

3Q 2019 Earnings release

# HYUNDAI ELECTRIC & ENERGY SYSTEMS



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## 1. 3Q 2019 consolidated Earnings



3Q revenue decreased 4.8% QoQ to KRW 386 bn, however operating losses improved.

Unit: KRW bn

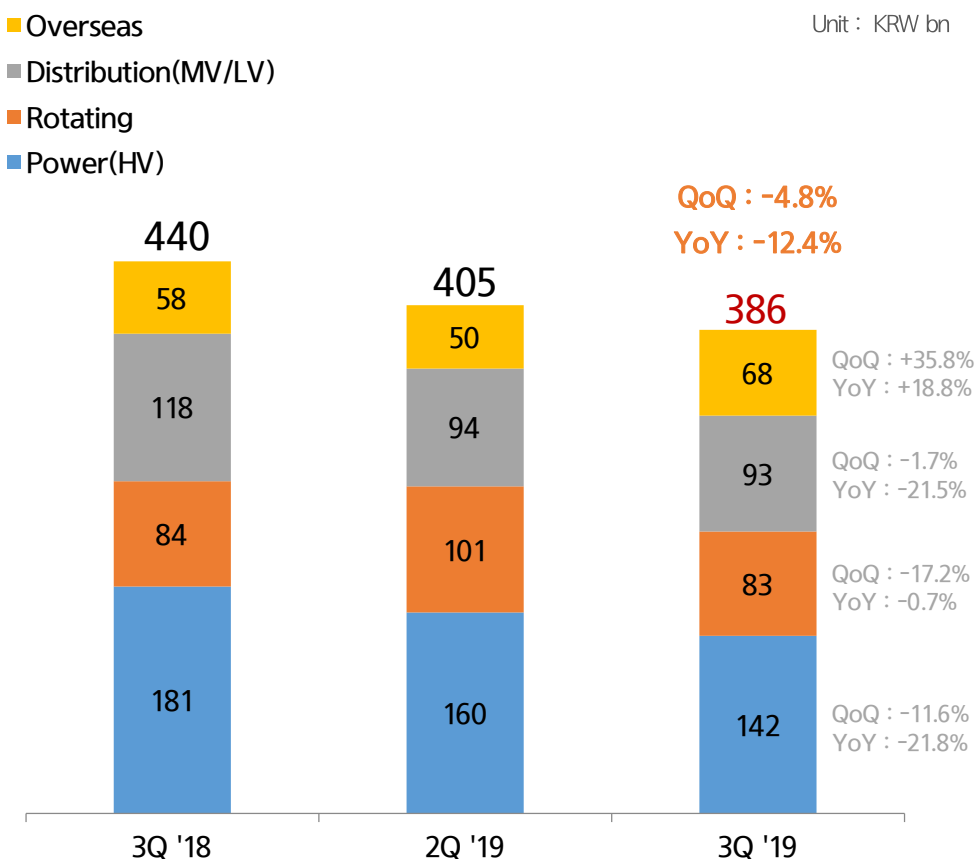
구 분	'19.3Q			'19.2Q	'18.3Q
		QoQ	YoY		
Sales	385.7	-4.8%	-12.4%	405.2	440.2
Operating Profit	-4.0	Loss Reduced	Loss Reduced	-80.7	-76.5
OP Margin(%)	-1.0%	+18.9%p	+16.4%p	-19.9%	-17.4%
Non-Operating Income and Loss	5.0	-	-	-25.6	-28.5
Net income before taxes	1.0	Turn to Plus(+)	Turn to Plus(+)	-106.3	-105.0
Net Income	1.2	Turn to Plus(+)	Turn to Plus(+)	-85.0	-80.7
controlling shareholder's NI	1.2	Turn to Plus(+)	Turn to Plus(+)	-85.0	-80.7

Note) Figures based on HE's Consolidated Financial Statement (Consolidated assets : Hyundai Tech Center Hungary, Hyundai Electric Switzerland, HDENE Power Solution India, Hyundai Heavy Industries Bulgaria, Yangzhong(China) Corporation, Shanghai R&D Center, Middle East Corporation, Alabama Corporation)

## 2. Sales analysis by segments

QoQ -4.8%, due to continued sluggish sales of domestic power equipment by slowdown of domestic investment in transmission/distribution sector and increased ESS orders in 3Q are not yet reflected to revenue.

### Sales by segments



### Analysis by segments

Power Equip.	<ul style="list-style-type: none"> <li>- Sluggish sales continued due to slowdown of domestic investment in power generation, transmission / distribution sector</li> <li>- Slight recovery of Middle East Sales</li> </ul>
Rotating / Distribution Equip.	<ul style="list-style-type: none"> <li>- Decreased sales of rotating machinery due to slowdown of domestic market</li> <li>- Jumped up ESS orders in 3Q, but not yet reflected to revenue (will be reflected sequentially after 4Q)</li> </ul>
Overseas Subsidiaries	<ul style="list-style-type: none"> <li>- improved QoQ sales due to increased sales of China Subsidiary etc.</li> </ul>

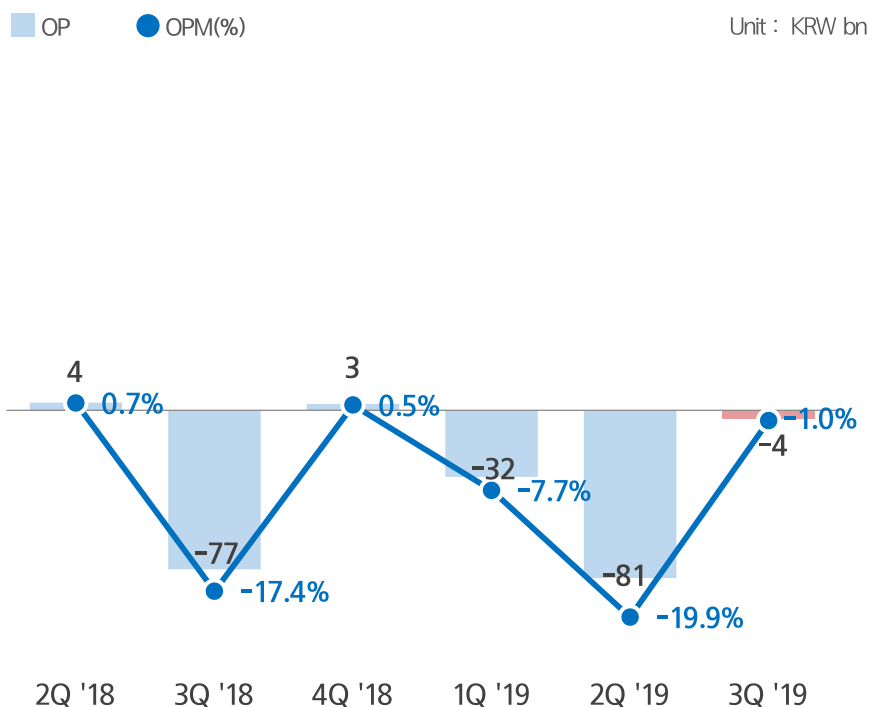
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### 3. Operating Profit analysis

Operating losses narrowed to KRW 4 bn due to one-off gains(KRW 10.9 bn), reduced extraordinary costs and cost-cutting efforts etc.

#### Operating Profit trend

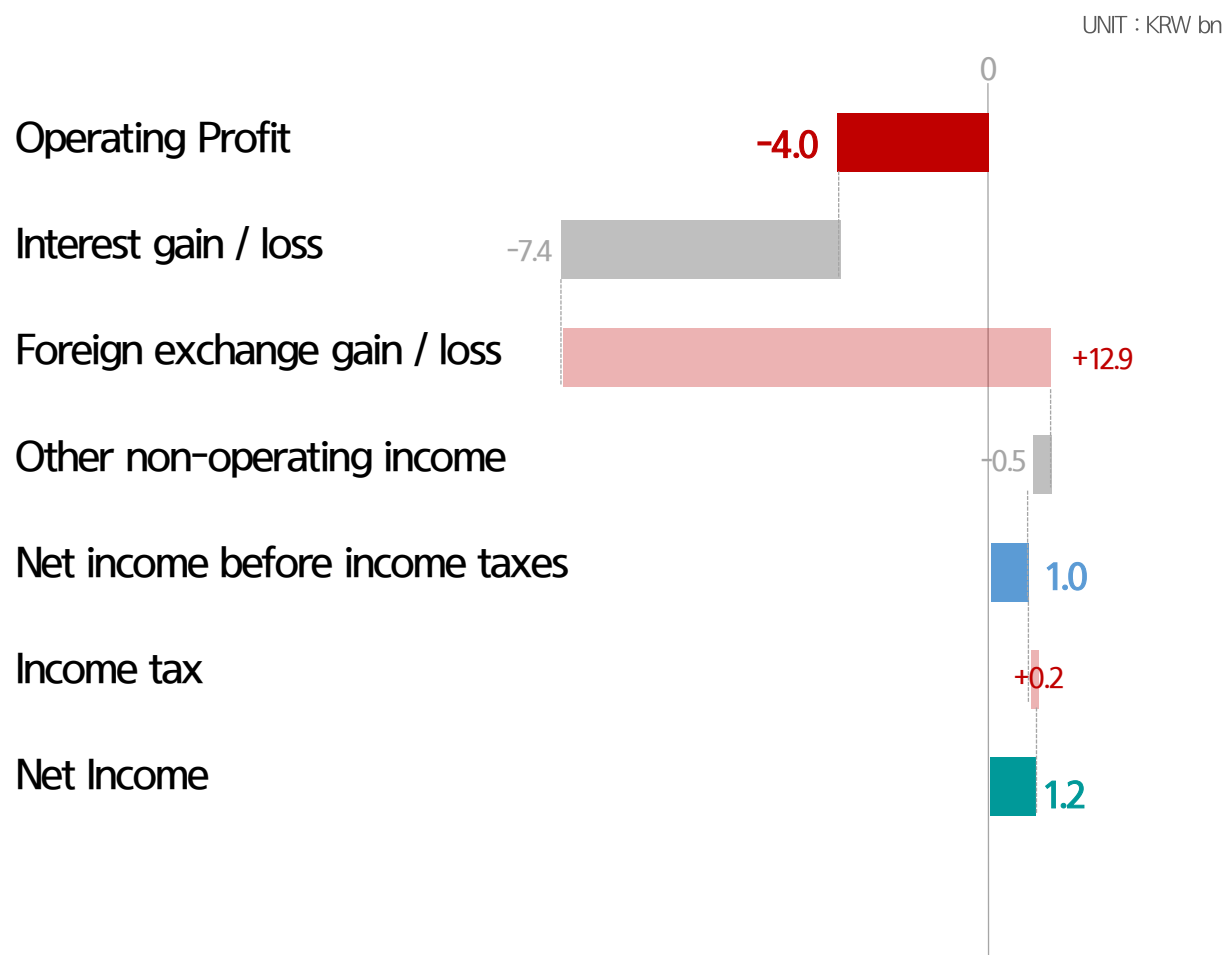


#### OP analysis by segments

common	<ul style="list-style-type: none"> <li>- Continued fixed cost burden due to total sales worsened, however, improving profitability by reduced extraordinary losses such as quality-related cost</li> </ul>
Power Equip	<ul style="list-style-type: none"> <li>- Operating losses due to declined sales in domestic market in which profitability is being maintained compared to overseas market</li> <li>- Losses narrowed due to reversal of provisioning in some overseas projects(KRW 10.9bn, one-off gains)</li> </ul>
Rotating / Distribution Equip.	<ul style="list-style-type: none"> <li>- Improved profit of rotating equip. due to increase of sales in North America and Europe</li> <li>- Domestic sales and profit improved in MV/LV circuit breakers</li> </ul>
Overseas Subsidiary	<ul style="list-style-type: none"> <li>- Profit improved in China subsidiary due to sales occurrence of Hynix Wuxi projects and cost-cutting efforts.</li> </ul>

## 4. Non-operating profit and net profit

Net Income turned to plus(+) due to forex gains.



- Foreign exchange gain / loss

: + 12.9 bn KRW

- Income tax (income)

: + 0.2 bn KRW

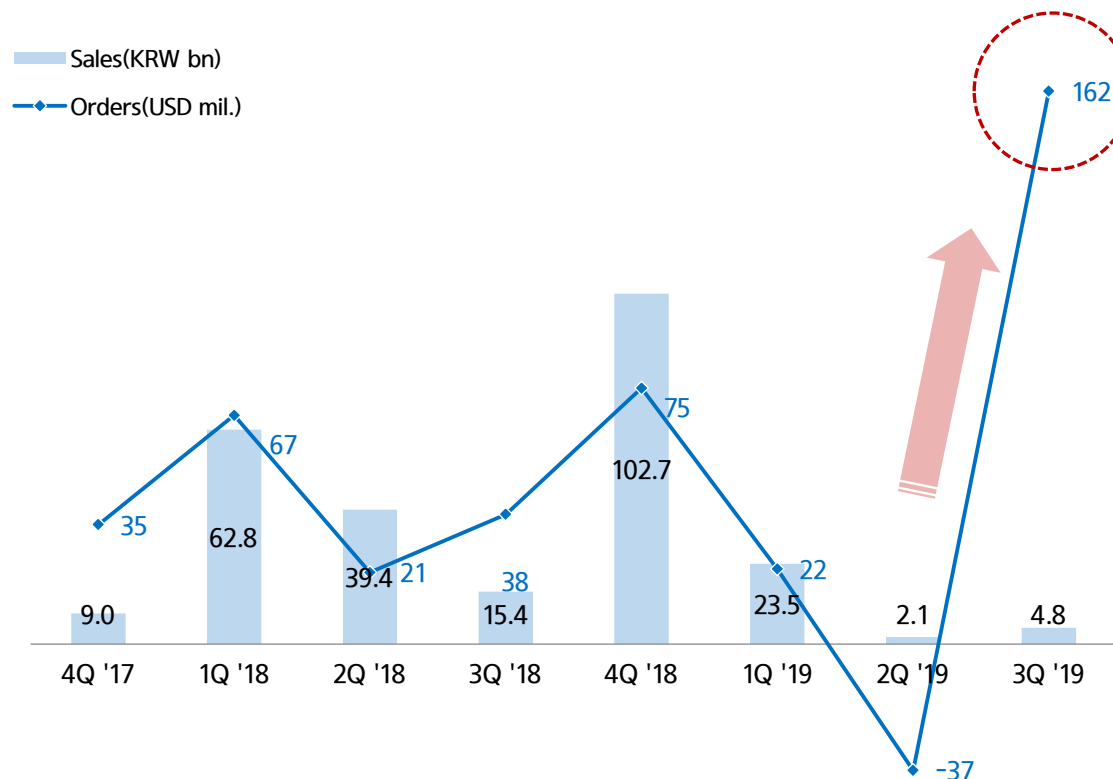
: income tax effect due to deficit (income)

## 5. Investment Highlight

### 1) Energy Solution (ESS etc.)

ESS market, which almost stopped until the first half due to the fire accident issue, resumed rapidly from 3Q and achieved orders of \$ 162 million which is close to the full-year order target, resolving market concerns.

#### Energy Solution (ESS etc.) Orders / Sales



Source) Hyundai Electric internal data

- New orders surged to USD 162 mil. in this quarter

: Market is rapidly restarting as the uncertainty is resolved after the result of government's investigation into the cause of the accidents and new safety measures have been released at 11 June.

: Actually in 3Q, achieved USD 162 mi. in new orders, close to annual order target, including the huge 'Solaside' Project that worth KRW 100 bn, resolving concerns raised from additional fire accidents

: By highlighting the fact that there are no fires among the projects supplied by us, as a competitive factor, Company will further strengthen ordering activities.

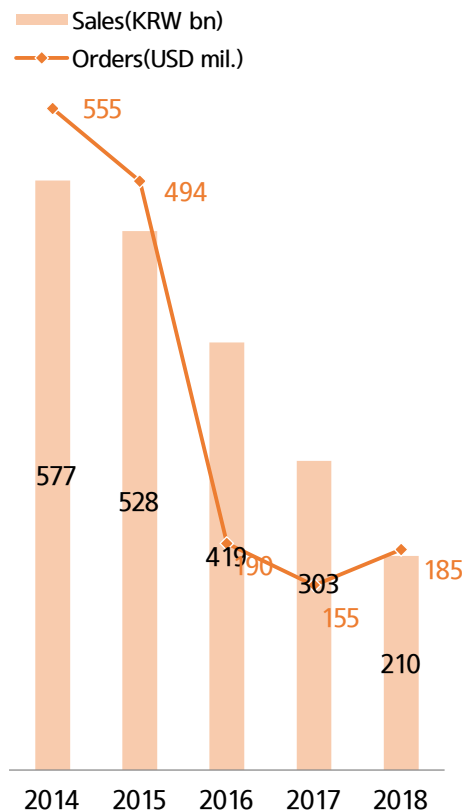


## 5. Investment Highlight

### 2) Marine products

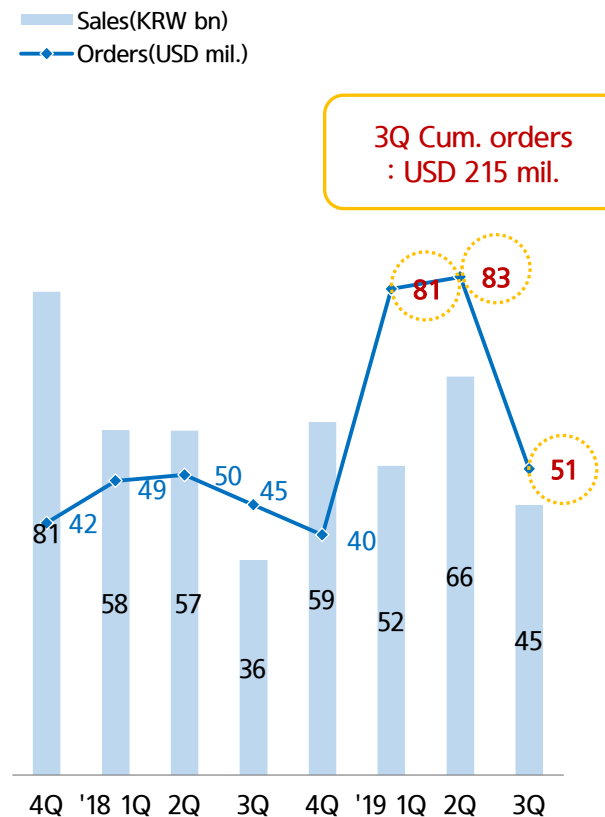
Orders for marine products have continued to recover since the bottom of 2017. As of Sep. '19, Company's marine orders are on recovery, recording USD 215 mil., already achieved 116% of 2018.

#### Orders / Sales (Annual)



Source) Hyundai Electric internal data

#### Orders / Sales (By Quarter)



- **Already achieved 116% of 2018 annual orders as of 3Q**

- : 2018 Orders improved to USD 185 mil. (YoY +19%)

- : In 2019, 3Q cumulative orders for marine products amounted USD 215 mil., already achieved 116% of 2018 annual.

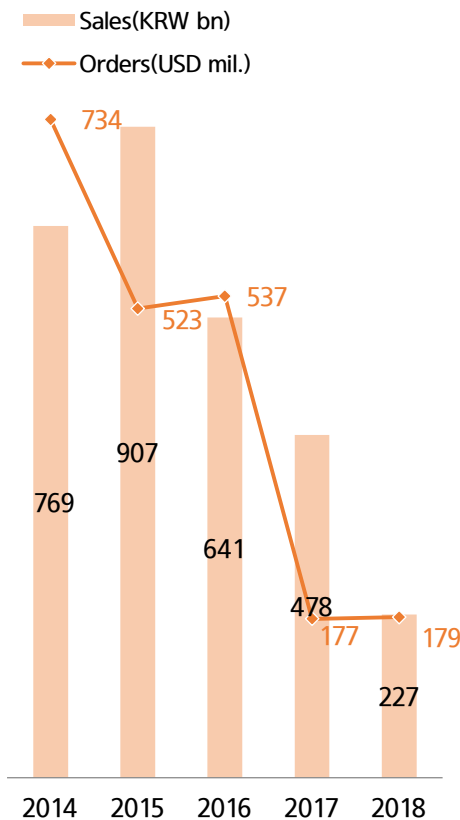
- : Recent solid order growth of ship-building industry will continue to lead to a recovery in order of Company's marine products, having some time lag (approx. 6~12 months)

## 5. Investment Highlight

### 3) Middle East market

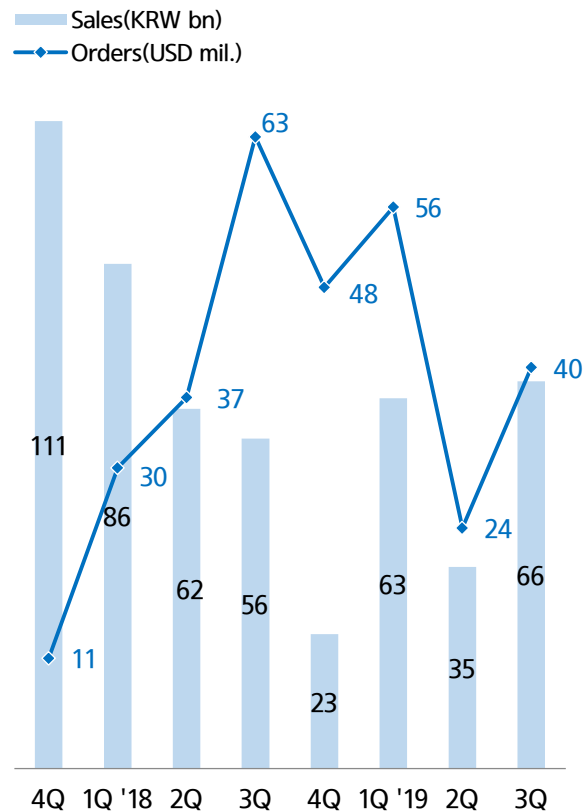
Gradual recovery expected with orders of USD 40 mil. and sales of KRW 66 bn. in 3Q.  
From 4Q, more visible recovery is expected with Saudi market recovery.

#### Orders / Sales (Annual)



Source) Hyundai Electric internal data

#### Orders / Sales (By Quarter)



- Gradual recovery expected in the Middle-East market

: In Saudi market (the largest in the M-E), where investment in infrastructure was sluggish until last year due to political issues, recently, resumption of new orders has begun.

→ more meaningful increase of orders are expected than before.

- In Saudi, more visible order resumption started

: Already ordered transformers for Hawiyah project of ARAMCO (KRW 28 bn, reflected in 4Q)

: More projects such as Marjan (ARAMCO), etc. are in progress

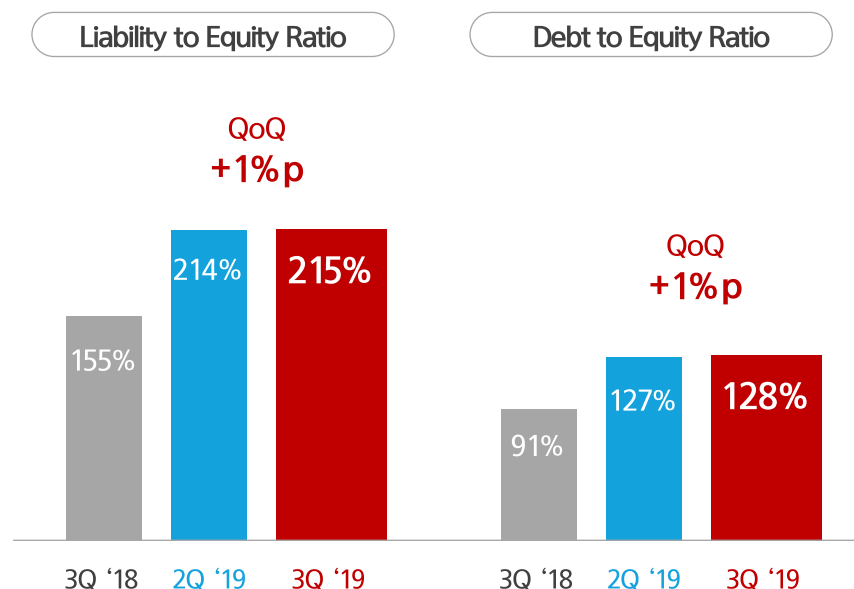
## 6. Key financial indicators

### Financial Statements

UNIT: KRW bn

	3Q '18	2Q '19	3Q '19
<b>Total Assets</b>	<b>2,425.2</b>	<b>2,331.4</b>	<b>2,347.0</b>
Current assets	1,689.2	1,539.8	1,577.8
Cash and cash equivalents	472.8	353.0	422.2
Non-current assets	736.0	791.7	769.2
<b>Total Liabilities</b>	<b>1,472.5</b>	<b>1,589.7</b>	<b>1,602.7</b>
Current liabilities	1,113.8	985.2	1,055.8
Non-current liabilities	358.7	604.5	546.9
Total Debt	864.0	940.3	948.9
Net Debt	391.2	577.3	516.7
<b>Total Equity</b>	<b>952.7</b>	<b>741.7</b>	<b>744.3</b>

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#### • Maintaining previous quarter level of debt ratio

- Liability to Equity : 2Q '19 (214%) → 3Q '19 (215%)
- Debt to Equity : 2Q '19 (127%) → 3Q '19 (128%)

