Q3 2014 results

Contents

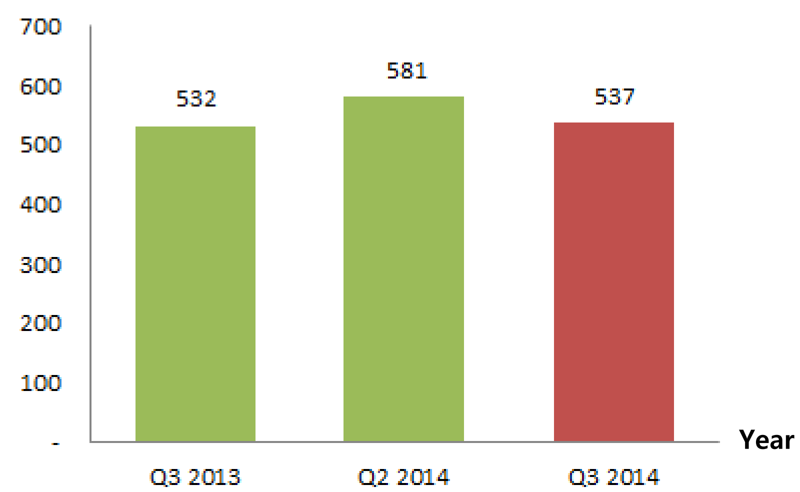
1. '14 3Q Business results

(1) Income Statement

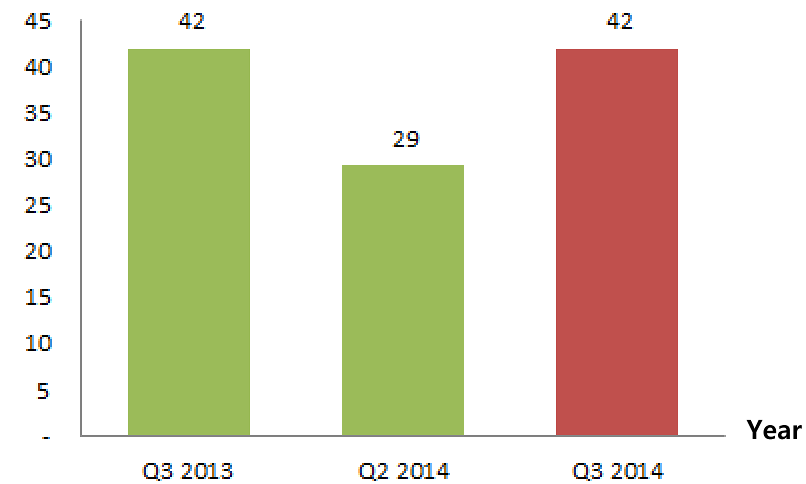
(Unit : bwn)

Segment	Q3 2013	Q2 2014	Q3 2014	Y-o-Y	Q-o-Q
Sales	532	581	537	1%	△8%
Cost of goods sold	427	485	434	2%	△10%
Gross profit	105	97	103	△2%	7%
SG&A	63	67	61	△3%	△9%
Operating profit	42	29	42	0%	43%
Profit before tax	59	40	28	△53%	△30%
Net income	46	31	38	△17%	21%

Sales (Unit : bwn)



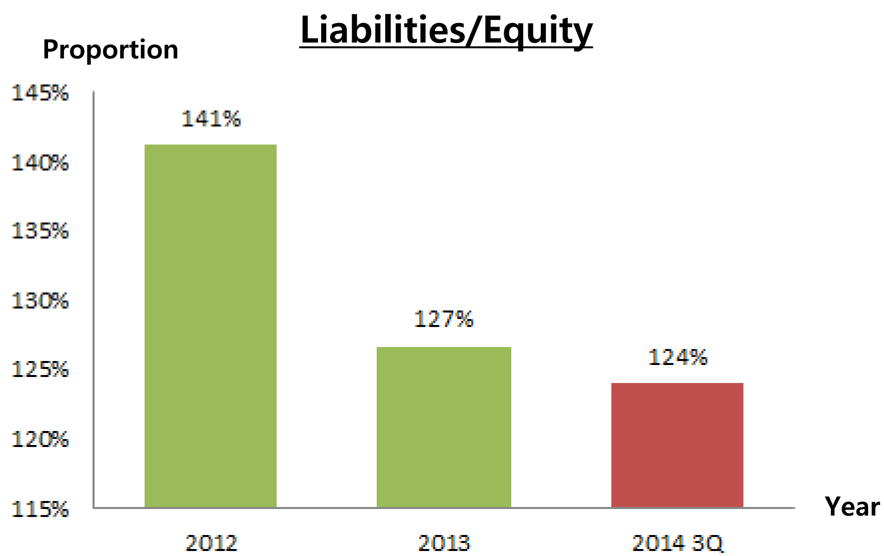
Operating profit (Unit : bwn)

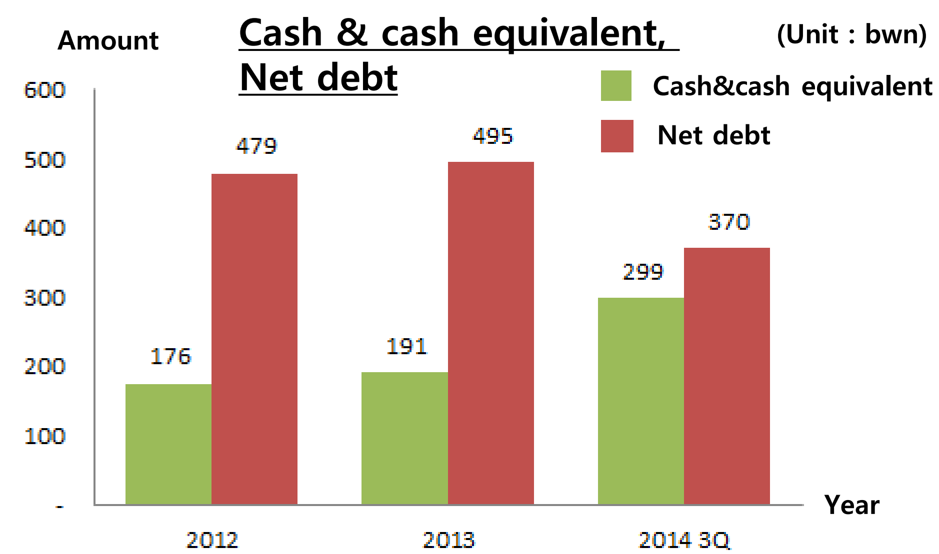


(2) Balance Sheet

(Unit : bwn)

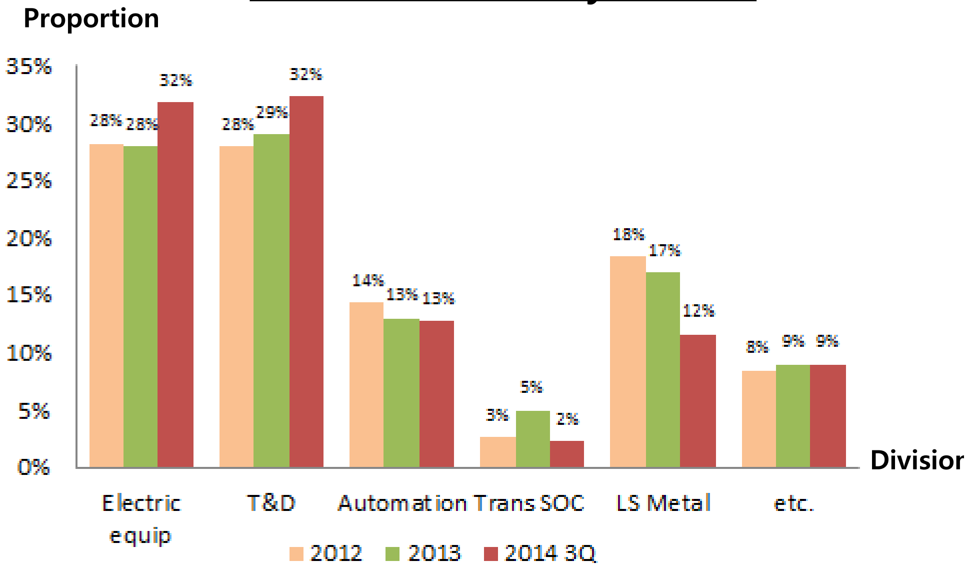
Segment	2012	2013	2014 3Q	Vs. 2013	
Total Asset	2,020	2,101	2,203	102	5%
Current asset	1,157	1,237	1,322	85	7%
Non-current asset	863	864	881	17	2%
Total Liabilities	1,183	1,174	1,219	45	4%
Current liabilities	604	522	691	169	32%
Non-current liabilities	579	653	528	△ 125	△19%
Equity	838	927	983	56	6%
Debt/ Equity ratio	141%	127%	124%	0	△2%
Cash & cash equivalent	176	191	299	108	56%
Net debt	479	495	370	△ 125	△25%



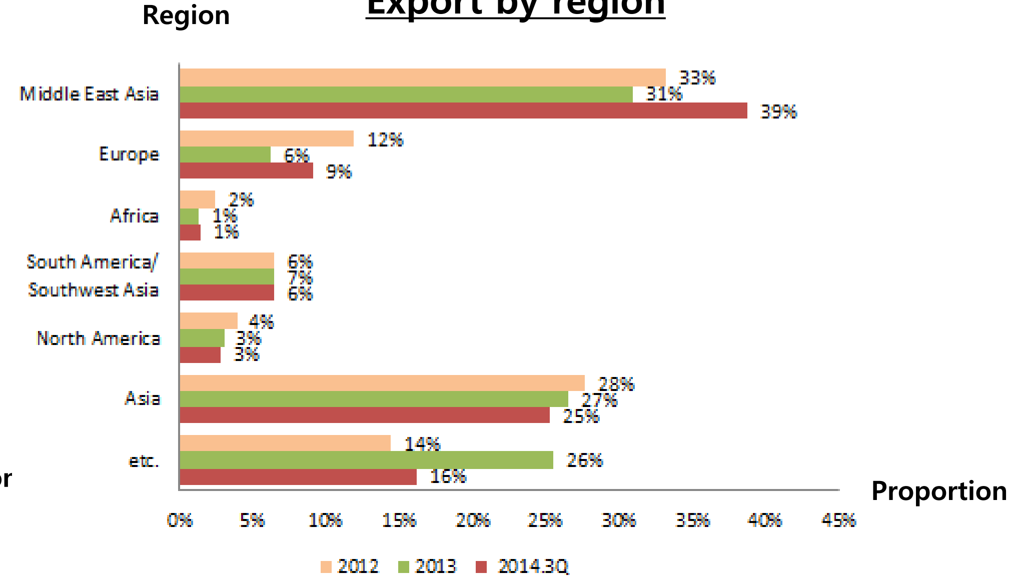


(3) Present condition of Sales

Sales breakdown by division

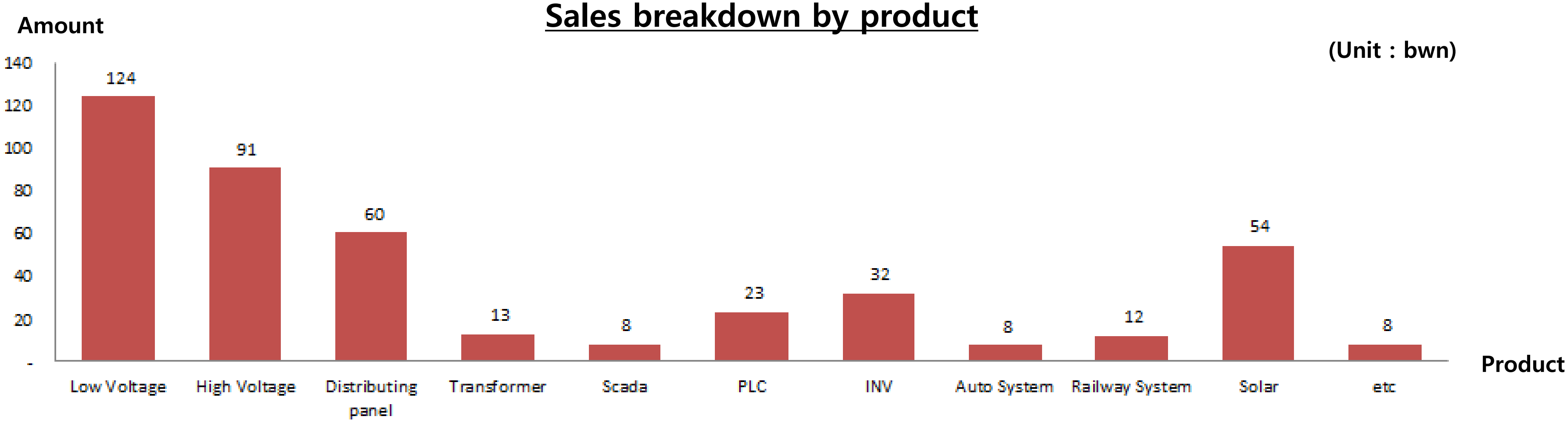


Export by region



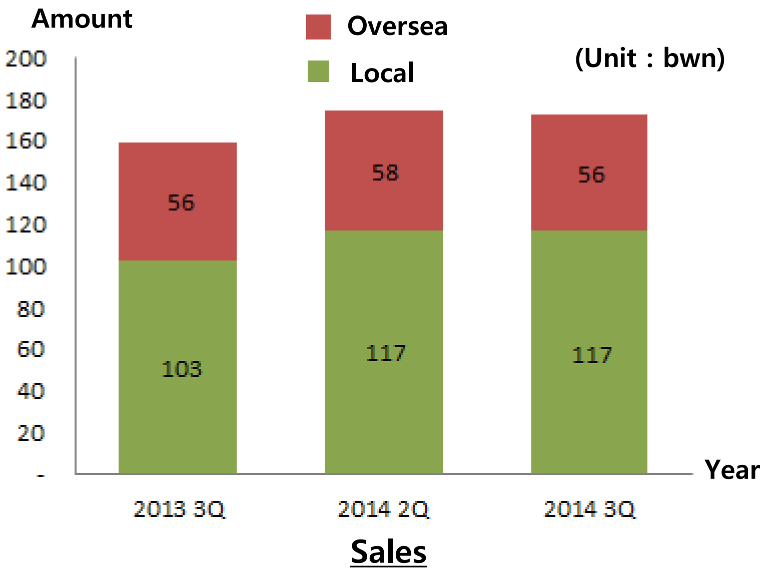
Sales breakdown by product

(Unit : bwn)



(1) Electric Equip / T&D

Electric Equip



- **Low growth in domestic market due to Korea construction sector slump, but thank to sales growth in Europe region.**
- **Selected Smart-grid ESS business operator.**

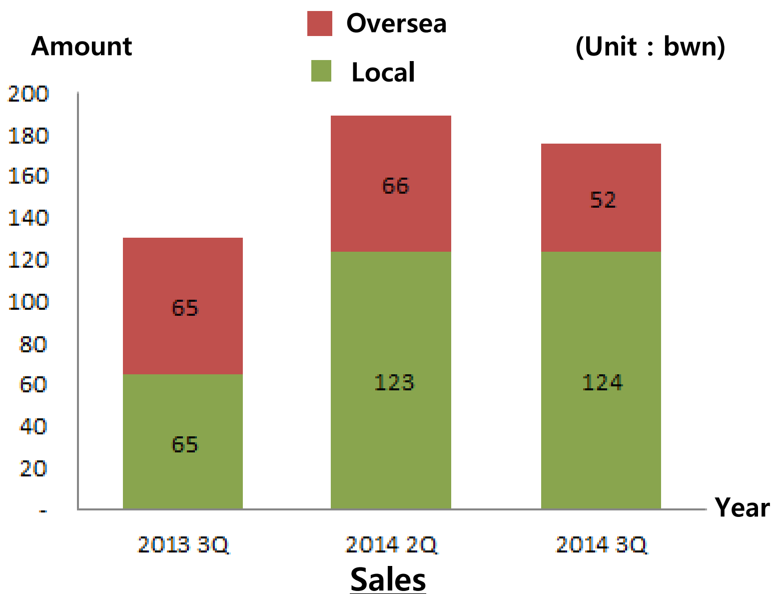
[Local]

- Price competition in domestic market due to decrease in order quantities.
- In order to make up shortage, tried to increase direct sales channel to Kepco.
- Prepare for the Smart-grid diffusion business from the government.

[Oversea]

- Sales growth in Europe by Spain and England pjt.
- Stagnation in Iraq, Ukraine and Thailand according to regional risks.

T&D



- **Local T&D and Solar business sales increased Y-o-Y.**
- **Oversea sales decreased due to strong won but remain hopeful.**

[Local]

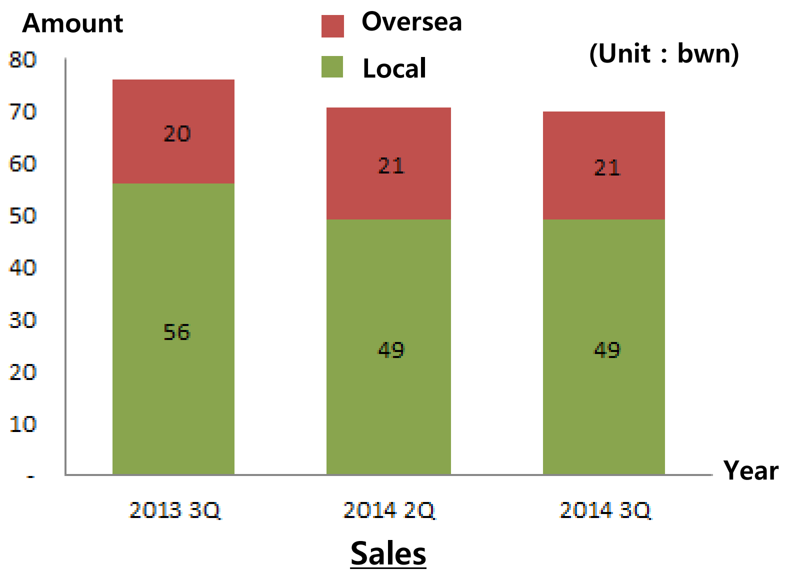
- Despite construction sector slump, order from local T&D increased.
- Local solar business sales increased due to reinforcement sales channel.

[Oversea]

- Won-dominated sales decreased due to strong won and geopolitical risk, sales by dollar increased 6% Y-o-Y.
- First order from T&D overseas except from Iraq region(Haiti 11 bwn).
- Poor solar business in Japan due to weak Yen.

(2) Automation / Trans S.O.C

Auto-mation



- **Sales decreased due to delays on facilities investment following local economy depression.**
- **High-riding in Iran market and increasing sales channels in North America.**

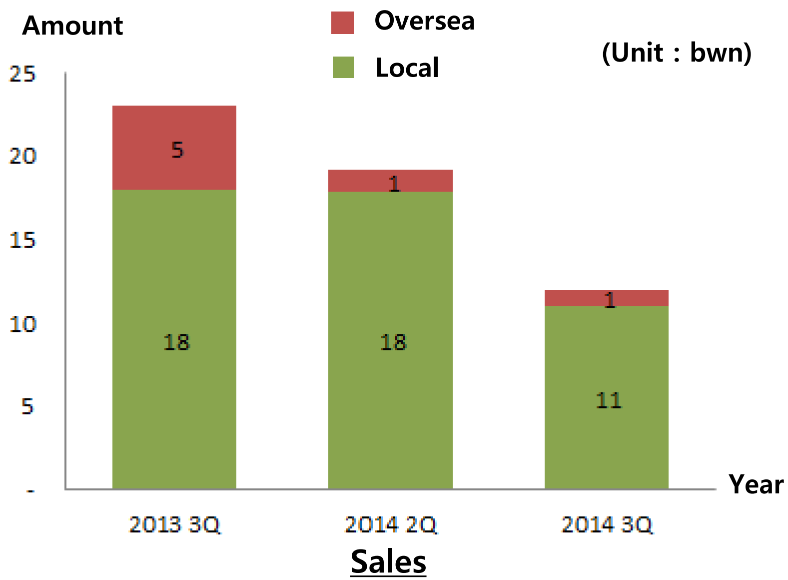
[Local]

- Cash cow products(Inverter, PLC) sales decreased by delays on facilities investment.
- Reduction in high-capacity Inverter support fund from government

[Oversea]

- Preparing first water pipe network treatment order from Vietnam, Indonesia.
- Sales increased in Iran due to the geopolitical stability.
- Reinforcement sales channels in India, Russia and North America.

Trans S.O.C



- **Continuous realizing revenue in Honam KTX, Bangladesh railway PJT.**
  - Total sales from Honam KTX PJT 126.5 bwn
  - Total sales from Bangladesh PJT 34 bwn
- **Target revenue recognition from Honam PJT 36 bwn and Bangladesh PJT 13 bwn by 4Q 2014.**
- **Preparing the following biddings**
  - Suseo – Pyeongtaek high-speed railroad
  - Thailand, Bangladesh PJT

3. Sales Breakdown & OP

(Unit : bwn)

Category			2012						2013						2014		
			1Q	2Q	3Q	4Q	Total	YoY(%)	1Q	2Q	3Q	4Q	Total	YoY(%)	1Q	2Q	3Q
Domestic	HQ	HQ Subtotal	225.2	273.1	249.5	293.2	1,041.0	-1%	240.1	255.6	244.2	334.8	1,074.7	3%	295.5	309.2	302.7
		Electric Equip	107.6	111.8	96.8	93.5	409.7	5%	97.5	102.1	102.6	105.1	407.3	-1%	107.5	117.3	117.3
		T&D	46.1	91.9	82.6	109.6	330.2	-14%	86.8	82.5	65.1	124.9	359.3	9%	120.3	123.5	124.3
		Automation	61.1	61.2	58.8	49.9	231.0	5%	44.1	55.1	56.2	53.2	208.6	-10%	45.3	49.1	48.5
		Trans SOC	8.6	5.8	8.6	35.4	58.4	22%	9.5	13.5	18.2	48.9	90.1	54%	20.1	17.8	11.0
		RFID	1.8	2.4	2.7	4.8	11.7	-14%	2.2	2.4	2.1	2.7	9.4	-20%	2.3	1.5	1.6
	LS metal	Copper & STS Pipe	28.6	33.0	40.6	38.7	140.9	-8%	33.1	51.6	38.6	36.7	160.0	14%	32.2	41.8	32.6
	Sub(Korea)*	Servo, PSC, BAS etc	14.1	13.6	11.3	12.7	51.7	-13%	13.1	15.4	17.5	14.9	60.9	18%	13.9	15.0	12.1
Overseas	HQ	HQ Subtotal	92.2	185.6	177.3	155.0	610.1	75%	146.4	197.0	147.7	200.1	691.2	13%	141.5	147.4	130.8
		Electric Equip	49.3	59.6	58.8	54.1	221.8	14%	52.4	63.7	55.7	73.0	244.8	10%	56.5	57.9	55.9
		T&D	19.7	101.8	94.6	78.6	294.7	311%	68.7	97.7	65.4	93.8	325.6	10%	60.0	65.6	52.1
		Automation	21.5	24.2	23.0	20.5	89.2	15%	19.5	23.4	20.1	23.0	86.0	-4%	21.5	21.5	20.9
		Trans SOC	0.2	0.0	0.0	0.5	0.7	-79%	4.0	10.6	5.0	8.6	28.2	3929%	2.4	1.4	1.2
		RFID	1.5	0.0	0.9	1.3	3.7	258%	1.8	1.6	1.5	1.7	6.6	78%	1.1	1.1	0.7
	LS metal	Copper & STS Pipe	66.6	64.3	66.3	71.0	268.2	-18%	73.8	67.4	43.8	52.5	237.5	-11%	52.3	43.2	30.7
	Sub(China)**		29.6	38.0	34.6	35.9	138.1	-11%	27.0	38.6	52.9	43.3	161.8	17%	28.1	31.3	36.4
Consolidation adjustment for Sales			-3.4	-3.7	-5.8	-4.7	-17.6	-	-4.3	-8.3	-12.5	-9.0	-34.1	-	-4.7	-6.6	-8.6
Total			**452.9**	**603.9**	**573.8**	**601.8**	**2,232.4**	**8%**	**529.2**	**617.3**	**532.1**	**673.0**	**2,351.6**	**5%**	**558.8**	**581.3**	**536.8**
HQ	Electric Equip	Sales	156.9	171.4	155.6	147.6	631.5	8%	149.9	165.8	158.3	178.1	652.1	3%	164.0	175.1	173.2
		OP	32.0	31.8	30.2	17.3	111.3	44%	26.8	30.0	32.6	27.7	117.1	5%	25.2	27.1	29.8
	T&D	Sales	65.8	193.7	177.2	188.2	624.9	38%	155.5	180.2	130.5	218.7	684.9	10%	180.4	189.1	176.4
		OP	-8.1	20.0	3.2	4.4	19.5	1%	4.6	11.8	-1.9	9.5	24.0	23%	7.6	-2.9	8.6
	Automation	Sales	82.6	85.4	81.8	70.4	320.2	7%	63.6	78.5	76.3	76.2	294.6	-8%	66.8	70.5	69.4
		OP	8.2	8.6	8.2	-0.2	24.8	1%	2.6	7.9	9.3	3.6	23.4	-6%	2.7	1.6	2.5
	Transportation SOC	Sales	8.8	5.8	8.6	35.9	59.1	15%	13.5	24.1	23.2	57.5	118.3	100%	22.5	19.2	12.2
		OP	-2.5	-2.3	-2.1	4.2	-2.7	55%	-0.8	0.6	0.5	8.4	8.7	422%	0.3	1.3	0.4
	RFID	Sales	3.3	2.4	3.6	6.1	15.4	5%	4.0	4.0	3.6	4.4	16.0	4%	3.4	2.6	2.3
		OP	-0.5	-0.9	-0.5	0.2	-1.7	54%	-0.8	-0.4	-1.5	-0.3	-3.0	-76%	0.4	0.4	0.2
		Sales	317.4	458.7	426.8	448.2	1,651.1	18%	386.5	452.6	391.9	534.9	1,765.9	7%	437.0	456.6	433.6
		OP	29.1	57.2	39.0	25.9	151.2	36%	32.4	49.9	39.0	48.9	170.2	13%	36.3	27.4	41.5
Subsidiary	LS metal	Sales	95.2	97.3	106.9	109.7	409.1	-15%	107.0	119.0	82.4	89.0	397.4	-3%	84.5	85.0	63.3
		OP	1.2	0.5	1.7	2.4	5.8	-41%	0.7	2.5	-1.3	-0.3	1.6	-72%	-1.4	-1.1	-1.4
	Sub in Korea*	Sales	14.1	13.6	11.3	12.7	51.7	-13%	13.1	15.4	17.5	14.9	60.9	18%	13.9	15.0	12.1
		OP	0.5	-0.8	-2.0	-6.0	-8.3	-324%	-1.6	-1.1	-1.1	1.4	-2.4	71%	-0.3	-0.1	-0.7
	Sub in China**	Sales	29.6	38.0	34.6	35.9	138.1	-11%	27.0	38.6	52.9	43.3	161.7	17%	28.1	31.3	36.4
		OP	-0.2	0.3	0.5	0.4	1.0	-69%	-0.6	1.5	4.9	-2.8	3.0	200%	-0.2	1.2	2.3
Consolidation adjustment for OP			-0.2	-1.0	2.0	3.8	4.6	-	1.8	-0.1	0.9	0.0	2.6	-	0.7	1.9	0.5
Total		**Sales**	**452.9**	**603.9**	**573.8**	**601.8**	**2,232.4**	**8%**	**529.3**	**617.3**	**532.2**	**673.1**	**2,351.8**	**5%**	**558.8**	**581.3**	**536.8**
		OP* **	**30.4**	**56.2**	**41.2**	**26.5**	**154.3**	**20%**	**32.6**	**52.7**	**42.4**	**47.2**	**174.9**	**13%**	**35.1**	**29.3**	**42.2**

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