



Hyundai Heavy Industries 1Q 2011 K-IFRS Consolidated Earnings Release

May 30, 2011

Important Notice

The financial information regarding “1Q 2011 Consolidated Earnings Release” is consolidated financial earnings results based on K-IFRS. 2010 earnings results have also been restated in compliance with K-IFRS.

The information of 1Q 2010 consolidated figures and 4Q 2010 non-consolidated figures contained in this presentation has not been reviewed by outside auditors. It is presented here unaudited in the interest of timely disclosure solely for the convenience of our investors, and is subject to change as a result of the auditing process.

Also this presentation contains Business Plan which was formed based on the company’s estimation and therefore, the actual results may vary depending on both the domestic and global business environment.

I . Changes in Accounting Policy

II. IFRS Consolidated Results

III. IFRS Non-consolidated Results

IV. Subsidiaries

Changes in Accounting Policy

Major changes under K-IFRS

	K-GAAP	K-IFRS
Scope of consolidation	Largest shareholder with more than 30% shareholding (Excluding companies under KRW 10 bil. of total assets)	More than 50% of shareholding or owns effective management control (Including companies more than KRW 10 bil. of total assets)
Revenue recognition criteria of large engines for vessels	Revenue is recognized based on the percentage of completion method.	Revenue is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer.
Tangible assets	Cost method or revaluation method (HHI : Cost method)	Fair value valuation is available once adopting K-IFRS , since then, cost method or revaluation method should be chosen (HHI : Cost method after revaluation of land)
Employee benefits	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.	Under the Projected Unit Credit method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation.
Changes in depreciation useful lives (years)	Machinery and equipment(10), Ships(12), Vehicles(5), Tools, furniture and fixtures(5)	Machinery and equipment(12~15), Ships(15 or 25), Vehicles(5, 8, 10), Tools, furniture and fixtures(5, 7, 10)

Scope of consolidation under K-IFRS (51 companies)

Major segments	Major subsidiaries
Shipbuilding	Hyundai Mipo Dockyard, Hyundai Samho Heavy Industries, HYMS, Mipo Engineering etc.
Refinery	Hyundai Oilbank etc.
Finance	Hi Investment & Securities, Hi Asset Management, Hyundai Finance, Hyundai Futures, Hyundai Venture Investment etc.

***Total number of consolidated companies: 41 companies (1Q 2010), 46 companies (as of the end of 2010)**

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Statements of Comprehensive Income (K-IFRS consolidated)



□ 1Q 2011 sales recorded KRW 12,701.0 bil., operating margin KRW 1,710.9 bil., net income KRW 1,418.8 bil.

- Sales and operating income increased mainly due to sales growth and margin improvement of shipbuilding and construction equipment segment, as well as the acquisition of Hyundai Oilbank

(unit : bil. KRW)

	2011. 1Q	YoY	2010. 1Q
Sales	12,701.1	70.1%	7,466.7
Cost of sales	10,412.7	81.4%	5,739.8
Gross profit	2,288.4	32.5%	1,726.9
Operating income	1,710.9	29.0%	1,326.5
Operating income margin	13.5%	-4.3%p	17.8%
Other non-operating income	(235.5)	-	(421.0)
Financial income	380.2	-19.9%	474.6
Equity method income	(18.5)	-	31.6
Net income before income taxes	1,837.1	30.1%	1,411.7
Net income	1,418.8	36.2%	1,041.4
Net income margin	11.2%	-2.7%p	13.9%
Comprehensive income	1,610.8	95.2%	825.0
Comprehensive income margin	12.7%	1.7%p	11.0%

Sales by segments (K-IFRS Consolidated)

(unit : bil. KRW)

	2011. 1Q	YoY	2010. 1Q
Shipbuilding	4,589.9	22.0%	3,761.2
Offshore & Engineering	765.3	16.8%	655.0
Industrial Plant & Engineering	716.1	-8.0%	778.6
Engine & Machinery	475.9	-1.0%	480.7
Electro Electric Systems	360.7	-54.5%	792.0
Green Energy	147.5	-	-
Construction Equipment	1,284.7	51.1%	850.1
Refinery	4,151.2	-	-
Finance	145.2	31.3%	110.6
Others	64.6	67.8%	38.5
Total	12,701.1	70.1%	7,466.7

Operating income by segments (K-IFRS consolidated)



(unit: bil. KRW)

	2011. 1Q		2010. 1Q
		YoY	
Shipbuilding	821.8	23.0%	667.9
Offshore & Engineering	108.4	7.4%	100.9
Industrial Plant & Engineering	126.1	-15.8%	149.8
Engine & Machinery	188.9	6.0%	178.2
Electro Electric Systems	29.0	-82.4%	164.8
Green Energy	3.9	Turn to profit	-7.3
Construction Equipment	213.7	149.4%	85.7
Refinery	218.8	-	-
Finance	24.9	2.9%	24.2
Others	48.3	81.6%	26.6
Selling, general and administrative expenses	(72.9)	-	(64.3)
Total	1,710.9	29.0%	1,326.5

Statements of Financial Position (K-IFRS consolidated)



(unit: bil. KRW)

	As of Mar.31 2011	As of Dec.31 2010	Change	
Total Assets	48,956.2	47,000.8	1,955.4	4.2%
Current Assets	23,809.0	22,718.5	1,090.5	4.8%
*Cash & Cash Equivalents	2,814.9	1,878.8	936.1	49.8%
Non-current Assets	25,147.2	24,282.3	864.9	3.6%
Total Liabilities	31,724.1	30,905.6	818.5	2.6%
Current Liabilities	26,883.4	26,104.5	778.9	3.0%
Non-current Liabilities	4,840.7	4,801.1	39.6	0.8%
Shareholders' Equity	17,232.1	16,095.2	1,136.9	7.1%
Liabilities-to-Equity Ratio	184.1%	192.0%	-7.9%p	-
Debt-to-Equity Ratio	56.9%	61.2%	-4.2%p	-
Total borrowings	9,811.6	9,844.4	(32.8)	-0.3%

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Statements of Comprehensive Income (K-IFRS non-consolidated)

(unit : bil. KRW)

	2011. 1Q		2010. 4Q	2010. 1Q	
	QoQ	YoY			
Sales	6,306.3	-1.8%	16.9%	6,419.0	5,393.5
Cost of sales	5,020.0	-1.1%	18.4%	5,074.8	4,239.1
Gross profit	1,286.2	-4.3%	11.4%	1,344.2	1,154.4
Operating income	991.8	-7.7%	11.0%	1,075.1	893.6
Operating income margin	15.7%	-1.0%p	-0.9%p	16.7%	16.6%
Other non-operating income	(132.9)	-	-	(1.5)	(247.6)
Financial income	258.0	Turn to profit	-21.3%	(24.7)	327.7
Net income before income taxes	1,116.9	6.5%	14.7%	1,048.9	973.7
Net income	903.0	12.2%	21.2%	804.8	745.3
Net income margin	14.3%	1.8%p	0.5%p	12.5%	13.8%

Sales by divisions (K-IFRS non-consolidated)

(unit : bil. KRW)

	2011. 1Q			2010. 4Q	2010. 1Q
		QoQ	YoY		
Shipbuilding	2,572.8	16.3%	32.8%	2,211.8	1,937.6
Offshore & Engineering	765.3	-25.4%	17.0%	1,025.6	654.1
Industrial Plant & Engineering	755.1	16.5%	-3.1%	647.9	779.0
Engine & Machinery	732.8	-26.3%	7.0%	994.9	684.6
Electro Electric Systems	378.2	-51.7%	-42.3%	783.2	655.7
Green Energy	149.0	-12.3%	26.8%	169.9	117.5
Construction Equipment	914.3	68.0%	71.6%	544.3	532.9
Others	38.8	-6.3%	20.9%	41.4	32.1
Total	6,306.3	-1.8%	16.9%	6,419.0	5,393.5

Statements of Financial Position (K-IFRS non-consolidated)



(unit: bil. KRW)

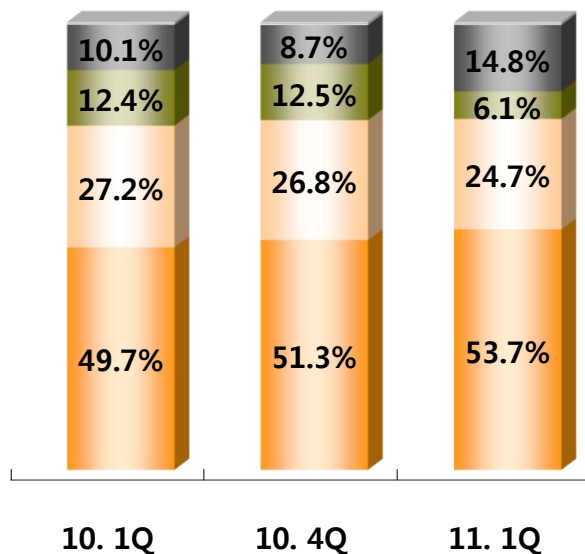
	As of Mar.31 2011	As of Dec.31 2010	Change	
Total Assets	30,218.6	28,570.1	1,648.5	5.8%
Current Assets	12,638.6	11,511.1	1,127.5	9.8%
*Cash & Cash Equivalents	1,470.3	624.5	845.8	135.4%
Non-current Assets	17,580.0	17,059.0	521.0	3.1%
Total Liabilities	16,490.3	15,497.5	992.8	6.4%
Current Liabilities	15,124.6	14,180.0	944.6	6.7%
Non-current Liabilities	1,365.7	1,317.5	48.2	3.7%
Shareholders' Equity	13,728.3	13,072.6	655.7	5.0%
Liabilities-to-Equity Ratio	120.1%	118.5%	1.6%p	-
Debt-to-Equity Ratio	26.9%	26.4%	0.5%p	-
Total borrowings	3,693.3	3,447.3	246.0	7.1%

Sales Analysis (K-IFRS non-consolidated)

□ Recorded KRW 6,306.3 bil. In 1Q 2011 (Decreased by 1.8% QoQ, increased by 16.9% YoY)

- QoQ : Decreased by 1.8% due to sales decline in Offshore, Engine & Machinery, Electro Electric Systems division
- YoY : Increased by 16.9% due to sales increase in Shipbuilding and Construction Equipment division

Sales Breakdown



- Others
- Construction Equipment
- Electro Electric Systems
- Offshore&Engineering/Industrial Plant
- Shipbuilding/Engine&Machinery

➤ Sales analysis QoQ

- Shipbuilding : Increased due to the work volume increase
- Offshore : Decreased due to the completion of major projects
- Industrial Plant : Increased due to the work volume increase of power plant projects
- Engine & Machinery : Decreased due to sales of power packaged stations(PPS) declining to the normalized level
- Electro Electric Systems : Sales of the Middle East and Korea decreased
- Green Energy : Sales decreased slightly due to the heavy snow in Europe
- Construction Equipment : Increased due to the growing demand of China and other developing countries

➤ Sales analysis YoY

Sales increased due to work volume increase in shipbuilding division, increase in short-lead-time delivery of engines, and higher growth of construction market in China

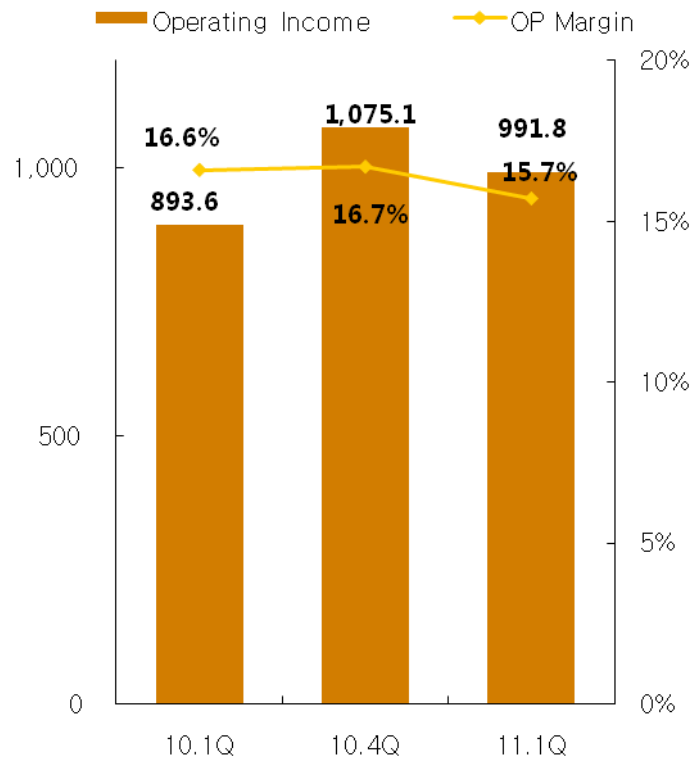
Operating Income Analysis (K-IFRS non-consolidated)

□ Recorded KRW 991.8 bil. In 1Q 2011 (Decreased by 7.7% QoQ and increased by 11.0% YoY)

- QoQ : Decreased 7.7% due to profit decrease of Offshore, Engine & Machinery, Electro Electric Systems division
- YoY : Increased 11.0% due to the sales growth and margin improvement of Shipbuilding and Construction Equipment division

Operating income

(unit : bil. KRW)



➤ Operating profit margin analysis QoQ

- Shipbuilding : increased due to work volume increase and ASP increase
- Offshore : decreased due to the sales decrease of highly profitable projects
- Industrial Plant : increased due to work volume increase of highly profitable projects
- Engine & Machinery : decreased due to work volume decrease
- Electro Electric Systems : decreased due to local sales decline
- Green Energy : decreased due to sales decline
- Construction Equipment : increased due to sales increase in China and Korea

➤ Operating profit margin analysis YoY

- Shipbuilding / Engine & Machinery : increased due to sales increase and ASP increase
- Offshore : increased slightly due to work volume increase of new projects
- Industrial Plant : decreased due to lower profitability of power plant projects
- Electro Electric Systems : decreased due to transformer sales decrease
- Green Energy: turned to profit due to sales increase
- Construction Equipment : increased due to demand increase in China

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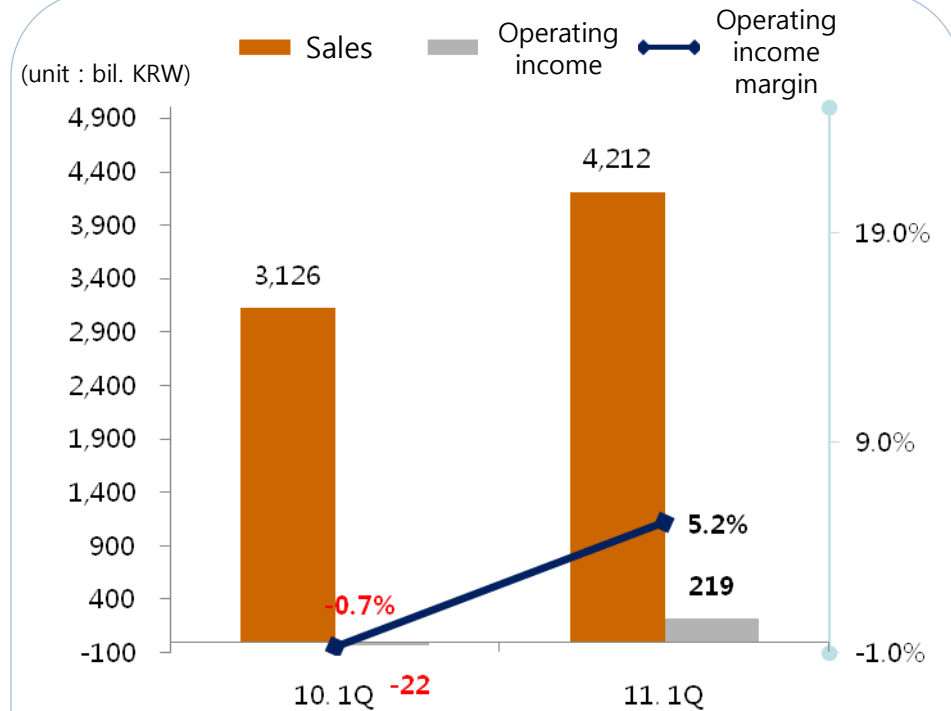
IV. Subsidiaries

- ❑ Sales : Increased 34.7% YoY due to the oil price rise
- ❑ Operating income : Turned to profit due to improvement of refining margin and cracking margin

Global Oil Price Trend



Profit trend of HDO



• 2011. 1Q figures are K-IFRS consolidated results belonging to Hyundai Oilbank, and 2010. 1Q results are based on K-GAAP.

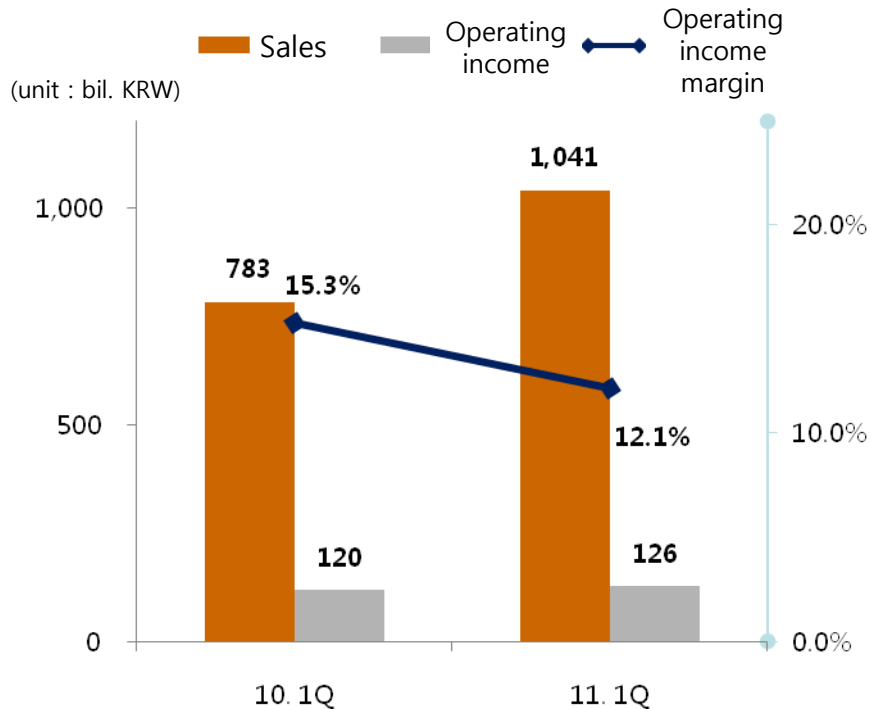
□ Hyundai Mipo Dockyard(HMD)

- Sales increased by 33.0% YoY due to work volume increase, and operating income increased slightly due to ASP increase

□ Hyundai Samho Heavy Industries(HSHI)

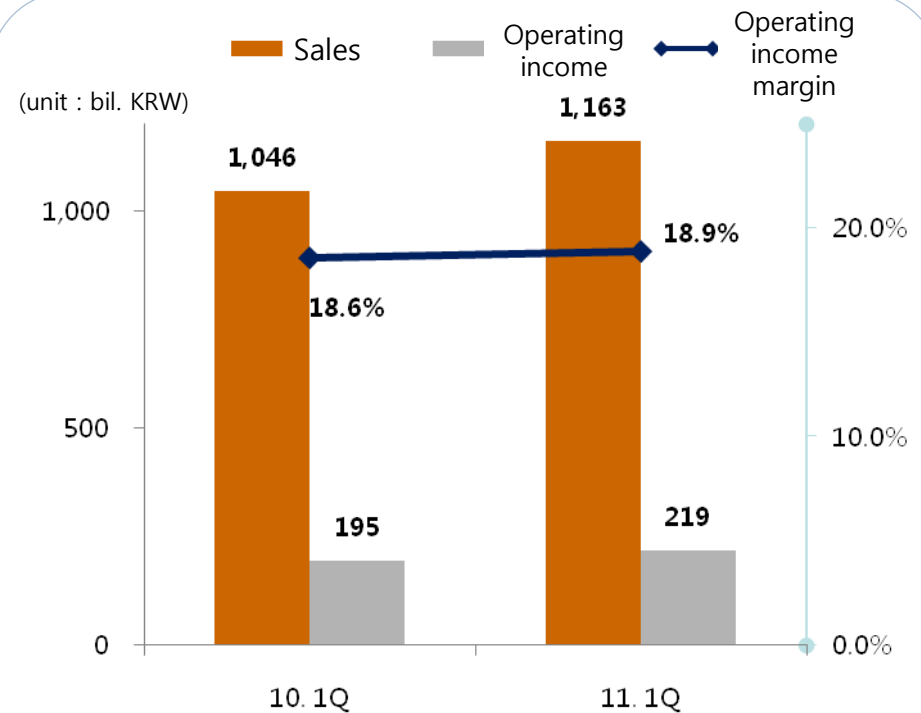
- Sales increased by 11.2% YoY and operating income increased by 12.3% YoY due to ASP increase

Profit trend of HMD



•Above figures are K-IFRS consolidated results belonging to HMD

Profit trend of HSHI



•Above figures are K-IFRS consolidated results belonging to HSHI

Thank you !

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