Hanwha

Investor Relations

# Earnings Presentation:

# 2024 Financial Results

Feb. 2025

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# 2024 Financial Results Summary

(KRW billion, %)

## Sales

Sales increment and enhanced operating margin based on delivery of high profit engine to shipbuilders

## New Orders

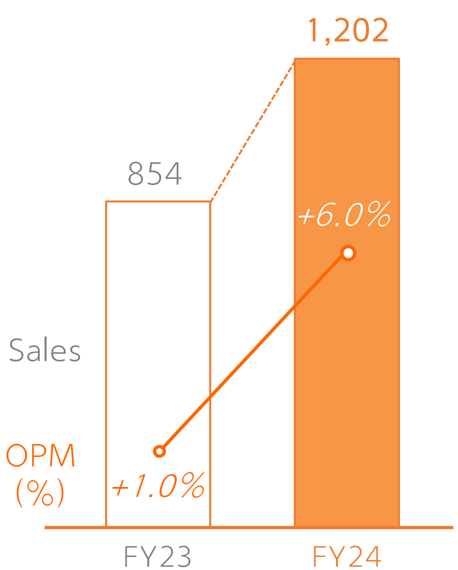
Increase by KRW 405B compared to 2023 (LNGC accounts for 59%)

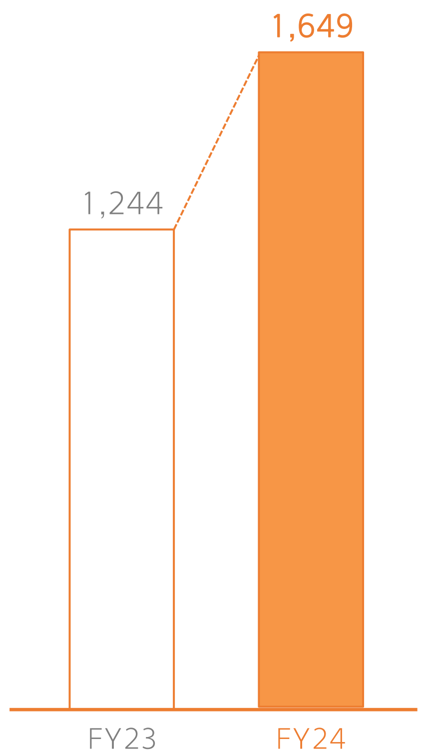
## Backlog

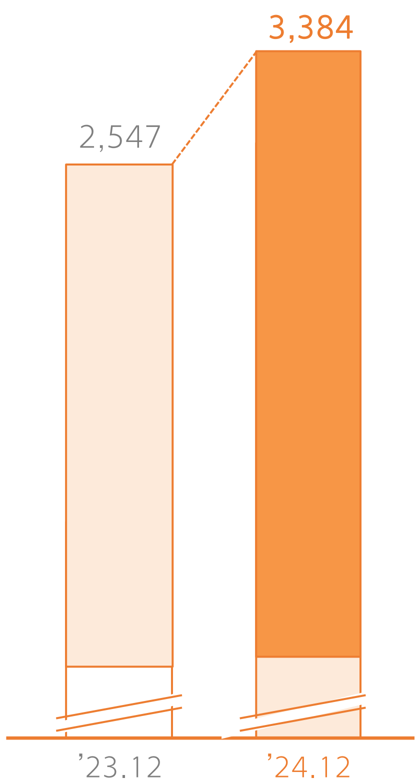
Order backlog grew with increased C/C ship orders from China
(DF engines accounts for 90%)

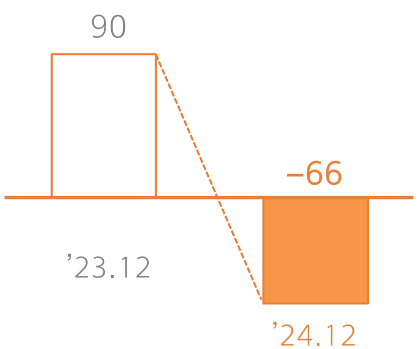
## Net Debt

Gross Debt KRW –65B,
Cash KRW 139B



# Income Statement

✓ Sales : KRW 1.2 Trillion
✓ Operating Profit : KRW 71.5B
✓ OP margin : 6%

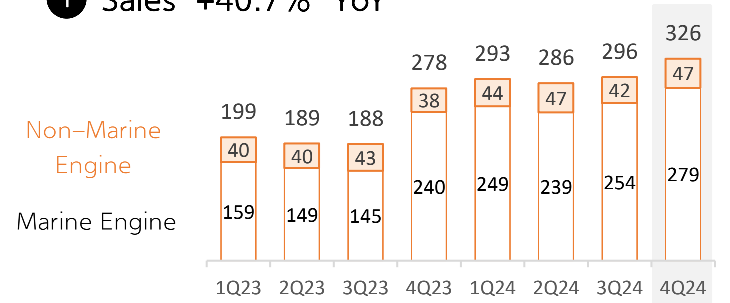
(KRW billion, %)

| | FY24 | FY23 | YoY |
|---|---|---|---|
| **Sales** | 1,202 | 854 | +41% |
| *COGS(%)* | *(90.3%)* | *(94.9%)* | *(-4.6%p)* |
| Gross Profit | 116 | 44 | |
| SG&A | 45 | 35 | |
| **Operating Profit** | 72 | 9 | |
| *OP margin(%)* | (6.0%) | (1.0%) | (+5.0%p) |
| Interest Income & Expense | -4 | -11 | |
| Gain/Loss on F/X | 11 | 0.2 | |
| Other Gain & Loss | 2 | -3 | |
| Pretax Profit | 77 | -0.9 | Turn Black |
| Tax | -2 | -0.5 | |
| Net Profit | 79 | -0.4 | Turn Black |

## Key Features

(KRW billion, %)

1 Sales +40.7% YoY




- Marine Engine delivery increases in 2024 contracted in 2022
- Non-Engine: AM business continues to grow and sales increase in 2024

2 Operating profit KRW 71.5B

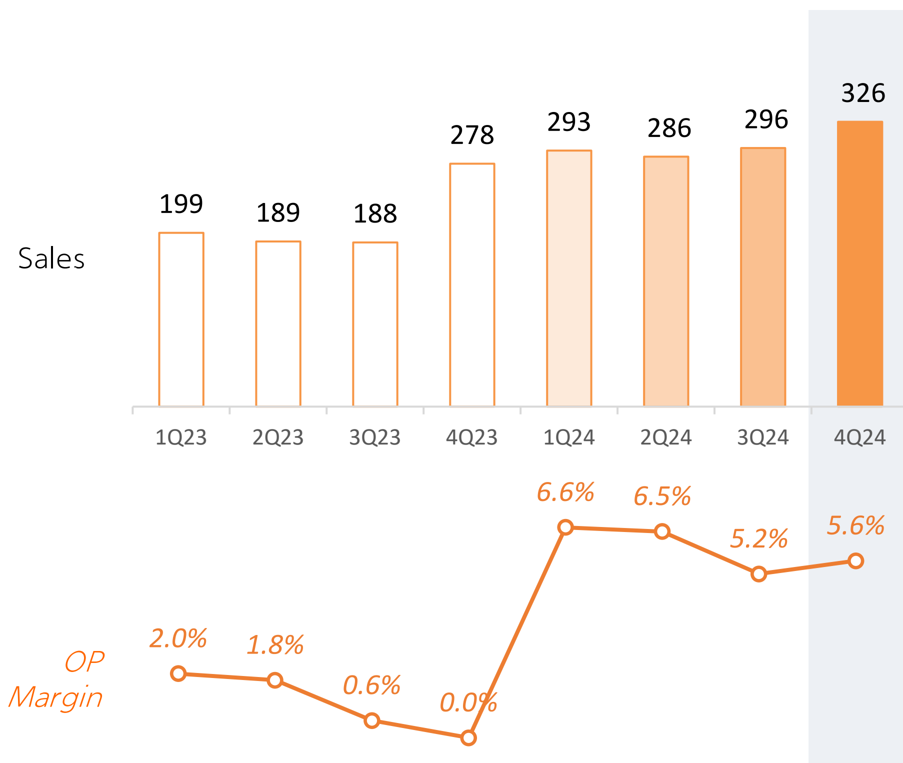
- Cost/sales ratio reduced('23 94.9%→ '24 90.3%)
  - Delivery of normal margin projects contracted since '22

✓ 4Q 2024 Sales **KRW 326.3B**

**Improved sales and operating profit in 2024 by significantly reducing low-profit engine orders contracted in pre-2022, and delivering normal profit orders contracted in 2022 (Operating profit margin in 2024 is +5%p compared to 2023)**

## Quarterly Sales & OP Margin

(KRW B)




## Sales Breakdown

(KRW B)

**Marine Engine** *(47.5% YOY)*

- Increased engine sales due to increased domestic and Chinese deliveries

| | FY23 | FY24 | +/- |
|---|---|---|---|
| HO | 222 | 389 | 167 |
| SHI | 203 | 296 | 93 |
| CHINA | 217 | 327 | 111 |
| Others | 51 | 10 | -41 |
| Total | 693 | 1,022 | 329 |

**Non-Engine** *(11.4% YOY)*

- Solid growth in high-margin AM business sales (YoY +28%)

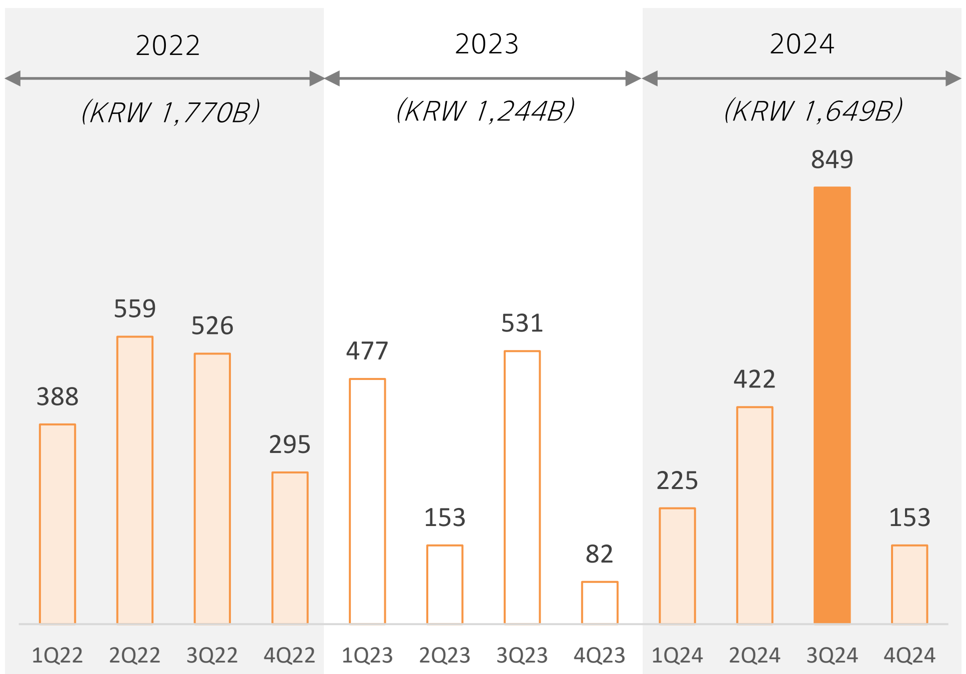
| | FY23 | FY24 | +/- |
|---|---|---|---|
| AM | 113 | 145 | 31 |
| SCR etc. | 48 | 35 | -13 |
| Total | 161 | 180 | 18 |

# New Orders

- ✓ Sales of DF engine* accounts for 82%
- ✓ New orders increased by 33% yoy, driven by LNG carriers and orders from China

## Quarterly New Orders

(KRW B)




## Proportion of DF engine Orders

(KRW B)

| | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Diesel engine | 391 | 394 | 266 | 55 | 279 |
| DF engine (%) | 86 (18%) | 474 (55%) | 1,341 (83%) | 985 (95%) | 1,315 (82%) |
| Marine engine | 477 | 868 | 1,607 | 1,039 | 1,594 |

## Proportion of DF engines by ship type

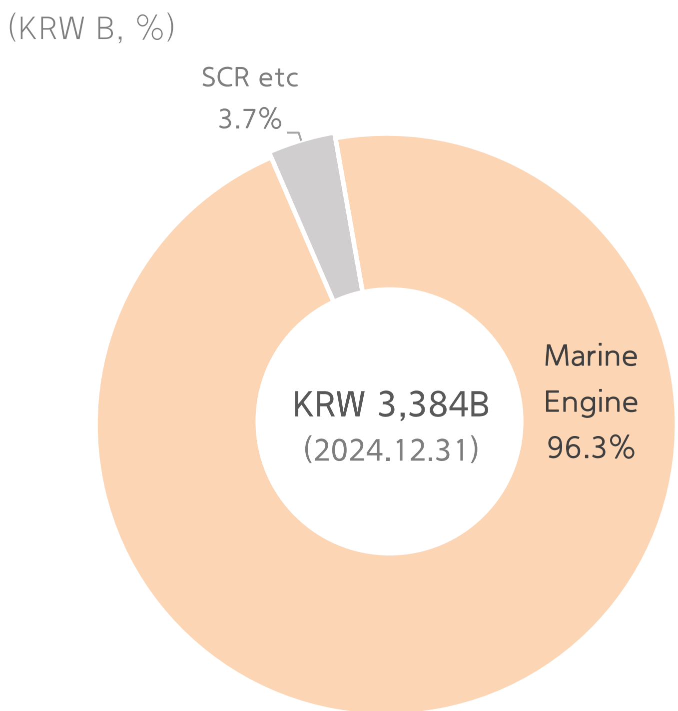
(%)

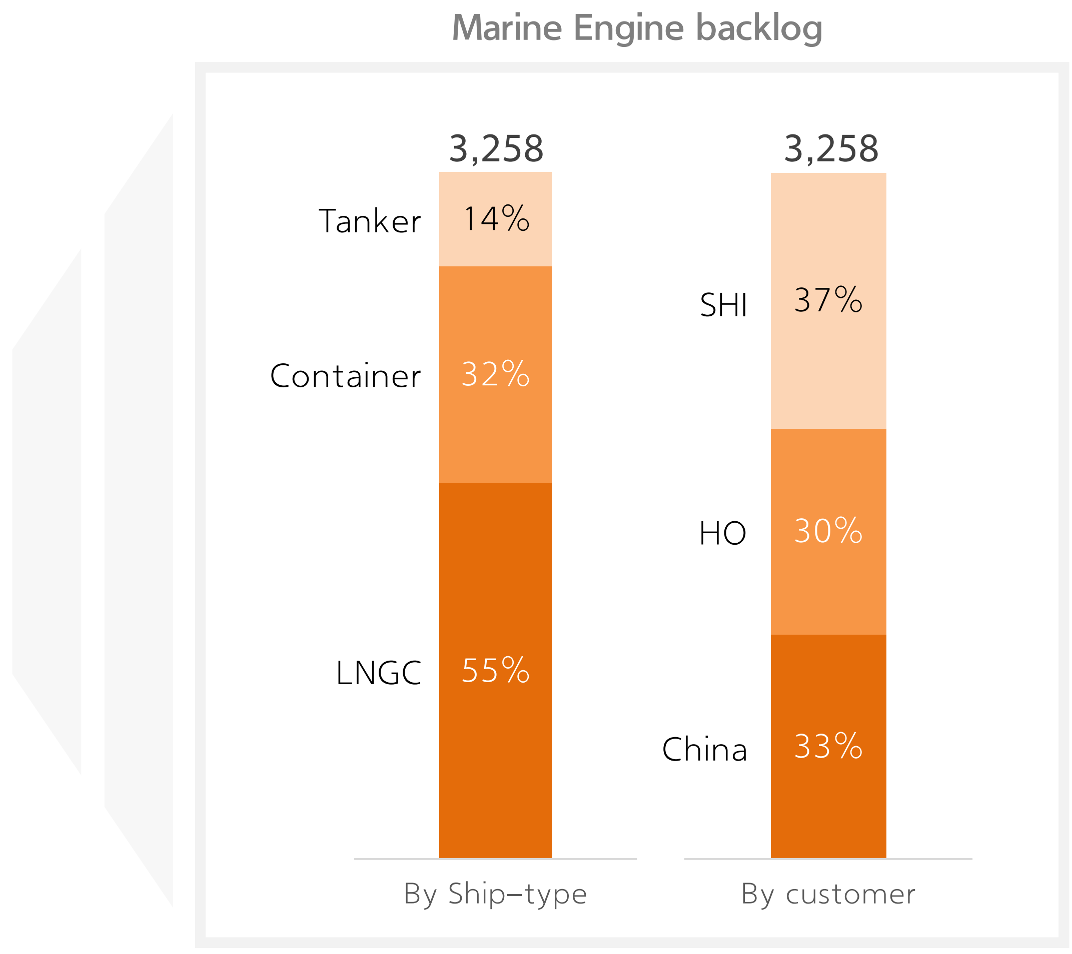
| | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Bulk | 0% | 100% | 36% | 3% | 0% |
| Container | 0.1% | 0.1% | 69% | 99% | 100% |
| LNGC | 100% | 100% | 100% | 100% | 100% |
| Tanker | 7% | 75% | 3% | 69% | 8% |
| Total | 18% | 55% | 83% | 95% | 82% |

*) DF Engine: Dual-Fuel Engine

✓ **Backlog: KRW 3,384B, Marine Engine accounts for 96% in total orderbook**

## Backlog Breakdown



# Balance Sheet

Hanwha

- ✓ **Net Debt : △KRW 65.6B**
- ✓ **Net Debt ratio 260%**

(KRW Billion)

| | '23.12 | '24.12 | +/- |
|---|---|---|---|
| Current Assets | 656 | 785 | 129 |
| Non-current Assets | 481 | 628 | 147 |
| Total Assets | 1,137 | 1,413 | 276 |
| Current Liabilities | 604 | 587 | -17 |
| *Advance Receipts* | 190 | *225* | *35* |
| Non-current Liabilities | 309 | 433 | 124 |
| *Long-term Advance Receipts* | 227 | *253* | *26* |
| Total Liabilities | 913 | 1,020 | 107 |
| Paid-in Capital | 72 | 83 | 12 |
| Capital Surplus | 273 | 350 | 77 |
| Retained Earnings | -151 | (71) | 80 |
| Accumulated Other Comprehensive Income | 30 | 31 | 0.2 |
| Total Equities | 224 | 393 | 169 |

| | | | |
|---|---|---|---|
| Net Debt | 90 | -66 | -16 |
| Net Debt ratio | 407% | 260% | 63% |

## Debts

(KRW Billion)

| | '23.12 | '24.12 |
|---|---|---|
| Bank loan | 172 | 30 |
| Corp. Bond | 39 | 44 |
| **Gross Debt** | **211** | **74** |
| Cash | 121 | 140 |
| **Net Debt** | **90** | **-66** |

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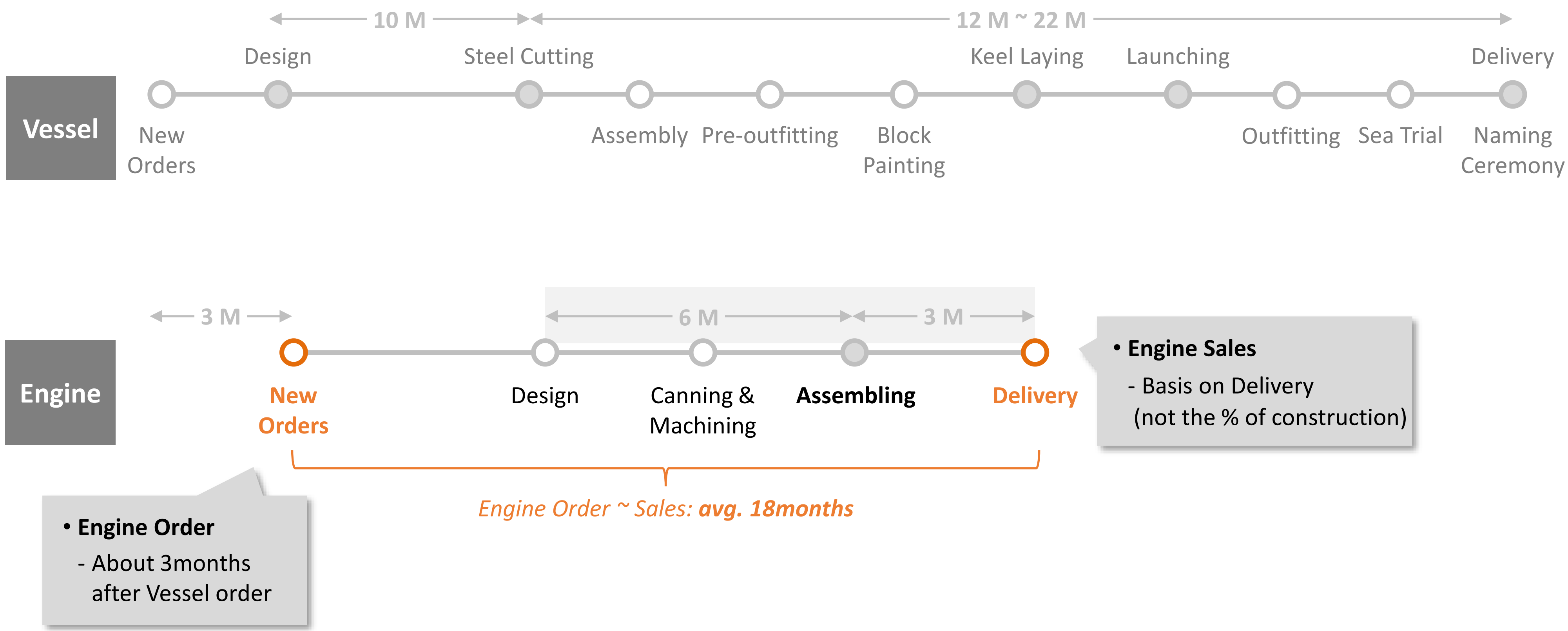
# Engine 'Order–Sales' Process

## Shipbuilding & Engine manufacturing Process



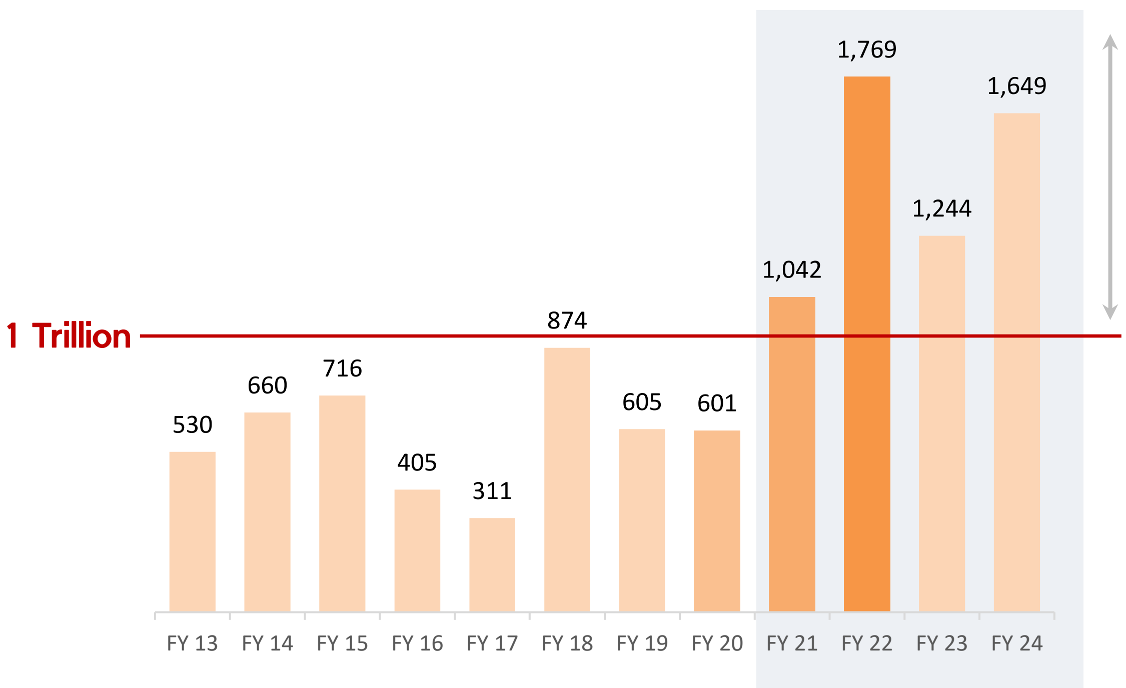
# Annual New Orders & Sales Trend

Hanwha

- ✓ Consistently achieved over **KRW 1 trillion** in annual orders since 2021, shifted to normal-margin orders in 2022
- ✓ In 2024, **orders grew** with higher demand for LNG carriers and container ships
- ✓ 2025 order volume is expected to be around similar with 2024

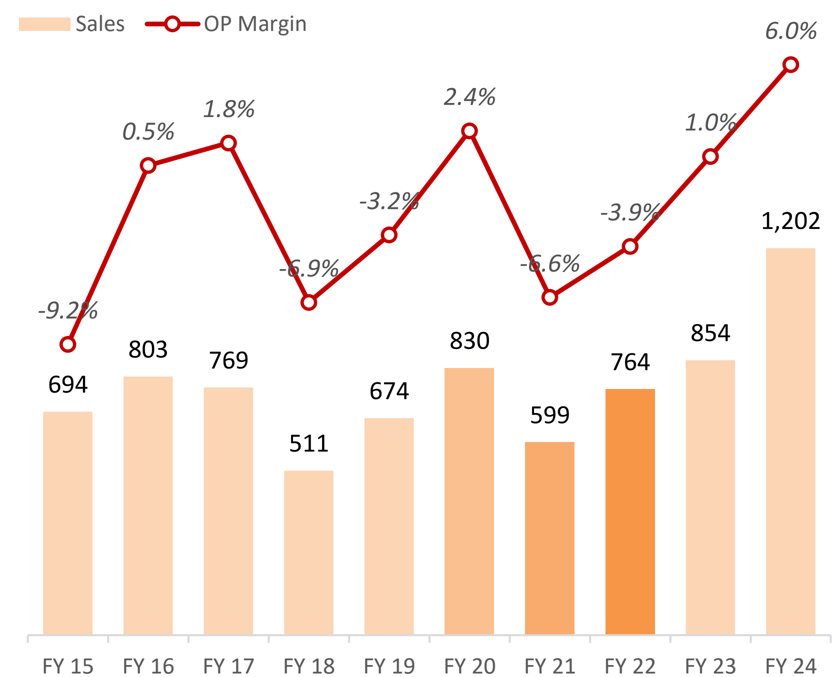
## New Orders

(KRW Billion)




## Sales & OP margin

(KRW Billion)



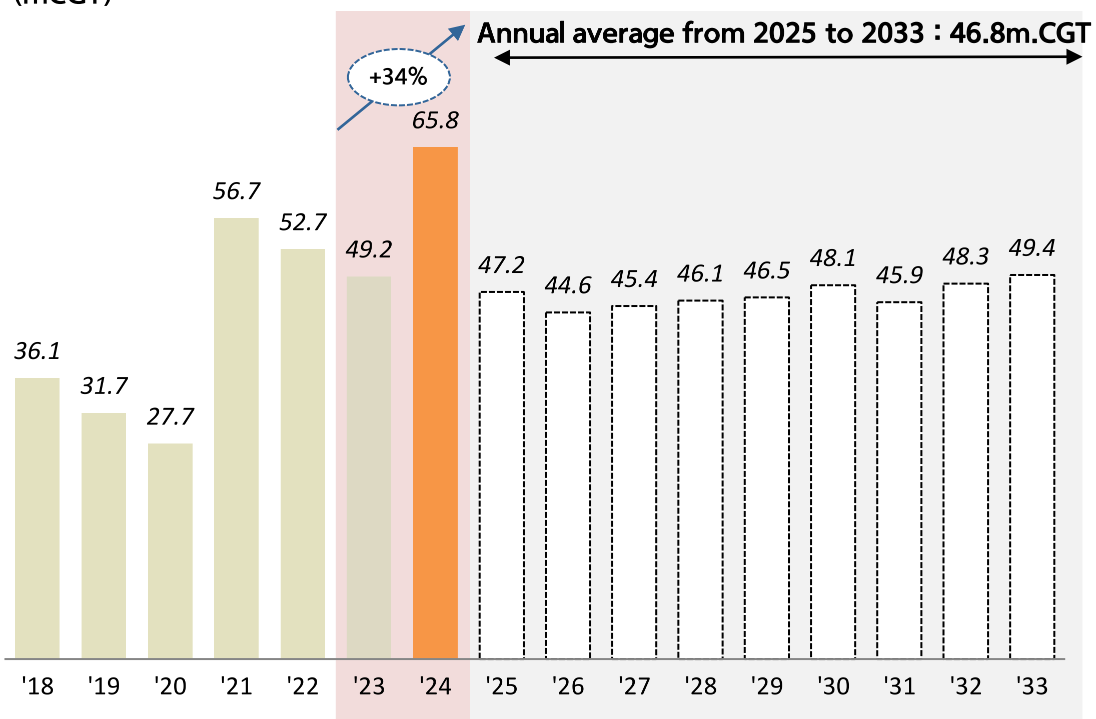
# Shipbuilding Market Outlook



- ✓ Clarkson forecast (Sep 2024): In 2024, new orders are projected to increase by 24.2% compared to previous year. (In 2023, order volume was 49.2 million CGT )
- ✓ The mid-to-long-term (2025–2033) average order volume is expected to be 46.8 million CGT.

## Global New Orders Outlook

(mCGT)




※ Source : Clarkson Forecast Report (Sep. 2024)

## IMO 82th MEPC[1] Brief (2024.09.30~2024.10.04)

- Key Features
  - Discussions on developing mid-term measures for additional GHG reductions included a proposal to introduce a SCU[2] for trading surplus reductions. (But no agreement was reached on the methodology for calculating GHG fuel intensity for individual ships or on the approach to economic measures.)
  - The IMO adopted a plan to reduce carbon emissions by at least 20% compared to 2008 levels by 2030 and at least 70% by 2040, **and a net-zero carbon emission (100% reduction) by 2050.**
- Future projections
  - Shipowners' preference for Korean shipbuilders with excellent fuel efficiency is further strengthened.
  - The low-speed operation for carbon reduction contributes to the creation of additional new ship orders.
  - Expectation of enhanced demand for eco-friendly engine

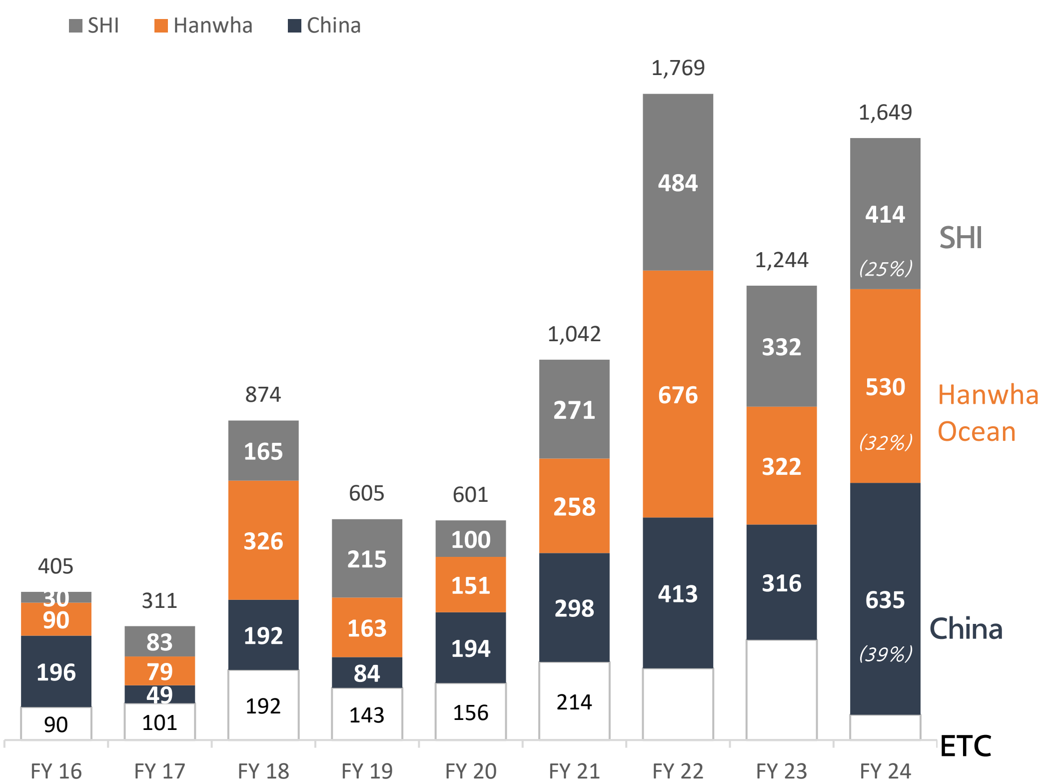
1) MEPC: Marine Environment Protection Committee
2) EEXI: Energy Efficiency Existing Index

# Competitiveness for new orders

✓ Well distributed orders into global major shipbuilders : SHI, Hanwha Ocean, and China

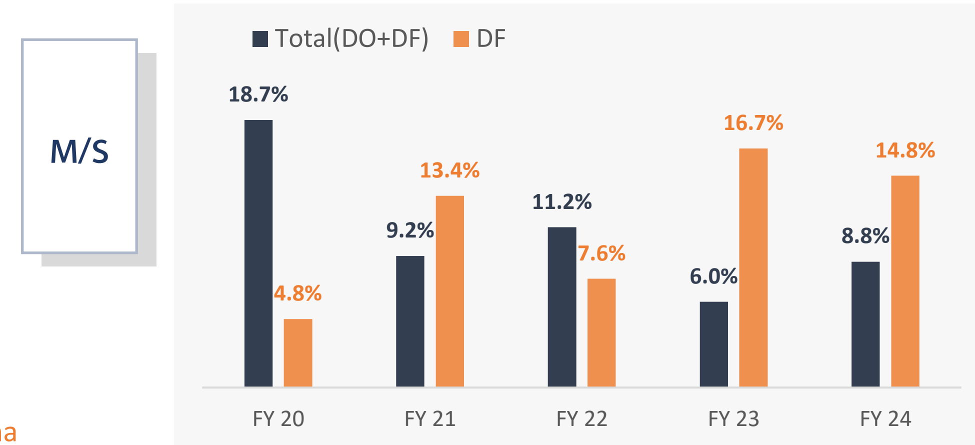
## Order Share By Customer

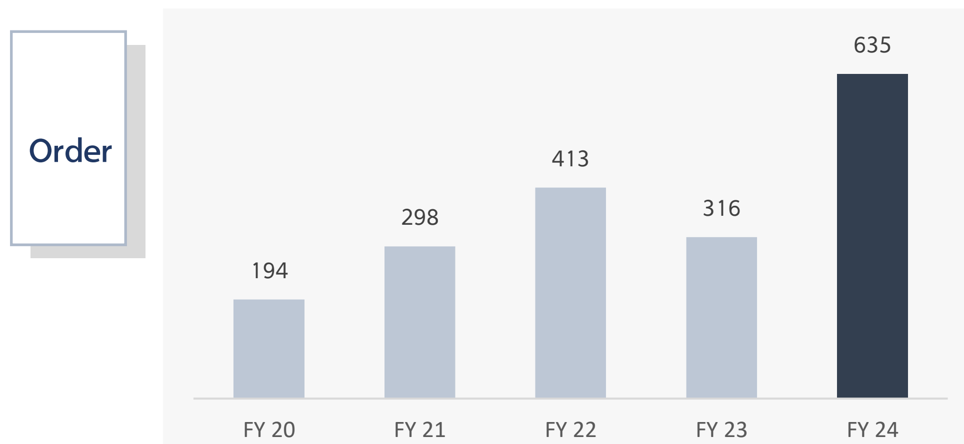
(KRW B, %)




## Chinese Market

(KRW B, %)



# Company Overview

## Overview

| | |
|---|---|
| Company | Hanwha Engine Co., Ltd. |
| Date of Foundation | Dec. 30, 1999 |
| Address | Sinchon-dong 69-3, Seongsan-gu, Changwon-si, Gyeongnam |
| Business | Marine engines / MRO/ Diesel engines for power plants |
| Exports | Local/direct Exports (90%), Domestic (10%) |
| Capital | W83.4bn [2024.12.] |
| No. of Employees | 825 [2024.12.] |

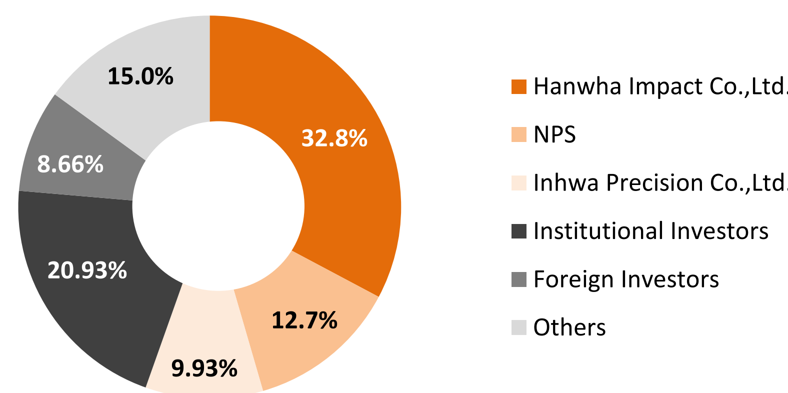
## Business Areas

(Unit: KRW B, %)

| | 2024 Revenue | Weight |
|---|---|---|
| Marine Engine | 1,022 | 85% |
| AM | 145 | 12% |
| SCR | 33 | 2.7% |
| Powerplant | 2 | 0.3% |
| 합계 | 1,202 | 100.0% |

## Shareholders

(As of 2024.12.31)



# Plants


## Changwon Plant (Headquarter)

# Hanwha Engine
## (Two stroke Engine)

***Main Business*** (85% of total sales in 2024)

product Large vessel (e.g. LNGC, Container, Tanker, Bulker)

Licensor MAN ES, Win-GD

Customer Ship Builder (e.g. SHI, H/O, Yangzijiang, NTS)


Containership engines


Oil tanker engines

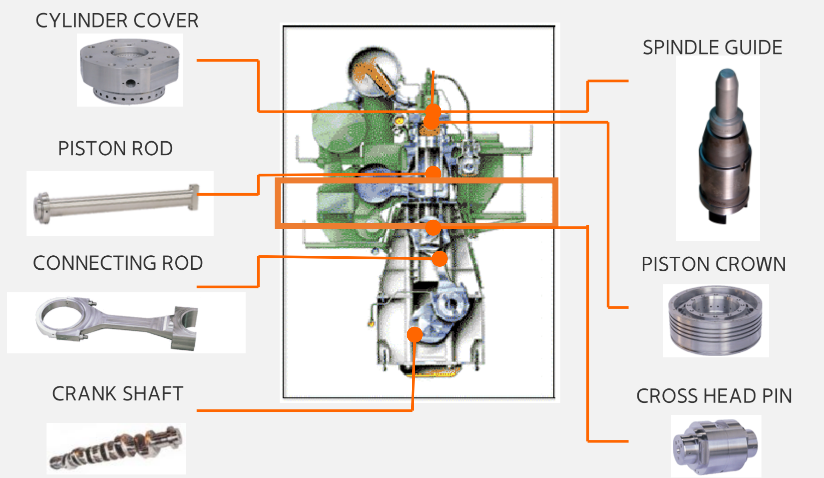

LNG carrier engines


Bulk carrier engines

Hanwha

# Hanwha Engine AM Business

## Major Products




**Service** Marine engines parts and technical service

**Customer** Major fleet owners, domestic agencies

**Business overview**

- Providing and Servicing maintenance parts for marine engine for entire lifecycle of vessel

## Scope of Supply

### Parts Supply

- M/E, G/E, SCR
- Correct Specification
- Competitive Price
- Just-In-Time Delivery

### Tech. Service

- Planning of Maintenance
- Periodic Inspection
- Recondition Service
- Maintenance Service by well proven S/E

### Environment Solutio n

- Engine Part Load Optimization
- NOx Monitoring Solution
- EEXI Calculation

### Digital Solution

- Remote Monitoring
- Performance Analysis
- DIY or On-line Trouble Shooting
- Tekomar XPERT, WMS…