

2018 4Q Business Results

Jan. 25, 2019



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 4Q, 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

| (Billion KRW) | 2017 | % | 2018 | % | Change(%) |
|-------------------|-------|------|-------|------|-----------|
| Revenue | 7,487 | 100 | 7,880 | 100 | 5.3 |
| COGS | 7,193 | 96.1 | 7,578 | 96.2 | 5.4 |
| SG&A | 277 | 3.7 | 297 | 3.8 | 7.1 |
| Operating Profit | 17 | 0.2 | 5 | 0.1 | -69.9 |
| Income before tax | -97 | -1.3 | -71 | -0.9 | |
| Net income | -63 | -0.8 | -55 | -0.7 | |

- **Revenue** Sales increase in auto parts division due to volume growth of engine business
- **Operating Profit** Weak machinery divisions (struggling machine tools, dispose of the industrial machinery, etc.)

Income Statement (3Q)

| (Billion KRW, %) | '17.4Q | % | '18.3Q | % | '18.4Q | % | YoY | QoQ |
|--------------------------|--------|------|--------|------|--------|------|------|-------|
| Revenue | 1,877 | 100 | 1,922 | 100 | 2,160 | 100 | 15.1 | 12.4 |
| COGS | 1,875 | 99.9 | 1,845 | 96.0 | 2,084 | 96.5 | 11.1 | 12.9 |
| SG&A | 73 | 3.9 | 67 | 3.5 | 72 | 3.3 | -2.3 | 6.5 |
| Operating Profit | -72 | -3.8 | 10 | 0.5 | 5 | 0.2 | | -49.5 |
| Income before tax | -157 | -8.4 | -11 | -0.6 | -31 | -1.4 | | |
| Net income | -119 | -6.3 | -8 | -0.4 | -24 | -1.1 | | |

► **Revenue** • YoY / QoQ : Volume increase in engine business

► **Operating Profit** • YoY : Volume and product mix impact in auto parts, low-base effect of ordinary wage lawsuit in 2017.
• QoQ : Expenses increase in machinery

Biz Area Performance

| (Billion KRW) | 2017 | 2018 | Change(%) |
|------------------|----------------|------------------|-----------|
| Revenue | 7,487 | 7,880 | 5.3 |
| Auto parts | 6,442 | 6,850 | 6.4 |
| Machinery | 1,045 | 1,030 | -1.5 |
| Operating Profit | 17 (0.2%) | 5 (0.1%) | -69.9 |
| Auto parts | 68 (1.1%) | 120 (1.8%) | 75.4 |
| Machinery | -52 (-4.9%) | -115 (-11.2%) | |

Operating Profit

Analysis

- ▶ **Auto Parts**
 - Strong Korean Won (Average FX -31 Won, 1,131 Won/\$ → 1,100 Won/\$)
 - Volume and product mix improvement (UTR of global engine business ↑)
 - Low-base effect of ordinary wage lawsuit in 2017
- ▶ **Machinery**
 - Increase in marketing expenses of machine tools division
 - Provision for lawsuit in defense business
 - Fixed cost burden of industrial machinery

Biz Area Performance (4Q) >>>

| (Billion KRW) | | 2017 | 1Q | 2Q | 3Q | 4Q | 2018 | 1Q | 2Q | 3Q | 4Q |
|------------------|------------|----------------|---------------|---------------|----------------|----------------|------------------|-----------------|----------------|----------------|-----------------|
| Revenue | | 7,487 | 1,872 | 1,813 | 1,925 | 1,877 | 7,880 | 1,741 | 2,057 | 1,922 | 2,160 |
| | Auto Parts | 6,442 | 1,611 | 1,542 | 1,674 | 1,616 | 6,850 | 1,480 | 1,759 | 1,670 | 1,942 |
| | Machinery | 1,045 | 261 | 271 | 251 | 261 | 1,030 | 261 | 298 | 252 | 218 |
| Operating Profit | | 17 (0.2%) | 43 (2.3%) | 30 (1.7%) | 15 (0.8%) | -72 (-3.8%) | 5 (0.1%) | -30 (-1.7%) | 20 (1.0%) | 10 (0.5%) | 5 (0.2%) |
| | Auto Parts | 68 (1.1%) | 49 (3.0%) | 38 (2.5%) | 28 (1.7%) | -47 (-2.9%) | 120 (1.8%) | -3 (-0.2%) | 46 (2.6%) | 27 (1.6%) | 50 (2.6%) |
| | Machinery | -52 (-4.9%) | -6 (-2.2%) | -8 (-3.0%) | -13 (-5.1%) | -25 (-9.5%) | -115 (-11.2%) | -27 (-10.1%) | -26 (-8.7%) | -17 (-6.8%) | -45 (-20.7%) |

Balance Sheet

| (Billion KRW) | 2017-End | 2018-End | Change |
|-------------------------|--------------|--------------|-------------|
| Assets | 7,194 | 7,107 | -87 |
| Cash & cash equivalents | 1,508 | 1,200 | -308 |
| Account receivable | 1,173 | 1,669 | 496 |
| Liabilities | 4,054 | 4,070 | 16 |
| Debit | 2,253 | 2,279 | 26 |
| (Net Debt) | (745) | (1,080) | (335) |
| Equity | 3,140 | 3,037 | -103 |
| Liability/Equity | 129% | 134% | 5%p |

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

Cash Flow

| (Billion KRW) | 2018-End | Cash at Beginning (Incl. ST financial instruments) |
|---|----------|---|
| Cash flows from operating | -113 | 931 (1,508) |
| Net Profit | -55 | |
| Depreciation & Amortization | 261 | |
| Changes in operating assets and liabilities | -408 | |
| Cash flows from investing | -464 | -595 (-308) |
| Increase of tangible & intangible assets | -184 | |
| Increase of financial instruments | -287 | |
| Cash flows from financing | -21 | Cash at End (Incl. ST financial instruments) |
| Increase of debt | -5 | 336 (1,200) |

Other Operating Inc&Exp

(Unit : Billion KRW)

Other Inc&Exp

Finance
Inc&Exp

Equity Earning

-66

-12

-42

-47

-5

-17

2017

2018

2017

-113

+37

2018

-76

Thank You