

# 2018 1H Business Results

July. 27. 2018



# Disclaimer



The financial numbers and statements included in the following presentation represent statements made before the external review by independent public accountants for the financial results of 2018 1H, and are presented here today solely for the purpose of offering the investor an understanding of the company.

Part of the presentation is subject to change in the process of final reviewing by independent public accountants.

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# Income Statement (1H)

(Billion KRW)	2017 1H	%	2018 1H	%	Change(%)
Revenue	3,685	100	3,798	100	3.1
COGS	3,477	94.3	3,650	96.1	5.0
SG&A	135	3.7	158	4.2	16.9
Operating Profit	73	2.0	-9	-0.2	N/A
Income before tax	42	1.1	-28	-0.7	N/A
Net income	42	1.1	-23	-0.6	N/A

- **Revenue** Sales increase in auto parts division due to volume growth of engine business
- **Operating Profit** Unfavorable FX, fixed cost burden of new plants, weak machinery division

# Income Statement (2Q)

(Billion KRW, %)	2017 2Q	%	2018 1Q	%	2018 2Q	%	YoY	QoQ
<b>Revenue</b>	1,813	100	1,741	100	2,057	100	13.5	18.2
<b>COGS</b>	1,717	94.7	1,700	97.6	1,950	94.8	13.5	14.7
<b>SG&amp;A</b>	66	3.7	71	4.1	87	4.2	32.3	22.8
<b>Operating Profit</b>	30	1.7	-30	-1.7	20	1.0	-32.4	N/A
<b>Income before tax</b>	37	2.1	-23	-1.3	-5	-0.2	N/A	N/A
<b>Net income</b>	40	2.2	-17	-1.0	-6	-0.3	N/A	N/A

- ▶ **Revenue**      Strong auto parts sales and revenue increase in machinery division
- ▶ **Operating Profit**
  - YoY : Unfavorable FX and expenses increase in machinery division
  - QoQ : Volume growth of all auto parts division

# Biz Area Performance

(Billion KRW)	2017 1H	2018 1H	Change(%)
Revenue	3,685	3,798	3.1
Auto parts	3,152	3,238	2.7
Machinery	533	560	5.1
Operating Profit	73 (2.0%)	-9 (-0.2%)	N/A
Auto parts	87 (2.8%)	43 (1.3%)	-50.6
Machinery	-14 (-2.6%)	-52 (-9.4%)	N/A

## Operating Profit

## Analysis

- ▶ **Auto Parts**
  - Strong Korean Won (Average FX -67 Won, 1,142 Won/\$ → 1,075 Won/\$)
  - Volume and product mix impact (Engine ↑ , Others ↓)
  - Increase fixed cost burden of new engine plants (Korea diesel, Mexico)
- ▶ **Machinery**
  - Increase in marketing expenses of machine tools division
  - Provision for lawsuit in defense business
  - Fixed cost burden of industrial machinery

# Biz Area Performance (2Q) >>>

(Billion KRW)		2017 1H		1Q	2Q	2018 1H		1Q	2Q	1H	2Q	
											YoY	QoQ
Revenue		3,685	1,872	1,813	3,798	1,741	2,057	3.1	13.5	18.2		
	Auto parts	3,152	1,611	1,542	3,238	1,480	1,759	2.7	14.1	18.9		
	Machinery	533	261	271	560	261	298	5.1	10.0	14.2		
Operating Profit		73 (2.0%)	43 (2.3%)	30 (1.7%)	-9 (0.2%)	-29 (-1.7%)	20 (1.0%)	N/A	-32.2	N/A		
	Auto parts	87 (2.8%)	49 (3.0%)	38 (2.5%)	43 (1.3%)	-3 (0.2%)	46 (2.6%)	-50.6	21.2	N/A		
	Machinery	-14 (-2.6%)	-6 (-2.2%)	-8 (-3.0%)	-52 (-9.4%)	-26 (-10.1%)	-26 (-8.7%)	N/A	N/A	N/A		

# Balance Sheet

(Billion KRW)	2017-End	2018 June-End	Change
<b>Assets</b>	<b>7,194</b>	<b>7,159</b>	<b>-35</b>
Cash & cash equivalents	1,508	1,103	-405
Account receivable	1,173	1,660	487
<b>Liabilities</b>	<b>4,054</b>	<b>4,042</b>	<b>-12</b>
Debit	2,253	2,427	174
(Net Debt)	(745)	(1,324)	(579)
<b>Equity</b>	<b>3,140</b>	<b>3,117</b>	<b>-23</b>
<b>Liability/Equity</b>	<b>129%</b>	<b>130%</b>	<b>1%p</b>

※ Cash & Cash Equivalents = Cash + Short-term financial instruments



# Cash Flow

(Billion KRW)	2018 June-End	Cash at Beginning (Incl. ST financial instruments)
<b>Cash flows from operating</b>	-458	931 (1,508)
Net Profit	-23	
Depreciation & Amortization	128	
Changes in operating assets and liabilities	-607	
<b>Cash flows from investing</b>	-271	-615 (-405)
Increase of tangible & intangible assets	-67	
Increase of short-term financial instruments	-210	
<b>Cash flows from financing</b>	109	Cash at End (Incl. ST financial instruments)
Increase of Debt	125	316 (1,103)

# Other Operating Inc&Exp

(Unit : KRW Billion Won)

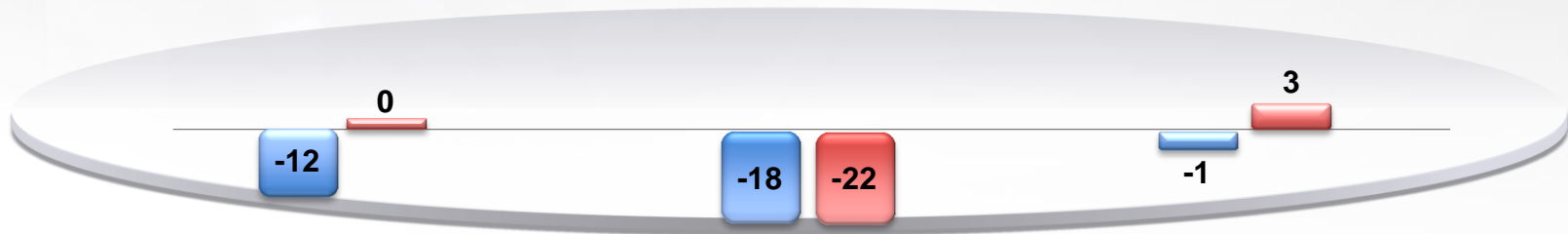
Other Inc&Exp

Finance  
Inc&Exp

Equity Earning

2017 1H

2018 1H



# Thank You