

4Q 2018 Earnings Release

# HYUNDAI HEAVY INDUSTRIES HOLDINGS



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# 4Q 2018 Earnings Release

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2. Financial Results by Companies
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  - 3) Hyundai Construction Equipment
  - 4) Hyundai Electric & Energy Systems
  - 5) Hyundai Global Service
3. Non-operating Income and Net Income
4. Financial Ratio



## 1. Summary of Financial Results (1/3)

- ❑ Sales increased by 12.6% QoQ following the 3Q T/A in Hyundai Oilbank.
- ❑ Operating profit turned to deficit due to Hyundai Oilbank's deficit and loss on equity method evaluation of Hyundai Heavy Industries.
- ❑ Net profit turned to deficit due to operating loss and impairment loss of Hyundai Electric.

(Unit : billion KRW)

Category		'18.4Q		'18.3Q	'17.4Q
		QoQ	YoY		
Sales	7,435.1	12.6%	30.4%	6,602.4	5,702.5
Operating Profit	(156.7)	Turned to Deficit	Turned to Deficit	356.0	111.5
OPM	-2.1%	-7.5%p	-4.1%p	5.4%	2.0%
Non-operating Profit	(268.8)	-	-	(53.1)	(29.3)
Interest income	(56.1)	-	-	(51.3)	(38.0)
Gains and losses on Foreign exchange	(3.1)	-	Turned to Deficit	(0.9)	43.8
Profit before income taxes	(425.5)	Turned to Deficit	Turned to Deficit	302.9	82.2
Net Profit	(355.7)	Turned to Deficit	-	239.5	(222.6)
Profit attributable to owners of the Company	(281.9)	Turned to Deficit	-	260.3	(221.8)

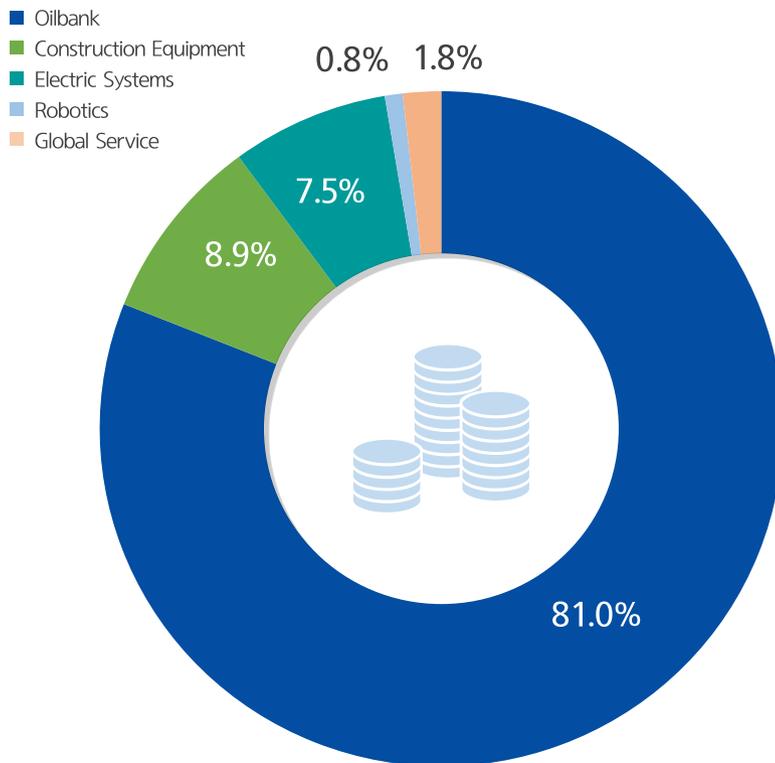
Note 1 .K-IFRS consolidated basis

Note 2. Interest income : Interest income + interest expense

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

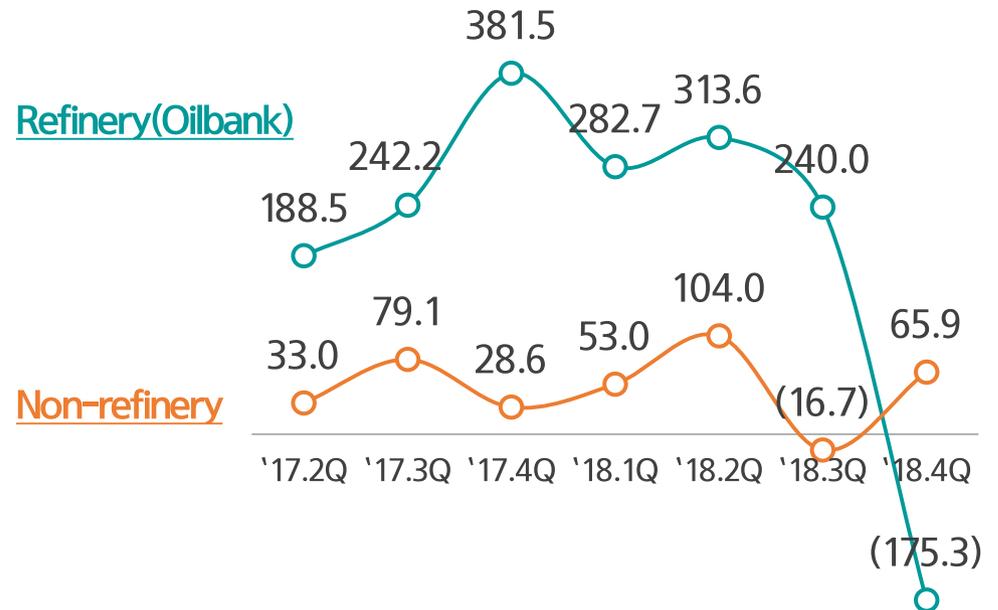
# 1. Summary of Financial Results (2/3)

## 4Q 2018 Sales Composition



## 4Q 2018 Operating Profit

(Unit : billion KRW)



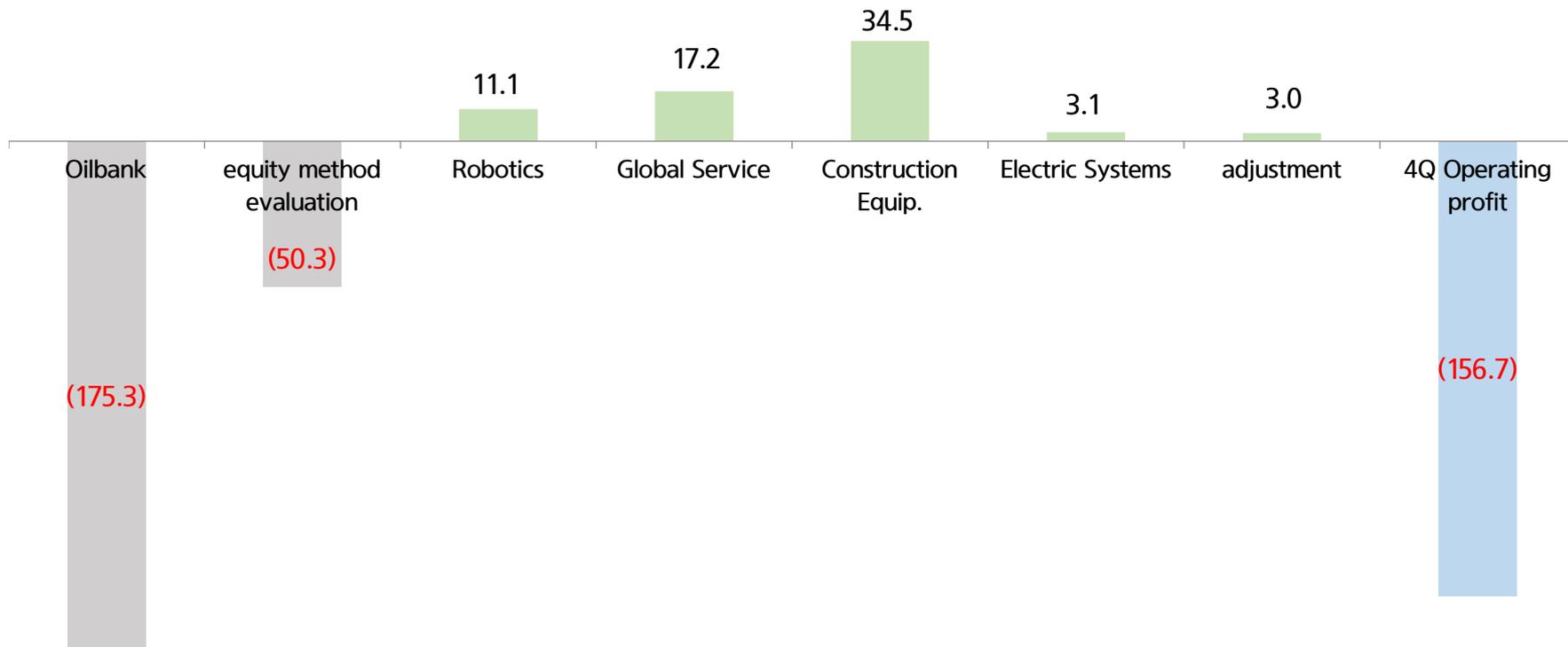
Note 1 : Consolidated basis excluding equity method

Note 2 : Equity method and dividends are excluded

# 1. Summary of Financial Results (3/3)

## 4Q 2018 Operating profit Composition

(Unit : billion KRW)



## 2. Financial Results by Companies

### 4Q 2018 Financial Results

(Unit :billion KRW)

Category	'18.4Q			'18.3Q			'17.4Q			Remarks	
	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM		
Hyundai Heavy Industries Holdings	63.5	11.1	17.5%	57.1	4.3	7.5%	77.2	4.5	5.8%		
Hyundai Oilbank	6,117.4	(175.3)	-2.9%	5,173.0	240.0	4.6%	4,720.7	381.5	8.1%		
Consolidation Entities	Hyundai Construction Equipment	670.3	34.5	5.2%	710.4	37.2	5.2%	590.3	15.2	2.6%	
	Hyundai Electric & Energy Systems	562.6	3.1	0.6%	440.2	(76.5)	-17.4%	489.3	1.5	0.3%	Gain on bargain purchase '18.3Q : 155.7
	Hyundai Global Service	136.6	17.2	12.6%	117.3	18.3	15.6%	61.9	7.4	12.0%	
Equity Method	Hyundai Heavy Industries	(50.3)	(50.3)		142.5	142.5		(217.6)	(217.6)		
	Adjustment	(65.0)	3.0		(38.1)	(9.8)		(19.3)	(81.0)		
	<b>Total</b>	<b>7,435.1</b>	<b>(156.7)</b>	<b>-2.1%</b>	<b>6,602.4</b>	<b>356.0</b>	<b>5.4%</b>	<b>5,702.5</b>	<b>111.5</b>	<b>2.0%</b>	

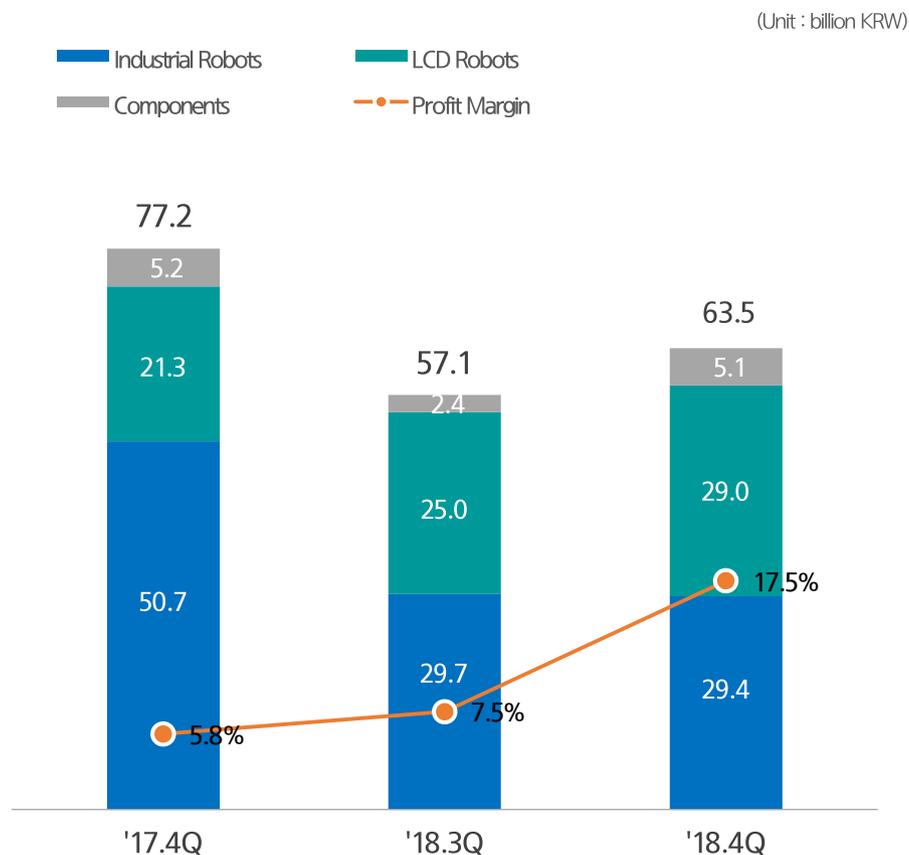
Note 1 : Hyundai Heavy Industries Holdings unconsolidated basis

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

Note 3 : Hyundai Global Service '17.4Q unconsolidated basis, '18.3Q,4Q consolidated basis

## 2-1) Hyundai Heavy Industries Holdings

### 4Q 2018 Sales and Operating Profit Margin



Note 1 : non consolidated basis

- **Sales 63.5 billion KRW**

- 11.2% increase QoQ
- 17.7% decrease YoY

- **Operating Profit 11.1 billion KRW**

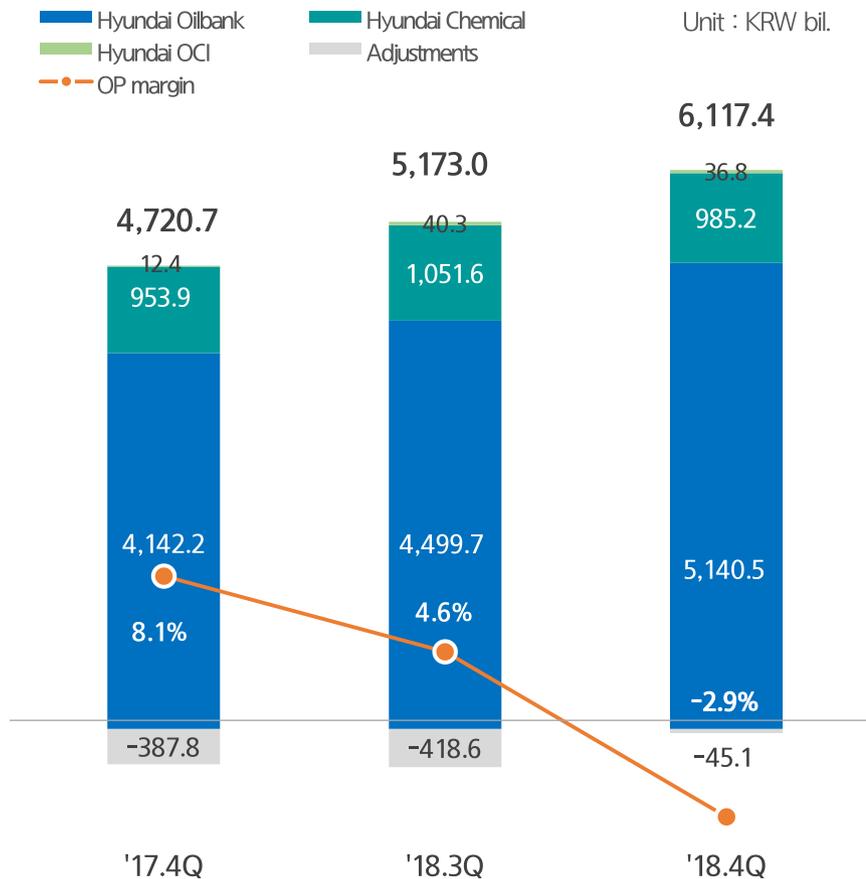
- 158.1% increase QoQ
- 146.7% increase YoY

- **Analysis**

- Sales of Industrial robots declined due to investment cutback of domestic clients such as Hyundai/Kia Motors.
- Sales of LCD robots increased due to investment expansion of Chinese clients.
- Operating profit increased due to the sales increase for more profitable parts/services and material cost reduction .

## 2-2) Hyundai Oilbank (Consolidated)

### '18 4Q Sales & Operating Profit Margin



Note: Consolidated

- **Sales KRW 6.1 trillion**

- QoQ 18.3% increase
- YoY 29.6% increase

- **Operating Profit KRW -175.3 billion**

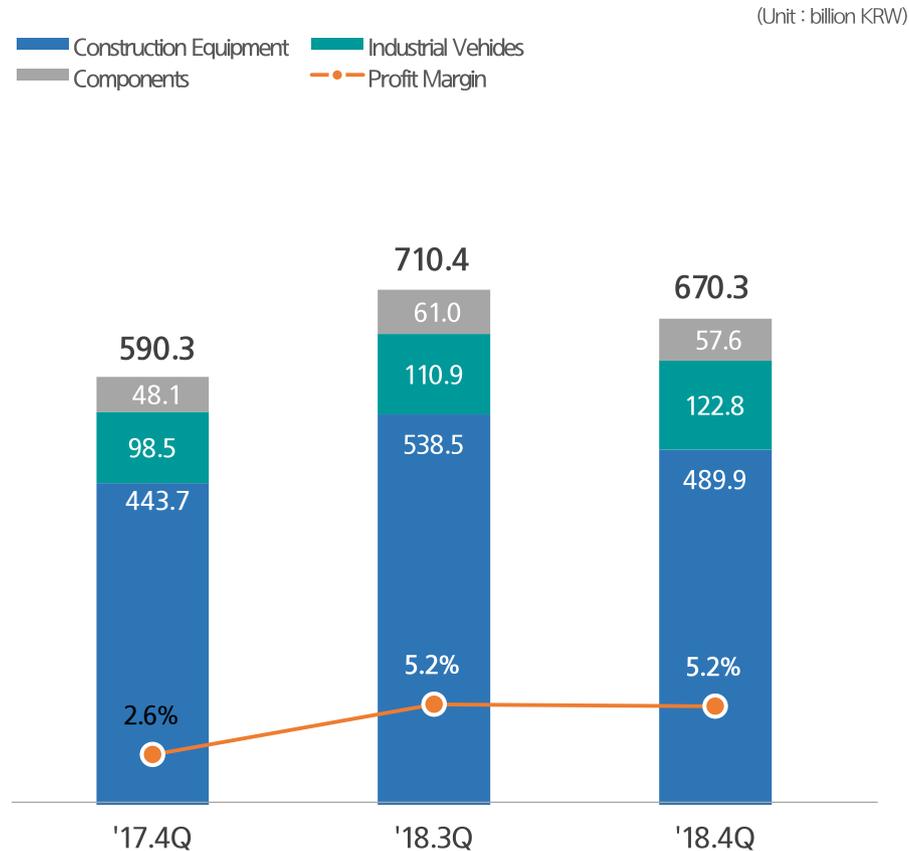
- QoQ -173.0% decrease & recorded a loss
- YoY -146.0% decrease & recorded a loss

- **Analysis**

- Following the 3Q T/A, sales increased QoQ after returning to normal operation, but the operating profit decreased due to inventory related loss as the oil price plummeted.
- Sales increased YoY due to the increase in both the oil price and the refining capacity, but the operating profit decreased due to inventory related loss as the oil price plummeted in 4Q.

## 2-3) Hyundai Construction Equipment

### 4Q 2018 Sales and Operating Profit Margin



Note 1 : Consolidated basis

- **Sales 670.3 billion KRW**

- 5.6% decrease QoQ
- 13.6% increase YoY

- **Operating Profit 34.5 billion KRW**

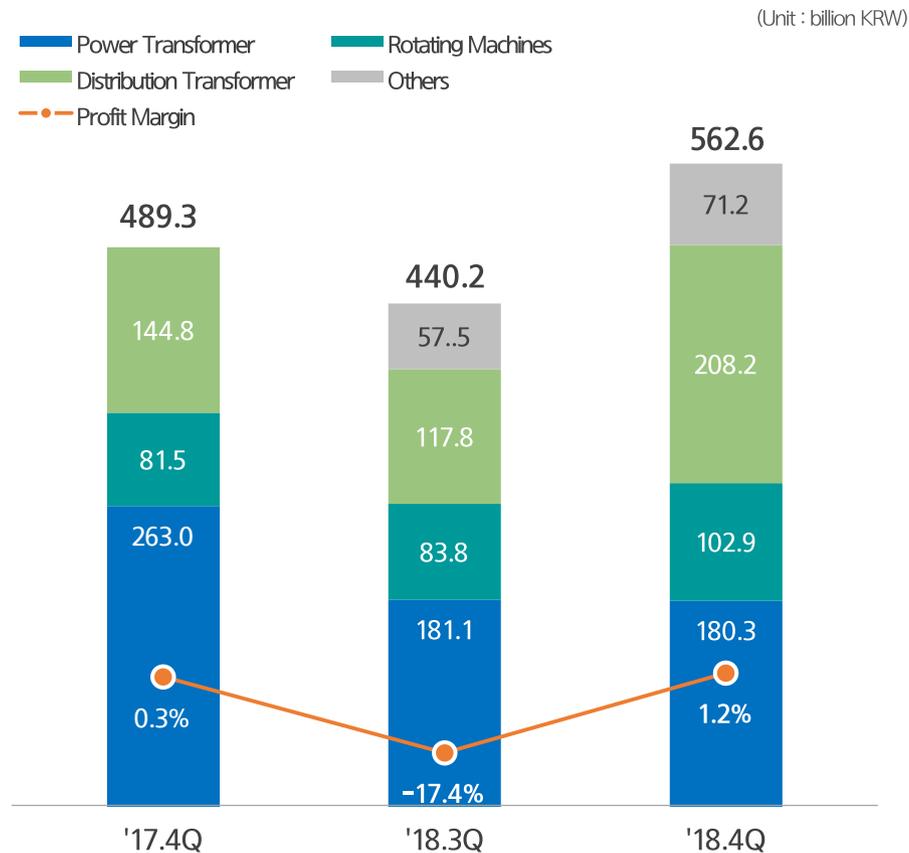
- 7.3% decrease QoQ
- 127.0% increase YoY

- **Analysis**

- QoQ sales decreased due to seasonality, but YoY sales increased due to the consolidation of Chinese and Indian overseas corps and a favorable market condition.
- QoQ operating profit decreased due to decreased sales of Chinese and Indian overseas corp, but YoY operating profit increased due to increase in sales and selling prices.

## 2-4) Hyundai Electric & Energy Systems

### 4Q 2018 Sales and Operating Profit Margin



Note 1 : Consolidated basis

- **Sales 562.6 billion KRW**

- 27.8% increase QoQ
- 15.0% increase YoY

- **Operating Profit 3.1 billion KRW**

- 0.6% Profit Margin surplus conversion

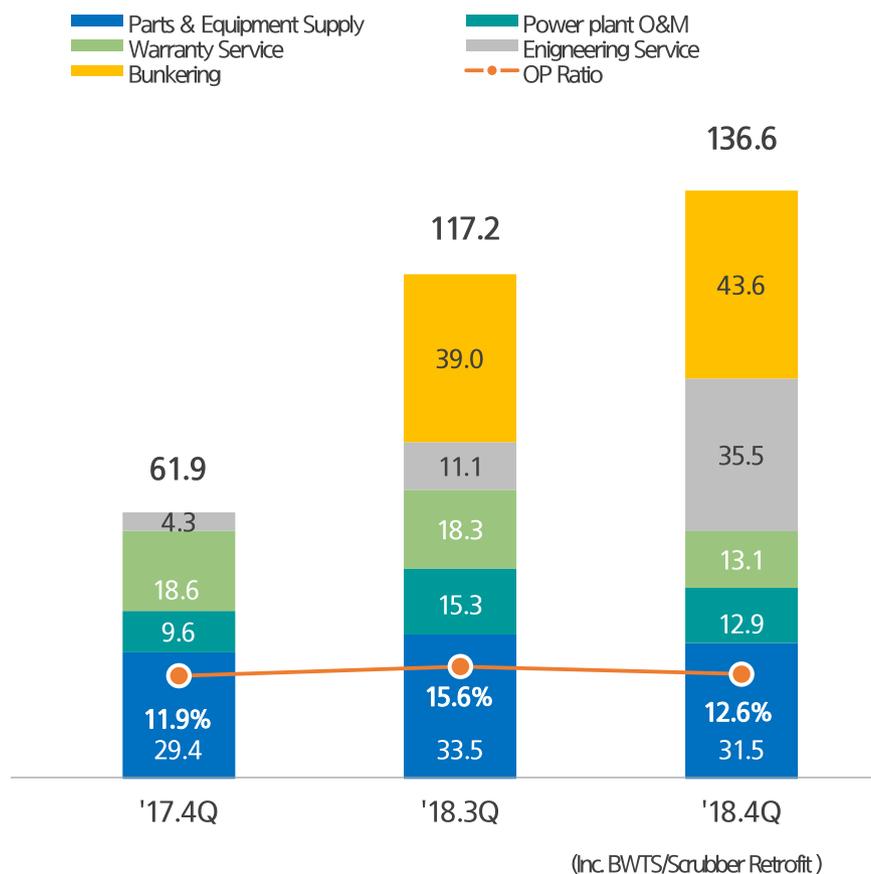
- **Analysis**

- Sales increased due to the delivery increase in ESS and shipbuilding equipments.
- Operating profit turned to profit by reducing fixed cost and reflecting higher profitable domestic chemical/steel projects.

## 2-5) Hyundai Global Service

### 4Q 2018 Sales and Operating Profit Margin

(Unit : billion KRW)



- Sales 136.6 Billion KRW**

- 16.5% increase QoQ
- 120.3% increase YoY

- Operating Profit 17.2 Billion KRW**

- 6.0% decrease QoQ
- 132.4% increase YoY

- Analysis**

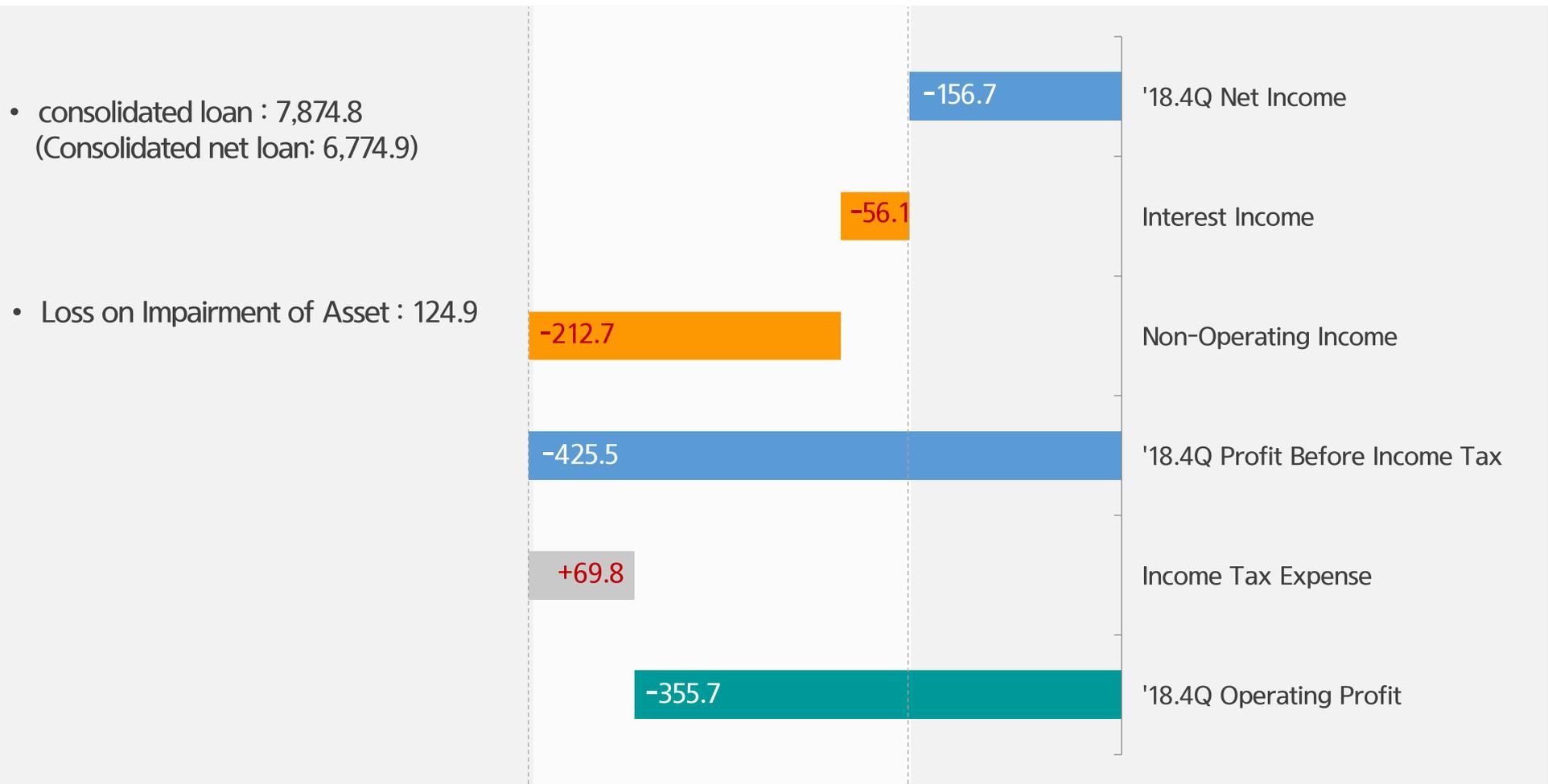
- Sales Increased in engineering services including retrofit
- Profit declined due to lower contribution of highly profitable business (Parts & Equipment Sales and Power Plant O&M)

Note1 : '17. 4Q, non consolidated basis , '18.3Q, 4Q, consolidated basis

### 3. Non-operating Profit and Net Income

#### 4Q 2018 Financial Results

(Unit : billion KRW)



## 4. Financial Ratio

### Consolidated Financial Ratio

- Debt Ratio 121.3%

(Unit : billion KRW)



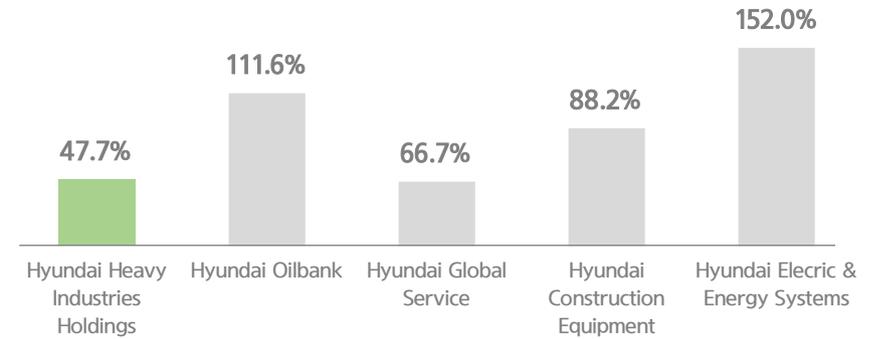
- Net Debt Ratio 64.2%

(Unit : billion KRW)



### Financial Ratio of Major Affiliates

- Dec 2018 Debt Ratio



- Dec 2018 Net Debt Ratio

(Unit : billion KRW)



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	'18.4Q	QoQ	YoY	'18.3Q	'17.4Q
Sales	7,435.1	12.6%	30.4%	6,602.4	5,702.5
Cost of Goods Sold	7,337.8	22.8%	37.5%	5,977.1	5,337.5
Gross Profit	97.3	-84.5%	-73.4%	625.3	365.0
Operating Profit	(156.7)	Deficit	Deficit	356.0	111.5
OP margin	-2.1%	-7.5%	-4.1%	5.4%	2.0%
Non Operating Income & Loss	(268.8)	-	-	(53.1)	(29.3)
Profit before Tax	(425.5)	-	-	302.9	82.2
Income Tax	(69.8)	-	-	63.4	304.8
Net Income	(355.7)	Deficit	59.8%	239.5	(222.6)

## Consolidated Balance Sheet

(Unit : billion KRW)

Category	Apr.1, '17	Dec.31, '17	Dec.31, '18
Current Assets	4,111.3	7,827.2	8,884.5
(Cash & Cash Equivalents)	572.1	1,126.3	1,099.8
Non-current Assets	8,943.7	13,061.4	14,470.2
<b>Total Assets</b>	<b>13,055.0</b>	<b>20,888.6</b>	<b>23,354.7</b>
Current Liabilities	4,922.2	6,528.7	8,652.1
(Short-term borrowings)	2,769.2	2,939.3	4,549.7
Non-current Liabilities	2,664.8	4,258.0	4,149.6
(Long-term borrowings)	2,156.9	3,391.9	3,325.0
<b>Total Liabilities</b>	<b>7,587.0</b>	<b>10,786.7</b>	<b>12,801.7</b>
Paid-in Capital	60.2	81.4	81.4
Others	4,510.8	6,460.2	4,344.6
Retained Earnings	0.0	946.8	3,298.5
Non-controlling interests	897.0	2,613.5	2,828.5
<b>Total Shareholder's Equity</b>	<b>5,468.0</b>	<b>10,101.9</b>	<b>10,553.0</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>13,055.0</b>	<b>20,888.6</b>	<b>23,354.7</b>

Note 1 : K-IFRS consolidated basis

## 2. Consolidated Financial Statements (Hyundai Oilbank)

### Consolidated Income Statement

Unit: KRW bil.

	'18.4Q	QoQ	YoY	'18.3Q	'17.4Q
Sales	6,117.4	18.3%	29.6%	5,173.0	4,720.7
Cost of sales	6,179.7	27.9%	46.2%	4,831.6	4,227.5
Gross profit	-62.3	-118.2%	-112.6%	341.4	493.2
Operating profit	-175.3	-173.0%	-146.0%	240.0	381.5
OP margin	-2.9%	-7.5%p	-11.0%p	4.6%	8.1%
Non operating income & expenses	-72.4	-	-	9.8	50.0
Profit before tax	-247.7	-199.2%	-157.4%	249.8	431.5
Income tax	-57.4	-	-	59.9	114.2
Net income	-190.3	-200.2%	-160.0%	189.9	317.3

Note: Consolidated in accordance with K-IFRS

### Consolidated Balance Sheet

Unit: KRW bil.

	'16.4Q	'17.4Q	'18.4Q
Current assets	3,033.2	4,103.5	4,304.6
(Cash & cash equivalents)	300.6	148.2	162.6
Non-current assets	6,375.5	6,837.7	7,386.6
<b>Total assets</b>	<b>9,408.7</b>	<b>10,941.3</b>	<b>11,691.2</b>
Current liabilities	3,088.0	3,797.7	4,524.4
(Short-term borrowings)	1,102.0	1,015.4	1,573.7
Non-current liabilities	1,885.3	2,081.7	2,042.7
(Long-term borrowings)	1,691.3	1,860.0	1,856.1
<b>Total liabilities</b>	<b>4,973.3</b>	<b>5,879.4</b>	<b>6,567.1</b>
Paid-in capital	1,225.4	1,225.4	1,225.4
Others	458.1	440.8	454.6
Retained earnings	2,496.0	3,064.2	3,109.9
Non-controlling interest	255.9	331.5	334.2
<b>Total equity</b>	<b>4,435.4</b>	<b>5,061.9</b>	<b>5,124.1</b>
<b>Total liabilities &amp; equity</b>	<b>9,408.7</b>	<b>10,941.3</b>	<b>11,691.2</b>

### 3. Consolidated Financial Statement of Hyundai Global Service

#### Consolidated Income Statement

(Unit : billion KRW)

Category	'18.4Q			'18.3Q	'17.4Q
		QoQ	YoY		
Sales	136.6	16.5%	120.3%	117.3	61.9
Cost of Goods Sold	112.3	18.5%	123.3%	94.8	50.3
Gross Profit	24.3	8.0%	109.5%	22.5	11.6
Operating Profit	17.2	-6.0%	132.4%	18.3	7.4
OP margin	12.6%	-3.0%p	-0.7%p	15.6%	11.9%
Non Operating Income & Loss	0.1	-	-	-0.8	-3.5
Profit before Tax	17.3	-1.1%	343.6%	17.5	3.9
Income Tax	4.7	-9.6%	147.4%	5.2	1.9
Net Income	12.6	3.3%	530.0%	12.2	2.0

Note1 : '17. 4Q, non consolidated basis , '18.3Q, 4Q, consolidated basis

#### Consolidated Balance Sheet

(Unit : billion KRW)

Category	Dec.31, '16	Dec.31, '17	Dec.31, '18
Current Assets	142.9	203.6	359.5
(Cash & Cash Equivalents)	57.7	39.1	124.8
Non-current Assets	1.9	5.5	11.2
<b>Total Assets</b>	<b>144.8</b>	<b>209.1</b>	<b>370.7</b>
Current Liabilities	18.9	43.0	151.8
(Short-term borrowings)	-	-	-
Non-current Liabilities	0.6	0.2	0.3
(Long-term borrowings)	-	-	-
<b>Total Liabilities</b>	<b>19.5</b>	<b>43.2</b>	<b>152.0</b>
Paid-in Capital	20.0	20.0	20.0
Others	105.2	105.7	105.5
Retained Earnings	0.1	40.2	93.2
<b>Total Shareholder's Equity</b>	<b>125.3</b>	<b>165.9</b>	<b>218.7</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>144.8</b>	<b>209.1</b>	<b>370.7</b>

Note1 : '17. 4Q, non consolidated basis , '18.3Q, 4Q, consolidated basis

