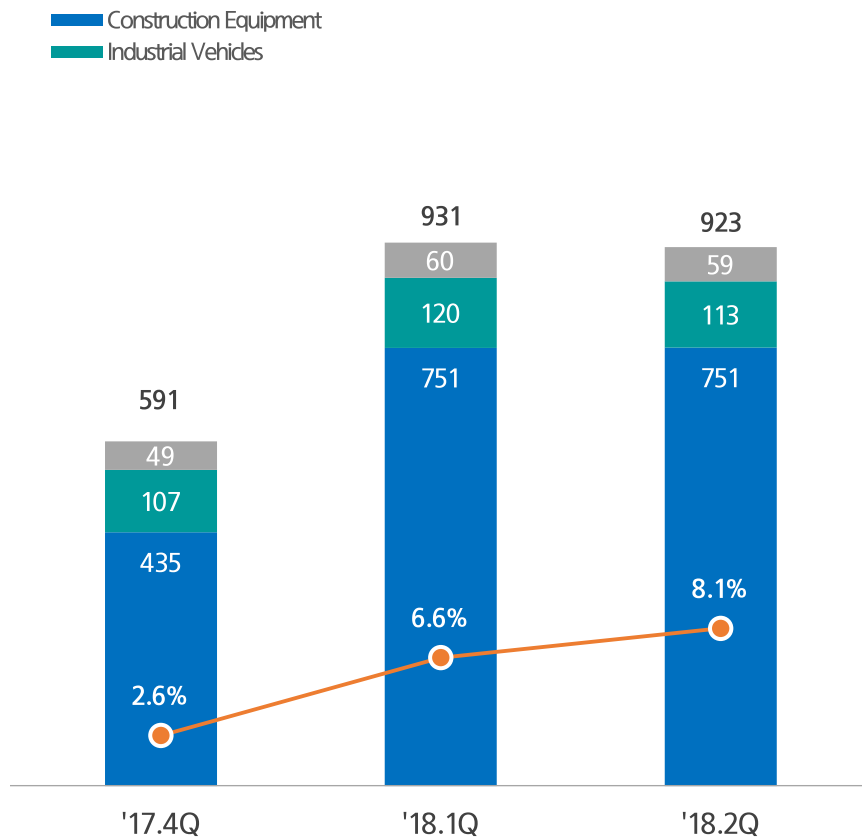
- Strong oil price and increased operating rate
- Lagging effect from strong oil price and gains from inventory

Note 1 : Unconsolidated basis

2-3) Hyundai Construction Equipment

2Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)



- **Sales 922.7 billion KRW**

- 0.8% decrease QoQ

- **Operating Profit 75.1 billion KRW**

- 21.5% increase QoQ

- **Impact**

- Sales in India and China have increased but sales in Korea were sluggish. Sales in emerging market have decreased due to US sanctions risk.
- Operating profit improved as sales price have increased as well as volume in overseas.

Note 1 : Consolidated basis

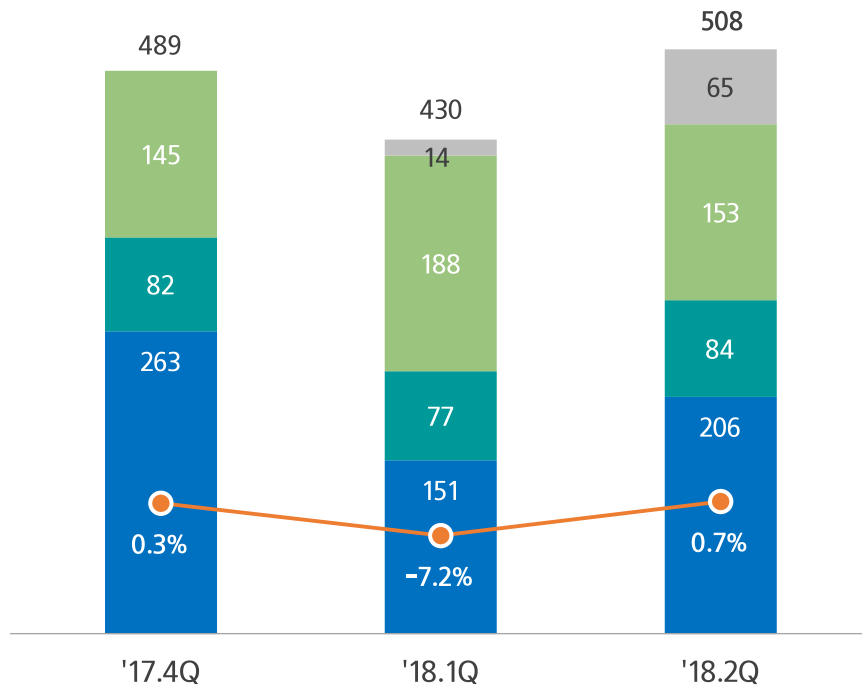
Note 2 : Joined in August 2017 (No YoY comparison)

2-4) Hyundai Electric & Energy Systems

2Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)

- Power Transformer
- Rotating Machines
- Distribution Transformer
- Others



- **Sales 507.5 billion KRW**

- 18.0% increase QoQ

- **Operating Profit 3.7 billion KRW**

- Operating profit margin 0.7%

- **Impact**

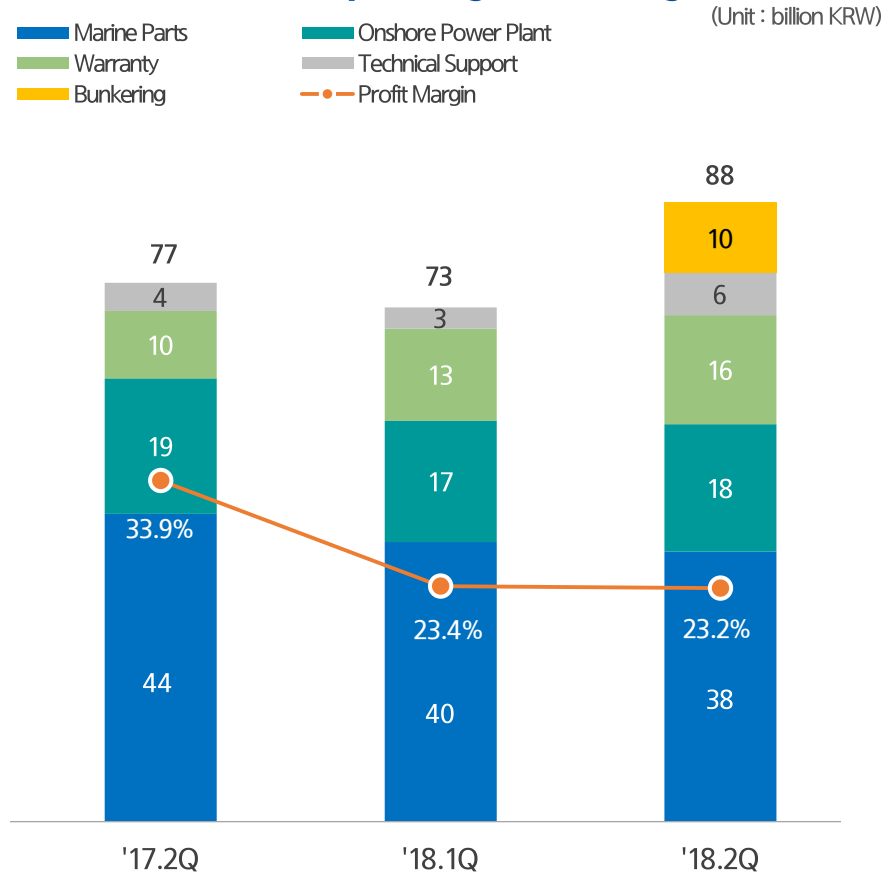
- Sales increase from government project
 - Profit due to sales increase and cost improvement.

Note 1 : Consolidated basis

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

2-5) Hyundai Global Service

2Q 2018 Sales and Operating Profit Margin



- **Sales 87.6 billion KRW**

- 20.0% increase QoQ
- 14.% increase YoY

- **Operating Profit 20.3 billion KRW**

- 18.7% increase QoQ
- 21.6% decrease YoY

- **Impact**

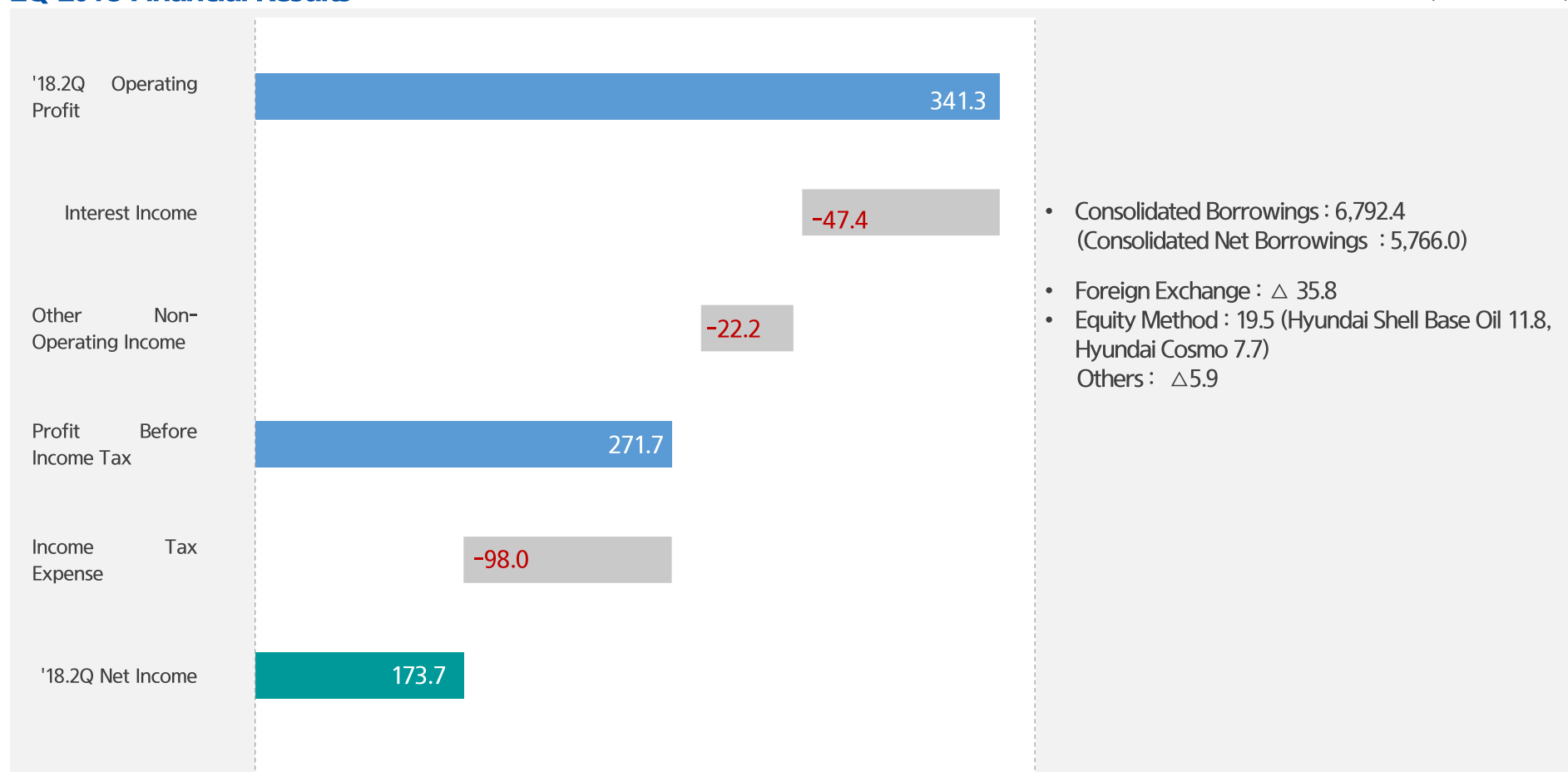
- Increase in sales through technical service
- Increase in sales through bunkering service
- Operating profit decrease due to sales decrease of marine parts
- Increase in new orders through overseas sales activity

Note 1 : '17. 2Q unconsolidated basis, '18.1Q, 2Q consolidated basis

3. Non-operating Profit and Net Income

2Q 2018 Financial Results

(Unit : billion KRW)

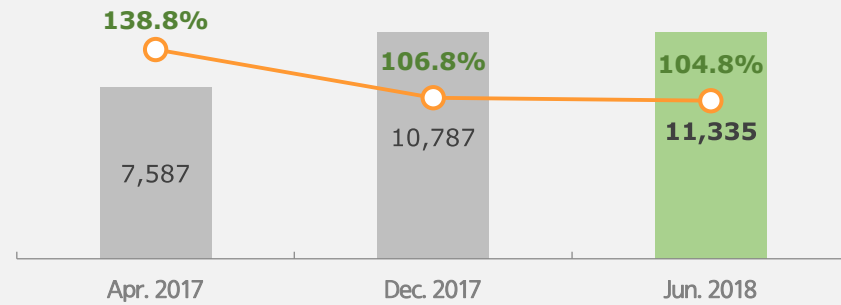


4. Financial Ratio

Consolidated Financial Ratio

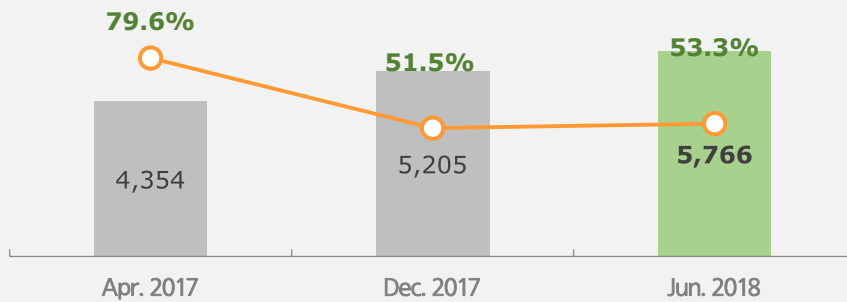
- Debt Ratio 104.8%

(Unit : billion KRW)



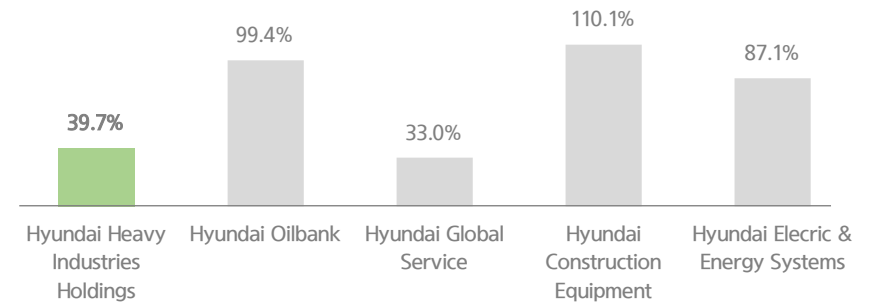
- Net Borrowings Ratio 62.8%

(Unit : billion KRW)



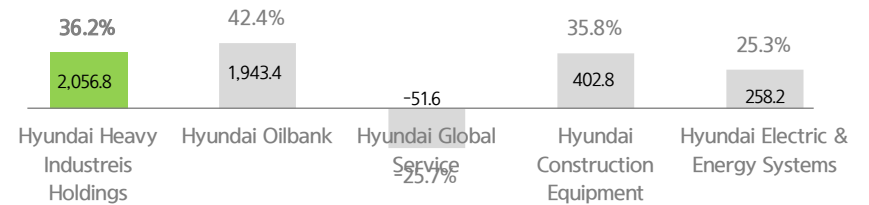
Financial Ratio of Major Affiliates

- June 2018 Debt Ratio








- June 2018 Net Borrowings Ratio

(Unit : billion KRW)



5. Investment Highlights (Hyundai Robotics)

Customer acquisition across all industries through entering into 'System Business'

Industries	 Auto	 Welding	 Fabricating	 Smelting	 Food
Systems	Laser Welding	Panel Welding	Automation	Process Standardization	Packaging Automation
Target New Order	4 bn KRW	12 bn KRW	7 bn KRW	4 bn KRW	8 bn KRW

- Expanded robotic systems that could be utilized in factories by integrating robots, manufacturing process and operating software and have recorded new order intake of 11 bn KRW in the first half of 2018.
- Expected to land safely in the market through SI* partners by developing industry specific systems.
- Targeting new order of 35 bn KRW until 2019 in various industries such as automobile, welding, and smelting.
- SI(System Integration) Partner : Providing services which includes planning, developing, establishing, and operating of automation of manufacturing process

Expansion of 'Service Business' by developing new products

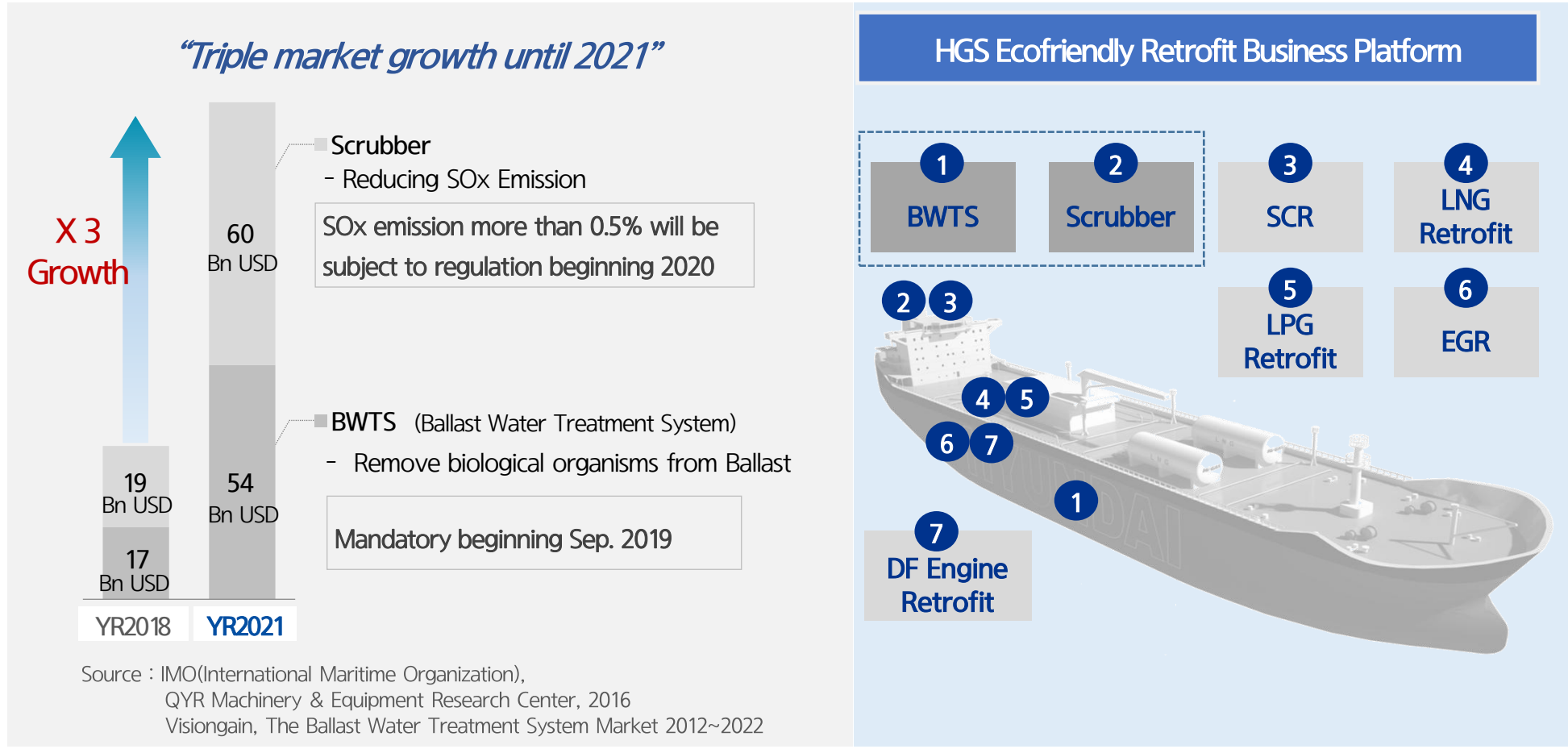
Mobile Robots	Controllers	Motor Drive
   <p>Mobile Platform Around M1</p>	 <p>HI5a-T10</p>  <p>HI5a-S20</p>	

- Plans to co-develop mobile robot through signing MOU with Naver Labs.
- Plans to introduce controllers within 2018 which is greatly improved in terms of application.
- Plants to penetrate new market such as industrial vehicle with developing motor drive.

Maintain sustainable growth through diversifying business avoiding single unit sales of robots

5. Investment Highlights (Hyundai Global Service)

Outlook of Ecofriendly Retrofit Market



“Preemptive approach to enhanced environmental regulations and establish Total Green Solution Provider”

Chapter 2.

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: bil. KRW

Category	'18.2Q	QoQ	YoY	'18.1Q	'17.2Q
Sales	6,935.4	10.2%	65.9%	6,290.7	4,179.7
Cost of Goods Sold	6,353.1	11.6%	64.6%	5,692.2	3,860.7
Gross Profit	582.3	-2.7%	82.5%	598.5	319.0
Operating Profit	341.3	4.1%	60.8%	328.0	212.3
OP margin	4.92%	-5.6%	-3.1%	5.21%	5.08%
Non Operating Income & Loss	-69.6	95.5%	192.4%	-35.6	-23.8
Profit before Tax	271.7	-7.0%	44.1%	292.3	188.6
Income Tax	98.0	74.1%	-150.4%	56.3	-194.5
Net Income	173.7	-26.4%	-54.7%	236.0	383.1

Consolidated Balance Sheet

Unit: bil. KRW

구 분	Dec '16	Dec '17	Jun. '18
Current Assets	4,111	7,827	8,352
(Cash & Cash Equivalents)	572	1,126	1,026
Non-current Assets	8,944	13,061	13,799
Total Assets	13,055	20,889	22,151
Current Liabilities	4,922	6,529	7,535
(Short-term borrowings)	2,769	2,939	3,905
Non-current Liabilities	2,665	4,258	3,799
(Long-term borrowings)	2,157	3,392	2,887
Total Liabilities	7,587	10,787	11,335
Paid-in Capital	60	81	81
Others	4,511	6,460	6,366
Retained Earnings	-	947	1,365
Non-controlling interests	897	2,614	3,004
Total Shareholder's Equity	5,468	10,102	10,817
Total Liabilities & Shareholder's Equity	13,055	20,889	22,151

Note 1 : K-IFRS consolidated basis

Note 2 : Reclassified Hyundai and Shell Base Oil from consolidation entity to non-controlling interest

2. Consolidated Financial Statement of HDO

Consolidated Income Statement

Unit: bil. KRW

Category	'18.2Q	QoQ	YoY	'18.1Q	'17.2Q
Sales	5,435.2	13.8%	34.5%	4,778.0	4,039.7
Cost of Goods Sold	5,031.1	14.6%	33.9%	4,389.0	3,757.8
Gross Profit	404.1	3.9%	43.3%	389.0	281.9
Operating Profit	313.6	10.9%	66.4%	282.7	188.5
OP margin	5.8%	-0.1%p	1.1%p	5.9%	4.7%
Non Operating Income & Loss	- 66.3	-	-	5.5	- 0.7
Profit before Tax	247.3	-14.2%	31.7%	288.2	187.8
Income Tax	62.0	-	-	69.3	44.6
Net Income	185.3	-15.3%	29.4%	218.9	143.2

Note 1 : Consolidated basis.

Consolidated Balance Sheet

Unit: bil. KRW

Category	Dec '16	Dec '17	Jun. '18
Current Assets	3,033.2	4,103.5	4,062.1
(Cash & Cash Equivalents)	300.6	148.2	185.0
Non-current Assets	6,375.5	6,837.7	6,934.4
Total Assets	9,408.7	10,941.3	10,996.5
Current Liabilities	3,088.0	3,797.7	3,666.0
(Short-term borrowings)	1,102.0	1,015.4	1,039.6
Non-current Liabilities	1,885.3	2,081.7	2,198.1
(Long-term borrowings)	1,691.3	1,860.0	1,976.6
Total Liabilities	4,973.3	5,879.4	5,864.1
Paid-in Capital	1,225.4	1,225.4	1,225.4
Others	458.1	440.8	453.8
Retained Earnings	2,496.0	3,064.2	3,109.4
Non-controlling interests	255.9	331.5	343.8
Total Shareholder's Equity	4,435.4	5,061.9	5,132.4
Total Liabilities & Shareholder's Equity	9,408.7	10,941.3	10,996.5

3. Consolidated Financial Statement of HGS

Consolidated Income Statement

Unit: bil. KRW

구 분	'18.2Q			'18.1Q	'17.2Q
		QoQ	YoY		
Sales	87.6	20.0%	14.7%	73.0	76.4
Cost of Goods Sold	63.1	22.8%	28.3%	51.4	49.2
Gross Profit	24.5	13.2%	-9.9%	21.6	27.2
Operating Profit	20.3	18.7%	-21.6%	17.1	25.9
OP margin	23.2%	-0.2%P	-10.7%P	23.4%	33.9%
Non Operating Income & Loss	3.0	-	-	0.1	0.9
Profit before Tax	23.3	35.5%	-13.1%	17.2	26.8
Income Tax	6.2	29.2%	-3.1%	4.8	6.4
Net Income	17.1	37.9%	-16.2%	12.4	20.4

Consolidated Balance Sheet

Unit: bil. KRW

구 분	Dec '16	Dec '17	Jun. '18
Current Assets	142.9	203.6	253.5
(Cash & Cash Equivalents)	57.7	39.1	57.5
Non-current Assets	1.9	5.5	9.0
Total Assets	144.8	209.1	262.5
Current Liabilities	18.9	43.0	65.4
(Short-term borrowings)	-	-	-
Non-current Liabilities	0.6	0.2	2.0
(Long-term borrowings)	-	-	-
Total Liabilities	19.5	43.2	67.4
Paid-in Capital	20.0	20.0	20.0
Others	105.2	105.7	105.4
Retained Earnings	0.1	40.2	69.7
Total Shareholder's Equity	125.3	165.9	195.1
Total Liabilities & Shareholder's Equity	144.8	209.1	262.5



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