

# **HVCC OVERVIEW**

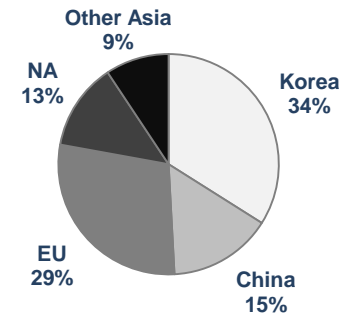


## Positioned for Growth

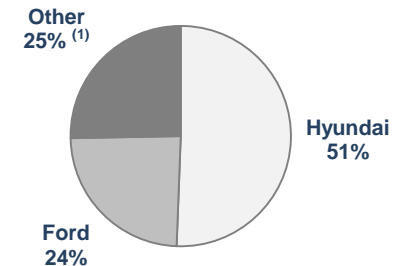
- ✓ Clear #2 global climate player, with 13% market share
- ✓ Leading product and technology portfolio
- ✓ One of only two “full-line” suppliers
- ✓ Customer-focused solutions provider with a worldwide presence
- ✓ Global manufacturing footprint supporting OEMs
- ✓ Gaining share in growing markets

## Sales Breakdown

### By Region

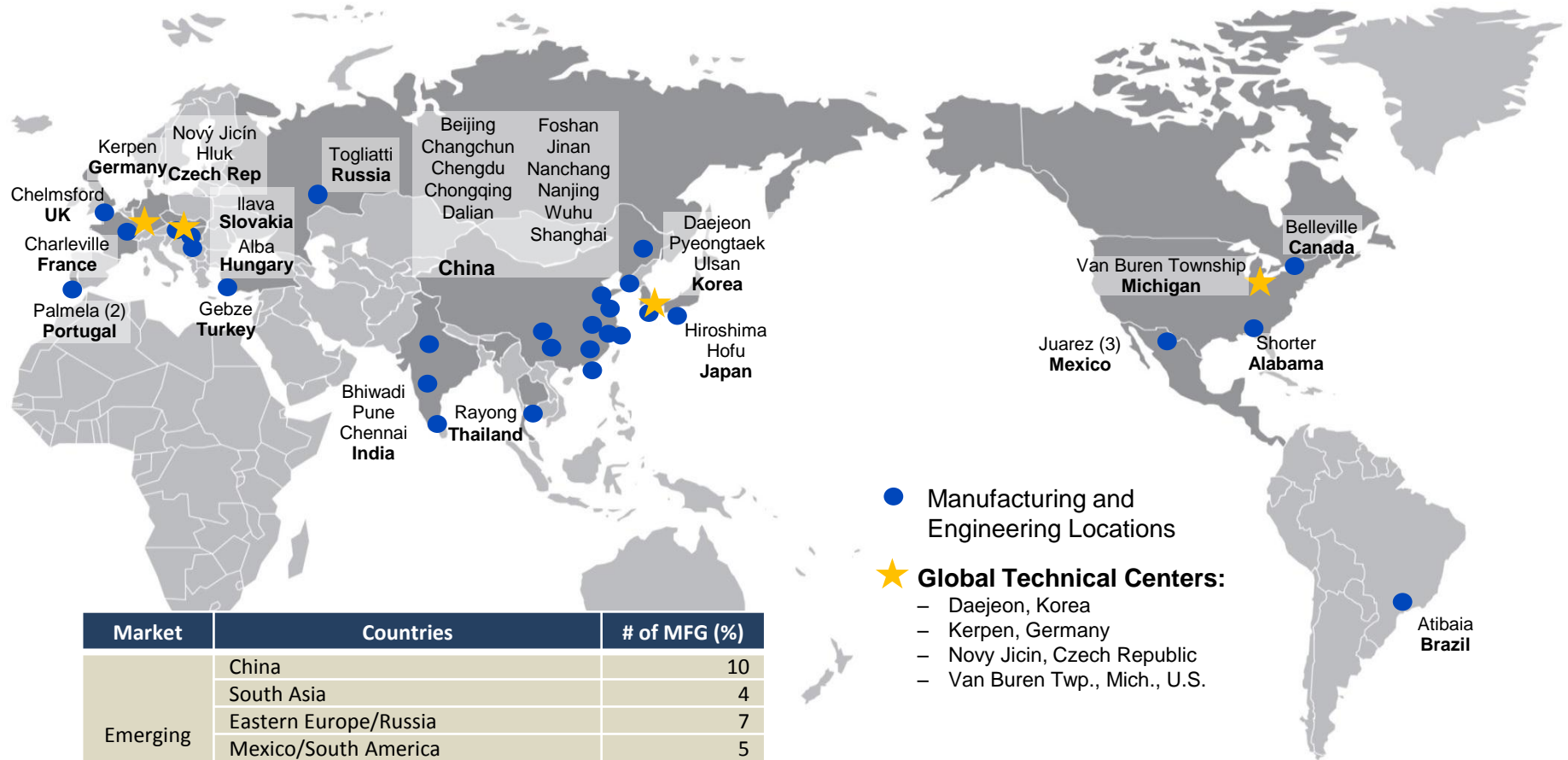


### By Customer



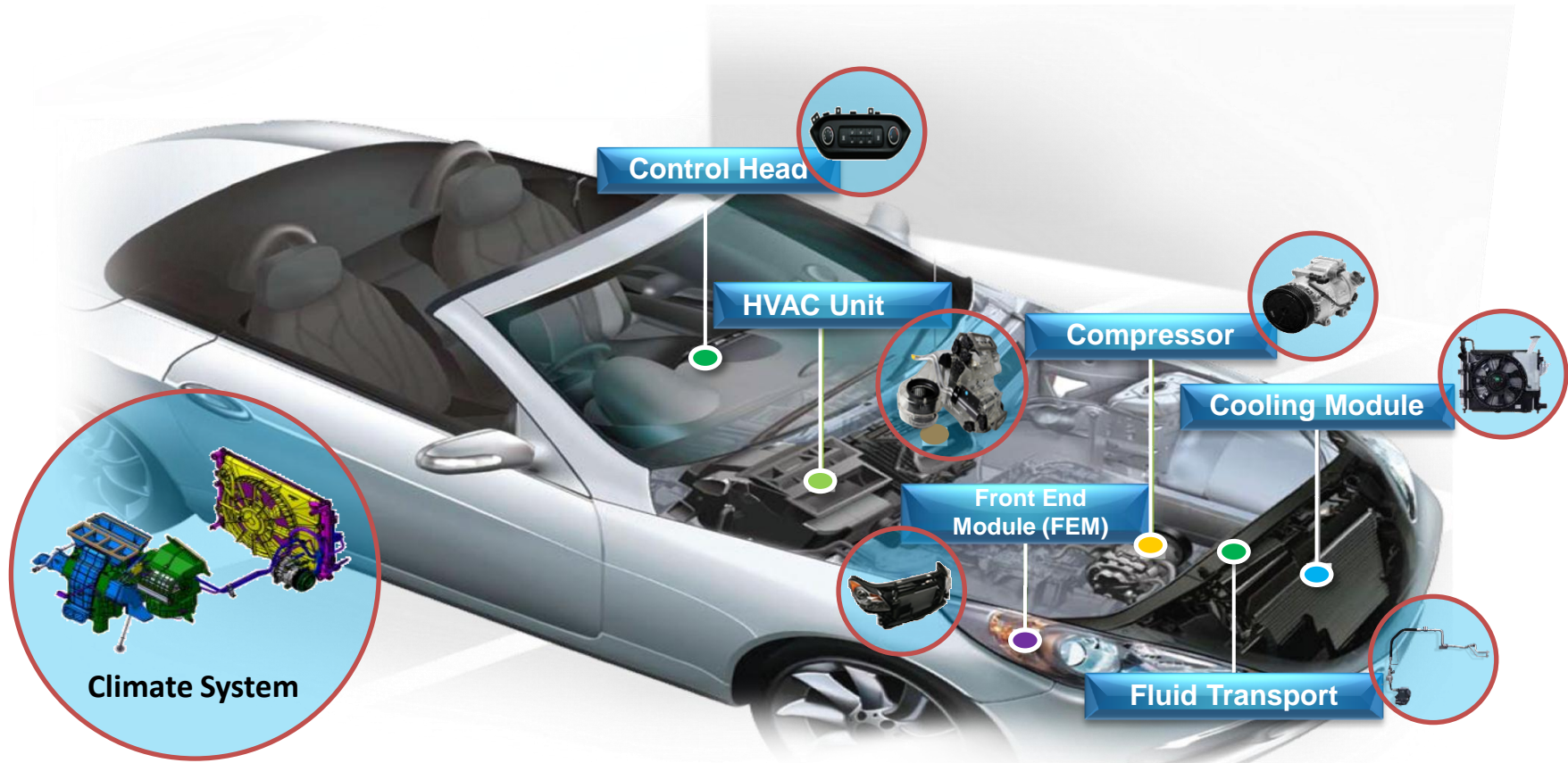
## A World-Class Climate Organization

Note: (1) Multiple customers all under 2% share

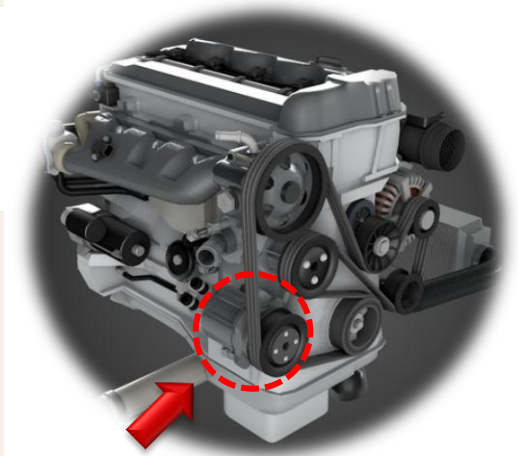
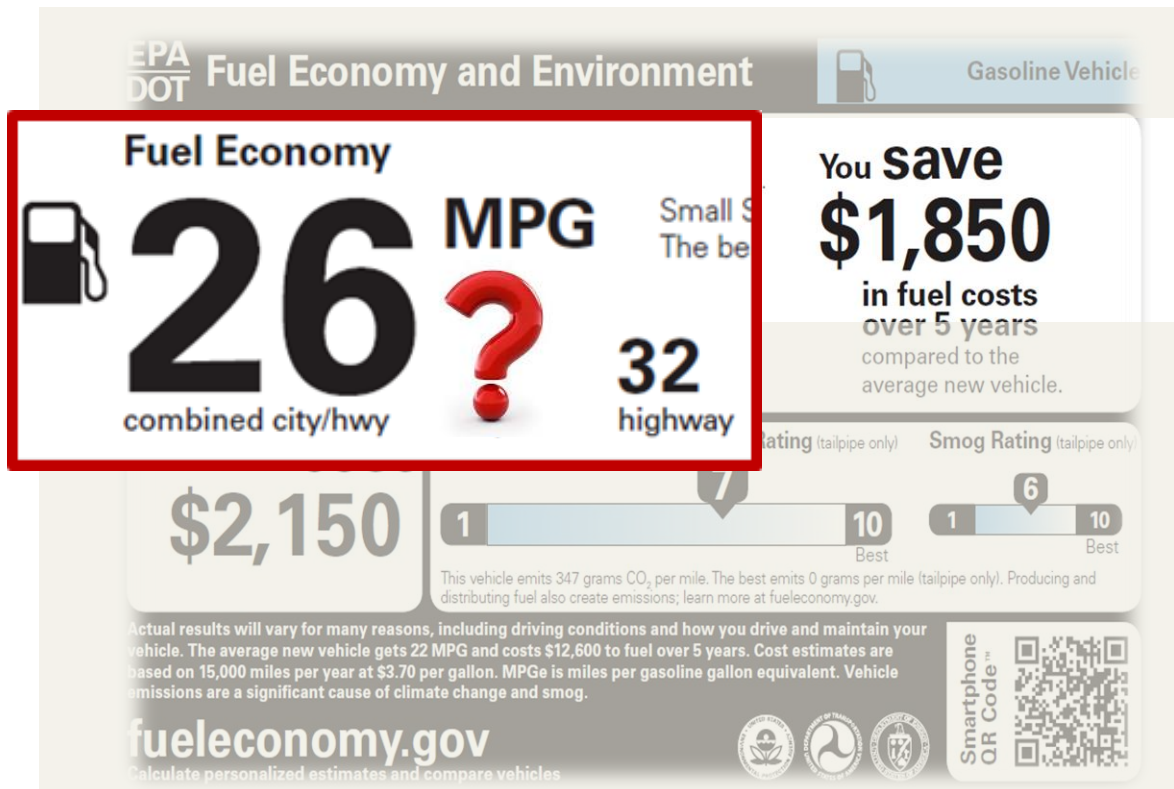


Market	Countries	# of MFG (%)
Emerging	China	10
	South Asia	4
	Eastern Europe/Russia	7
	Mexico/South America	5
	Subtotal	26 74%

**35 Manufacturing Facilities and Four Technical Centers**  
**Headquarters: Daejeon, Korea**



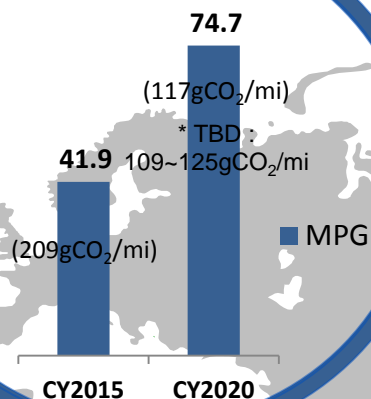
One of Two Full-Line Systems Providers



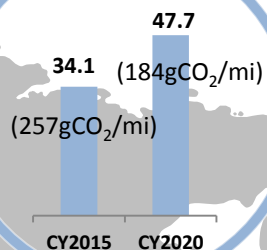
**Compressor**

**A/C System Operation Impacts Fuel Economy**

## Europe

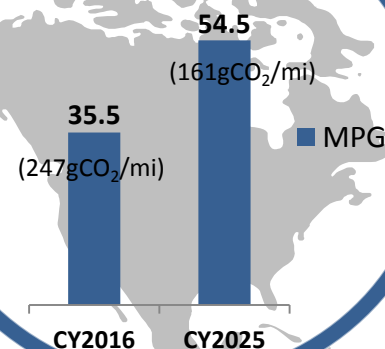


## China



\* Legislated by Chinese governments

## North America



A/C Regulation

EU

From 2017

Ban R134a refrigerant

\* Legislated by EU Committee

A/C Regulation	EPA	2009-2025	A/C emission credit available	CO <sub>2</sub>
	NHTSA	2017-2025	CAFE credits available	MPG

\* EPA : Environmental Protection Agency

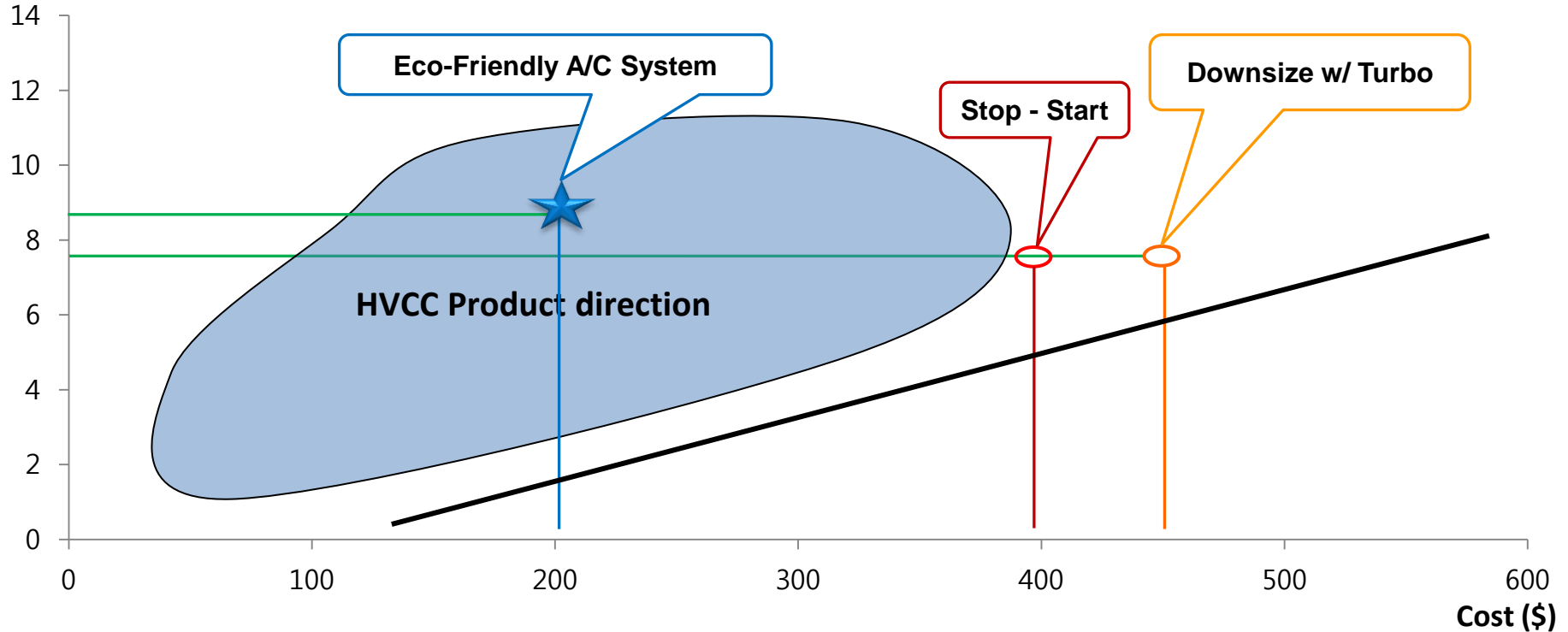
\* NHTSA : National Highway Traffic Safety Administration

\* CAFE: Corporate Average Fuel Economy

\* Legislated by EPA and NHTSA

## Strict Fuel Economy Standards and Emissions-Related Regulations

Fuel Efficiency (CO<sub>2</sub> Reduction, %)



\* Source: EPA-420-D-09-901

**Value Added Products and Market Appreciable Product Provider**





- Demand increase for HEV / EV / FC
- Alternative refrigerant systems
  - R744 and R1234yf



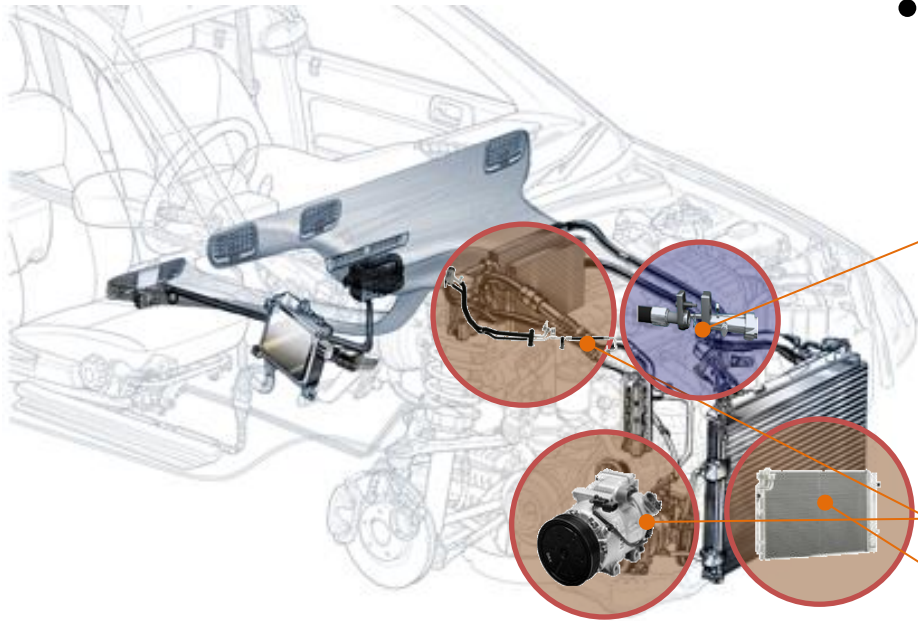
- Cabin air quality
- Comfort control
- Reduced noise, vibration and harshness (NVH)



- High efficiency system for fuel economy
  - Engine downsizing with turbo charger
  - Weight reduction
  - Heat recovery

Solutions That Address Market and Industry Demands





- **Conventional products to meet regulations:**

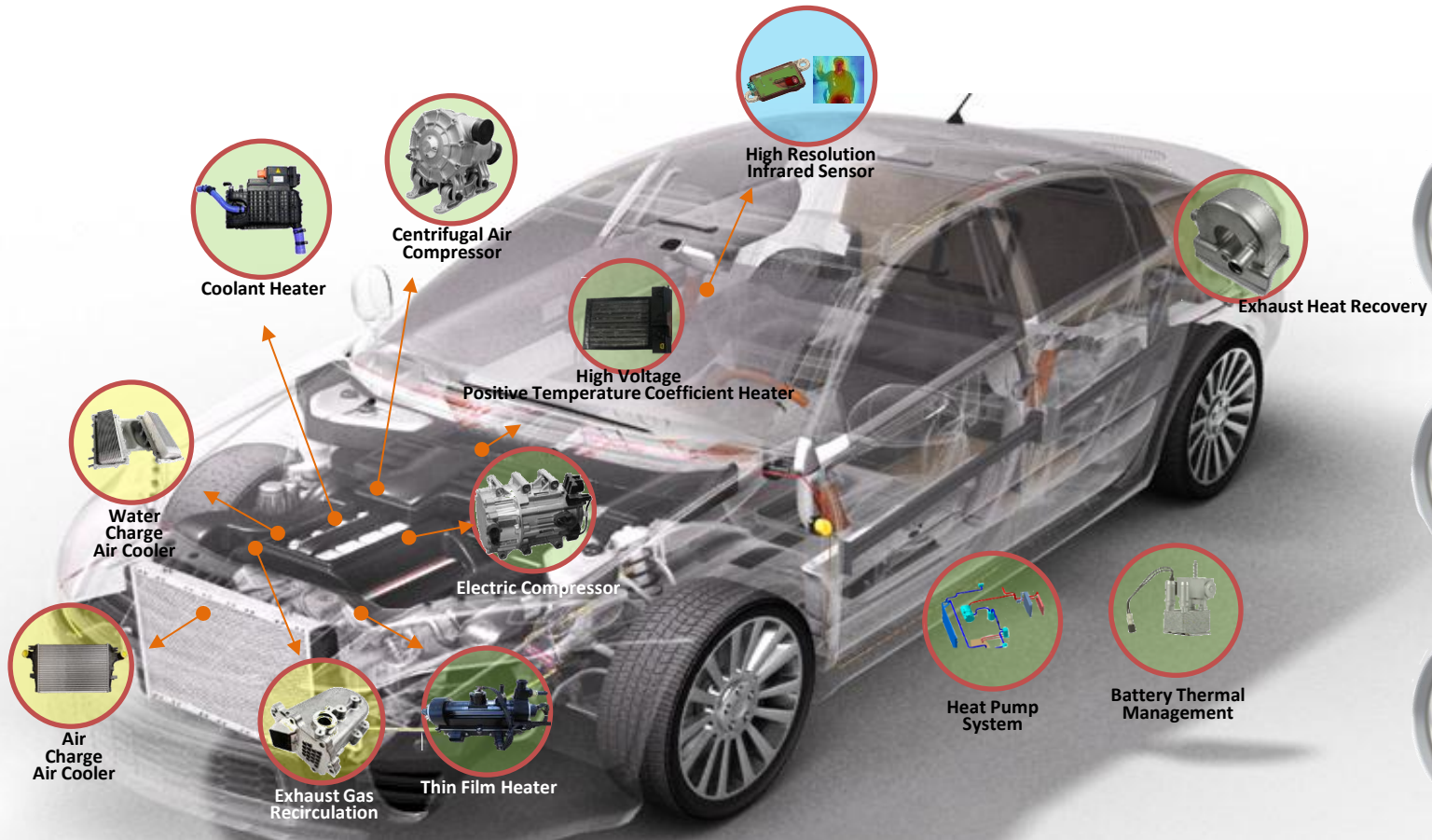
- **Direct contribution**

- Metal Seal Fitting
    - R744 System
    - 1234yf System

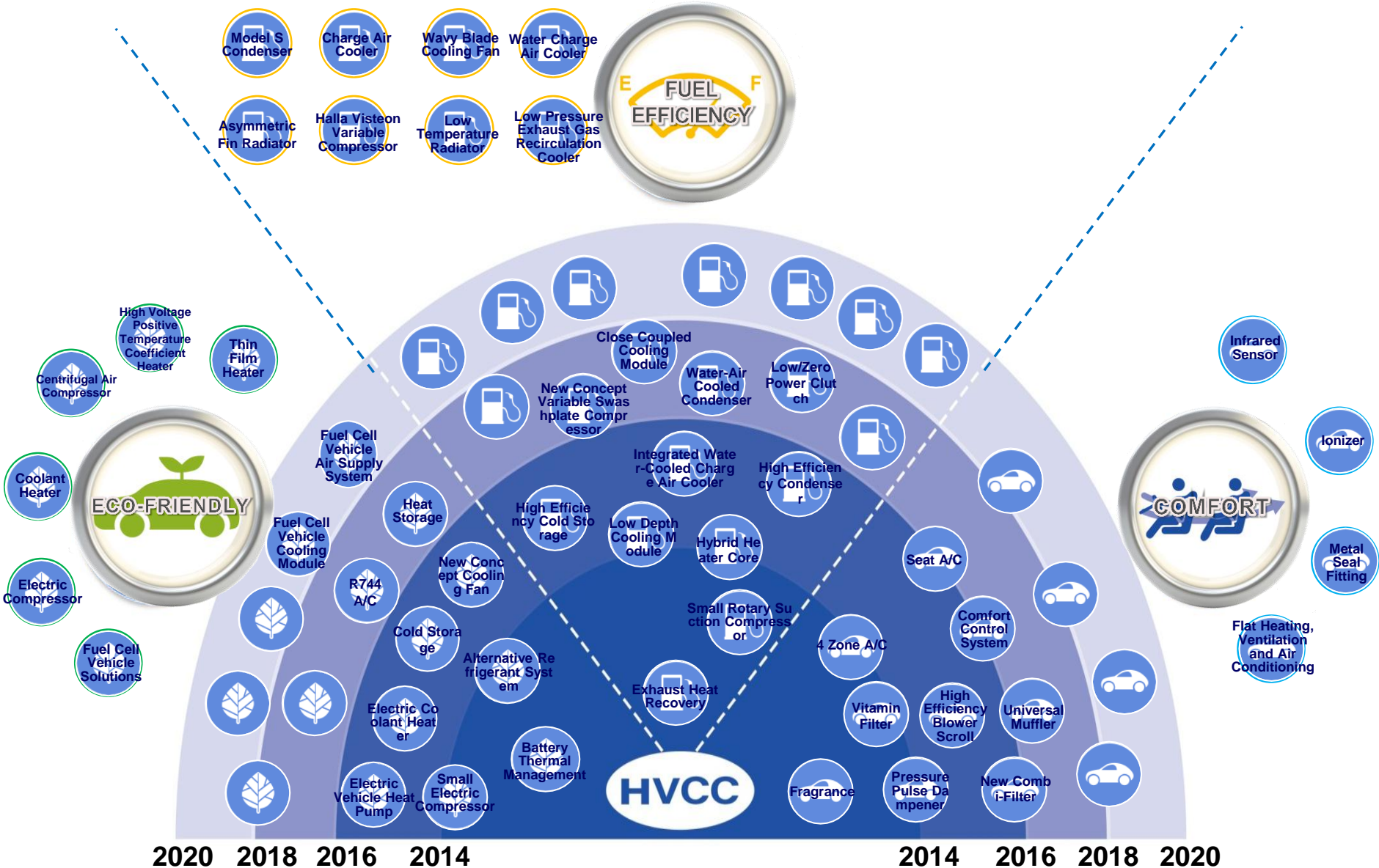
- **Indirect contribution**

- VS Compressor
    - Internal Heat Exchanger (HEX)
    - Improved Condenser and Evaporator

**Conventional Market Appreciated Products**



# Technology Roadmap



**Wave Blade  
Fan**



**2007**  
PACE Award Winner

**Metal Seal Fitting**



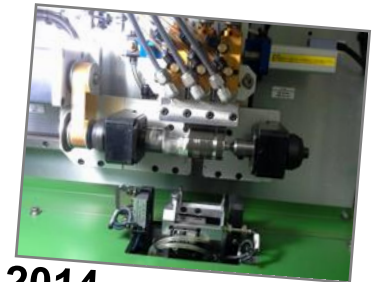
**2013**  
PACE Award Winner

**Centrifugal Air  
Compressor**



**2014**  
PACE Award Finalist

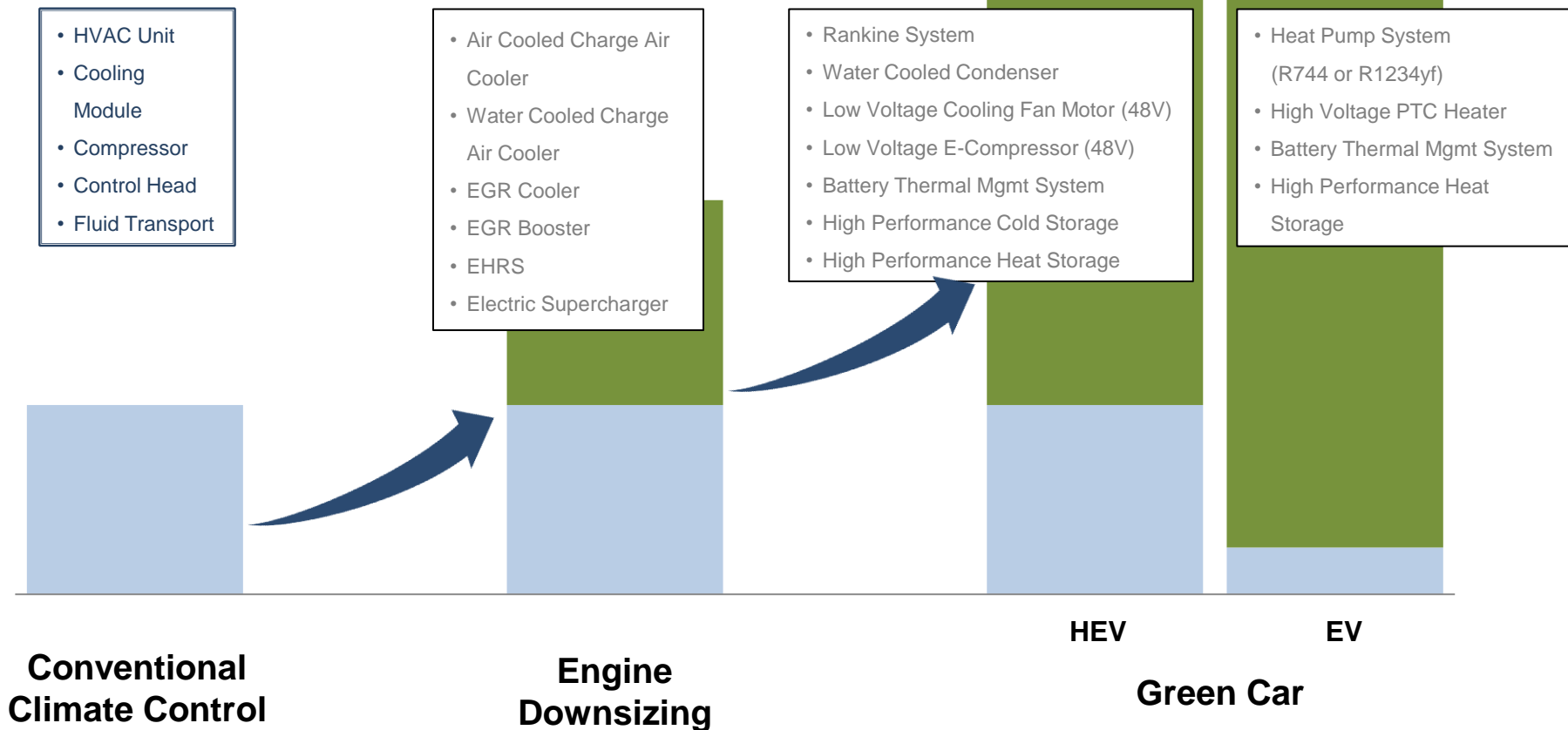
**Zero Waste  
Dispense Coating**



**2014**  
PACE Award Finalist

**Industry Recognition for Innovative Technology Development**

- New Products ASP (Full Contents base)
- Conventional Products ASP (System base)



**Significant Growth Potential Driven by New Products**

- ✓ Market-leading and differentiated solutions
- ✓ Ready to earn maximum A/C credit regarding U.S. regulation
- ✓ Focused on delivering innovative solutions that are eco-friendly, efficient and deliver comfort
- ✓ Above market growth through customer diversification and continuous stream of new products
- ✓ Margin performance based on operation efficiency and technical innovation






**Automotive Thermal Energy Management Solution Provider**



# Financials



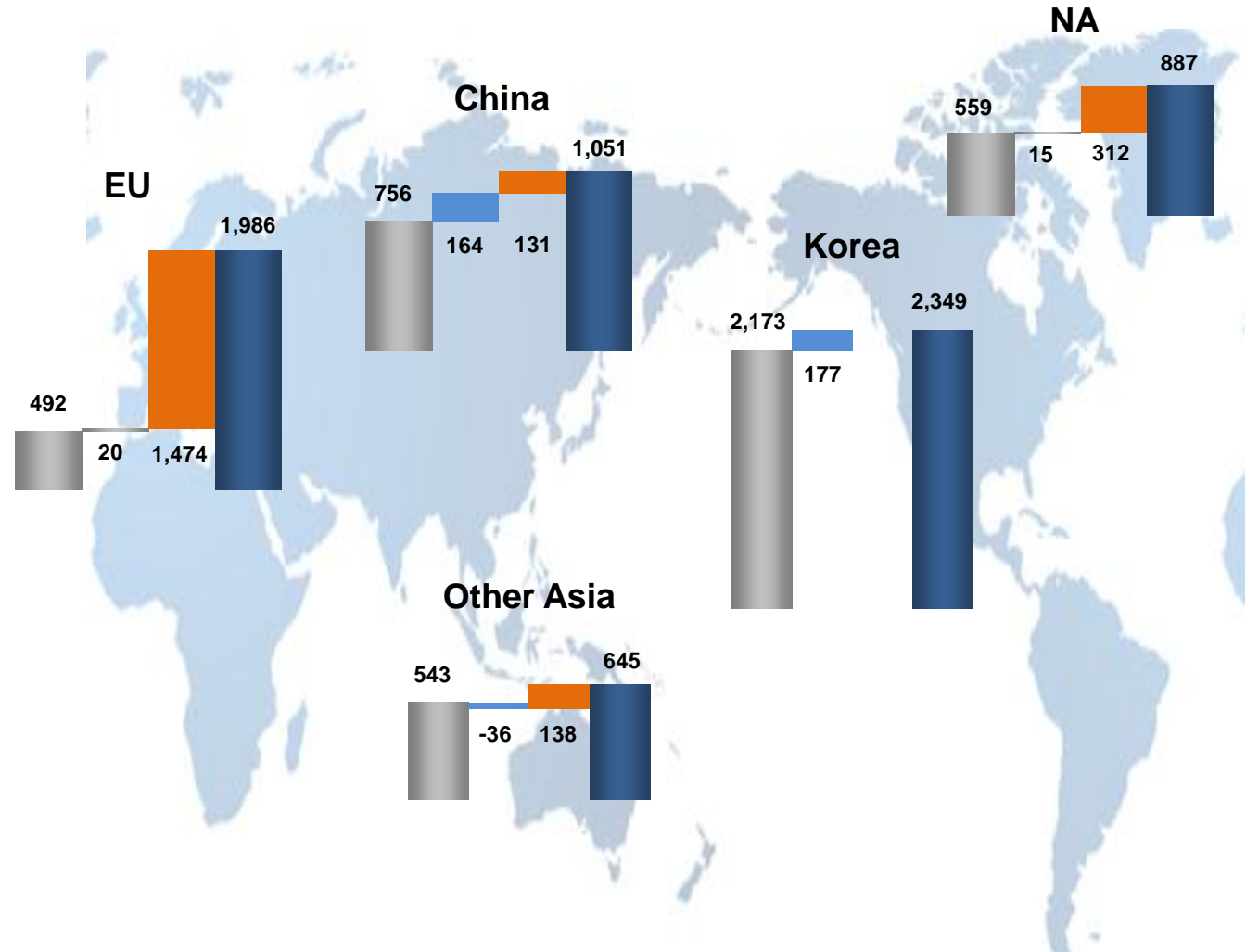
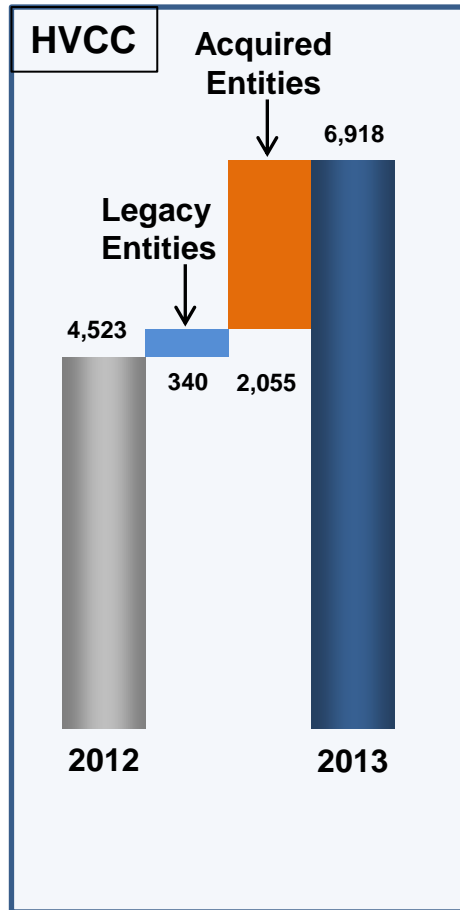
(K-IFRS / KRW in Billions)

	2012	2013	B/(W) 2012	Key Drivers
Sales	3,653	5,189	 1,536	<ul style="list-style-type: none"> <li>• Acquired plants</li> <li>• Volume</li> <li>• Customer pricing</li> </ul>
Operating Income	310 8.5%	364 7.0%	 54	<ul style="list-style-type: none"> <li>• Acquired plants</li> <li>• Volume</li> <li>• Operating efficiencies</li> </ul>
PBT	343 9.4%	397 7.6%	 54	
Free Cash Flow	143	225	 82	<ul style="list-style-type: none"> <li>• Reflects impact of business growth</li> </ul>
Net Cash	318	37	 (281)	<ul style="list-style-type: none"> <li>• Impact of acquisition, capital spending and dividend payout offset partially by operating cash flow</li> </ul>

**Sales and Profit Improvement Driven by Acquisition and Volume**

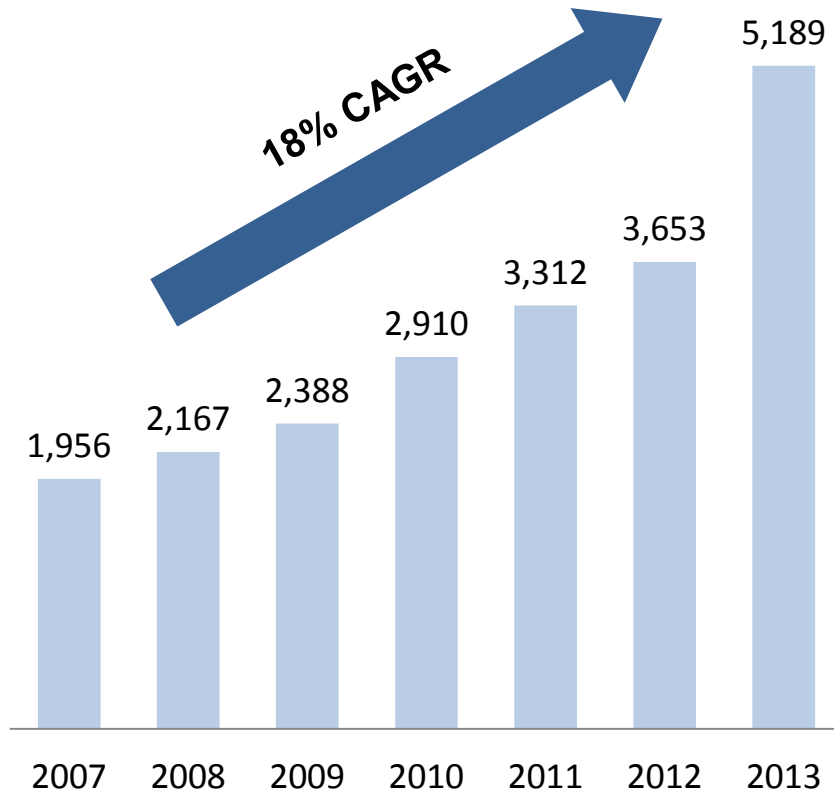
# 2013 Sales Growth by region

(KRW in Billions, Un-eliminated Revenue)

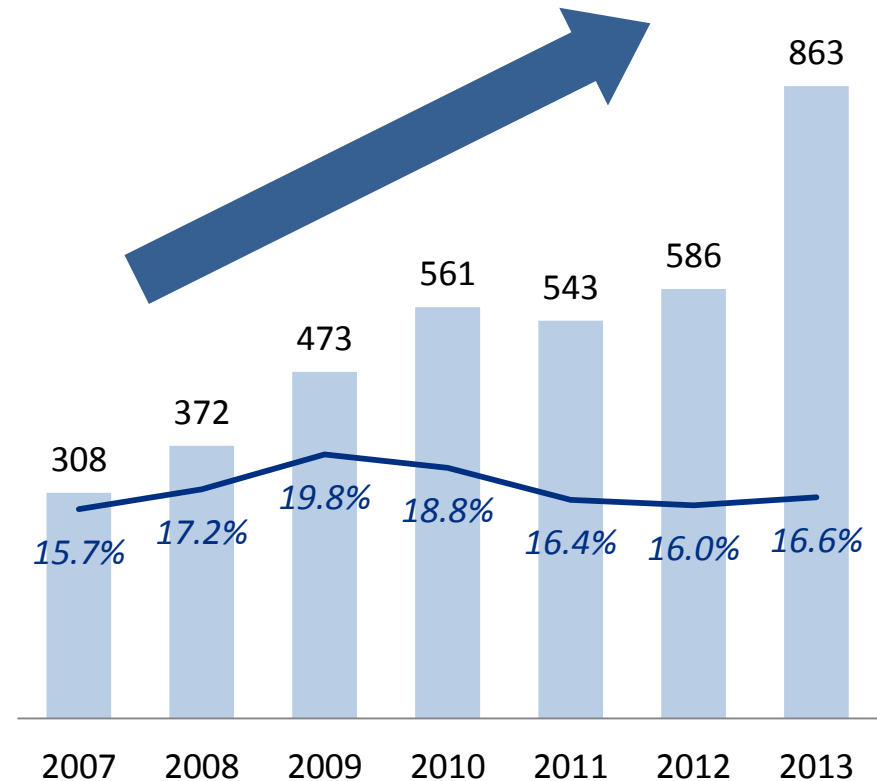


Sales Growth Driven by Acquisition and Customer Volume

## Sales

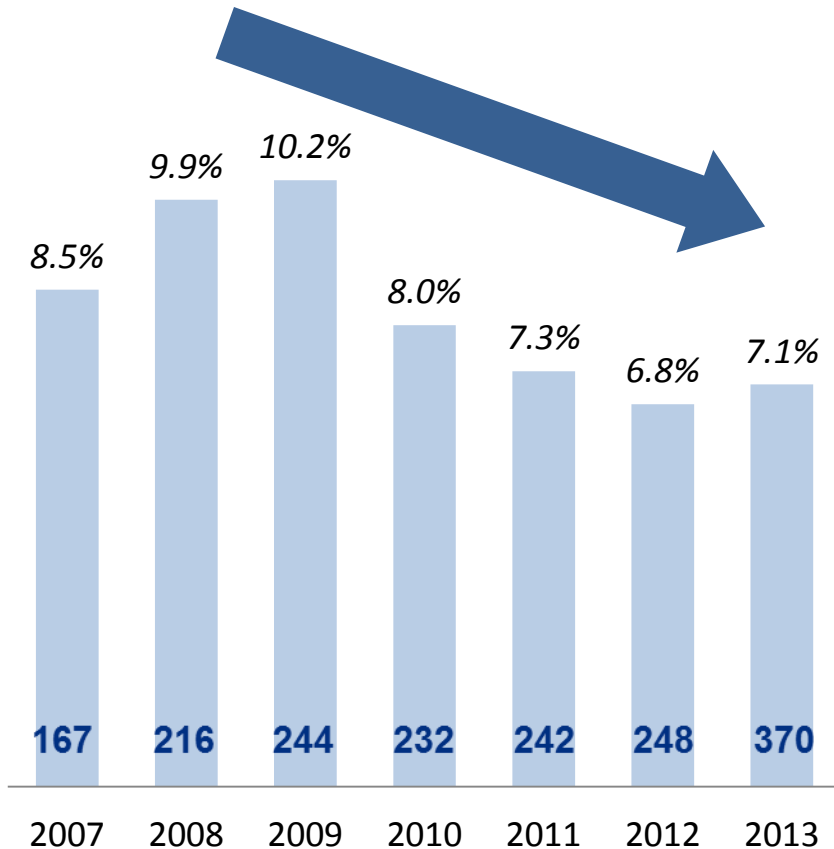


## Gross Profit

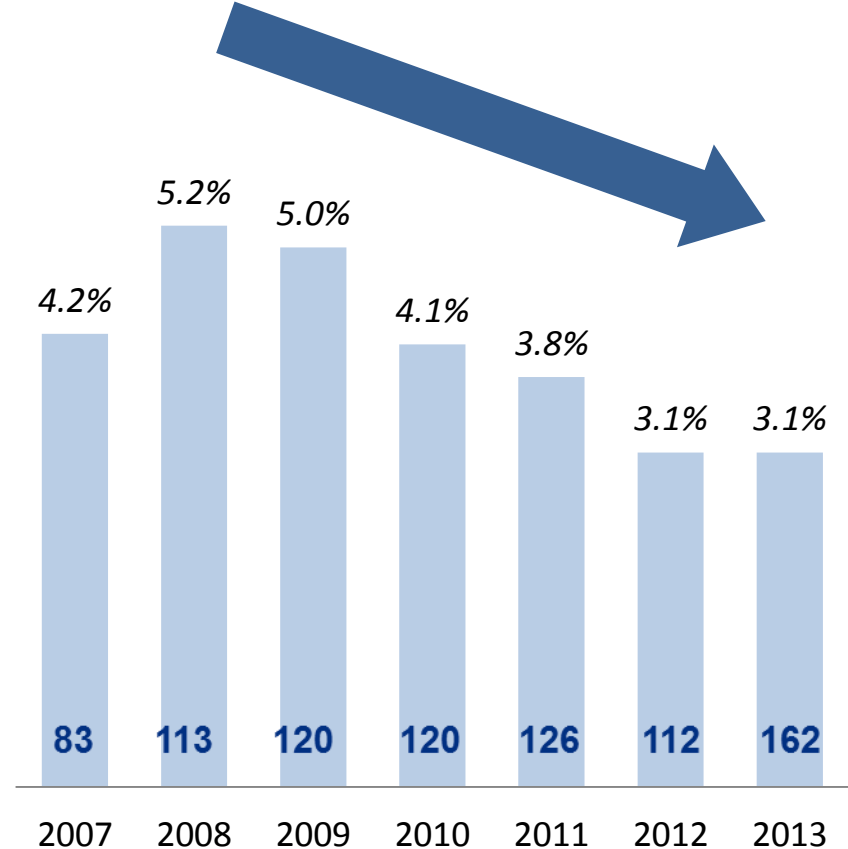


**Robust Historical Sales and Gross Profit Growth**

## SG&A Expense as % of Sales



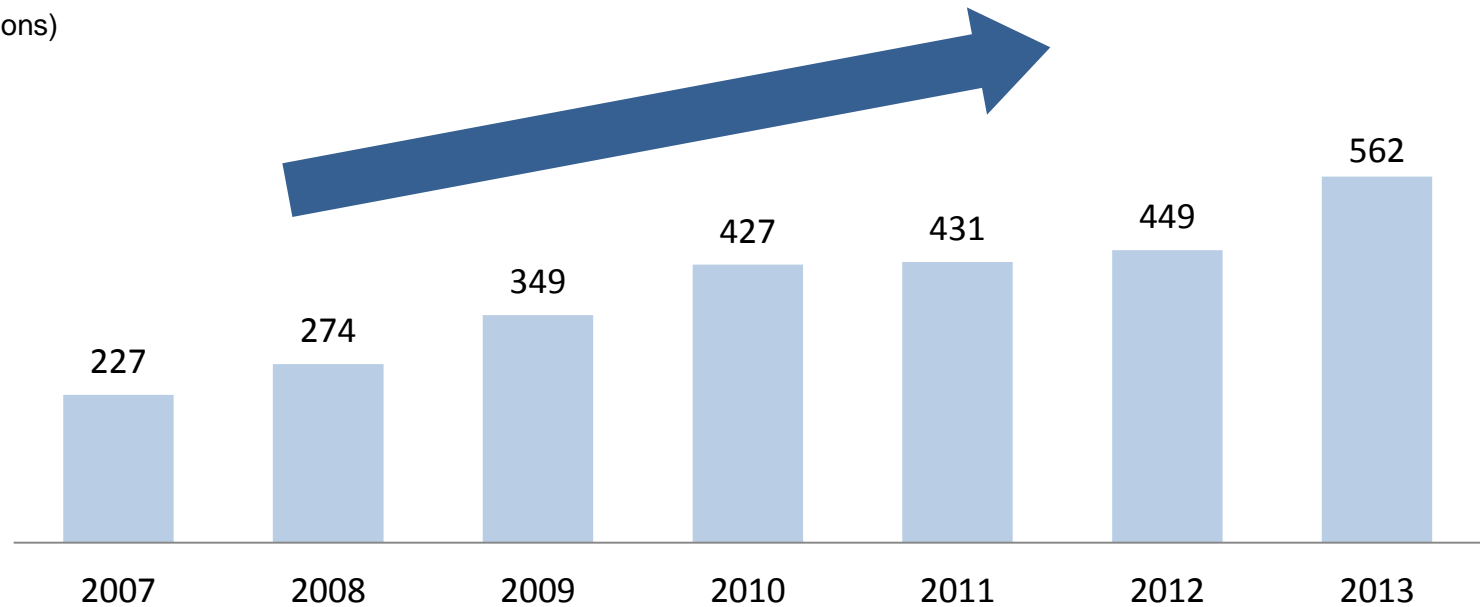
## D&A Expense as % of Sales



Note: SG&A less "ordinary development cost"

**Intense Focus on Fixed Cost Structure**

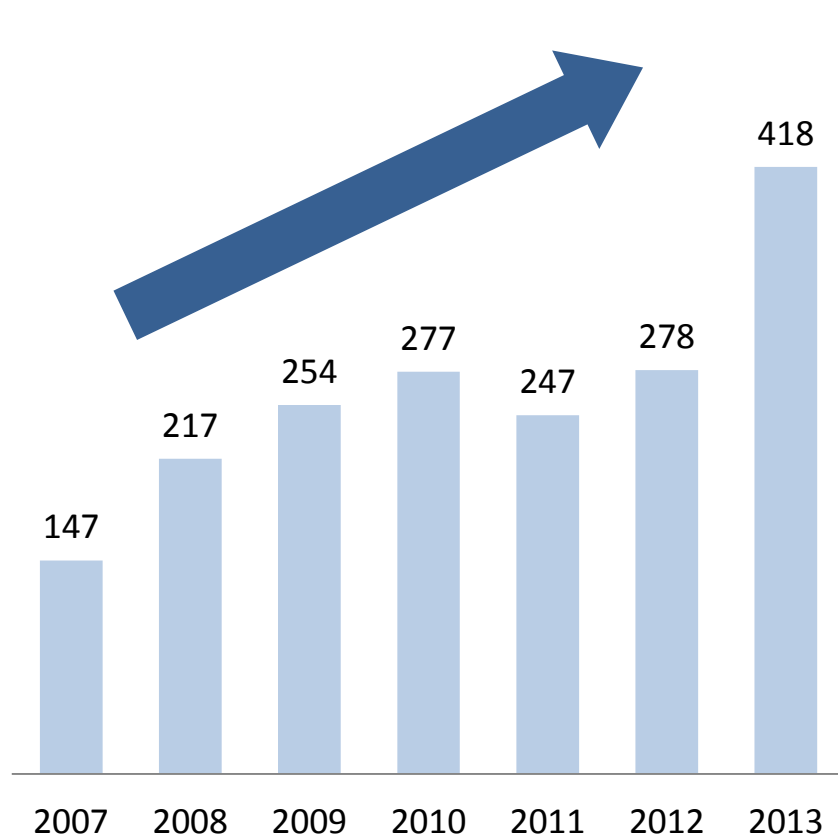
(K-IFRS / KRW in Billions)



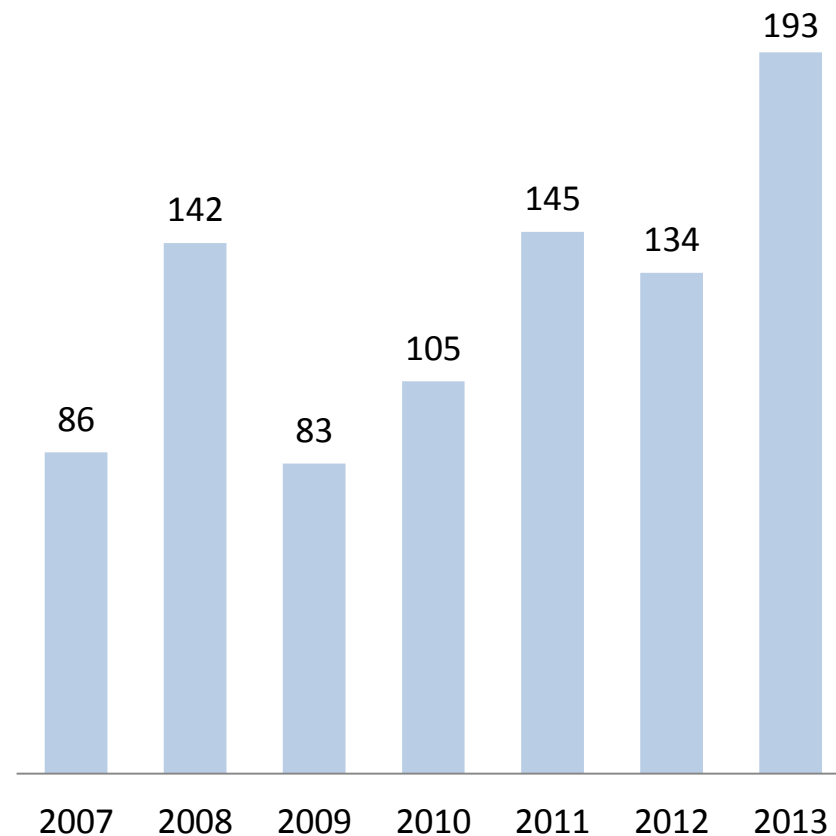
	2007	2008	2009	2010	2011	2012	2013
Net Income	108	104	166	219	234	245	312
Taxes	45	56	60	92	77	97	85
Interest	(9)	1	3	(4)	(6)	(5)	3
D&A	83	113	120	120	126	112	162
EBITDA	227	274	349	427	431	449	562
% Margin	11.6%	12.6%	14.6%	14.3%	13.0%	12.3%	10.8%

**EBITDA Improvement Driven by Sales Growth and Profit Improvement**

## Operating Cash Flow

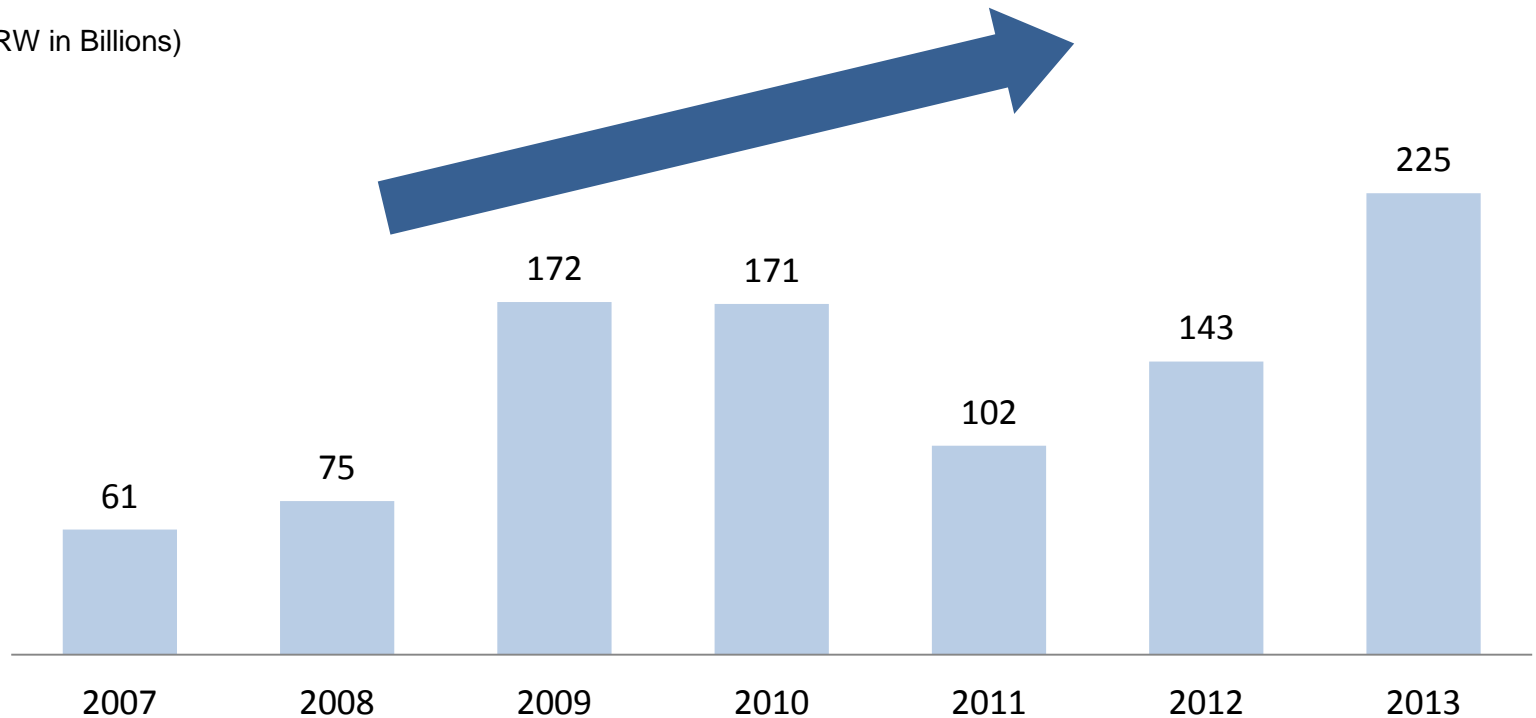


## Capex



**Strong Operating Cash Flows with Disciplined Capital Expenditures**

(K-IFRS / KRW in Billions)



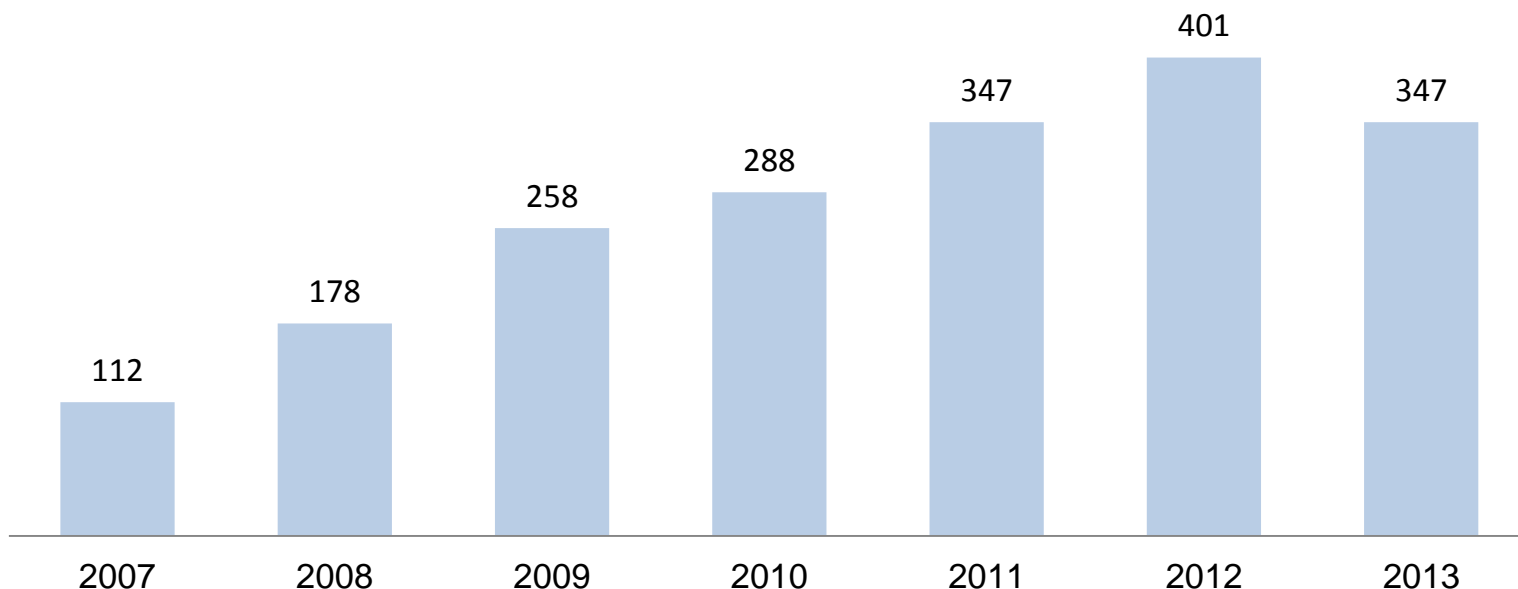
Operating CF	147	217	254	277	247	278	418
Capex	86	142	83	105	145	134	193
<b>Free Cash Flow</b>	<b>61</b>	<b>75</b>	<b>172</b>	<b>171</b>	<b>102</b>	<b>143</b>	<b>225</b>

**Robust Cash Flow Improvement Driven by Growth & Operations**



# Growing Cash Balances

(K-IFRS / KRW in Billions)



Cash	112	178	258	288	347	401	347
Debt	194	216	153	80	90	83	310
<b>Net Cash</b>	<b>(82)</b>	<b>(38)</b>	<b>105</b>	<b>208</b>	<b>257</b>	<b>318</b>	<b>37</b>
Dividend Payment	32	32	35	56	77	75	77

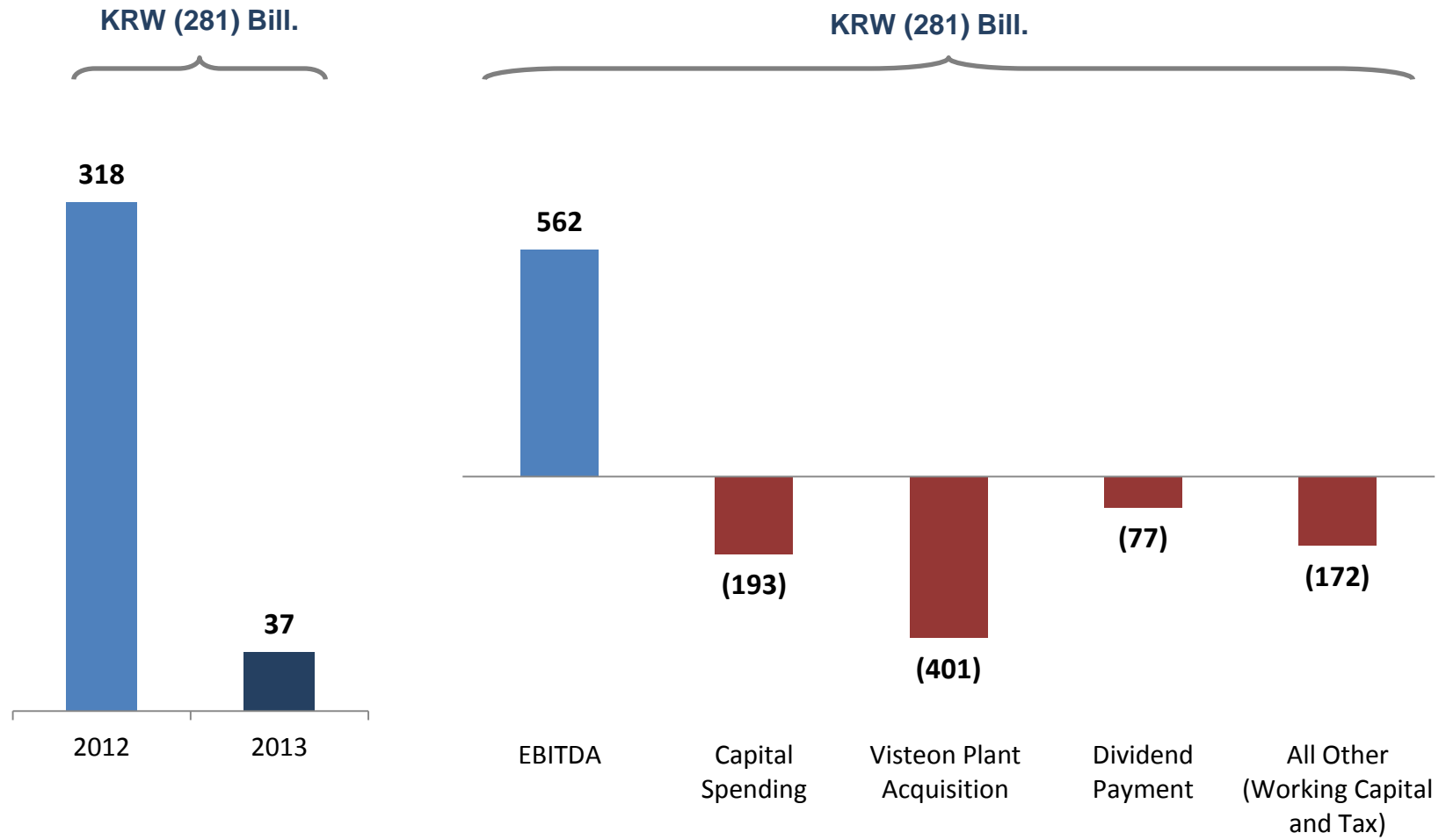
\* 2014 Dividend approved: KRW 103 bln

**Growing Cash Balances**

# Net Cash Flux -- 2013 vs. 2012

(KRW in Billions)

## Net Cash Change



- ✓ Solid growth in 2013 driven by customer volumes and acquisition
- ✓ Strong balance sheet providing flexibility for the future
- ✓ Business generating significant free cash flow
- ✓ Growing dividend payouts

# Thank You!



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