

2Q 2019 Earnings Release

HYUNDAI HEAVY INDUSTRIES HOLDINGS



Disclaimer

This report has been prepared by Hyundai Heavy Industries Holdings Co., Ltd., indicated as "Company" below, for the purpose of promoting understanding of the company's business activities and it is prohibited to export, copy or redistribute the report.

"Predictive information" contained in this report is information that has not been subjected to individual verification. This refers to information related to future events, such as expected future management status and financial performance of the company. In terms of expressions, vocabulary such as 'prediction', 'forecast', 'plan', 'expectation', '(E)' are included.

The above "forecast information" is influenced by changes in the future business environment and inherently contains uncertainties. As a result of such uncertainties, actual future performance may significantly differ from those stated or implied in the "forecast information".

Furthermore, the outlook is based on current market conditions and the direction of the company management. Please be advised that changes may occur due to changes in the market environment and strategies, and are subject to change without notice.

Please note that the Company and its employees do not bear any responsibility for any loss resulting from the use of this material. (Including negligence and other cases)

Please do not copy or distribute this material as it contains the confidential information of the Company.

2Q 2019 Earnings Release

1. Summary of Financial Results
2. Financial Results by Companies
 - 1) Hyundai Heavy Industries Holdings
 - 2) Hyundai Oilbank
 - 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 5.1% QoQ thanks to sales expansion in oil refining segment on rising oil prices and improved sales across most subsidiaries excluding Hyundai electric.
- Operating profit ameliorated 39.7% QoQ thanks to earnings improvement in oil refining segment on higher refining margins and equity method gains from KSOE(Korea Shipbuilding and Offshore Engineering).

(Unit : billion KRW)

	'19.2Q			'19.1Q	'18.2Q
		QoQ	YoY		
Sales	6,823.7	5.1%	-1.6%	6,491.5	6,935.4
Operating Profit	201.9	39.7%	-40.8%	144.5	341.3
OPM	3.0%	+0.8%p	-1.9%p	2.2%	4.9%
Non-operating Income	(97.0)	-	-	(46.7)	(69.6)
Interest income (net)	(66.5)	-	-	(62.4)	(47.4)
Gains and losses on Foreign exchange (net)	(7.1)	-	-	(18.6)	(47.4)
Profit before income taxes	104.9	7.4%	-61.4%	97.7	271.7
Net Profit	72.9	-25.3%	-58.0%	97.6	173.7
Profit attributable to Common shareowners	97.8	38.9%	-12.4%	70.4	111.7

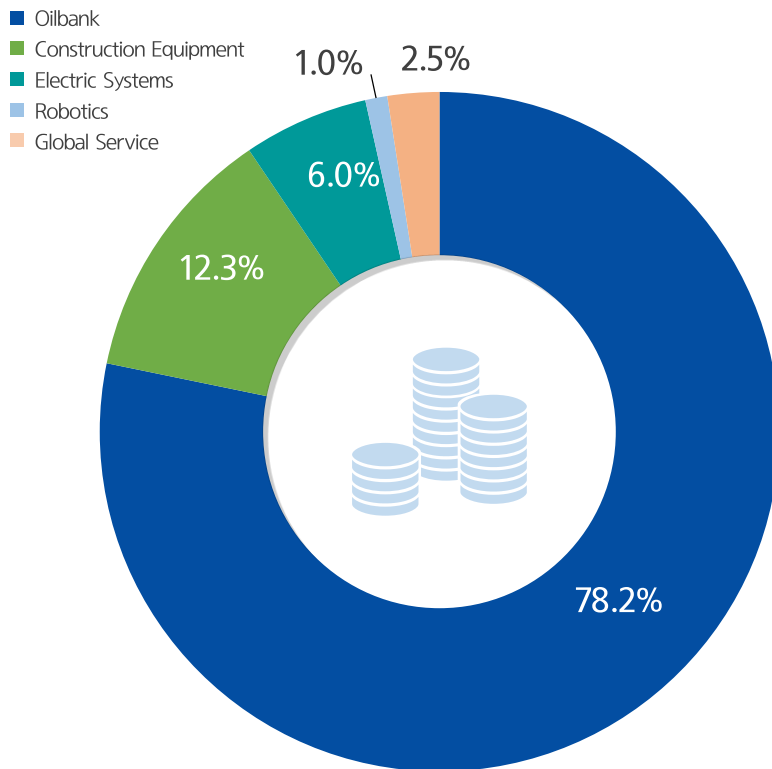
Note 1 .K-IFRS consolidated basis

Note 2. Interest income : Interest income + interest expense

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

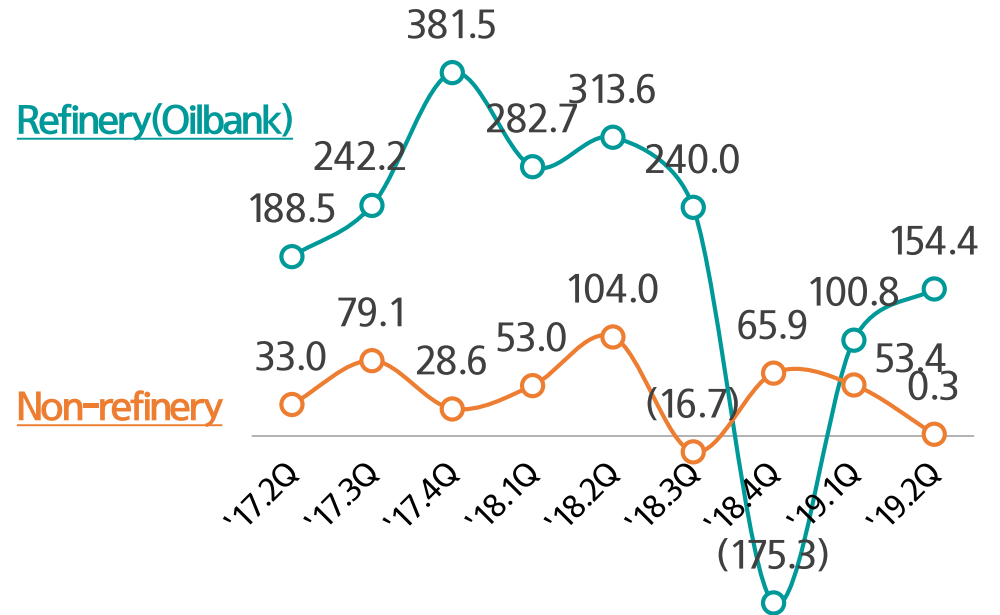
1. Summary of Financial Results (2/3)

2Q 2019 Sales Composition



2Q 2019 Operating Profit

(Unit : billion KRW)



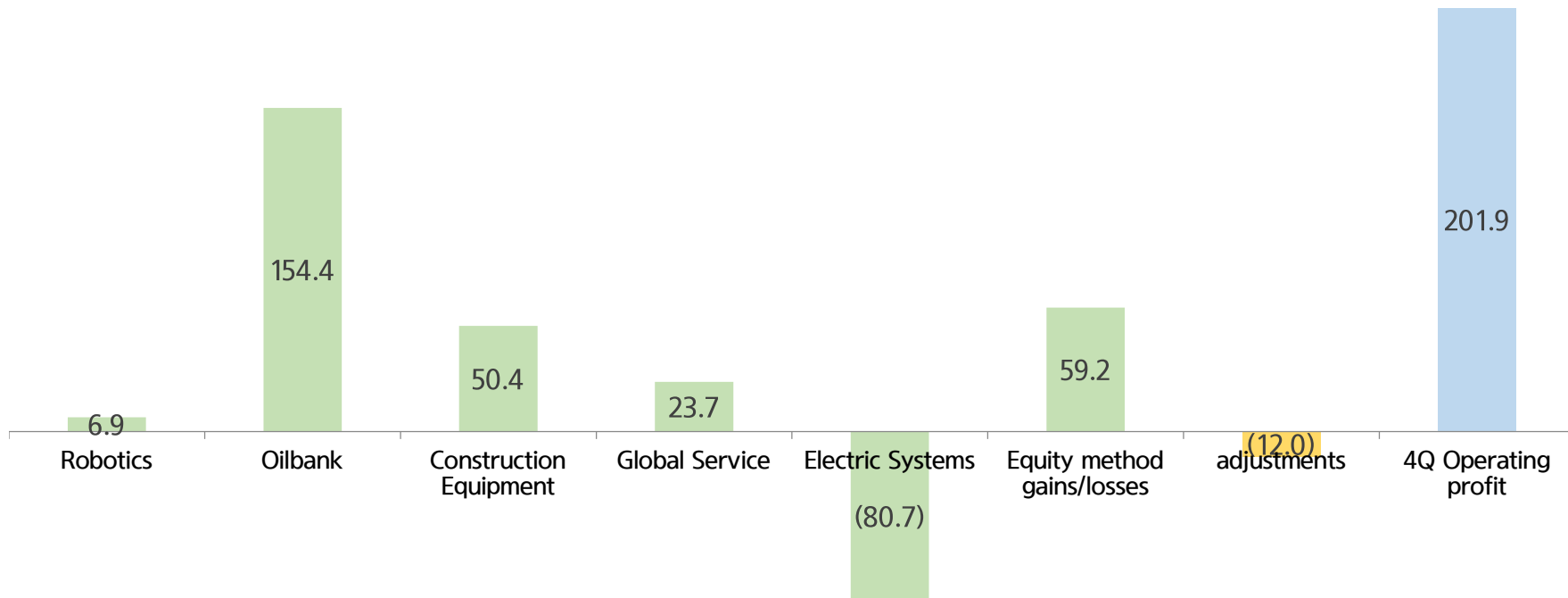
Note 1 : Consolidated Sales of each subsidiary excluding equity method gains/losses and dividends

Note 2 : Excluding equity method gains/losses and dividends

1. Summary of Financial Results (3/3)

2Q 2019 Operating profit Composition

(Unit : billion KRW)



2. Financial Results by Companies

2Q 2019 Financial Results

(Unit :billion KRW)

Category	'19.2Q			'19.1Q			'18.2Q			Remarks	
	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM	Sales	Operating Profit	OPM		
	Hyundai Heavy Industries Holdings	71.3	6.9	9.7%	274.6	234.7	85.5%	66.6	4.9	7.4%	
	Hyundai Oilbank	5,319.6	154.4	2.9%	5,141.1	100.8	2.0%	5,435.2	313.6	5.8%	
Consolidated Entities	Hyundai Construction Equipment	840.4	50.4	6.0%	798.0	62.7	7.9%	922.7	75.1	8.1%	
	Hyundai Electric & Energy Systems	405.2	(80.7)	-19.9%	417.9	(32.0)	-7.7%	507.5	3.7	0.7%	
	Hyundai Global Service	167.1	23.7	14.2%	134.6	16.9	12.6%	87.6	20.3	23.2%	
Equity Method	Korea Shipbuilding & Offshore Engineering	59.2	59.2	-	2.0	2.0	-	-64.2	-64.2	-	
	Adjustment	(39.1)	(12.0)	-	(276.7)	(240.6)	-	-20.0	-12.1	-	
	Total	6,823.7	201.9	3.0%	6,491.5	144.5	2.2%	6,935.4	341.3	4.9%	

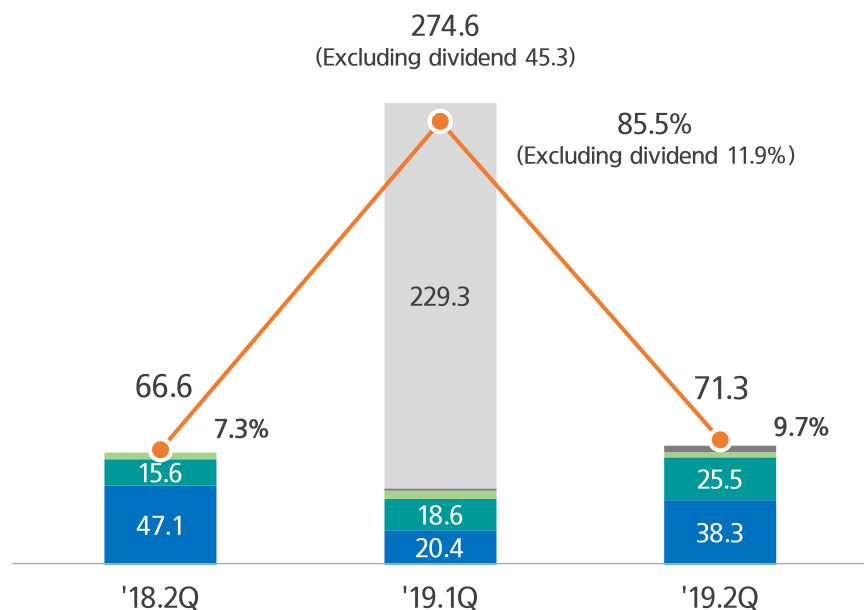
Note 1 : Hyundai Heavy Industries Holdings: Nonconsolidated basis

Note 2 : Hyundai Oilbank, Hyundai Electric & Energy Systems, Hyundai Construction Equipment, Hyundai Global Service: Consolidated basis

2-1) Hyundai Heavy Industries Holdings

'19 2Q Sales and Operating Profit Margin

(Unit : billion KRW)



Note 1 : Nonconsolidated basis

Note 2 : Others in 1Q19 exclude dividend income 229.3 billion KRW

- **Sales 71.3 billion KRW**

- Down 74.0% QoQ (Up 57.4% excluding dividends)
- Up 7.1% YoY

- **Operating Profit 6.9 billion KRW**

- Down 97.1% QoQ (Up 27.8% excluding dividends)
- Up 40.8% YoY

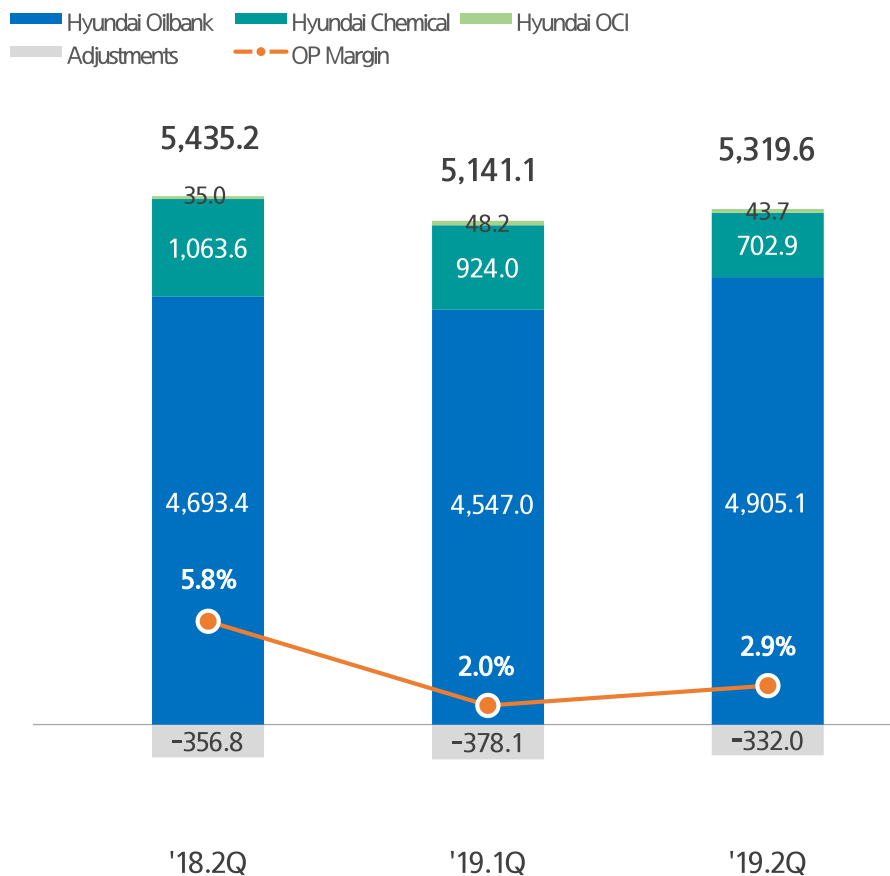
- **Analysis**

- (QoQ) Base effect caused by the recognition of dividend Income from subsidiaries(229.3 billion KRW) & other incomes in '19 1Q
- (YoY) Sales and OP increased thanks to the rise in orders for industrial robots in 1Q and increase in sales recognition of orders for cleaning robots in the previous year

2-2) Hyundai Oilbank (Consolidated)

'19 2Q Sales & Operating Profit Margin

(Unit : billion KRW)



Note: Consolidated

- **Sales 5,319.6 billion**

Up 3.5% QoQ

Down 2.1% YoY

- **Operating Profit 154.4 billion KRW**

Up 53.1% QoQ

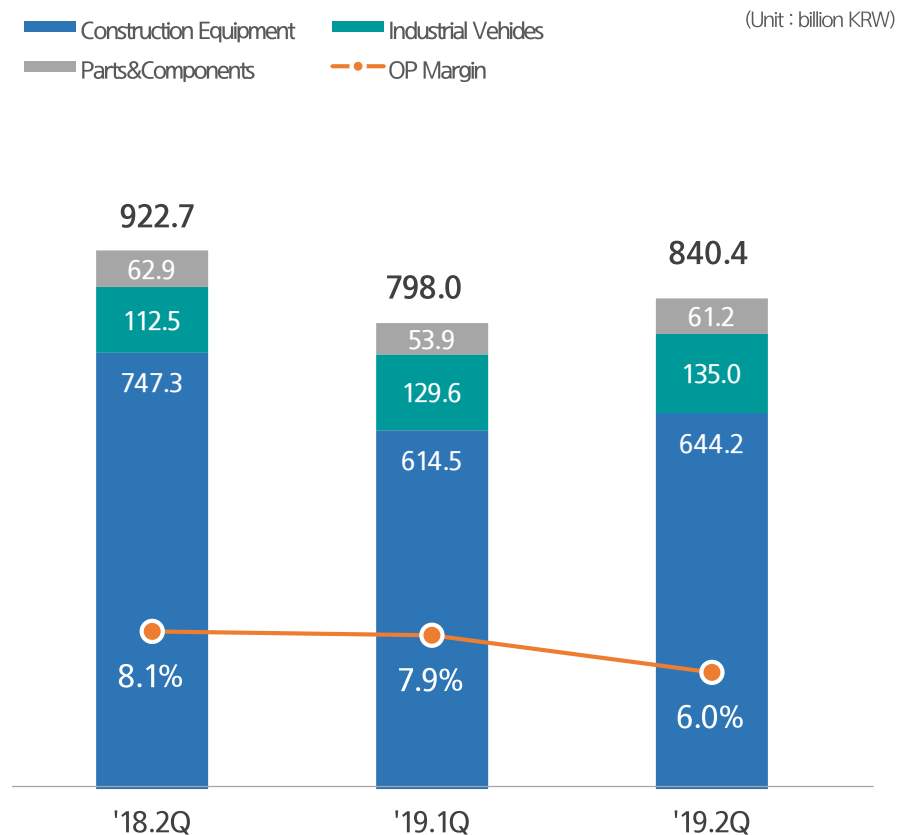
Down 50.7% YoY

- **Analysis**

- Sales increased QoQ backed by the rise in average oil prices and OP expanded thanks to improved refining margins and ₩/\$ rates appreciation.
- Sales inched down YoY owing to the fall in average oil prices and OP declined due to weak product crack margin.

2-3) Hyundai Construction Equipment(Consolidated)

2Q 2019 Sales and Operating Profit Margin



Note 1 : Consolidated basis

- **Sales 840.4 billion KRW**

- Up 5.3% QoQ
- Down 8.9% YoY

- **Operating Profit 50.4 billion KRW**

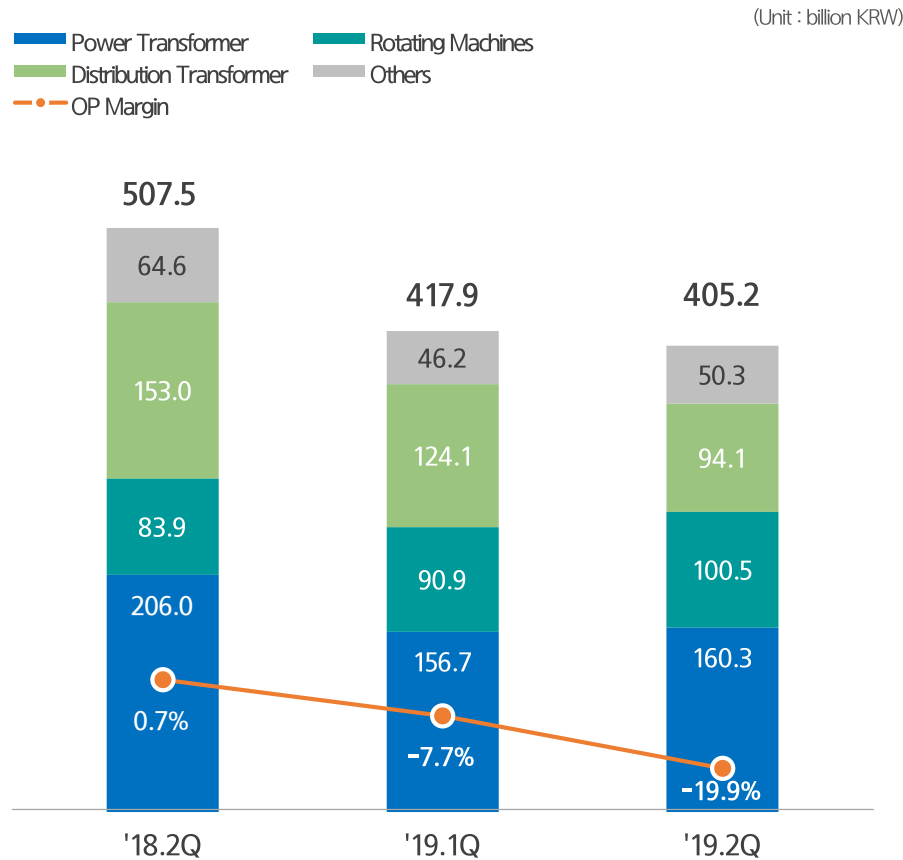
- Down 19.6% QoQ
- Down 32.9% YoY

- **Analysis**

- Sales diminished YoY owing to prolonged uncertainty in global economy.
- Sales inched up QoQ driven by sales recovery in the emerging markets
- Operating profit decreased QoQ and YoY due to the increase in bad debt provisions caused by the filing of corporate workout program by suppliers, despite the rise in sales price and ₩/\$ rate appreciation

2-4) Hyundai Electric & Energy Systems (Consolidated)

2Q 2019 Sales and Operating Profit Margin



Note 1 : Consolidated basis

- **Sales 405.2 billion KRW**

- Down 3.0% QoQ
- Down 20.2% YoY

- **Operating Profit 80.7 billion KRW**

- OPM 19.9%, Remain red

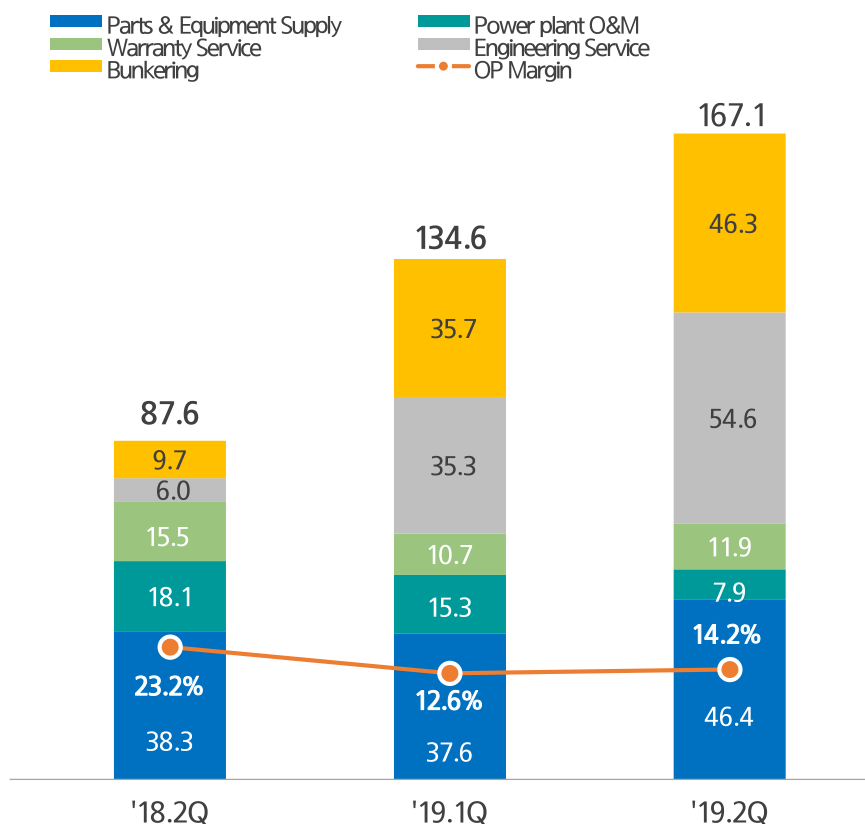
- **Analysis**

- Sales slumped continuously due to 1)shrinkage/delay in CAPEX for domestic power generation and power supply and 2) ESS fire issues.
- Operating profit continued to be sluggish owing to prolonged fixed cost burden on decreased sales, reduced high margin yielding domestic supplies, and increase in overseas construction costs.

2-5) Hyundai Global Service

2Q 2019 Sales and Operating Profit Margin

(Unit : billion KRW)



- Sales 167.1 Billion KRW**

- Up 24.1% QoQ
- Up 90.8% YoY

- Operating Profit 23.7 Billion KRW**

- Up 40.2% QoQ
- Up 16.6% YoY

- Analysis**

- Sales expanded on the back of sales improvement in bunkering business on diversified supply and increase in recognition of sales for orders from Retrofit
- Sales and OP advanced both QoQ and YoY in light of improved performance in Parts/Equipment supply and engineering services divisions

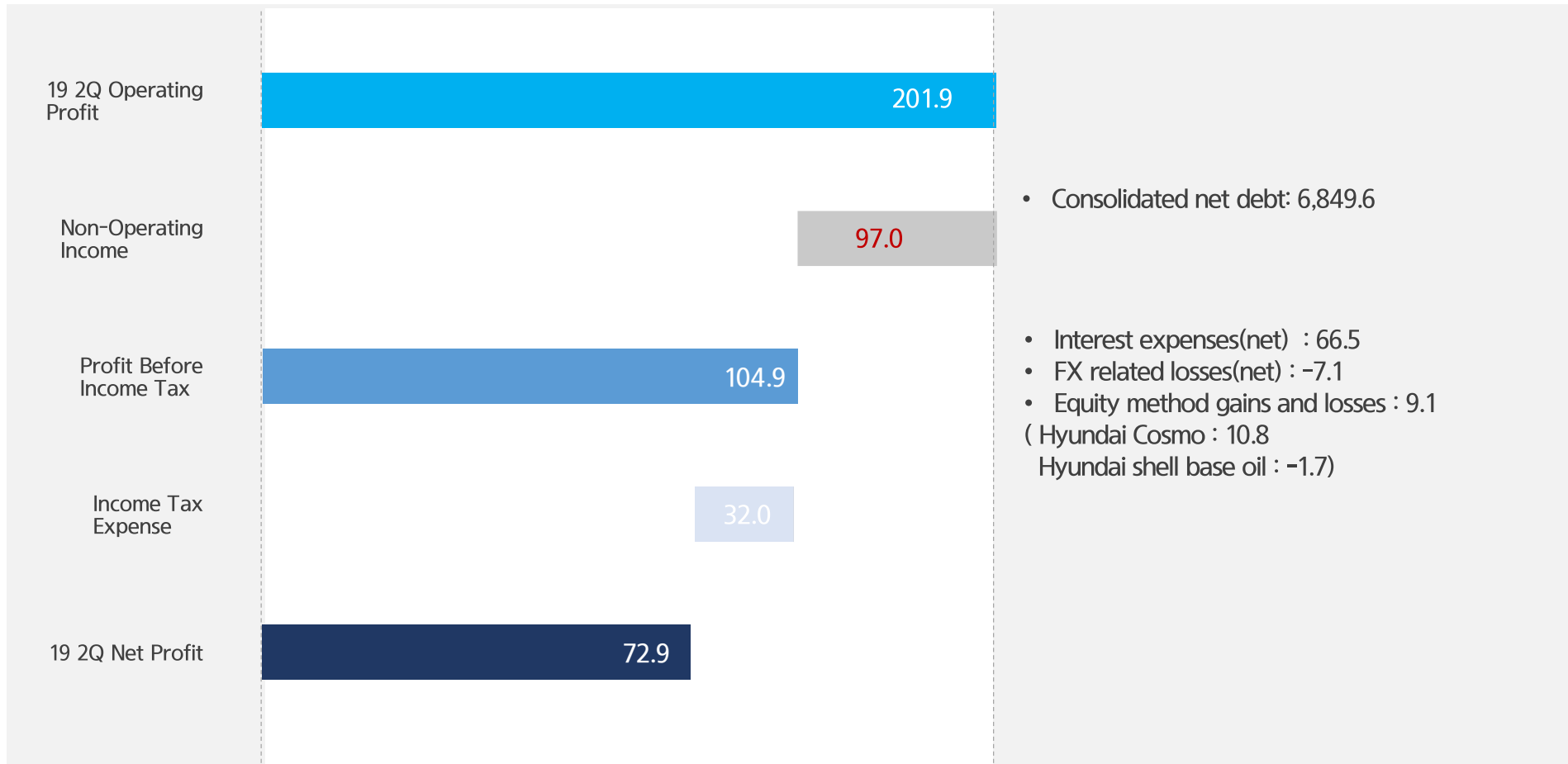
Note1 : Consolidated basis

Note2 : Eco-friendly Retrofit included in Engineering Service

3. Non-operating Profit and Net Income

2Q 2019 Financial Results

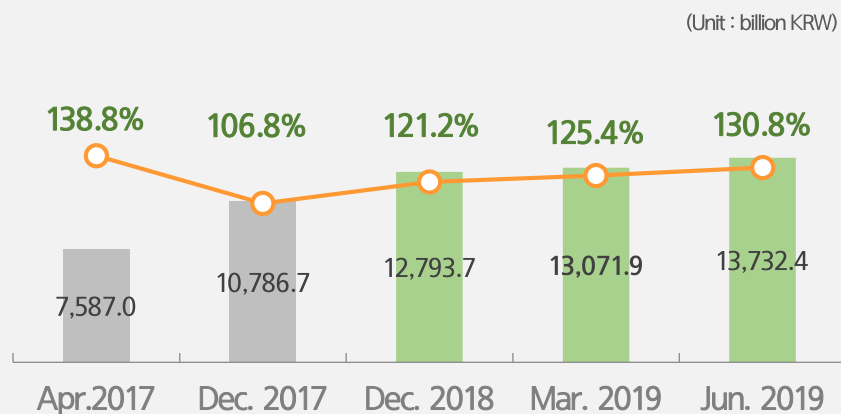
(Unit : billion KRW)



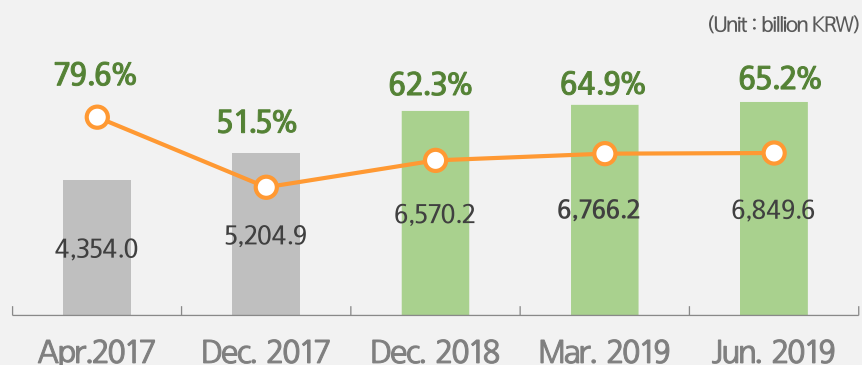
4. Financial Ratio

Consolidated Financial Ratio

- Liabilities Ratio 130.8%

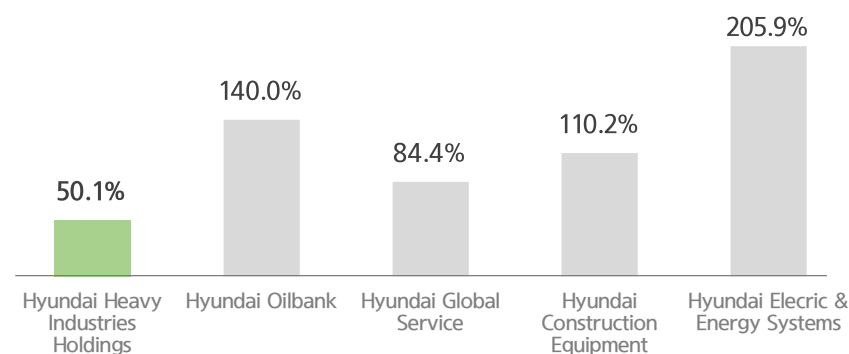


- Net Debt Ratio 65.2%



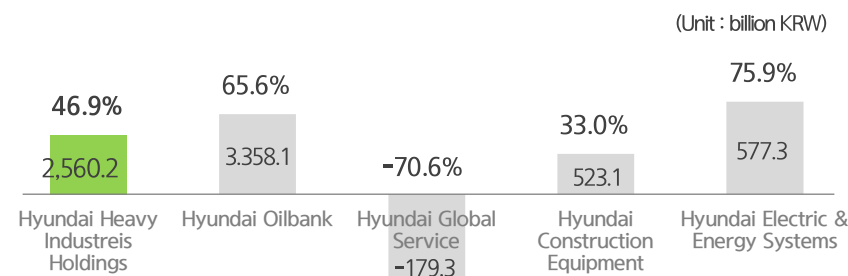
Financial Ratio of Major Affiliates

- Liabilities Ratio (As of the end Jun. 2019)



Note: HHHH - Nonconsolidated basis

- Net Debt Ratio (As of the end Jun. 2019)



Note: HHHH - Nonconsolidated basis

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	'19.2Q			'19.1Q	'18.2Q
		QoQ	YoY		
Sales	6,823.7	5.1%	-1.6%	6,491.5	6,935.4
Cost of Goods Sold	6,298.5	3.7%	-0.9%	6,073.5	6,353.1
Gross Profit	525.2	25.7%	-9.8%	417.9	582.3
Operating Profit	201.9	39.7%	-40.8%	144.5	341.3
OP margin	3.0%	+0.8%p	-1.9%p	2.2%	4.9%
Non Operating Income & Loss	(97.0)	-	-	(46.8)	(69.6)
Profit before Tax	104.9	7.4%	-61.4%	97.7	271.7
Income Tax	32.0	-	-67.3%	0.1	98.0
Net Income	72.9	-25.3%	-58.0%	97.6	173.7

Consolidated Balance Sheet

(Unit : billion KRW)

Category	Apr.1, '17	Dec.31, '17	Dec.31, '18	Jun.30 '19
Current Assets	4,111.3	7,827.2	8,884.2	8,991.8
(Cash & Cash Equivalents)	572.1	1,126.3	1,099.8	1,064.2
Non-current Assets	8,943.7	13,061.4	14,463.6	15,242.4
Total Assets	13,055.0	20,888.6	23,347.8	24,234.2
Current Liabilities	4,922.2	6,528.7	8,660.2	8,634.4
(Short-term borrowings)	2,769.2	2,939.3	3,149.5	3,450.0
Non-current Liabilities	2,664.8	4,258.0	4,133.5	5,098.1
(Long-term borrowings)	2,156.9	3,391.9	1,386.7	1,666.7
Total Liabilities	7,587.0	10,786.7	12,793.7	13,732.4
Paid-in Capital	60.2	81.4	81.4	81.4
Others	4,510.8	6,460.2	4,344.0	4,363.0
Retained Earnings	0	946.8	3,302.0	3,200.2
Non-controlling interests	897.0	2,613.5	2,826.6	2,857.1
Total Shareholder's Equity	5,468.0	10,101.9	10,554.1	10,501.8
Total Liabilities & Shareholder's Equity	13,055.0	20,888.6	23,347.8	24,234.2

Note: K-IFRS consolidated basis

2. Consolidated Financial Statements (Hyundai Oilbank)

Consolidated Income Statement

(Unit : billion KRW)

Category	'19.2Q			'19.1Q	'18.2Q
		QoQ	YoY		
Sales	5,319.6	3.5%	-2.1%	5,141.1	5,435.2
Cost of sales	5,067.8	2.7%	0.7%	4,936.1	5,031.1
Gross profit	251.8	22.9%	-37.7%	204.9	404.1
Operating profit	154.4	53.2%	-50.8%	100.8	313.6
OP margin	2.9%	0.9%p	-2.9%p	2.0%	5.8%
Non operating income & expenses	-46.3	-	-	-67.7	-85.8
Equity method gains and losses	9.1	-	-	37.9	19.5
Profit before tax	117.3	65.2%	-52.6%	71.0	247.3
Income tax	25.7	-	-	12.6	62.0
Net income	91.5	56.7%	-50.6%	58.4	185.3

Consolidated Balance Sheet

(Unit : billion KRW)

Category	Dec.31, '16	Dec.31, '17	Dec.31, '18	Jun.30 '19
Current assets	3,033.2	4,103.6	4,358.3	4,447.9
(Cash & cash equivalents)	300.6	148.2	162.6	141.2
Non-current assets	6,375.5	6,837.7	7,386.5	7,835.9
Total assets	9,408.7	10,941.3	11,744.8	12,283.9
Current liabilities	3,088.0	3,797.7	4,578.0	4,861.3
(Short-term borrowings)	1,102.0	1,015.4	1,573.7	1,694.3
Non-current liabilities	1,885.3	2,081.7	2,042.7	2,303.7
(Long-term borrowings)	1,691.3	1,860.0	1,856.1	1,823.4
Total liabilities	4,973.3	5,879.4	6,620.7	7,165.0
Paid-in capital	1,225.4	1,225.4	1,225.4	1,225.4
Others	458.1	440.8	454.6	451.7
Retained earnings	2,496.0	3,064.2	3,109.9	3,000.3
Non-controlling interest	255.9	331.5	334.2	441.5
Total equity	4,435.4	5,061.9	5,124.1	5,118.8
Total liabilities & equity	9,408.7	10,941.3	11,744.8	12,283.9

Note: K-IFRS consolidated basis

3. Consolidated Financial Statement of Hyundai Global Service



Consolidated Income Statement

(Unit : billion KRW)

Category	'19.2Q			'19.1Q	'18.2Q
		QoQ	YoY		
Sales	167.1	24.2%	90.8%	134.6	87.6
Cost of Goods Sold	138.5	22.8%	119.5%	112.8	63.1
Gross Profit	28.6	31.2%	16.7%	21.8	24.5
Operating Profit	23.7	40.2%	16.7%	16.9	20.3
OP margin	14.2%	12.6%	-38.8%	12.6%	23.2%
Non Operating Income & Loss	2.6	-13.3%	-16.1%	3.0	3.1
Profit before Tax	26.2	31.7%	12.4%	19.9	23.3
Income Tax	6.4	25.5%	3.2%	5.1	6.2
Net Income	19.8	33.8%	15.8%	14.8	17.1

Note: K-IFRS consolidated basis

Consolidated Balance Sheet

(Unit : billion KRW)

Category	Dec.31, '16	Dec.31, '17	Dec.31, '18	Jun.30 '19
Current Assets	142.9	203.6	359.5	450.9
(Cash & Cash Equivalents)	57.7	39.1	124.8	179.3
Non-current Assets	1.9	5.5	11.2	17.2
Total Assets	144.8	209.1	370.7	468.1
Current Liabilities	18.9	43.0	151.8	209.5
(Short-term borrowings)	-	-	-	-
Non-current Liabilities	0.6	0.2	0.3	4.8
(Long-term borrowings)	-	-	-	-
Total Liabilities	19.5	43.2	152.0	214.3
Paid-in Capital	20.0	20.0	20.0	20.0
Others	105.2	105.7	105.5	106.0
Retained Earnings	0.1	40.2	93.2	127.8
Total Shareholder's Equity	125.3	165.9	218.7	253.8
Total Liabilities & Shareholder's Equity	144.8	209.1	370.7	468.1

Note1 : Dec.31,'16 non consolidated basis / Dec.31,'17, Dec.31,'18, Jun30 '19 consolidated basis

