

Hanwha Aerospace 1Q 2019 Business Results



Investor Relations



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This presentation contains forward-looking statements on the financial condition, results of operations, and business of Hanwha Techwin as well as plans and objectives of the management.

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Table of Contents

Earnings Results

Consolidated P/L

Consolidated B/S

By Businesses

Hanwha Aerospace

Hanwha Defense

Hanwha Systems

Hanwha Techwin

Hanwha Power Systems

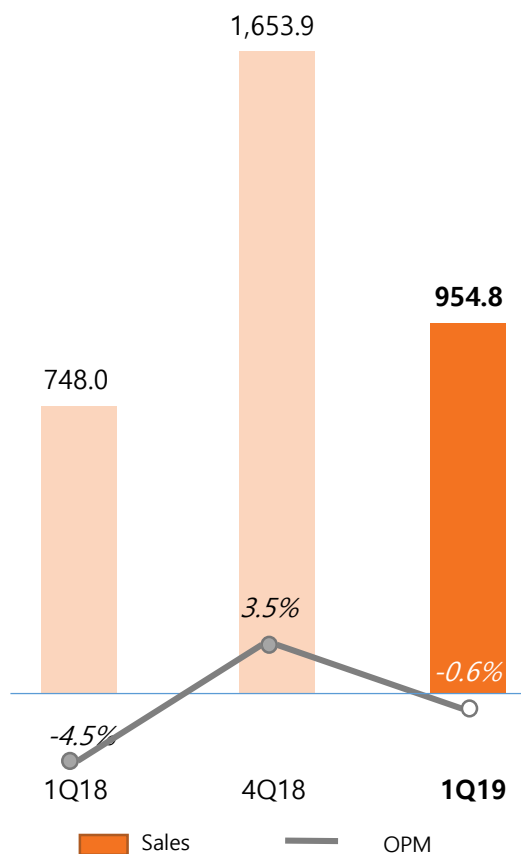
Hanwha Precision Machinery

Appendix

History / Shareholder Information / Global Network

2018 Balance Sheet / Income Statement

1Q19 Sales & Profits



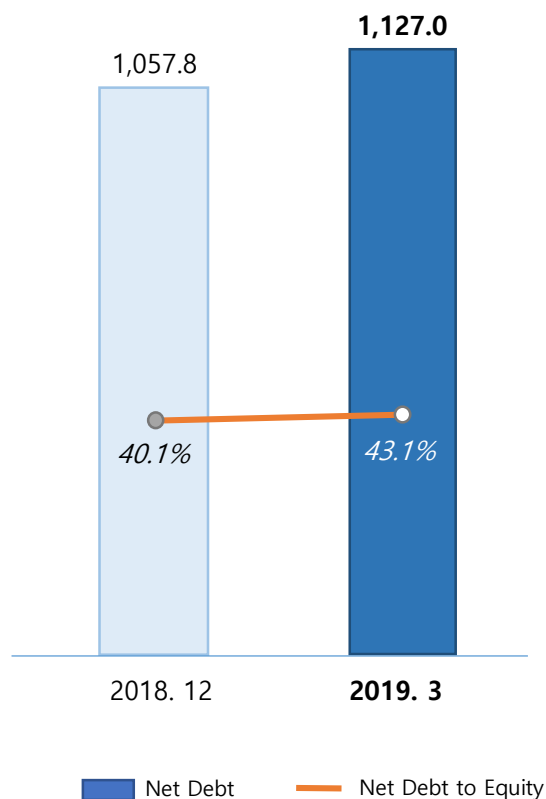
- Sales went up 27.6% yoy to KRW954.8 billion buoyed by M&As as well as strong performances by non-military businesses
- Operating profit went up KRW22.6 billion yoy to KRW-58 billion while EBITDA increased KRW45.0 billion to KRW 62.7 billion

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	748.0	1,653.9	954.8	27.6%	-42.3%
Gross Profit	125.5	287.7	186.3	48.4%	-35.2%
Operating Profit	-33.5	54.8	-5.8	82.7%	
(Excluding RSP)	-15.1	91.4	17.2		-81.2%
EBITDA	-0.7	97.6	39.8		-59.2%
(Excluding RSP)	17.7	134.2	62.7	254.2%	-53.3%
Pre-tax Profit	-41.0	57.3	-10.0	75.6%	
Net Profit	-41.0	70.1	-7.5	81.7%	
<hr/>					
%					
%COGS	83.2%	82.6%	80.5%	-2.7%p	-2.1%p
%SG&A	21.2%	14.1%	20.1%	-1.1%p	6.0%p
OPM	-4.5%	3.5%	-0.6%	3.9%p	-4.1%p
(Excluding RSP)	-2.0%	5.5%	1.8%	3.8%p	-3.7%p
Pre-tax Profit Margin	-5.5%	3.5%	-1.0%	4.5%p	-4.5%p
Net Profit Margin	-5.5%	4.2%	-0.8%	4.7%p	-5.0%p

((in KRW bil.))

Gearing



	Dec. 2018	Mar. 2019	Changes
Asset	7,396.6	7,412.3	0.2%
Current Asset	3,877.0	3,850.2	-0.7%
Cash and Cash Equivalent	636.7	518.0	-18.6%
Other Current Asset	39.6	77.0	94.4%
Receivables	1,245.6	1,145.1	-8.1%
Inventory	1,319.8	1,481.9	12.3%
Non-current assets	3,519.7	3,562.5	1.2%
Tangible assets	1,713.7	1,716.1	0.1%
Intangible assets	1,472.4	1,474.2	0.1%
Liabilities	4,760.9	4,804.1	0.9%
Current Liabilities	3,144.1	3,101.8	-1.3%
Payables and other current	625.4	616.2	-1.5%
Current Liabilities	834.5	774.6	-7.2%
Fixed Liabilities	1,616.8	1,702.3	5.3%
Borrowings	899.6	947.4	5.3%
Total Capital	2,638.0	2,613.2	-0.9%
Paid-in Capital	265.7	265.7	-
% Current Ratio	123.3%	124.1%	0.8%p
% Short-term Borrowing	48.1%	45.0%	-3.1%p
% Net-debt to Equity	40.1%	43.1%	3.0%p

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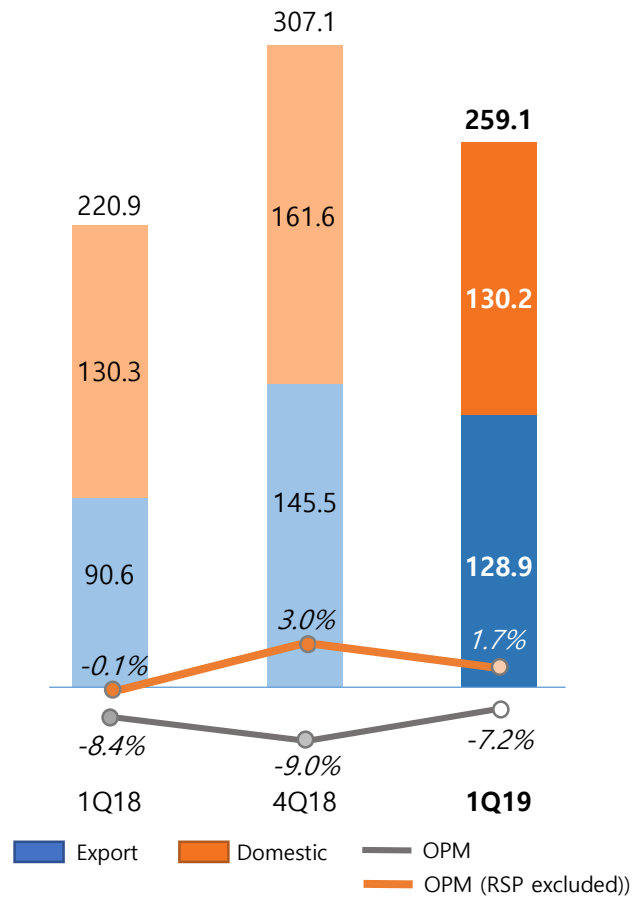
Hanwha Precision Machinery

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History / Shareholder Information / Global Network

Balance Sheet / Income Statement

1Q19 Sales and Profits



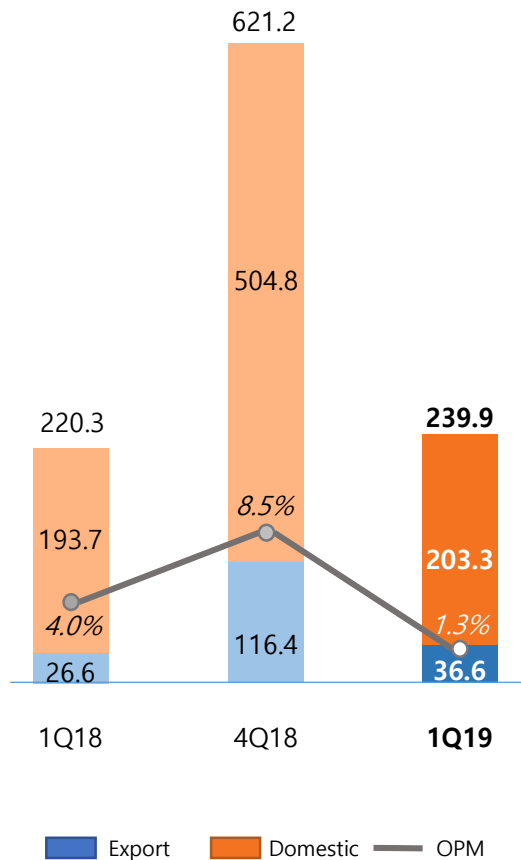
- Sales went up 17.3% yoy to KRW259.1 billion buoyed by increase in export and M&A
- Operating profit remained similar yoy in spite of enhancing profitability in LTA business despite higher losses yoy in RSP program

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	220.9	307.1	259.1	17.3%	-15.6%
OP(M)	-18.6(-8.4%)	-27.5(-9.0%)	-18.7(-7.2%)	(1.2%p)	(1.8%p)
<i>GTF RSP profit</i>	18.4	36.6	23.0	25.0%	-37.2%
Domestic Sales	130.3	161.6	130.2	-0.1%	-19.4%
Engine	102.8	112.8	56.4	-45.1%	-50.0%
Combustion	26.2	45.9	38.4	46.6%	-16.3%
Aircraft parts*	-	-	31.8	-	-
Com firepower	1.3	2.9	3.6	176.9%	24.1%
Export to	90.6	145.5	128.9	42.3%	-11.4%
GE	44.9	67.3	64.2	43.0%	-4.6%
RR	22.6	27.0	24.8	9.7%	-8.1%
PW	14.4	36.0	29.4	104.2%	-18.3%
Other	8.7	15.2	10.5	20.7%	-30.9%
※ GTF RSP Sales	5.0	21.3	14.5	190.0%	-31.9%

*newly acquired business

1Q19 Sales and Profits

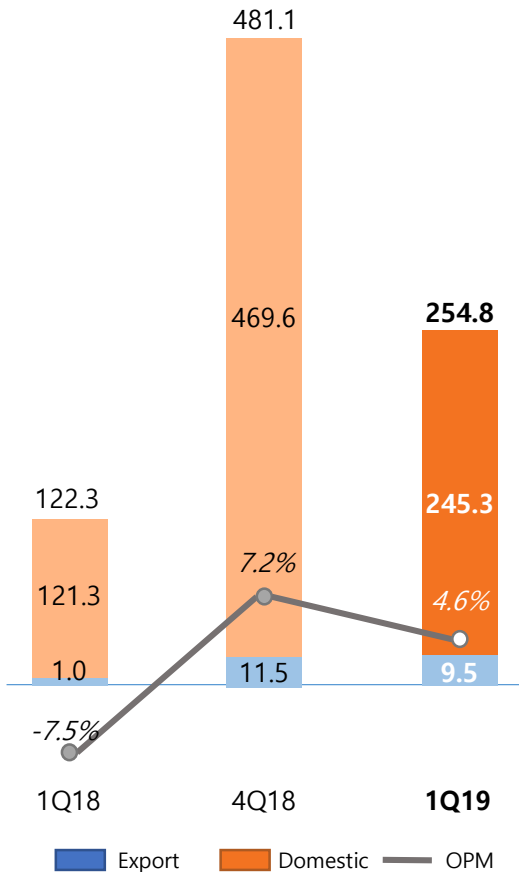


- Sales grew 8.9% yoy to KRW239.9 billion thanks to export of K9 to India
- Operating profit decreased KRW58 billion to KRW30 billion due to increase in product development and marketing expenses

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	220.3	621.2	239.9	8.9%	-61.4%
OP(M)	8.8(4.0%)	52.5(8.5%)	3.0(1.3%)	(-2.7%p)	(-7.2%p)
Domestic	193.7	504.8	203.3	5.0%	-59.7%
K9 and etc	146.5	337.3	154.2	5.3%	-54.3%
Other Land	13.9	61.6	13.3	-4.3%	-78.4%
Land to Air	31.7	98.8	35.1	10.7%	-64.5%
Man-less	1.6	7.1	0.7	-56.3%	-90.1%
Export	26.6	116.4	36.6	37.6%	-68.6%

1Q19 Sales and Profits



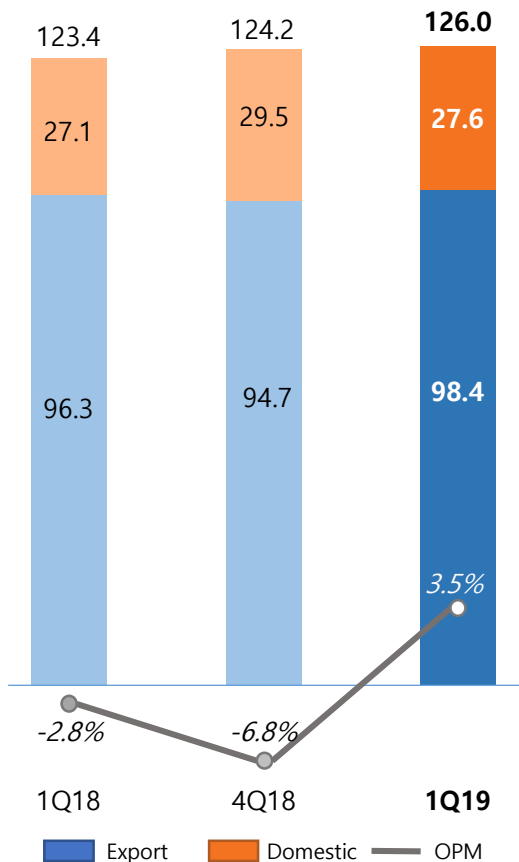
- Sales grew 108% yoy to KRW 254.8 billion from M&A with S&C and well-performed pre-merger business
- Operating profit went up KRW20.8 billion to KRW11.8 billion

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	122.3	481.1	254.8	108.3%	71.8%
OP(M)	-9.1(-7.5%)	34.7(7.2%)	11.8(4.6%)	(12.1%p)	(-2.6%p)
Pre-merger	-9.1(-7.5%)	25.8(7.1%)	-3.2(-2.0%)	(5.5%p)	(-9.1%p)
ICT	-	8.9(7.7%)*	15.0(15.8%)	-	(8.1%p)
Pre-Merger	122.3	365.2	160.2	31.0%	-56.1%
Land	31.7	175.3	55.6	75.4%	-68.3%
Marine	31.4	109.6	28.0	-10.8%	-74.5%
Radar/Air	58.1	78.5	75.3	29.6%	-4.1%
Export	1.0	1.7	1.3	30.0%	-23.5%
ICT	-	115.9	94.7	-	-18.3%

* 4Q ICT results only includes that of August and September.

1Q19 Sales and Profits

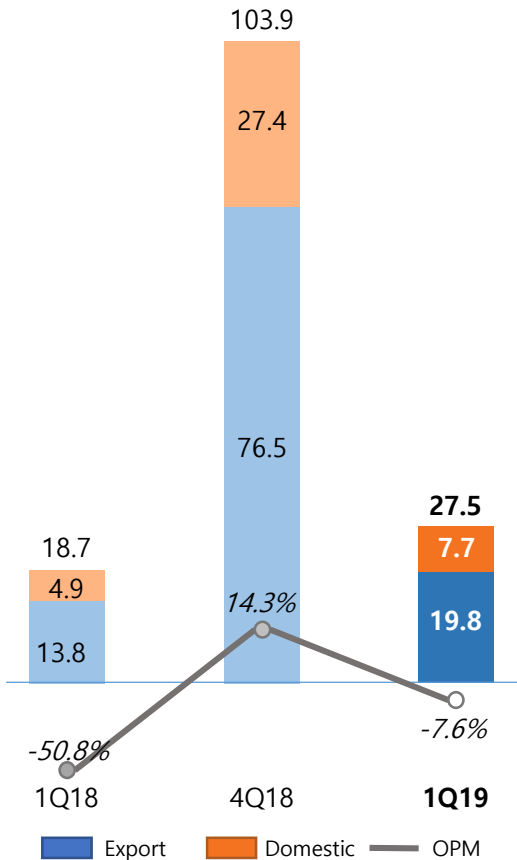


- Sales went up 2.1% yoy KRW 126 billion
- Operating profit went up KRW7.9 billion yoy to KRW4.4 billion buoyed by strong growth in B2B market in the US market as well as decrease in cost of raw material such as semiconductors

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	123.4	124.2	126.0	2.1%	1.4%
OP(M)	-3.5(-2.8%)	-8.4(-6.8%)	4.4(3.5%)	(6.3%p)	(10.3%p)
By Product					
Network Camera	68.8	80.0	80.4	16.9%	0.5%
Analog Camera	10.8	7.7	7.9	-26.9%	2.6%
B2C	18.4	5.6	5.7	-69.0%	1.8%
Other	25.4	30.9	32.0	26.0%	3.6%
By Region					
Americas	47.5	44.8	50.1	5.5%	11.8%
Europe	20.9	18.7	17.1	-18.2%	-8.6%
China	3.7	-0.4	2.9	-21.6%	825.0%
ROW	24.2	31.6	28.3	16.9%	-10.4%

1Q19 Sales and Profits

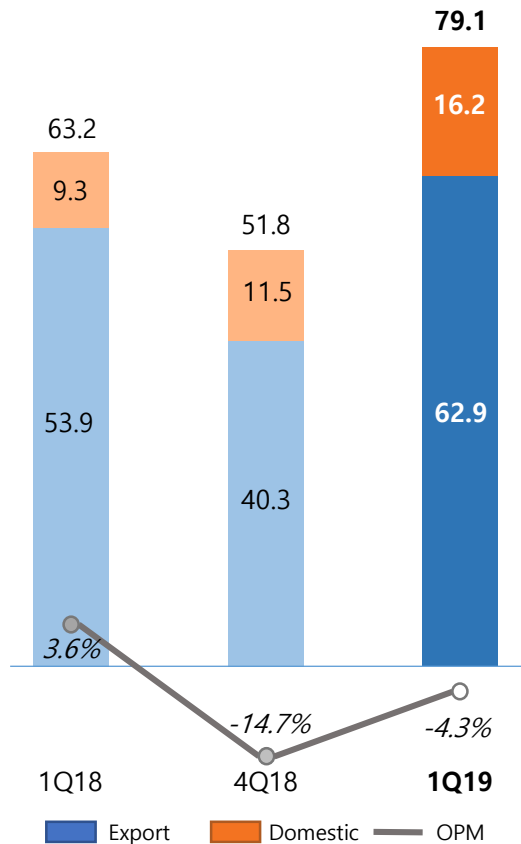


- Sales went up 47.1% yoy to KRW 27.5 billion thanks to strong demand from China and higher oil price
- Operating profit went up KRW7.4billion to KRW-2.1 billion buoyed by rising Asp and strategic focus on high-margin businesses

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	18.7	103.9	27.5	47.1%	-73.5%
OP(M)	-9.5(-50.8)	14.8(14.3%)	-2.1(-7.6%)	(43.2%p)	(-21.9%p)
Standard	8.2	28.8	14.6	78.0%	-49.3%
On-demand	5.8	56.7	7.0	20.7%	-87.7%
After Market	4.2	12.0	5.2	23.8%	-56.7%
Other	0.4	6.4	0.7	75.0%	-89.1%

1Q19 Sales and Profits



- Sales grew 25.2% yoy to KRW79.1billion buoyed by M&A
- Profit decreased KRW1.8 billion to KW-0.5 billion due to sluggish electronics and automobile industry in China

((in KRW bil.))

	1Q18	4Q18	1Q19	YoY	QoQ
Sales	63.2	51.8	79.1	25.2%	52.7
OP(M)	2.3(3.6%)	-7.6(-14.7%)	-0.5(-0.7%)	(-4.3%p)	(-14.0%p)
SMT	6.8	-3.0	3.8	-44.1%	
Millings	-	-	-1.1	-	-
Robot	-4.5	-4.6	-3.2	28.9%	-30.4%
by products					
SMT	60.1	41.4	48.2	-19.8%	16.4%
New	0.2	9.8	9.4	4,600.0%	-4.1%
CNC/MWA	-	-	20.6	-	-
Robot	1.3	0.6	1.0	-23.1%	66.7%
by region					
China	37.1	22.5	39.6	6.7%	76.0%
Domestic	9.3	11.5	16.2	74.2%	40.9%
Other	16.8	17.8	23.3	38.7%	30.9%

*SMT(Surface mount technology



Appendix

History / Shareholder Information / Global Network

2018 Balance Sheet / Income Statement

History

1977
Establishment -
Samsung Precision

1979
Film Camera
Aircraft Engine MRO

1981
Aircraft Component

1989
Chip-mounters

1991
Video Surveillance



2001
Export K9 to Turkey

2003
F404 Engine for T50



2015
Hanwha
Techwin

2017
Establishment –
Hanwha Land Systems
Hanwha Power Systems
Hanwha Precision
Machinery

2019
Merger of Land
System&Defense

Aerospace acquired
Aerospace Parts
business

Precision Machinery
acquired milling
business

1985
Semiconductor Materials
K55 Howitzer

1986
Military Aircraft(KFP)

1987
Corporate Name Change -
Samsung Aerospace



1996
K9 Howitzer

1999
Aircraft Business
Spin-off

2000
Corporate Name
Change -
Samsung Techwin

2009
DSC* Spin-off

2010
VSS* Integration
Hanwha Systems 50%
share Acquisition

2014
MDS* Spin-off

2016
Hanwha Defense
Acquisition

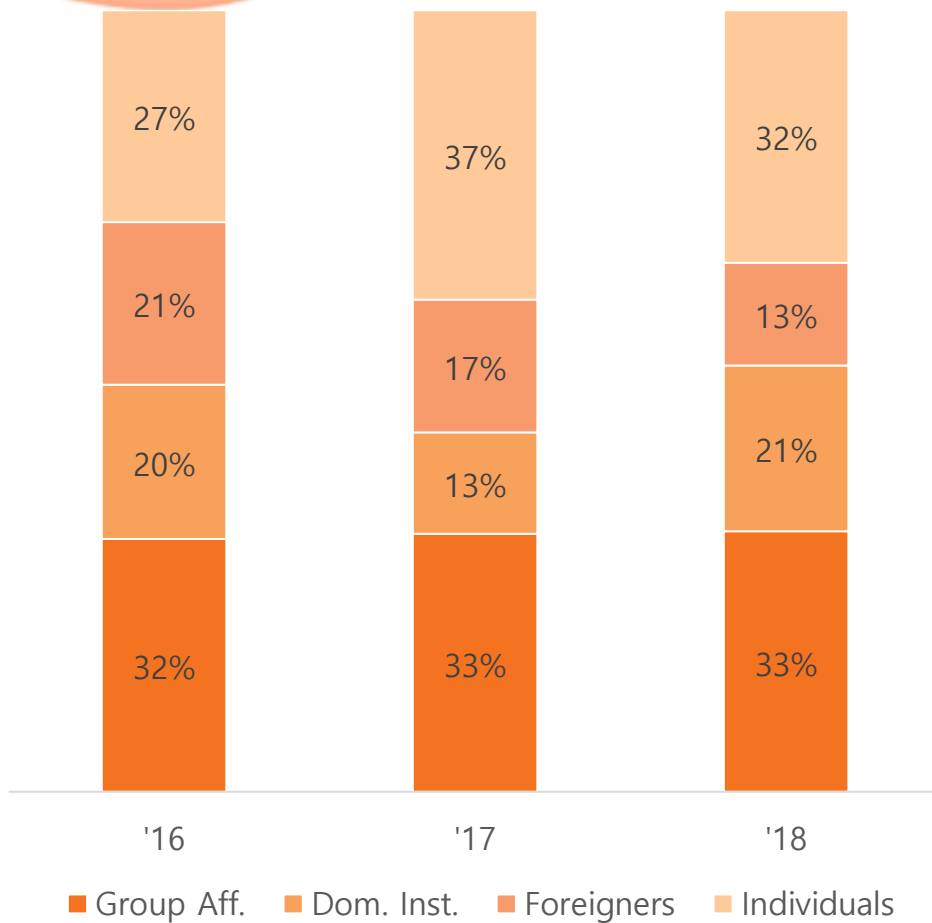
Hanwha Systems
100%
Acquisition

2018
Hanwha Aerospace

Establishment –
Hanwha Techwin
(Security Business)

* DSC : Digital Still Camera
* VSS : Video Surveillance System
* MDS : Micro Device Solutions

Shareholder Information



(Bn KRW)

Major Shareholder (Group Affiliates)

	Share(%)	Market Value
Hanwha corp.	33.0%	559

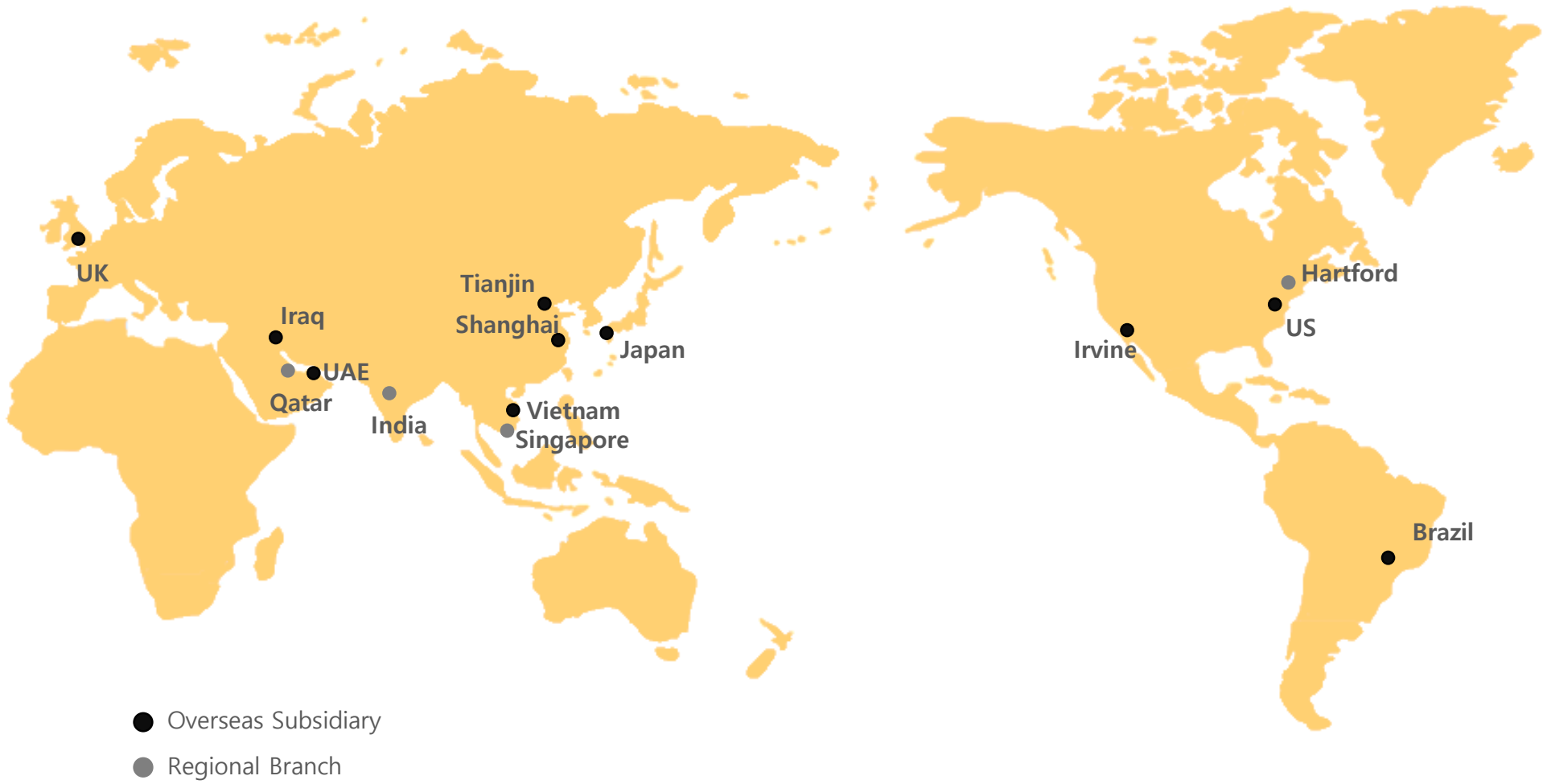
(As of Dec. 31, 2018)

Subsidiaries

	Share(%)
Hanwha Systems	52.9%
Hanwha Land Systems	100.0%
Hanwha Defense ¹⁾	100.0%
Hanwha Techwin	100.0%
Hanwha Power Systems	100.0%
Hanwha Precision Machinery	100.0%

(As of Dec. 31, 2018)

Appendix – Global Network



B/S (Consolidated)

(In KRW billion)

Assets	7,397
Current Assets	3,877
Cash & Cash Equivalents	637
Accounts & Other Receivables	1,245
Inventories	1,320
Non-current Assets	3,519
AFS assets	1,713
Liabilities	4,761
Current Liabilities	3,144
Account Payables	325
Short-term Borrowings	834
Non-current Liabilities	1,617
Long-term Borrowings	899
Equities	2,636
Capital Stocks	266

(As of Dec. 31, 2018)

P/L (Consolidated)

(In KRW billion)

Sales Revenue	4,453
Cost of Sales	(3,655)
Gross Profit	798
SG&A expenses	(592)
R&D expenses	(152)
Operating Profit	53
Equity Method gain	6
Finance income(expense)	(33)
Other non operating income(expense)	28
Profit before Income Taxes	53
Income tax expense	(4)
Net Profit	49

(As of Dec. 31, 2018)