

Investor Relations

# **Earnings Presentation: 2Q 2025 Financial Results**

**Jul. 2025**

## I. 2025 2Q Financials

## II. Appendix

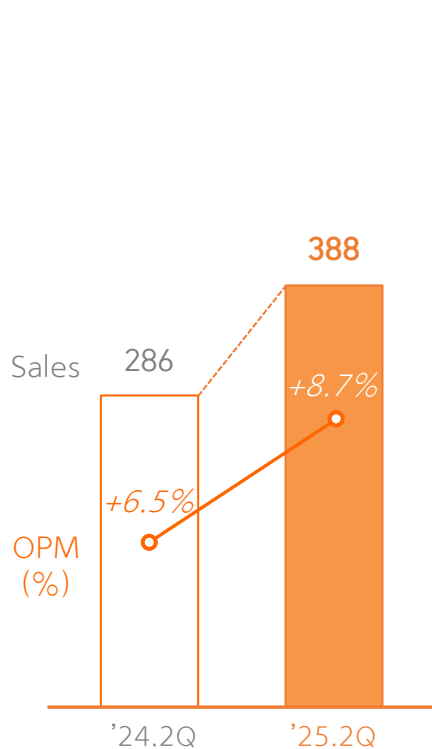
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(KRW billion, %)

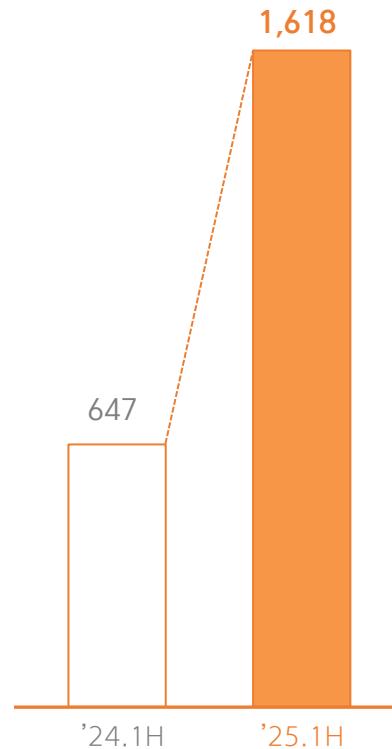
## Sales

Increased sales and enhanced operating margin based on delivery of high profit engine



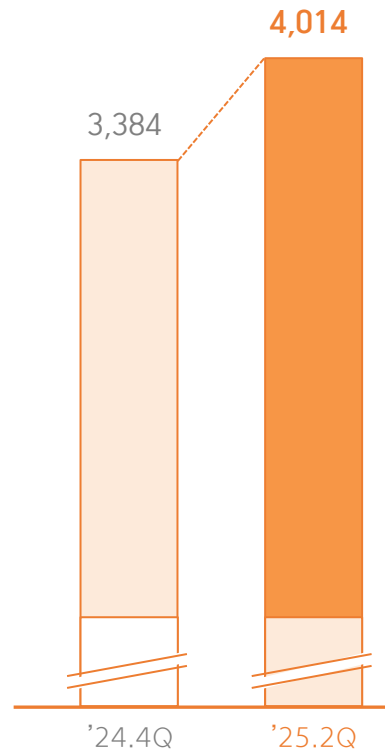
## New Orders

Increased by 150% YoY (Among marine engine orders, C/C accounts for 87%)



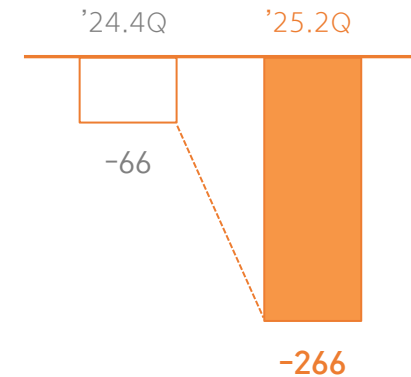
## Backlog

C/C orders from China drives order backlog (DF engines accounts for 87%)



## Net Debt

Gross Debt : KRW 71 B  
Cash and short-term financial instruments : KRW 337 B



- ✓ Sales : KRW 388B
- ✓ Operating Profit: KRW 34B with 8.7% OP margin

(KRW Billion)

	'25.2Q	'24.2Q	YoY	'25.1Q	QoQ
<b>Sales</b>	<b>388</b>	<b>287</b>	+101	<b>318</b>	+70
COGS(%)	(88.2%)	(90.5%)	(Δ2.3%p)	(89.0%)	(Δ0.8%p)
Gross Profit	46	27		35	
SG&A	12	8		13	
<b>Operating Profit</b>	<b>34</b>	<b>19</b>	+15	<b>22</b>	+11
OP margin(%)	(8.7%)	(6.5%)	(+2.2%p)	(7.0%)	(+1.7%p)
Interest Income & Expense	1	Δ1		0.2	
Gain/Loss on F/X	Δ17	2		Δ0.3	
Other Gain & Loss	Δ3	Δ2		Δ2	
Pretax Profit	15	18	+3	20	Δ5
Tax	Δ7	4		1	
Net Profit	22	14	+7	19	+2

(KRW billion, %)

### Key Features

**1 Sales + KRW 101 B YoY**

Quarter	Marine Engine	Non-Marine Engine	Total
3Q23	145	43	188
4Q23	240	38	278
1Q24	249	44	293
2Q24	239	47	286
3Q24	254	42	296
4Q24	279	47	326
1Q25	273	45	318
2Q25	347	41	388

- **Marine Engine** : Since Q4 2023, more than 30 units have been delivered on a stable basis
- **Non-Marine Engine** : AM maintained growth, SCR temporarily down from Tier III tech diversification

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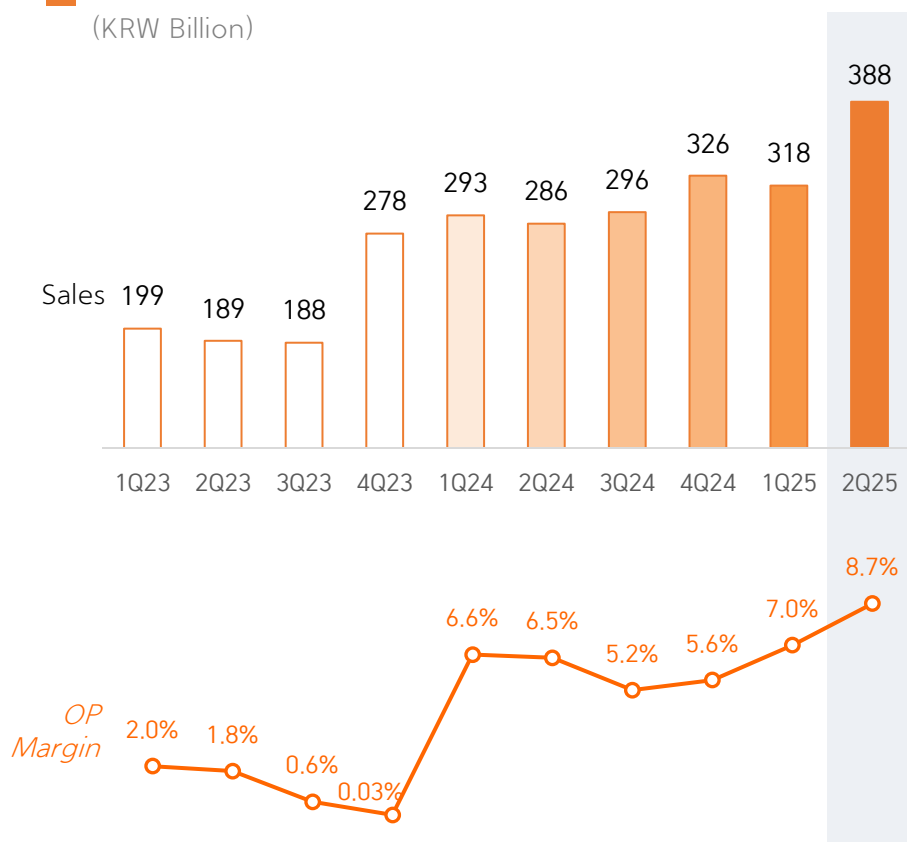
**2 Operating profit KRW 34 B**

- Cogs/Sales ratio improved ('24.2Q 90.5% → '25.2Q 88.2%)
- Most of delivered PJTs are composed of contracts since 2H 2022, whose operation margin is driving OPM enhancement

- ✓ 2Q 2025 Sales KRW 388B
- ✓ Contract margin enhancements from 2H 2022 get down to be delivered.

## Quarterly Sales & OP Margin

(KRW Billion)



## Sales Breakdown

(KRW Billion)

Marine Engine  
(+45% YoY)

- Increased engine sales from well-balanced customer portfolio

	2Q24	2Q25	+/-
H/O	115	146	31
SHI	81	109	29
CHINA	41	90	50
Others	4	2	△2
<b>Total</b>	<b>239</b>	<b>347</b>	<b>107</b>

Non-Marine Engine  
(△13% YoY)

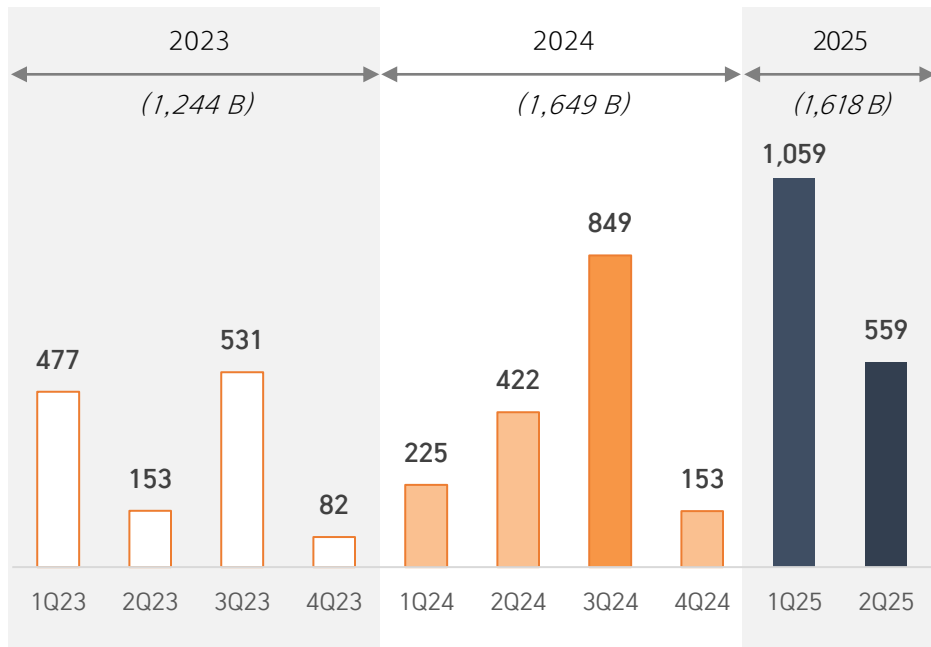
- High-margin AM sales is sustaining growth  
Temporarily SCR revenue is reduced from due to adoption of other Tier III

	2Q24	2Q25	+/-
AM	37	37	-
SCR etc	10	4	△6
<b>Total</b>	<b>47</b>	<b>41</b>	<b>△6</b>

- ✓ DF engines\* account for 85% of new contracts in 2025 1H
- ✓ Container ships made up 87% of marine engine orders

## Quarterly New Orders

(KRW Billion)



## Proportion of DF engine Orders

(KRW Billion)

구분	FY21	FY22	FY23	FY24	'25.1H
Diesel engine	394	266	55	279	227
DF engine (%)	474 (55%)	1,341 (83%)	985 (95%)	1,315 (82%)	1,304 (88%)
Marine engine	868	1,607	1,039	1,594	1,531

## Proportion of DF engines by ship type

(%)

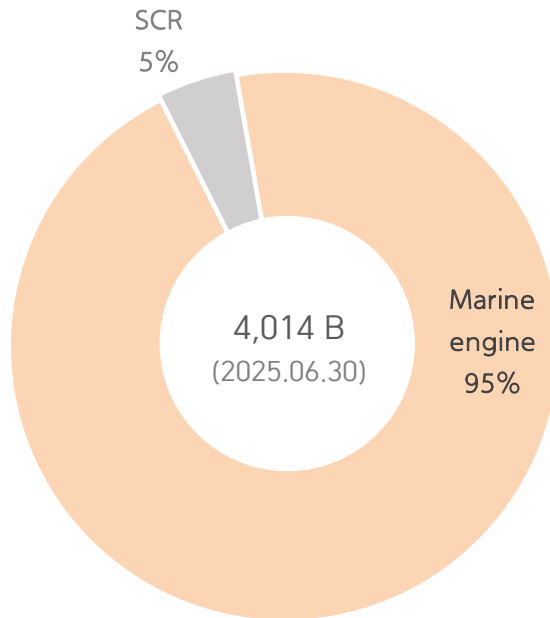
구분	FY21	FY22	FY23	FY24	'25.1H
Bulk	100%	36%	3%	-	-
Container	0.1%	69%	99%	100%	92%
LNGC	100%	100%	100%	100%	100%
Tanker	75%	3%	69%	8%	-
Total	55%	83%	95%	82%	85%

\*) DF engine: Dual-Fuel Engine

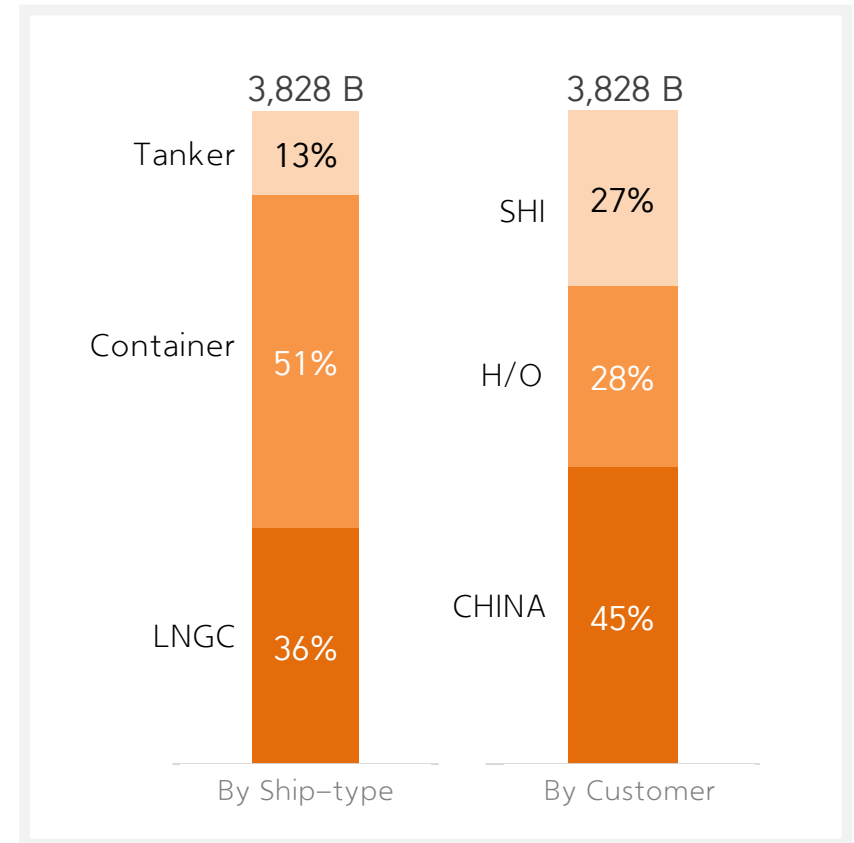
- ✓ Backlog covers approximately 3 years of deliveries
- ✓ DF engines account for 87% of marine engine

## Backlog Breakdown

(KRW Billion, %)



## Marine engine Backlog



✓ Net Debt :  $\Delta$ KRW 266 B , Net Debt ratio 232%

(KRW Billion)

	'24.12	'25.2Q	+/-
Current Assets	785	854	69
Non-current Assets	628	576	$\Delta$ 52
<b>Total Assets</b>	<b>1,413</b>	<b>1,430</b>	<b>17</b>
Current Liabilities	587	529	$\Delta$ 58
<i>Advance Receipts</i>	<i>225</i>	<i>203</i>	<i><math>\Delta</math>9</i>
Non-current Liabilities	433	471	38
<i>Long-term Advance Receipts</i>	<i>253</i>	<i>374</i>	<i>121</i>
<b>Total Liabilities</b>	<b>1,020</b>	<b>1,000</b>	<b><math>\Delta</math>20</b>
Paid-in Capital	83	83	-
Capital Surplus	350	352	2
Retained Earnings	$\Delta$ 71	$\Delta$ 36	35
AOCI	31	31	-
<b>Total Equities</b>	<b>393</b>	<b>430</b>	<b>37</b>
Net Debt	$\Delta$ 66	$\Delta$ 266	$\Delta$ 200
Debt ratio	260%	232%	$\Delta$ 28%p

## Interest-bearing Debt

(KRW Billion)

	'24.12	'25.2Q
Bank loan	30	30
Corp. Bonds	44	41
<b>Gross Debt</b>	<b>74</b>	<b>71</b>
Cash and Short-term financial instruments	140	337
<b>Net Debt</b>	<b><math>\Delta</math>66</b>	<b><math>\Delta</math>266</b>

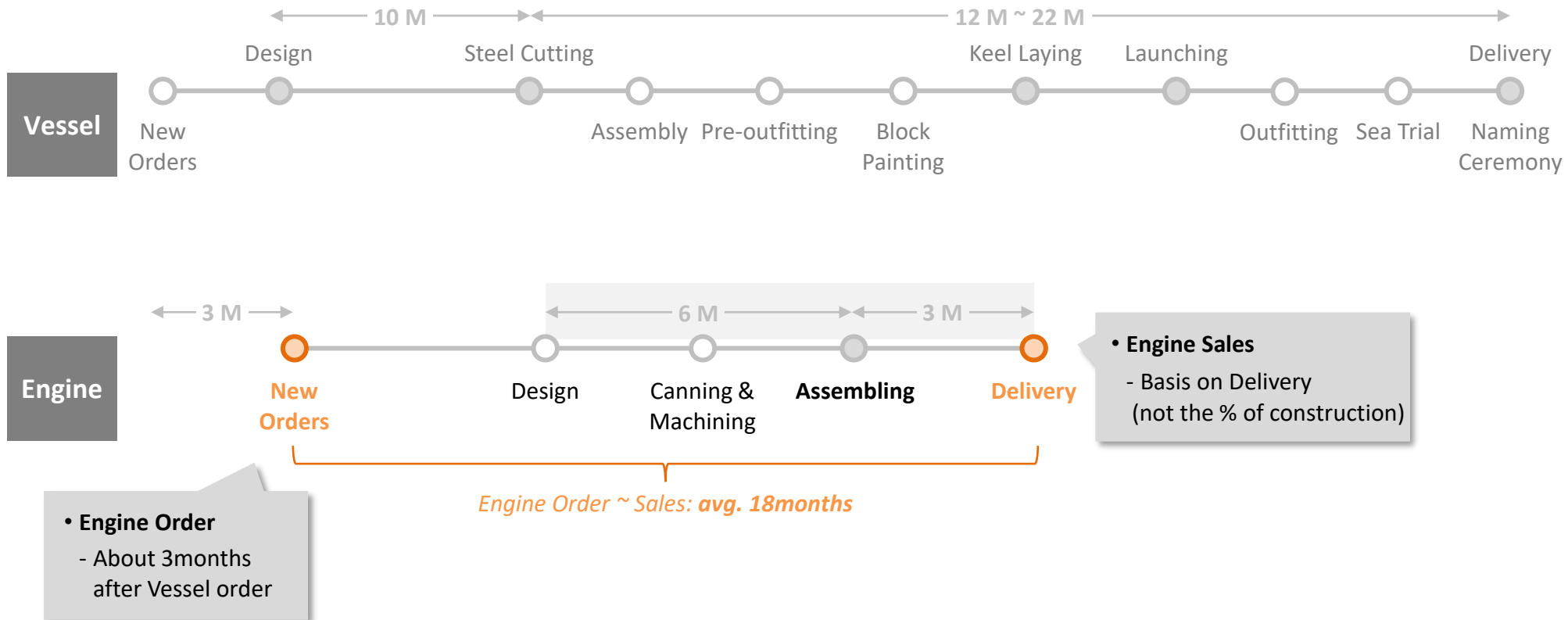
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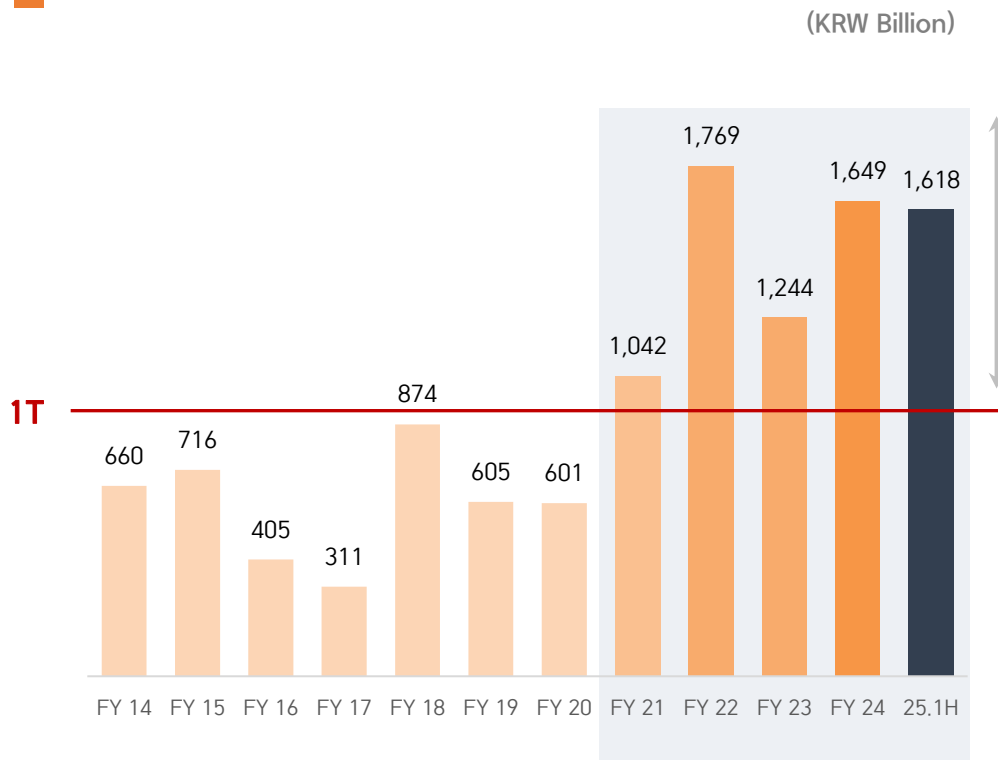
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## Shipbuilding & Engine manufacturing Process

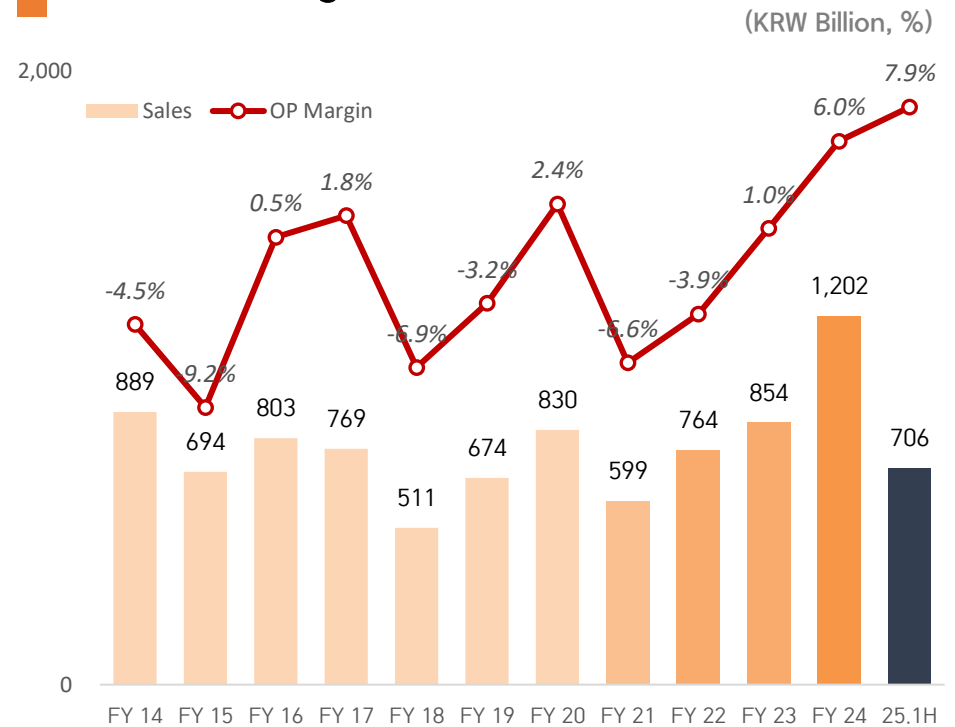


- ✓ Over KRW **1T** in annual orders since 2021; shifted to normalized margins from 2022.
- ✓ Achieved KRW 1.6 trillion in new orders just in H1 2025.

## New Orders



## Sales & OP margin



## LTSA Contract Highlights

### 1 PAN OCEAN LTSA

- 5 years ('25 ~ '29)
- LNG Carriers, VLOC, etc.

#### Main Services

- Scheduled Spare parts
- Unscheduled parts
- Comprehensive Care Service



[Feb 27, 2025] Hanwha Engine signed LTSA with Pan Ocean

### 2 K-MARINE LTSA

- 5 years ('25 ~ '29)
- VLOC, etc

## EPLO Applications

### MSC EPLO Frame Agreement

- 5 years

#### Main Services

- Turbocharger upgrade
- Component Replacement
- Engine Output Optimization

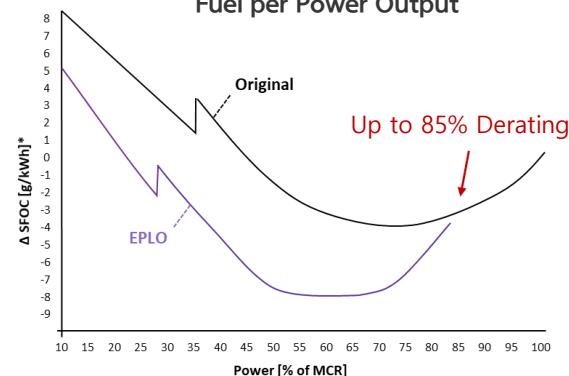
### EPLO (Engine Part Load Optimization)

: Eco-friendly retrofit

enhancing fuel efficiency via partial-load optimization.

- ✓ With Accelleron: Custom **engine optimization**
- ✓ 3% reduction in fuel and CO<sub>2</sub>, Improved **CII rating**
- ✓ **Longer** engine life, **lower** maintenance

#### Fuel per Power Output



#### [2024 Höegh Autoliners EPLO]



- 8 Höegh Autoliners PCTCs
- 10g/kWh fuel reduction (5% savings)

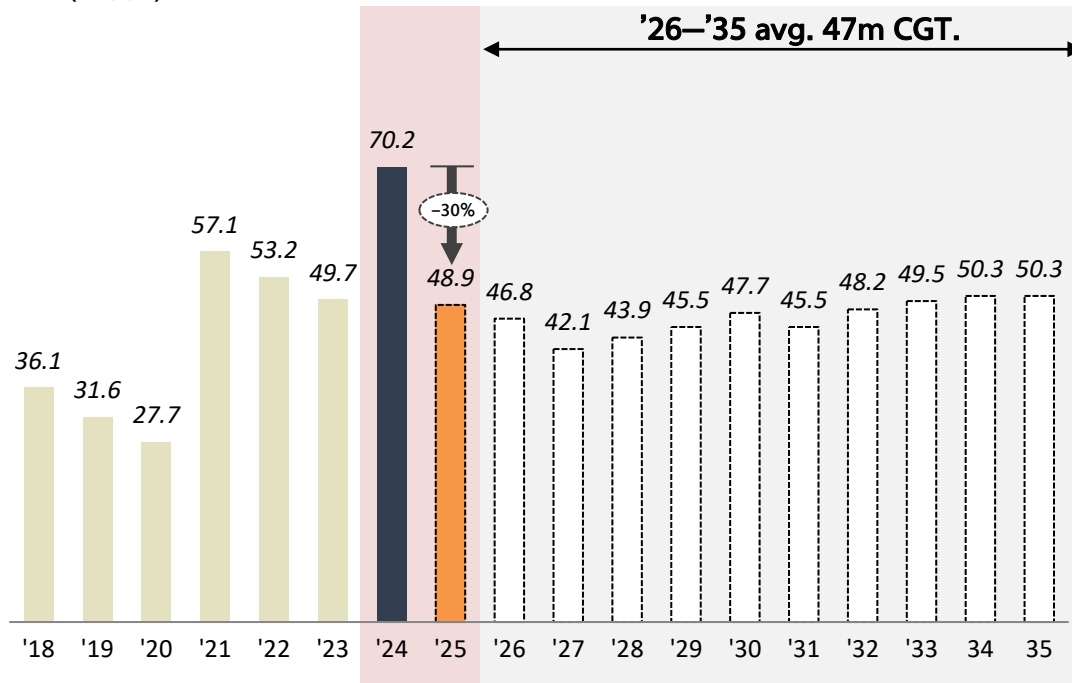
[Source: Accelleron Press Releases]

- ✓ 2025 new contracts are expected to decline by 29% YoY ('24 70.2m.CGT → '25 48.9m.CGT)
- ✓ Mid- to long-term average ('26 ~ '33) expected at 47m CGT.

## MEPC<sup>1)</sup> 83 Brief (2025.04.07~2025.04.11)

### Global New Orders Outlook

(mCGT)



※ Source : Clarkson Forecast Report (Mar. 2025)

#### • Key Features

- World's first maritime carbon pricing scheme to take effect in H1 2027
- Vessels over 5,000 GT must meet GFI<sup>2)</sup> standards (Non-compliance: \$100-\$380/tCO<sub>2</sub>e to IMO)
- Base: 4% by 2028, 16% by 2030, 30% by 2035
- Direct: 17% by 2028, 21% by 2030, 43% by 2035
- Tier 1: GFI between Base and Direct
- Tier 2: Excess emitters
- Surplus Units credited, if compliant with GFI standards
- ; however, Remedial Units (RU) must be purchased if non-compliant with standards.
- RU prices: Tier 1 - \$100/tE CO<sub>2</sub>eq, Tier 2 - \$380/tE CO<sub>2</sub>eq.

#### • Future projections

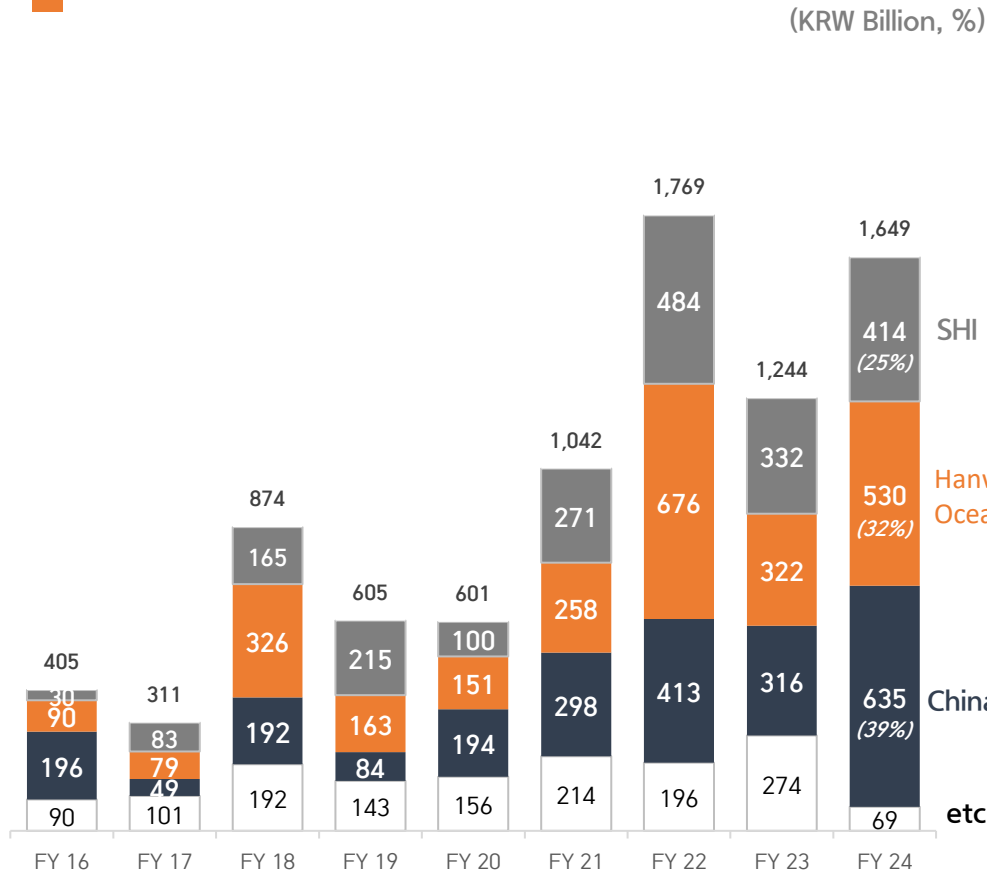
- Eco-friendly, low-emission fuel engine demands will grow fast
- Korean yards will be benefited from demand for eco friendly vessels.

1) MEPC: Marine Environment Protection Committee

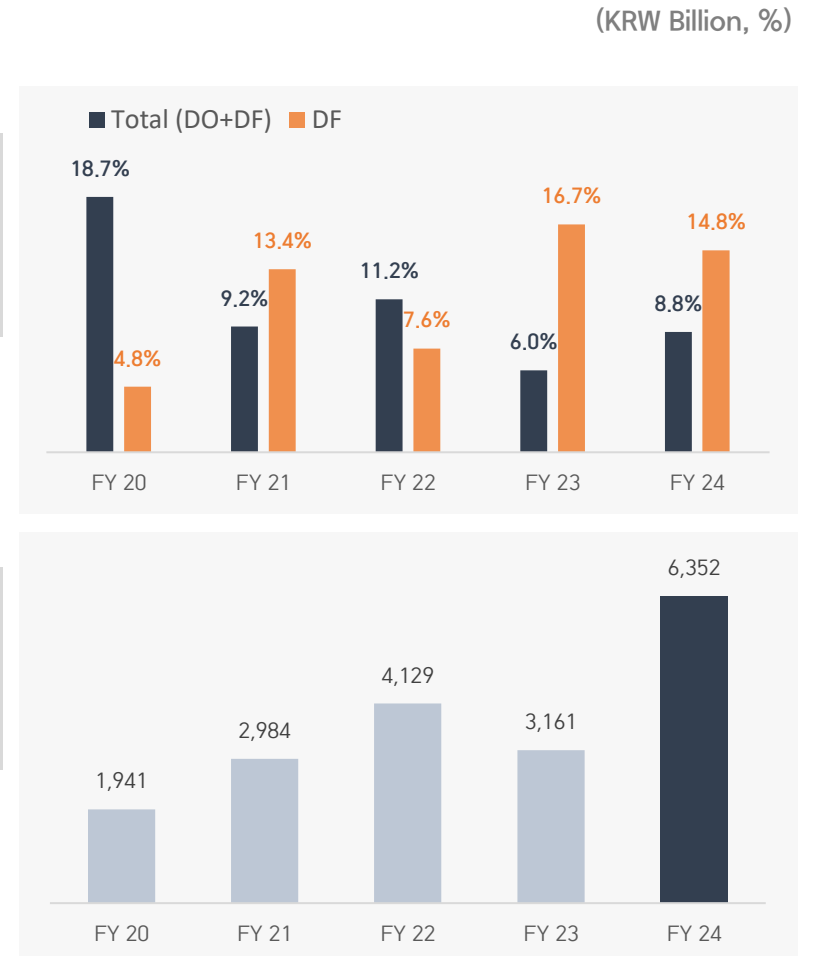
2) GFI: GHG Fuel Intensity

✓ balanced revenue sources : Samsung Heavy Industries, Hanwha Ocean, and Chinese shipyards.

## Order Breakdown by customer



## Chinese market



## 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	₩83.4bn [2024.12.]
No. of Employees	825 [2024.12.]

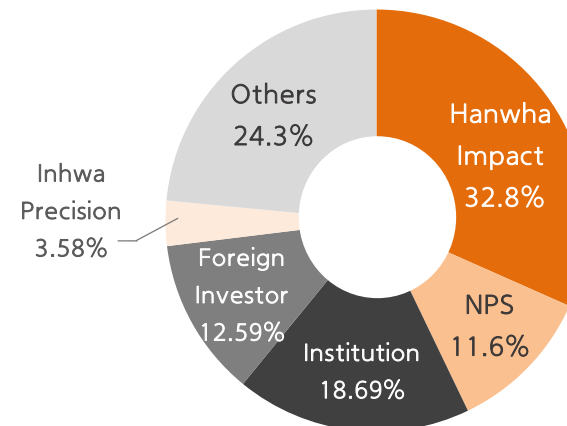
## Business Areas

(KRW Billion, %)

Business Areas	2024 Revenue	Weight
Marine Engine	10,223	85%
AM	1,447	12%
SCR	329	2.7%
Powerplant	23	0.3%
<b>Total</b>	<b>12,022</b>	<b>100%</b>

## Shareholders

(As of 2025.06.30)





## Changwon Plant (Headquarter)



## Hanwha Engine Two stroke Engine (Low-Speed Engine)

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

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

**Licensors** Everllence(f.k.a. MAN-ES), Win-GD

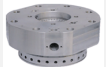
**Customer** Ship Builder (e.g. SHI, H/O, Yangzijiang, NTS)



## Hanwha Engine AM Business *(After Market Business)*

### Major Products

CYLINDER COVER



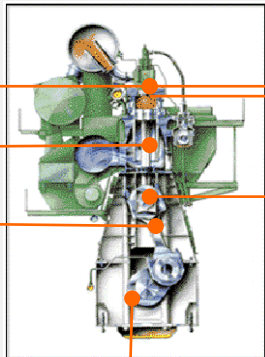
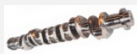
PISTON ROD



CONNECTING ROD



CRANK SHAFT



SPINDLE GUIDE



PISTON CROWN



CROSS HEAD PIN



**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 Solution

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

#### Digital Solution

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